GK SOFTWARE

Annual Report 2013

THE RETAIL APPLICATION COMPANY

Summary of Consolidated Results

	31.12.2013	31.12.2012[1]	31.12.2011	Change (2012/2013)
Sales (EUR K)	42,458	28,426	31,753	49.4%
Total operating revenue (EUR K)	42,833	29,046	33,242	47.5%
Operating performance (EUR K)	45,285	30,704	33,971	47.5%
EBIT (EUR K)	1,045	1,233	6,654	(15.2)%
EBIT margin (on sales)	2.5%	4.3%	21.0%	
EBIT margin (on total operating revenue)	2.3%	4.0%	19.6%	
EBT (EUR K)	932	1,277	6,569	(27.0)%
Annual net income (EUR K)	601	1,051	4,564	(42.8)%
Earnings per share (weighted)[2]	0.34	0.59	2.55	
Earnings per share (diluted) (EUR)[3]	0.33	0.59	2.55	
Equity ratio	69.3%	63.9%	64.9%	
Net debt (EUR K)	(11,453)	(6,907)	(8,617)	65.8%

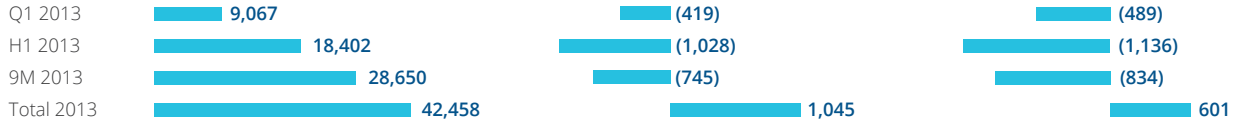
1 – The IASB published amendments to IAS 19 "Employee Benefits" in June 2011, which were adopted by the EU in June 2012. In principle, the amendments to IAS 19 need to be applied retrospectively to annual accounts for business years, which start on or after 1 January 2013. The data for the financial year 2012 has been adapted in order to be able to compare the results. More detailed information on the process of adapting the previous year's figures can be found in the explanations in the notes on the consolidated accounts at paragraph 1.3.

2 – The calculations are based on the average number of shares (1,791,370) entitled to share in the profits on 31 December 2013.

3 – Subscription rights to 24,675 shares in all had been issued to Group employees as part of the share option scheme by 31 December 2013. On the reporting date, they were "in the money". Using the rules for the exercise price for the options and their market value, the total number of shares needing to be taken into account was 1,803,735.

Developments in terms of quarters

Sales, EBIT, Surplus funds



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Letter from the Management Board

Dear shareholders,

We would like to take this opportunity of presenting you with the revised financial statement for the 2013 business year. The reason for the change in the financial statement was the reappraisal of an issue, which has been made in conjunction with the company's auditors. The issue only came to light when the auditors reviewed the financial report for the first quarter of the 2014 business year. As a result, we had to assign the statement for some expenditure to the previous year.[1]

We are delighted to be able to present you with our report on the 2013 business year. We are proud of the fact that this year - despite what were often difficult developments in business since the fourth quarter in 2012 - marked another chapter in the success story at GK SOFTWARE. This is not only true of the key economic figures, but

1 – Further information regarding the changes of the annual report in comparison with the originally released version can be found at "Adjustments to the consolidated accounts for 2013" at page 60 in the consolidated financial report.

also in terms of setting the direction for our future growth. We were able to expand our turnover by almost 50 percent to EUR 42.46 million in the 2013 business year. The IT Services business unit made a significant contribution to this process; it was formed from AWEK, which we acquired at the end of 2012. But fortunately, our core business associated with GK/Retail also grew by more than 14 percent. As we expected, the log-jam in investments in the retail sector is increasingly disappearing; the evidence for this was six new projects and a sales pipeline that continues to be strong. The EBIT did not match our expectations this year either, but exceeded the previous year's results at a figure of EUR 1.05 million. The EBIT margin related to turnover was 2,5 percent. This produced annual net income of EUR 0.60 million and earnings per share of EUR 0.33.

As we expected, after some years of fairly week investments, far more projects reached the decision phase and, by working with SAP, we were able to win several of these important ones. Our ability to secure a project with a strong focus on omni-channel retailing with the Swiss Migros Group shows us that we have evaluated the trends correctly and have created our range of software solutions accordingly. Companies around the globe are looking for comprehensive solutions for omni-channel retailing; but they need to not only meet current requirements, but hold out prospects for the future of retailing too. We therefore assume that our ongoing developments to the GK/Retail range of solutions in this direction have significantly increased our chances when bidding to win major international tender processes. However, it is still not completely possible to recognise all the principles in the omni-channel retailing business for retailers or they are not yet backed up by best practice experience; so we are expecting longer sales cycles in our sector in future too.

Our partnership with SAP has developed very well - not just because most of the new projects spring from our cooperation arrangement - but SAP significantly intensified its partnership with us during the 2013 business year too. The company gave the green light for our SAP-branded solutions for North America in the spring of 2013. We were able to gain the first significant North American customer in the shape of Bentley Leathers at the end of the year. SAP also presented our software solutions on its own exhibition stand at the NRF, the world's largest retail IT exhibition in New York, for the first time in January 2014. There is also long-term significance in the fact that SAP has announced that it is discontinuing its old POS solution (SAP POS/Triversity) and has introduced SAP Point-of-Sale by GK as its official migration path. This has opened up further potential for us, if existing SAP customers start to replace their Legacy products.

We should interpret the investment made at the end of 2013 in the form of an increase in share capital by SAP as a clear signal that the partnership with GK SOFTWARE is of great importance to our partner too. SAP acquired 5.29 percent of the shares in GK SOFTWARE and also agreed a pre-emptive right to purchase the shares of the founders Rainer Gläss and Stephan Kronmüller, which together make up 55.21 percent of the shares.

One important issue for the company involved the integration and new positioning of the AWEK Group, which we acquired at the end of 2012. In this field, we are able to report that we have largely completed this process and the AWEK results already exceeded our expectations in the 2013 business year. For example, we were almost able to achieve the turnover of the previous year and the restructuring process was completed faster than expected. This services portfolio is now strengthening what GK SOFTWARE is able to offer and is enabling us to appeal to customers and potential buyers in an even more comprehensive manner. It is also evident that the AWEK soft-

ware solutions enhance our portfolio in the field of the small and medium sized retail sector; it is hard to penetrate this field with GK/Retail. We are convinced that AWEK will make a very positive contribution to the overall results in the 2014 business year.

We were not only able to continue to record good results in our services business, but also gain six new projects; the one involving Migros in Switzerland stands out clearly because of the scope involved. Migros has opted to purchase the complete range of our products sold by SAP. This will be the first project where we introduce a comprehensive omni-channel concept and this will serve as a reference for future projects. Another important project, which will also have great value as a reference, is Bentley Leathers. The Canadian market leader for passenger baggage and camping equipment operates about 450 stores in North America. This project will also help us with partner training in North America and therefore as a blueprint for other projects. We have also been able to gain two very well-known customers in the shape of WMF and Kärcher. We shall provide the equipment for their direct sales lines. These projects and the one involving Bentley Leathers are set to reach the rollout phase during 2014; we have already achieved this with the MTH Retail Group, one of the leading non-food discount companies. We are providing the equipment for the sales lines, e.g. for Mäc-Geiz, with our mobile merchandise management solution.

We also continued to expand our number of installations in 2013 and have now achieved a market share of more than 22 percent in Germany based on the number of stores at fairly large retailers.[2] Overall, we equipped 16,000 new systems (e.g. tills, mobile devices, servers) with our solutions last year with the result that we are currently looking after approx. 185,000 productive systems in 36 countries in terms of maintenance.

The trend noted in previous years continued in the 2013 business year; our major customers are switching to the new latest release 12 without engaging in any new tender processes and are therefore proving their confidence in the quality of our range of solutions. Alongside this, almost all our existing projects generated further turnover, as our customers are permanently adapting their solutions to new requirements in their business, tapping into new countries, equipping new sales lines or have opted for more solutions form our portfolio.

The issue of omni-channel retailing and cloud applications were the major focuses of our research and development work in 2013, as we believe the greatest potential for the future lies here. All our central components can now be used in a cloud; that is to say, they can be utilised as the customer wishes. We believe that even parts of some store solutions may be managed in a cloud in future. We presented a cloud option in the form of our GK-in-the-Cloud solution for the first time during the EuroShop trade fair. We have developed an omni-channel process manager in order to optimise the processes in the omni-channel environment. This enables companies to introduce and handle processes in this environment much faster.

As part of a rebranding concept embracing all the relevant areas at GK SOFTWARE, we have already switched large parts of our range of solutions to a new GUI that can cope with the latest ergonomic and design requirements. We have now switched all the solutions in our portfolio to enjoy the enormous performance benefits of inMemory databasing so that they can be used under SAP HANA.

2 – Companies with more than 50 stores, but not including bakers, butchers, opticians, tyre dealers, petrol stations or car dealers

The expansion in our service support agreement with HP in January 2013 was highly significant in the field of our partner business; as a result, HP will provide extensive after-sales solution services for the "SAP Store Solutions by GK". We have also signed partnership agreements with several implementation partners in different regions and this will enable us to outsource parts of our project work, if necessary. The agreement with the North American RedIron company is particularly important in this respect. An extensive training programme is currently in process for our partners and the newly created GK Academy has been specially created for this purpose.

We changed our organisational structure in the 4th quarter of 2013 in order to satisfy the requirements for growth. We reduced the size of our Management Board and it now consists of Rainer Gläss as CEO and André Hergert as CFO. The two-man Management Board is supported by a Group Management Board, which has not only attracted tried and tested management personnel, but new, top-class managers too. They not just include former members of the Management Board, Michael Jaszczyk (CTO) and Stephan Kronmüller (deputy board member), but also Achim Sieren (COO), Harald Kehl (Global Services) und Stefan Krueger (Sales). The former member of the Management Board, Oliver Kantner, has left the company. We would like to thank him for his work for the firm.

The value of our company shares moved upwards significantly during the fourth quarter of the year and significantly exceeded the market price at the beginning of the year. They were worth EUR 50.50 at the end of 2013, at least 38 percent higher than at the start of the year.

Based on a very well filled pipeline and our direct and partner sales business, we are confident that we will continue to grow in 2014. We are currently involved in detailed discussions with customers based in both Germany and abroad and believe that we are in a very good position in several ongoing tender processes because of our broad range of solutions.

We therefore assume that we will be able to continue to increase our turnover in comparison with the previous year if our business runs smoothly in 2014. We will then be able to return to the profitability corridor that we enjoyed between 2008 and 2011. This forecast is naturally subject to the proviso that no extraordinary events take place, which could have a negative impact on the general economy or the retail sector.

We are delighted that you are supporting the process of growth at GK SOFTARE AG and would like to thank you for placing your long-term confidence in the company.

The Management Board

Rainer Gläß
Chief Executive Officer

André Hergert
Chief Financial Officer

Report by the Supervisory Board

Dear shareholders,

The report by the Supervisory Board for the 2013 business year at GK Software AG, which I am able to present here, relates to a much more successful year than was the case in the previous twelve months. Following the extremely successful years since the company was floated on the stock market with increasingly attractive results, the year 2012 demonstrated to us that success does not come automatically, even if a company has the best conditions available. By adopting a number of measures, we succeeded in returning to our winning ways in the 2013 business year.

Composition of the Supervisory Board

According to the articles of incorporation, the Supervisory Board consists of three members. In fiscal 2013 they were:

- Uwe Ludwig (Chairman)
- Thomas Bleier (Deputy Chairman) and
- Herbert Zinn

Mr Ludwig and Mr Zinn have been appointed until the end of the annual shareholders' meeting in 2016, while the appointment for Mr Thomas Beier terminates at the end of the annual shareholders' meeting in 2014, i.e. this year.

Meetings

The Supervisory Board met for normal sessions on 25. February 2013, 22 April 2013, 26 August 2013 and 25 November 2013. Various telephone conferences were held in 2013 when decisions were pending. It ist GK's practice that representatives of the Management Board were present at the normal sessions too. The members of the Supervisory Board were also regularly in contact with each other outside the meetings – and the Chairman of the Supervisory Board in particularly also maintained contact with the Management Board. Decisions were made during meetings or by a circulation procedure. During its meetings the Supervisory Board received both verbal and written reports from the Management Board about the business and financial situation within the company and about the fundamental business policy.

Tasks of the Supervisory Board

The Supervisory Board at GK SOFTWARE AG fulfilled for the fiscal year 2013 the tasks incumbent upon it according to the law, the articles of incorporation, the recommendations of the "German Corporate Government Code" government commission and the Supervisory Board's rules of internal procedure and monitored company managers continually.

The most urgent issue after analysing the company's structure and organisational procedures in the critical year of 2012 was a fundamental revision of the management structure, as had been suggested by contributions made at the last shareholders' meeting. In the course of the restructuring that took place in the second half of the year, the Management Board was reduced from four to two members and it took over control of a Group Management Board too. This not only provides a very efficient manner of working with highly flexible management conditions, but also the risk of having an over-heavy management team has been avoided for the next few years. The Supervisory Board would like to warmly thank the departing members, Mr O. Kantner and Mr M. Jaszczyk , for the work that they performed. We are particularly glad that Mr Jaszczyk has taken over the task of developing the Group's North American business and has taken charge of setting up the US subsidiary as its CEO; he will also continue to support us with his expertise as CTO.

Another important issue of great importance is the ongoing development and adaptation of the risk management systems. As a result, the Supervisory Board called for reports on the progress of introducing the security concept and the ongoing establishment of formalised administrative processes, new procedures in the controlling department and the deployment of a data protection officer. The Supervisory Board welcomed the progress achieved and the fundamental revision of planning processes, which has been started now and was used for the first time as the new scheme to carry out the annual planning for 2014.

The Supervisory Board also fully focused on the appropriateness of the remuneration for members of the Management Board as part of the restructuring process. As in previous years, our attention was directed at the ratio between the remuneration and the company's economic situation and on the conditions prevalent at other companies, a comparison with the overall structure of remuneration within GK SOFTWARE AG and the composition of fixed and variable salary components. As the Board was unable to discover any deviations from the economic targets during the 2013 business year, in contrast to the previous year, the Supervisory Board approved the variable salary components for all the Management Board and board members in the originally agreed amount and authorised their payment.

In order to monitor the management team, the Supervisory Board was governed by the annual budget passed for 2013 and called for reports from the Management

Board particularly on the ongoing business policy and corporate planning, the profitability, the course of business and important individual measures adopted by the company. The Supervisory Board also received additional reports on the development of business during the complete business year until the intended targets for the business year, both in terms of turnover and profits, were achieved following the positive development of business in the fourth quarter. The takeover of AWEK, which took effect at the end of 2012, provided the expected reinforcement for the ongoing development of GK Software AG; and it was responsible for the company's ability to achieve some of the desired effects during the course of the year. The Supervisory Board called for regular reports on the implementation measures following the takeover and the operating effects on business. The Management Board supplied the Supervisory Board with information throughout the year both during meetings and outside them; the Supervisory Board discussed these reports and checked them with a critical eye.

Corporate Governance

The Supervisory Board and Management Board act in the full knowledge that good corporate governance forms an important basis for the company's success and is in the best interests of shareholders and equity markets. The Management Board and the Supervisory Board issued their annual declaration of compliance in line with Section 161 of the German Stock Corporation Act in April 2014. The wording of this is printed in this business report as part of the Corporate Governance report. The Management Board and the Supervisory Board have pledged to the relevant degree to follow the recommendations of the German Corporate Governance Code. No conflicts of interest arose in members of the Supervisory Board during fiscal 2013.

2013 Annual Accounts Audit

The GK SOFTWARE AG annual accounts compiled by the Management Board in line with the rules of the German Commercial Code and the IFRS Consolidated Accounts and each situation report have been audited by the auditing company, Deloitte & Touche GmbH, and were given an unqualified audit certificate. Taking into account these auditing reports, the Supervisory Board has examined the annual accounts compiled by the Management Board, the consolidated accounts, the dependency report, the situation report at GK SOFTWARE AG and the Group and checked the suggestion made by the Management Board for the use of the balance sheet profits. During its meeting on 18 Juli 2014, the Supervisory Board asked the Management Board to explain the 2013 annual and consolidated accounts and report on profitability, the company's equity, the current course of business and the company's situation. All the Supervisory Board members received the necessary documents duly prior to this meeting.

The auditor commented on the Management Board's verbal presentation of the accounts and explained the audit findings using the auditor's reports and answered every question on these reports. The auditor was able to satisfactorily answer all the questions. There are no doubts about the auditor's independence. During its meeting on 18 Juli 2014, the Supervisory Board approved the annual accounts for GK SOFTWARE AG and authorized the consolidated accounts at GK SOFTWARE. As a result, the annual accounts have been approved. The Supervisory Board also agreed to the Management Board's suggestion on how to use the balance sheet profits.

The Supervisory Board also prepared a report on relations to associated companies in line with Section 312 of the German Stock Corporation Act. The auditor checked this and provided a verbal report on the results of his audit during the balance sheet meeting on 18 July 2014. Checks made by the Supervisory Board did not give rise to any reasons for objections to be raised. He did not have any objections to the Management Board's final declaration in his report in line with Section 312 of the German Stock Corporation Act.

The Supervisory Board would like to thank the Management Board, the board members and all the employees for their commitment to the company and the work that they performed in 2013. It would like to extend its good wishes to them all that they would receive confirmation for their work now that the company has returned to its successful ways.

Schöneck, 18. July 2014

Uwe Ludwig
Chairman of the Supervisory Board

Corporate Governance Report

according to Section 289a of the German Commercial Code

GK SOFTWARE views responsible and transparent performance as absolutely essential for the long-term economic creation of value. Both the Management and Supervisory Boards have provided the statutory statement of compliance according to Section 161 of the German Stock Corporation Act. It is an important task for the Management and Supervisory Boards to monitor whether this statement is being followed. The statement is submitted every year and is available to the public on the Internet at http://investor.gk-software.com under the "Corporate Governance" section.

Cooperation between the Management and Supervisory Boards

The Management Board works with the Supervisory Board based on a relationship of Trust since many years. The Management Board provides regular reports to the Supervisory Board about the profitability and strategy of the Group and implementing these plans, but also about existing and possible risks in developments, and not just during the normal Supervisory Board meetings, which were held three times in the past year, but also in regular meetings directly to the Chairman of the Supervisory Board each month, as a general rule. You can find more on this in the report from the Supervisory Board. Because of its composition (just three members), the Supervisory Board did not form any committees and all the subject matter was discussed and decisions were made by the full body. The Chairman of the Supervisory Board is solely entitled to conduct negotiations for human resources decisions related to the Management Board, but these negotiations have to be authorized by the whole body. There were no conflicts of interest for members of the Management and Supervisory Boards.

Transparency

GK SOFTWARE deliberately decided to have its IPO in the summer of 2008 listed on the most stringently controlled segment of the German Stock Exchange, the Prime Standard. The highest possible degrees of transparency towards its investors and all the other participants in the capital markets have been some of the most important principles at the company from the outset.

The company will appoint a voting proxy for the 2014 annual shareholders' meeting too and this will allow shareholders to exercise their voting rights even if they cannot attend the meeting. All the public information, like obligatory announcements and press releases, the financial statements or the reports on the main shareholders' meeting will be made available on the company's website.

Risk Management

The risk management system established by the company is geared towards the needs of the business. It is designed to recognize risks at an early stage and help prevent or restrict risks that occur. We would refer you to the group management report for further details.

Statement of Compliance

Section 161 of the German Stock Corporation Act obliges the Management Board and the Supervisory Board at GK SOFTWARE AG to make an annual declaration that compliance has been or is being achieved with regard to the recommendations of the "Government Commission on German Corporate Governance Code" published by the German Minister of Justice in the official section of the electronic German Federal Gazette, or to state which recommendations have not been or are not being complied with.

This declaration must be made available to shareholders at all times.

The last annual declaration was submitted in April 2013 and relates to the version of the Code dated 15 May 2012 for the past. The future practices related to corporate governance at GK SOFTWARE will refer to the recommendations in the Code in the current version dated 13 May 2013.

The Management and Supervisory Boards at GK SOFTWARE AG declared on 12 April 2014 that the recommendations of the "Government Commission on German Corporate Governance Code" had been satisfied since the release of the last annual statement of compliance in April 2013 with the exceptions noted in the declaration in April 2013 and is being met with the following exceptions.

Code Number 2.3.3 The company will not provide any Internet webcast of the annual shareholders' meeting, as the Management and Supervisory Boards believe that this would not create a higher participation level at the annual shareholders' meeting.

Code Number 4.1.5 The candidates for management functions will be selected by the Management Board on the basis of their personal skills and abilities in the interests of the company. When making selections, the objective backgrounds of the candidates in terms of their age, background or sex are not taken into account.

Code Number 4.2.4 The company does not indicate the earnings of the members of the Management Board in the annual accounts by name. The total earnings of the members of the Management Board are disclosed. This departure based on the decision taken by a qualified majority of three quarters of the share capital represented at the annual shareholders' meeting at the meeting held on 17 June 2010 according to Section 286, Paragraph 5 HGB and Section 314, Paragraph 2, Sentence 2 HGB ruled that the individual earnings should not be published in the annual and consolidated accounts from 2010 until 2014.

Code Number 4.2.5 Concerning to Code Number 4.2.5 please refer to Code Number 4.2.4.

Code Number 5.1.2 The Supervisory Board will exclusively take into account the personal suitability arising from the candidate's individual abilities and skills when appointing people to vacant positions on the Management Board, as this will lead to the best results for the company. Objective criteria like age, background or sex will not be included in any considerations. There is no age limit for members of the Management Board; in the view of GK SOFTWARE AG, the professional qualifications of the members of the Management Board play a more important role.

Code Number 5.3 In a departure from Number 5.3 of the Code, the Supervisory Board at GK SOFTWARE AG does not form any committees, as consistent, extensive information for all the members of the Supervisory Board can be guaranteed most efficiently in meetings where all the members of the Supervisory Board are present (the Supervisory Board consists of only three members). Any issues can be handled and answered appropriately by the whole body. So no auditing committee (Number 5.3.2) has been set up. The same applies to the nomination committee (Number 5.3.3) or other specialist committees (Number 5.3.4). The responsibilities normally assumed by the specially appointed committees are handled by the full committee, as the committee has the necessary qualifications to handle these.

Code Number 5.4.1 The composition of the Supervisory Board at GK SOFTWARE AG is not subject to the Supervisory Board, but the company's annual shareholders' meeting. The Supervisory Board seeks to engage in successful cooperation between its members and constructive cooperation with the Management Board. The proposals for candidates, whom the Supervisory Board submits to the annual shareholders' meeting, will take into account the geographical distribution and the degree of complexity of the business at GK SOFTWARE. Criteria like the age, background or sex of the candidates will not be taken into consideration. There is no provision for an obligatory age limit for the members of the Supervisory Board, as the older members of the Supervisory Board in particular enrich the body as a result of their wide experience, and their specialist qualifications are of greater importance

Code 5.4.6 Payments for the members of the Supervisory Board are made exclusively according to fixed elements. No remuneration that is dependent on the company's success is granted to the members of the Supervisory Board, as the members of the Supervisory Board must be able to pursue their tasks as a supervisory body for the company without any possible conflict of interests.

Code 7.1.2 The consolidated accounts are not published within 90 days after the end of the fiscal year, but after four months in line with the current guidelines published by Deutsche Börse AG. The interim reports are not made available within 45 days, but after two months according to the current guidelines published by Deutsche Börse AG. GK SOFTWARE AG believes that the periods of time set by Deutsche Börse AG are adequate to provide shareholders with sufficient information.

GK SOFTWARE AG Shares

Basic data

T.01 Basic data

Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK SOFTWARE AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1,890,000
Share capital	EUR 1,890,000
Free float	44.79 %
Highest price in 2013	EUR 50.50 (27 – 31 December 2013)
Lowest price in 2013	EUR 23.99 (29 September 2013)

F.01 Share price development (indexed)

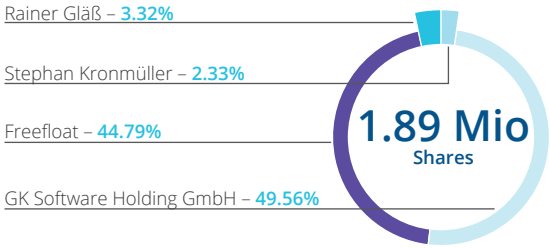
Summary/Shares Performance

The value of the GK SOFTWARE AG shares listed on the Prime Standard section at the Frankfurt Stock Exchange declined during the last business year until the end of September, but the news situation at the end of the year triggered a rapid rise in their value. The shares were worth EUR 50.50 at the end of the reporting period. This corresponded to market capitalisation of approx. EUR 95.4 million at the end of 2013. The company issued 100,000 new shares in the form of an increase in share capital at the end of 2013 and they are entitled to share in the profits from 1 January 2014 onwards.

Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which is enabling the company to develop in the long term in a sustainable manner. The company had the following shareholder structure on the reporting date on 31 December 2013: The founder and CEO Rainer Gläß directly held 3,32 percent of the shares. Stephan Kronmüller, also a company founder and the former CTO on the Management Board, directly held 2.33 percent of the shares. 49.56 percent of the shares were owned by GK Software Holding GmbH, which was indirectly equally shared by the company partners Rainer Gläß and Stephan Kronmüller. This meant that 44.79 percent of the shares were in free float on 31 December 2013.

F.02 Shareholder structure on 31 December 2013



The company was informed about the following holdings in GK SOFTWARE AG, which exceeded or fell below the 3 percent threshold:

T.02 Threshold Value Exceedances

Constituted on	Shareholder	Share in %
16.8.2011	Andreas Bremke GmbH, Arnsberg	3.99
6.3.2012	Scherzer & Co. AG, Köln	5.23
19.6.2013	Deutsche Balaton Aktiengesellschaft, Heidelberg	3.18
27.12.2013	SAP AG, Walldorf	5.29

Directors Dealing 2013

T.03 Directors Dealings

Date	Name	Function	Volume	Price/EUR
16.4.2013	Rainer Gläß	CEO	3,000	27.67
18.4.2013	Rainer Gläß	CEO	7,000	28.08

Investor Relations

GK SOFTWARE AG deliberately opted to have its shares listed on the most strictly regulated sector of the Deutsche Börse, the Prime Standard, for its IPO in the summer of 2008. From the outset, the highest levels of transparency towards its investors and all the other capital market participants have been some of the most important principles at the company.

André Hergert, the CFO, is responsible for the investor relations business and he has his own department that reports to him. This guarantees that any enquiries from investors and potential investors are answered immediately.

GK SOFTWARE AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this means drawing up quarterly, half-yearly and annual business reports in German and English, publishing a financial calendar and promptly publishing ad-hoc reports and corporate news items. The accounting system has been adapted to the international IFRS accounting standards and this meets investors' needs for information. As in previous years, GK SOFTWARE AG is also planning to hold its annual analyst conference for 2014 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 markets.

The Management Board also prepared a report about relationships to associated companies in line with Section 312 of the German Stock Corporation Act. The auditor checked this and gave a verbal report on the results of his findings to the meeting held on 17 April 2014. Checks made by the Supervisory Board did not lead to any grounds for objections. It did not have any objections to the Management Board's final conclusions in its report prepared according to Section 312 of the German Stock Corporation Act.

The Supervisory Board thanks the Management Board and all staff members for their commitment and the work they have done, wishing them the best of ongoing success for 2014.

B | Consolidated Annual Report

Business Report

Business and General Conditions at GK SOFTWARE

Corporate Structure and Holdings

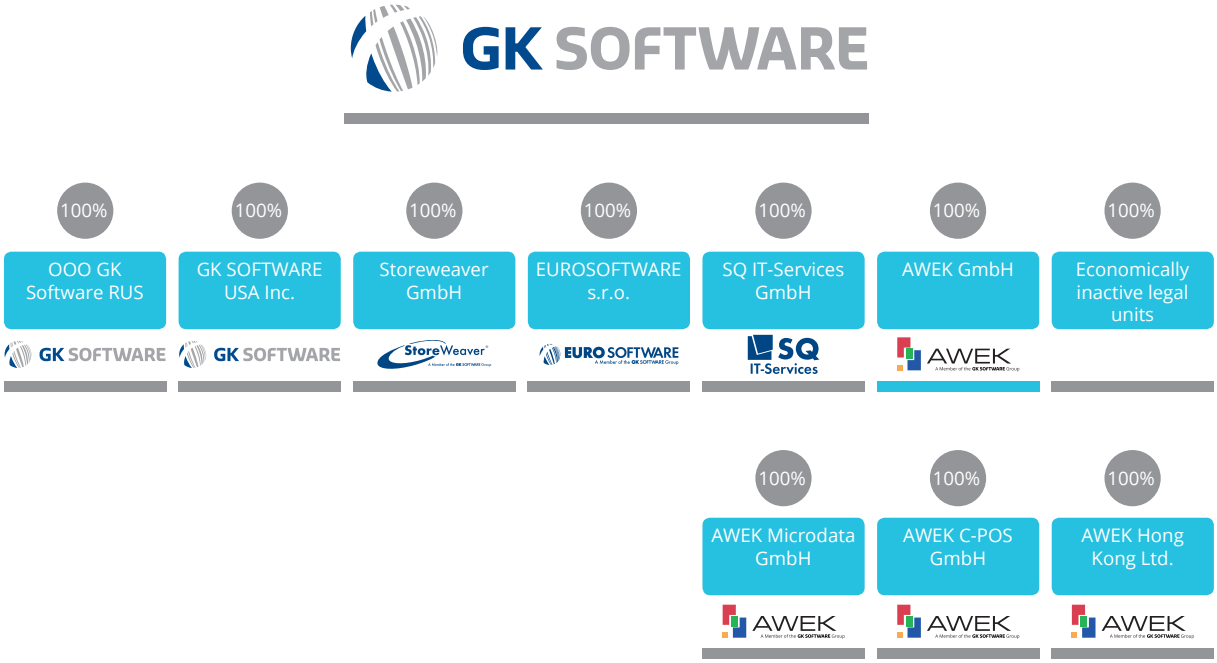
- **Nine business locations in Europe and branches in the USA and Russia**
- **Both company founders are actively involved in the company**

GK SOFTWARE AG is one of the world's leading technology companies for retail software with a special focus on providing solutions for corporations with local stores. GK SOFTWARE AG and its predecessor company, G&K Datensysteme GmbH, which Rainer Gläß and Stephan Kronmüller founded in 1990 and which became GK SOFTWARE AG in 2001, have now been operating in the market place for 24 years. The company's IPO took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008.

The company's headquarters has been located in Schöneck/Vogtland since it was founded. The company has its product development department, project management and third-level support facilities at this base in addition to administration services. SQ IT-Services is also based at this location. It was founded in 2009 to handle the takeover and integration of Solquest GmbH. Schöneck is also home to 1. Waldstraße GmbH which was set

Group structure of GK SOFTWARE AG

F.03



up in preparation for the launch of new business activities and is also a 100 percent subsidiary of GK SOFTWARE AG. GK SOFTWARE AG has a branch next to Checkpoint Charlie in Berlin and it is primarily responsible for managing the marketing, sales and partner activities; the company's user-help desk is also based there.

The Group's second largest business location has now been located in Plzen in the Czech Republic for more than ten years. The 100 percent subsidiary, EUROSOFTWARE s.r.o., is home to the software production and research & development work. Major work on programming and technological further developments for the solutions provided by GK SOFTWARE AG take place at the Plzen base.

GK SOFTWARE AG has another 100 percent subsidiary in Dübendorf in Switzerland. The StoreWeaver GmbH has a German base in the state of Saarland in St. Ingbert. The teams in St. Ingbert are responsible for the onward development of the StoreWeaver EE product group and handling the relevant customer projects; and they also look after the customers of the former Solquest GmbH company.

The company has acquired two more business centers through the takeover of AWEK GmbH on 10 December 2012. The administration, hotline, dispatching, quality assurance, repairs and stores are located in Barsbüttel near Hamburg, while the software development department is based in Bielefeld. The service organization at AWEK also consists of mobile technicians who are spread across the different parts of Germany.

GK SOFTWARE has its own sales organisation in Russia with the GK SOFTWARE RUS. GK SOFTWARE Inc. was founded in the USA in December 2013 so that we can have our own organisation on the spot in order to support the expected expansion of our North American business. The former member of the Management Board, Michael Jaszczyk, who continues to serve the company as CTO, is the CEO of the new company.

The partnership with SAP AG continued to develop during the year under review. SAP is GK SOFT-

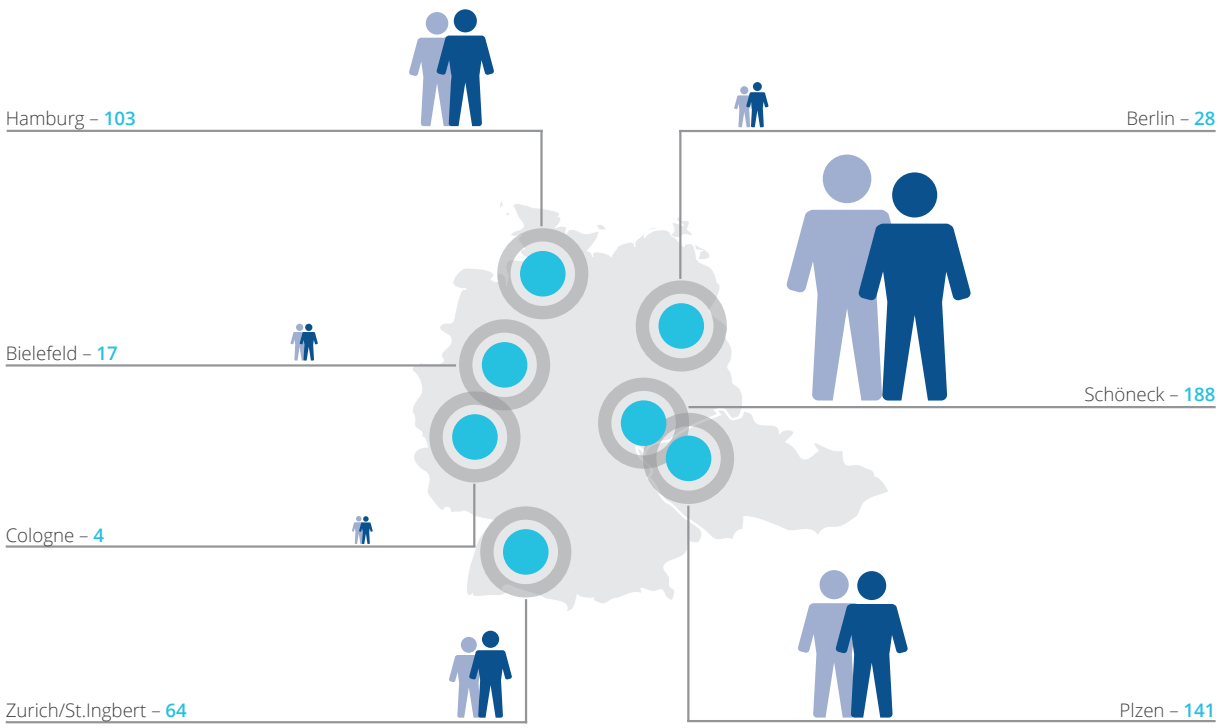
WARE's most important partner in terms of business operations. We are jointly processing a number of sales situations in an effective manner and have achieved success in the projects that we have gained together. SAP extended its sales approval for the products already cleared for sale in Europe, which SAP markets as the reselling partner, to North America during the 2nd quarter of 2013. Alongside this, SAP informed more than 200 customers in the USA and Canada that it would not be continuing to develop its own SAP POS product and would only provide basic maintenance for this. At the same time, it introduced SAP POS by GK as the successor solution and offered it to customers as the recommended migration option. The holding taken by SAP in GK SOFTWARE AG at the end of the business year underlined the importance of this partnership, not just for the Group, but also for SAP. This involved SAP taking over 5.29 percent of the share capital in GK SOFTWARE AG and SAP also concluded an agreement with the founders of the company to gain a pre-emptive right of purchase to the shares that they hold.

The GK SOFTWARE AG Management Board consists of company founder Rainer Gläss (CEO, Administration, Marketing & Sales) and André Hergert (Finances and Personnel). The Management Board is supported by a Group Management Board, which consists of the following members: Stephan Kronmüller, Achim Sieren (COO), Michael Jaszczyk (CTO), Harald Kehl (Global Services) and Stefan Krueger (Sales).

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

Distribution of employees at group business locations

F.04



Human Resources

- **Human resources growth due to the takeover of the AWEK-Group**
- **Trainee and further training programs for the members of staff**

550 people were employed within the Group on the reporting date of 31 December 2013 (excluding members of the Management Board and trainees). As a result, 12 persons fewer were employed compared to the reporting date in the previous year on the same basis (562).

The majority of the Group's members of staff (188) are employed at corporate headquarters in Schöneck (211 in the previous year). The Berlin branch has now 28 members of staff working in the sales & marketing, project and partner management, development and first-level support (hotline) departments (37 in the previous year).

There was no major change in the number of people employed at the Czech subsidiary EURO-SOFTWARE s.r.o. in Plzen; as a result, 141 people were employed there at the end of the reporting period – following 142 in the previous year.

103 people were employed at AWEK in Hamburg at the end of the year, including many mobile service technicians, who are deployed at various places across Germany (96 in the previous year). 17 people were employed at the second business center in Bielefeld at the end of 2013 following 16 in the previous year; they work in the software development field. Overall, the number of employees at AWEK is 120 (112 in the previous year) and this represents an increase of 7.1 percent.

64 people were working at the St. Ingbert business center at the end of the year (53 in the previous year). 3 people were working in Dübendorf (Schwitzerland) at this time (2 in the previous year).

There were 4 employees working at the Cologne branch, the same number as on the reporting date in 2012. 2 persons was employed at the branch in Russia and one freelancer in the USA at this time.

The Management Board expects the growth in employees to continue at a moderate pace in the future and the company will primarily continue to look for people with fairly high qualifications.

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost sales growth at GK SOFTWARE AG from a human resources point of view too. 3 trainees are also currently employed at GK SOFTWARE AG

The GK SOFTWARE Software Solutions

- **Complete Omni-Channel-Solution**
- **GK-in-the-Cloud**

GK SOFTWARE views itself as a provider of retail applications, i.e. end-to-end and complete software solutions for the retail trade, which satisfy all the requirements without the need for any outside software. We have been satisfying this aspiration since 2013 with the new claim: "GK SOFTWARE – The Retail Application Company." Behind this claim stands an open architecture model, the four levels of which enable various types of software to join forces for the different sales channels. Each application uses the same components and modules so that the development work is reduced and this also prevents any expensive parallel development work. The Operations layer, which provides the fundamental basis for each application, forms the GK/Retail Infrastructure together with the Communications layer, which guarantees the complete exchange of information and data. This means methods and procedures that have been tried and tested in more than 185,000 installations are available for each of the different GK applications and they safeguard the technical operations. The Retail Business Logic, which is formed by Core Retail Processes and Enhanced Retail Processes, builds on this infrastructure. While the core processes are mapped end-to-end by GK SOFTWARE, software modules provided by partner companies can also be used with the enhanced processes, as is specifically practiced in the cooperation arrangement with SAP.

The previously defined components of the various levels are linked to each other for the relevant fields of application and are packetized into finished applications, which are available for various

channels – like the store, web store links or mobile retailing. Solutions for new channels or for integrating social media, for example, can be introduced on the identical architectural platform without the need to permanently redevelop the basis for the software each time. Using this flexible and forward-looking platform, GK SOFTWARE has an excellent starting position to handle current and future issues like omni-channel retailing, cloud computing or in-memory databasing.

The various GK SOFTWARE products are brought together in the GK/Retail Business Suite with their concrete specifications for the market place. All the solutions are fully based on the GK/Retail infrastructure and selected core and enhanced processes, on Java and on open standards. That means that they operate end-to-end, regardless of which hardware and operating systems are used.

GK SOFTWARE is currently selling Version 12 of the GK/Retail Business Suite. The GK/Retail Business Suite is arranged on two main pillars. One of them involves the StoreWeaver Enterprise Edition (EE). The other one covers the Store Operations.

StoreWeaver Enterprise Edition
StoreWeaver Enterprise Edition comprises the Store Device Control and Mobile Store Processes components. It is closely linked to the solutions in the Store Operations area, but can be used in complete isolation from this.

- **GK/Retail Store Device Control** provides the end-to-end link within the complete store peripheral equipment, for instance, tills, scales or automatic empties machines. The software handles the automatic distribution of data to all the systems in a store with a direct link to the leading SAP system. This guarantees that any changes to master data (e.g. prices) are available on the correct system within the store at the right time. At the same time, the software ensures that the central systems are supplied with what is known as transaction data (e.g. sales data). The link for the various subsystems in a store is provided through standardized peripheral heads, on to which solutions from different manufacturers can be docked. The Enterprise Storemanager guarantees the central management of the overall systems landscape. The Enterprise Cockpit handles the monitoring work across the systems. Both solutions can also be used outside the StoreWeaver Enterprise Edition in the field of Store Operations.
  The complete software component is sold by SAP under the name "SAP Store Device Control by GK".

- **GK/Retail Mobile Merchandise Management** Processes covers the store management processes, which can be made available directly to mobile terminals on the floor of the store or in the stock area. The processes, which can be provided online or offline, rely on a leading central system like SAP. They allow the stores to be linked end-to-end with enterprise headquarters in almost real time and manage all the necessary business processes like deliveries, merchandise planning, inventories or automatic label printing.
  This software component is sold by SAP under the names "SAP Offline Mobile Store by GK" and „SAP Label and Poster Printing by GK".

Store Operations
The GK/Retail Store Operations software provides solutions for use in stores and enterprise headquarters in the retail trade. They are designed to handle all the business processes at tills, shelves, in the stock areas or the back office in the best possible way and manage and monitor complex store structures from enterprise headquarters. All the software solutions are coordinated with each other and can be used by customers as a complete package or separately. The following solutions form part of this product line:

- **GK/Retail POS** is the market-leading solution for operating till systems. The application guarantees secure handling for all business processes at tills (POS = point of sale) and provides extensive back office functions for managing money, store administration or reporting purposes. A special edition of this software can also be used for self-checkout systems. SAP sells the software under the name "SAP Point of Sale by GK".

- **GK/Retail Mobile POS** is an innovative software solution for till use on devices using the iOS operating system (iPhones, iPods, iPads). The company software handles all the pro-

cesses available on stationary tills and is already used by an important customer it in a productive environment. Mobile POS is available as specific individual developments for iPods/iPhones and iPads.

- **GK/Retail Self Checkout** is an enhancement of our POS software and was newly developed in 2012. It is fully based on our standard software and enables consumers to handle all the till processes themselves. Together with the associated iOS app, consumer advisers can immediately respond to demands during the till process, e.g. age identification when purchasing alcoholic drinks, and they can offer consumers help and support quickly, if required.

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

- **GK/Retail Taskmanagement** ensures that information can be automatically distributed simultaneously and in a controlled fashion, e.g. regarding recalls of items, corporate-wide announcements or other information. The module, which has been specially designed for the needs of companies with many stores, allows a very fast and end-to-end flow of information and can also be used on mobile units.

- The **GK/Retail Lean Store Server** allows all the back office servers to be centralized. This means that an important part of the IT systems can be moved out of the stores to enterprise headquarters. This opens up considerable potential for store-based corporations, as they can use more powerful servers, for example, and servicing and maintenance costs can be significantly reduced. GK SOFTWARE AG is the world's leading company for the centralization of background systems for store-based corporations.

- **GK/Retail Enterprise Storemanager** is the market leading software, which provides administration and technical monitoring facilities for major store networks, which may operate in different countries. The software allows corporations to manage and monitor thousands of stores in many countries and is an important unique selling feature of the GK/Retail Business Suite.

- **GK/Retail Enterprise Cockpit** provides managers with a very fast summary of technical and specialist key performance indicators. This means that technical breakdowns in stores are recognized immediately and sales data (e.g. volumes of sales) can be evaluated in real time. This solution provides corporate-wide transparency with regard to the status of systems in stores and supplies central business management data.

- **GK/Retail Sales Cockpit** makes available web-based business management information related to the current day's business. This means that managers constantly have a comprehensive overview of the course of business in real time.

- **GK/Retail KPI Dashboard** is a native iPad app, with which important business parameters can be processed for different target groups in various aggregation stages. By using the KPI Dashboard, branch managers, district and regional managers or enterprise directors can immediately check the relevant data in their working area in real time and use it as the basis for their actions. The KPI Dashboard is designed for use with in-memory technologies and works in conjunction with SAP HANA, SAP's in-memory appliance, for example.

- **GK/Retail Enterprise Promotions Management** is a complete solution for designing, carrying out and managing corporate-wide promotions and special offers. It can be used, among other things, to manage discounts on customer card systems or the acceptance of many kinds of coupons at tills.

- **GK/Retail Stored Value Server** guarantees secure, corporate-wide administration services for all the gift cards that have been issued. It

provides a central database for supplying all the gift card information within the complete corporation and also handles all the processes related to electronic gift cards.

- **GK/Retail Digital Content Management** is the central software solution for distributing multimedia content to various output devices within the complete corporation. This means that photos, slide shows or videos can be distributed to the relevant systems within the company. The system also allows pure text messages to be sent (e.g. for electronic shelf labels).

The SQRS Software Package
When the company took over the assets of the former company Solquest GmbH, it also took over its software package – Solquest Retail Solutions (SQRS), which is being used by eight customers at approx. 10,000 installations. The particular high-performance features of the software lie in the fields of SAP integration and its mobile solutions. The SQRS software solutions are no longer being sold in order to keep the Group's product portfolio streamlined. But there are still permanent requirements, which are being handled by StoreWeaver GmbH, to cover existing customer relations. Alongside this, a medium-term migration path has been developed in order to provide a long-term perspective for the customers of the former Solquest GmbH company.

Product Development
Scheduled minor releases for GK/Retail 12 were approved during the 2013 business year and they have expanded the standard product with additional solution components, new functions and interfaces with subsystems in line with the roadmap. The major focuses were omni-channel retailing and the development of a till option for use in a cloud environment; this will enhance the standard product with a new option. The company also achieved new premium qualification with SAP, with the result that our software solutions form part of SAP's latest standard product.

Services
In addition to its products, GK SOFTWARE AG also provides comprehensive services. The most important component in this area involves customizing and adapting developments during the initial projects and subsequently introducing change requests, which are a permanent element in most projects. They include, for example, adapting software that is already in productive use to enhanced requirements for customers like integrating new bonus systems in the till environment.

Classic issues like consulting, project management or training courses come under the heading of services too. The group worked very hard in 2012 to fulfill the conditions to train implementation partners, which can then handle the introduction of GK/Retail themselves. In the medium term, these partners will primarily handle the basic parameterization work, while development work within the field of adaptation (change requests) will continue to be handled by GK SOFTWARE.

Maintenance and services
The group has been able to supplement its portfolio with high-value services by acquiring AWEK. For the first time it is possible to offer full services for the retail trade in addition to software maintenance, which is charged for. This means that GK SOFTWARE can now handle the maintenance of outside software and hardware made by a wide variety of manufacturers. About 40 mobile service technicians are available for this work and they can reach any store in Germany within set times. In addition to providing classic services, they can handle other options like rollout services or staging (the initial installation of systems).

In addition, the group can eliminate errors and faults for all the software solutions that are in use at the customer's premises.

Research and Development

- **Research and development as a strategic factor in the face of competitors**
- **Further strengthening of the company's footprint in the fields of home improvement stores and fashion**
- **Focus on new technolgies as part of the partnership relationship with SAP**

The ongoing developing of existing products and the development of new software solutions have

been the corporate group´s major focus during the past few fiscal years and they will continue to be a strategic competitive factor in the future too. This is reflected in the continuing growth in the number of employees in this department. The main part of the research and development department is based at the EUROSOFTWARE s.r.o. subsidiary in Plzen. Currently 14 software developers alone are working to exclusively grapple with the latest trends in the software market in order to develop new, ground-breaking products from these. In order to create independent scope for development alongside the direct research and development activities on direct products and projects, the company has set up the GK Future-Lab, which is being headed by Stephan Kronmüller. Highly qualified experts are testing new technologies here, examining trends and new processes and are providing the framework for GK SOFTWARE to continue to act as a powerhouse for innovations for retail IT.

Other impulses for research work come from company managers, sales & marketing, partners and directly from GK SOFTWARE AG's customers.

Capitalized development costs amounting to EUR 376K (EUR 748K in the previous year) for work on GK/Retail and the SAP Release 3.0 . Development cost amounting to EUR 93K are expensed as incurred. This corresponds to slightly more than one percent of turnover (806K in the previous year).

Customers and projects

- **Gaining new major international projects**
- **Further strengthening of the company's footprint in the fields of home improvement stores and fashion**
- **Expansion of customer base in the field of mobile solutions**

Most of GK SOFTWARE's customers continue to come from the retail sector. The market sectors where the company is active are primarily the food retail sector, drugstores & household goods, DIY & furniture, fashion & lifestyle or technology & cars. The group provides pre-configured solutions for cash & carry, department stores, discount/food stores, specialist retails and cell phone shops, which are customized to meet the needs of these segments. The products and services are geared for corporations of various sizes.

Important new projects in 2013 – a summary:

- Migros (approx. 800 markets in Switzerland)
- Bentley (approx. 450 stores in North-America)
- WMF (approx. 300 stores in Europe)
- Kärcher (approx. 50 stores in Europe)
- MTH Retail Group (180 stores in Europe)
- Modis (approy 80 Stores in Russia)
- Dohle (approx. 100 markets in Germany)

The key features in 2013 in terms of existing projects were successful pilot schemes and subsequent rollouts. We handed over more national versions in several ongoing projects and they have already been rolled out. The migration by existing customers to the latest version of the software was ongoing, so that the overwhelming majority of our customers have now either switched or the switching process is in an advanced stage. This makes it possible for us to further consolidate our customer relations, which have existed for many years, We have also been able to conclude further agreements with existing customers and they cover, for example, the extension of licences, maintenance work or our customisation operations. AWEK was not only able to focus on its core business in the services field, but also successfully position its medium-sized software solution for stores in customer segments, where GK/Retail holds little appeal because of its size.

The evidence of the fruitful partnership with SAP is clear: there are now thirteen joint customer projects where SAP has sold GK Solutions. The strategic relations between both companies for the store sector were also reflected in their joint activities at the NRF, the most important North American exhibition, at the EuroShop, the most important European retail trade fair, and many other coordinated activities.

Market and Competitive Environment

- **The retail sector set another record in 2013 – sales rose to EUR 433 billion**
- **E-commerce growing most strongly — already has a market share of approx. 9 percent**
- **Investment needs for retail IT remain high**

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

As GK SOFTWARE expands its business to more and more economic regions, the number of factors increases as a matter of course, as the situation in the individual markets may develop in very different ways, despite some global economic trends. At the same time, this provides some isolation in the company's general operations from the developments in its original core markets – primarily in Central Europe – at least in the medium term, without these markets losing their significance for GK SOFTWARE to a large extent in the foreseeable future.

The general trends in the retail world are important in addition to the basic economic trends in the markets that we are processing directly or through our partners. They principally include e-commerce and the introduction of omni-channel concepts. But long-term issues like demographic developments, new ways of establishing customer loyalty or internationalisation are becoming more important all the time too. They are already creating new strategic focuses in the retail sector and they directly affect GK SOFTWARE. As a result, the company has already responded to them in its range of products.

Regardless of the growing importance of our international business, developments in the German-speaking countries continue to play a very important role for GK SOFTWARE's direct business. 2013 was a very successful year for the German retail sector (the largest market in the DACH region [Germany, Austria Switzerland]). After setting a new record in 2012, turnover rose nominally by a further 1.6 percent.[1] As a result, the retail sector (without vehicles, petrol stations, fuels and chemists) registered turnover of approx. EUR 433 billion during the business year. Turnover in the retail sector therefore increased much more strongly than gross domestic product (GDP), which was only able to grow in real terms by 0.4 percent[2] (not in comparative terms). The fact that the retail business accounted for 16.3 percent of GDP in 2013 also shows the significance of this sector for the overall economy in Germany.

Interactive commerce – mainly e-commerce and the mail order business – was once again able to increase its turnover massively by 22.9 percent to approx. EUR 48 billion. This corresponds to a new peak level of 11.2 percent of the total retail sector, which means that this statistic has broken through the 10 percent threshold for the very first time. It is particularly important for the stationary retail sector to note that women make up almost 54 percent of the digital purchasers and they prefer omni-channel providers. That means that they prefer those traders, which they know from the stationary retail business, when making online purchases. This is also clearly apparent from the fact that the turnover of multi-channel suppliers is much higher at EUR 14.0 billion than pure online traders, which achieved results worth just EUR 5.6 billion[3]. Alongside them, the online market places, principally Amazon, continue to lead the field and make up half the total sales with a figure of EUR 26.7 billion.

These unabated developments are triggering huge challenges for the stationary retail sector. These challenges are also being powered by other developments like mobile couponing. Almost 60 percent of retailers already use these kinds of special offers or are planning to do so[4].

1 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/01/PD14_003_45212.html

2 – https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/VGR/Inlandsprodukt/MeldungBIP.html

3 – http://www.bvh.info/presse/pressemitteilungen/details/datum/2014/februar/artikel/ergebnisse-der-bvh-b2c-studie-2013-liegen-vor-interaktiver-handel-2013-massive-umsatzsteigerungen/?cHash=9ede2a68b8eb6f23ccbe826deff4ae3c

4 – http://www.ey.com/Publication/vwLUAssets/Handelsbarometer_SSV_2013/$FILE/EY-Handelsbarometer-SSV-2013-Studie.pdf, p. 22

The German Retail Federation (HDE) is expecting nominal growth of 1.5 percent with turnover reaching a figure of EUR 439.7 billion, despite these trends[5]. But the experience of the past few years has shown that the forecasts published by the HDE were always very conservative and the actual turnover achieved by the retail sector exceeded this figure by a significant degree. The HDE believes that ongoing moderate growth can be expected because the global economy is growing again, investments are increasing, incomes are growing and the savings rate remains constant. Rising electricity prices and the growth in direct sales by manufacturers are having a negative effect, on the other hand[6].

Much higher growth rates are expected for the e-commerce sector; the HDE has forecast an increase in turnover of more than 17 percent for 2014[7]. Surveys of retailers in terms of their business prospects support the HDE forecast that 2014 will be a positive year overall. The retailers' survey "Handelskix" in February 2014 showed that three quarters of the retailers questioned expect their business to remain constant or improve during the next twelve months[8]. The Ernst & Young survey provides an even more positive picture, where only 6 percent of retailers indicated that they were expecting their business prospects to decline during the next few months[9].

The analyses carried out by the marketing research company GfK also support the HDE forecasts with regard to the development of the retail trade. Consumer confidence is high and economic expectations are increasing too – industry views things in a similar light, as the "ifo" business climate index shows. Overall, the GfK is expecting nominal growth in the food retail sector of 2.3 percent and 0.6 percent[10] in the non-food sector.

The positive signs of developments in the retail sector are creating a relatively stable readiness to invest. About 40 percent of CIOs at retail companies are planning to introduce forward-looking technologies, for example in the mobile sector (mobile payments, digital signage, mobile POS) or related to cloud services (Backoffice, ERP), according to a current Forrester study[11].

Overall, the need for investments in the retail sector remains high, as the current study by the EHI Retail Institute entitled "Till Systems in 2014" shows. For example, more than 30 percent of all software solutions are still over 7 years old. The readiness to invest is similarly high. 37 percent of the companies surveyed by the EHI want to renew their till software during the next two years[12]. This positive market trend is also reflected in the relationships between GK SOFTWARE and potential buyers. IT departments at retailers are also focusing on issues that GK SOFTWARE is in an excellent position to handle, including those involving new technologies and processes with self-checkouts, mobile devices for internal processes and interaction with customer smartphones.

Overall, the prospects for the business performance at GK SOFTWARE remain positive in 2014 too. And this is all the more true because the company assumes through its partnership with SAP that it can continue to expand its base of potential customers in the international arena. The prudent kick-starting of the economy in many countries in the euro zone and the improved prospects for retailers in the USA may open up more opportunities. These trends are subject to the proviso that the global economy is not severely disrupted by political or economic factors, which could have a negative effect on the economic cycle.

GK SOFTWARE continues to assume that the investments in new systems that are required in

5 – https://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/123630-hde-erwartet-2014-umsatzwachstum-von-1,5-prozent.html

6 – Charts zur Jahrespressekonferenz 2014 des HDE, S. 2-5, https://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/download/6450_57614cd02df87fd5d98dcc5489309d1a.html

7 – HDE Konjunktur Information 2014 https://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/download/6451_a1ebffac999daa74db5527a21fcadc4e.html

8 – HANDELSkix, HDE-Handels-Konjunktur-Index 2014, S. 7 http://www.handelskix.de/app/download/7138198075/HANDELSkix_Ergebnisse+Januar+2014.pdf?t=1391771399

9 – http://www.ey.com/Publication/vwLUAssets/Handelsbarometer_SSV_2013/$FILE/EY-Handelsbarometer-SSV-2013-Studie.pdf, p. 6

10 – http://www.gfk.com/de/news-und-events/presse/pressemitteilungen/seiten/konsum-2014.aspx, http://www.tcs.com/SiteCollectionDocuments/White-Papers/2014-Global-Agenda-Retail-CIO-Study-1213-1.pdf

11 – www.tcs.com/SiteCollectionDocuments/White-Papers/2014-Global-Agenda-Retail-CIO-Study-1213-1.pdf

12 – EHI Retail Institute, Kassensysteme 2014, p. 32ff.

the short or medium term and the use of new technology fields for the retail sector will continue to provide sales potential in Germany and the other markets that are being actively processed in the future too. The company also expects the partnership with SAP in particular to lead to success stories internationally and reinforce the company's potential in the long term.

GK SOFTWARE currently has a good position in several requests for proposals in Germany and abroad in the direct sales sphere and in its partner business and has important advantages over its competitors with its broad portfolio of products, the internationality of its solutions and its proven ability to complete projects quickly.

Explanation of the Business Results and an Analysis of the Assets, Financial and Earnings Situation

After publication of the group accounts of the fiscal year 2013, which were made on 17 April 2014 and approved by the Supervisory Board on 28 April 2014, the preparation work for the report for the first quarter of 2014 revealed that a statement of expenditure for some advisory services from previous years had been incorrectly entered under the expenditure for the year 2014. The account totalled EUR 383 K plus value-added tax and had been entered at a figure of EUR 228 K under "Other operating expenditure" The remaining figure of EUR 155 K concerned capital procurement measures and should be entered under "Capital reserves" and "Other operating profits", including the effect on income tax needing to be taken into account. On the basis of the published consolidated annual net income of EUR 763 K, the failure to enter this item of expenditure had a major effect. In addition, the picture of the earnings, assets and financial situation, at least in terms of the earnings situation, which was provided by the annual group net income, did not match the actual circumstances.

Compared to the previously published consolidated annual group accounts, the entry of the incorrectly assigned statement has resulted in the following changes in the major key figures on the balance sheet and the profit and loss statement for the year 2013.

The annual group net income now amounts to EUR 601 K following the previously published figure of EUR 763 K, which is due to an increase in "Other operating expenditure" of EUR 228 K and the reduction in the income taxes entered on the expenditure side by EUR 66 K. As a result of the reduction in the annual group net income and the inclusion of equity procurement costs amounting to EUR 155 K minus the effect on income taxes of EUR 45 K compared to the previously published figures, the Group's equity on 31 December 2013 amounted to EUR 33,156 K, after a figure of EUR 33,428 K had originally been published. The change in the annual group net income leads to a statement of the earnings per share of EUR 0.34 (undiluted) and EUR 0.33 (diluted).

Through the increase in the trade accounts payable by EUR 455 K and the simultaneous reduction in the liabilities arising from income taxes by EUR 111 K and because of the equity figure, which has fallen by EUR 272 K, the balance sheet sum amounts at EUR 47,821 K to originally EUR 47,749 K.

The cash flow from operating business in the consolidated cash flow statement rose by EUR 109k, while the cash flow from financing activities decreased by EUR 109k.

The business year stood out because the company was able to return to the growth development course of the past few years. Overall, the volume of turnover rose to EUR 42.46 million, following a figure of EUR 28.43 million in the previous year. The earnings before taxes and interest (EBIT) therefore amounted to EUR 1.05 million, following a figure of EUR 1.23 million in the previous year. At the same time, stocks of cash and cash equivalents increased to a figure of EUR 13.74 million, after this figure was only EUR 3.36 million in the previous year. This is largely due to the capital increase used to strengthen the equity situation in return for a cash deposit. The equity ratio reached a figure of 69.3 percent, following 63.8 percent in the previous year.

Earnings Situation

- **Turnover of EUR 42.5 million; net income before taxes and interest EUR 1.05 million**

The Group's total turnover rose by a gratifying 49.4 percent or almost a half from EUR 28.43 million in the previous year to EUR 42.46 million. Developments in our GK/Retail core business sector were excellent; this segment rose by 14 percent in comparison with the previous year; turnover amounted to EUR 29.61 million, following a figure of EUR 25.96 million in the 2012 business year. As expected, turnover in the SQRS business unit declined and amounted to EUR 1.39 million, following a figure of EUR 1.92 million in the previous year.

Total Output

T.04

EUR K	2013		2012		Change
Sales	42,458	93.8%	28,426	92.6%	49.4%
Changes inventories finished goods	—	0.0%	(127)	(0.4)%	(100)%
Own work capitalized	376	0.8%	747	2.4%	(49.8)%
Operating revenues	42,834	94.6%	29,046	94.6%	47.5%
Other operating revenues	2,451	5.4%	1,658	5.4%	47.9%
Total operating revenues	**45,285**	**100.0%**	**30,704**	**100.0%**	**47.5%**

The development of turnover was significantly affected by the initial consolidation of the "IT Services" business segment over the complete business year; this was the result of the acquisition of the AWEK Group in December 2012. This business sector was able to contribute 27 percent of the total turnover (EUR 11.46 million).

If we examine the make-up of the turnover according to types of work, the source of the growth in turnover in the GK/Retail core business unit can be found in the marked increase in turnover for licenses. Overall, this rose from EUR 3.84 million to EUR 6.37 million. More than nine tenths (EUR 2.34 million) of the increase of EUR 2.53 million was due to developments with GK/Retail. The remainder (EUR 0.19 million) was accounted for by the IT Services business unit. However, it was also possible to increase the services business for introducing and enhancing the GK/Retail solutions with new and existing customers by EUR 0.73 million or 5.2 percent to a figure of EUR 14.77 million.

"Maintenance" is becoming increasingly important as a type of work. Turnover amounting to EUR 15.92 million was entered in the books here, which represents an increase of more than four fifths or EUR 7.10 million, following a figure of just EUR 8.82 million in the previous year. This growth is due to the IT Services business sector. It was able to generate maintenance turnover worth EUR 6.74 million for the first time. The increase of 10.8 percent in the GK/Retail business sector was modest in comparison with the other main types of work; but it largely compensated for the scheduled decline in maintenance income in the SQRS business unit, which fell by EUR 0.42 million to a figure of EUR 1.07 million.

The services that the Group provides continued to make the most important contribution to turnover (EUR 18.47 million). This figure, which exceeded the previous year's performance by EUR 4.00 million, contained an additional driving force from the IT Services business unit. This sector accounted for EUR 3.38 million of the total increase. The rise in the GK/Retail business unit was only 5.2 percent to a figure of EUR 14.77 million. The major reason for this was that it was only possible to develop the new business for this kind of turnover relatively late in the year. As a result, the impact was relatively low. On the other hand, this also demonstrates the stable basis of business relations with existing customers. Other turnover revenues accounted for 4.0 percent or EUR 1.69 million of total turnover (following a figure of EUR 1.30 million in the previous year). This turnover was largely generated in the IT Services business sector (EUR 1.15 million) and was the result of purchasing hardware for customers and preparing it for use at customer premises.

GK SOFTWARE also continued to invest in its solutions during the 2013 business year. Overall, development work worth EUR 0.38 million was capitalised, after EUR 0.75 million were invested in products in the previous year. The figure in 2011 was as high as EUR 1.49 million. This ongoing decline is an expression of the increasing degree of maturity in the solution.

Other operating revenues amounted to EUR 2.45 million, EUR 0.79 million higher than in the previous year. The major reason for this was the reversal of provisions amounting to EUR 1.25 million. As a result, the Group's total operating revenue during the business year amounted to EUR 45.28 million, following a figure of EUR 30.70 million in the previous year (an increase of 47.5 percent).

Expenditure on purchased goods and services rose particularly as a result of the work in the IT Services business sector by EUR 3.41 million over-

Sales by Segments

T.05

EUR K	2013		2012		Change	
Sales with						
GK/Retail	29,607	69.7%	25,959	91.3%	3,648	14.1%
SQRS	1,389	3.3%	1,918	6.8%	(529)	(27.6)%
IT-Services	11,462	27.0%	549	1.9%	10,913	1,987.8%
Total	**42,458**	**100.0%**	**28,426**	**100.0%**	**14,032**	**49.4%**
Licences	**6,372**	**15.0%**	**3,838**	**13.5%**	**2,534**	**66.0%**
GK/Retail	6,178	14.5%	3,838	13.5%	2,340	61.0%
SQRS	—	0.0%	—	0.0%	—	0.0%
IT-Services	194	0.5%	—	0.0%	194	0.0%
Maintenance	**15,924**	**37.5%**	**8,819**	**31.0%**	**7,105**	**80.6%**
GK/Retail	8,122	19.1%	7,332	25.8%	790	10.8%
SQRS	1,065	2.5%	1,487	5.2%	(422)	(28.4)%
IT-Services	6,737	15.9%	—	0.0%	6,737	0.0%
Services	**18,469**	**43.5%**	**14,469**	**50.9%**	**4,000**	**27.6%**
GK/Retail	14,768	34.8%	14,043	49.4%	725	5.2%
SQRS	324	0.8%	426	1.5%	(102)	(23.9)%
IT-Services	3,377	7.9%	—	0.0%	3,377	0.0%
Other Business	**1,693**	**4.0%**	**1,300**	**4.6%**	**393**	**30.2%**
GK/Retail	539	1.3%	746	2.7%	(207)	(27.7)%
SQRS	—	0.0%	5	0.0%	(5)	(100.0)%
IT-Services	1,154	2.7%	549	1.9%	605	110.2%

all. This business unit accounts for EUR 3.12 million of the increase of EUR 4.08 million covered by this item.

In anticipation of an increasingly development of orders, management once again decided not to adjust the company's capacity for product development and project handling in order to be able to meet the expected requirements. At the same time, the average number of employees over the year rose from 458 to a figure of 552. This created an increase in personnel costs from EUR 19.44 million in the previous year to EUR 25.60 million in the year under review. The increase of EUR 6.16 million or 31.7 percent was largely due to the new IT Services business unit. This department alone accounted for EUR 5.74 million of the personnel costs in the year under review – the increase amounted to EUR 5.50 million. The increase for the GK/Retail and SQRS departments was therefore EUR 0.70 million or just over 3 percent, although this figure includes ex gratia payments of EUR 0.26 million for employees leaving the company. Management is aware that actively controlling the capacity that is available is a central task. Consideration is being given to measures to improve the quality and adapt the quantity of the capacity that is available.

Depreciation/amortisation amounted to EUR 2.29 million during the year under review, following a figure of EUR 2.07 million in the previous year. The increase of EUR 0.22 million was largely due to the increased scheduled need for amortisation with regard to the assets acquired as part of the acquisition of the AWEK Group at the end of 2012.

Other operating expenditure rose by EUR 4.97 million. A number of factors, some of them unique, were responsible for this. Other operating expenditure triggered by the IT Services business unit accounted for permanent increases in costs. This expenditure exceeded the previous year's figure by EUR 1.96 million because of the highly restricted consolidation period in the previous year, following a figure of EUR 0.20 million in the previous business year. The increase in expenditure within the GK/Retail business sector by EUR 2.89 million can be traced back to one-off factors in the form of value adjustments on accounts receivable amounting to EUR 1.99 million. The remaining additional expenditure of EUR 0.90 million was due to the expansion of business operations and particularly travel expenses (which rose by EUR 0.48 million). Employee advertising costs also rose by EUR 0.13 million and the general consultancy expenditure (solicitors and strategy advice) increased by EUR 0.42 million.

As a result, GK SOFTWARE generated earnings before interest and taxes (EBIT) of EUR 1.05 million. This figure is EUR 0.18 million or 15.2 percent lower than the previous year's.

The financial result for the year under review was -EUR 0.11 million, following a figure of +EUR 0.04 million in the previous year. Expenditure on interest rose by EUR 0.04 million to EUR 0.22 million, while revenue from interest declined from EUR 0.22 million to EUR 0.11 million. The reason for this was in the significant deterioration in investment conditions.

This created earnings before income taxes of EUR 0.93 million, a lower figure than in the previous year by EUR 0.35 million. After tax, the Group's annual profits were EUR 0.60 million, following a figure of EUR 1.05 million in the previous year. This corresponds to earnings per share of EUR 0.34 (previous year 0.39 EUR).

Financial Results

T.06

EUR K	2013		2012		Change
EBIT	(1,274)	3.0%	(1,233)	4.3%	3.3%
EBT	(1,161)	2.7%	(1,277)	4.5%	(9.1)%
Group result	(763)	1.8%	(1,051)	3.7%	(27.4)%

The initial adoption of IAS 19 led to changes in reporting the actuarial gains and losses arising from pension obligations. It was also necessary to adopt these changes for the comparison year. This means that the figures were amended in contrast to the published consolidated accounts for the 2012 business year. We have shown the scale of the changes in table no. 14 in the notes on the consolidated accounts.

Assets Situation

The changes to the figures for the previous year on the balance sheet are due to the initial adoption of

IAS 19 and the changes to the final purchase price allocation in contrast to the provisional allocation for the acquisition of the AWEK Group. We would refer to Section 6 of the notes on the consolidated accounts for the scope of the changes.

The consolidated balance sheet amounted to EUR 47.82 million on the balance sheet reporting date and was therefore EUR 3.45 million higher than the comparable figure for the previous year (EUR 44.37 million).

The increase in share capital in December 2013 was largely responsible for this on the assets side; taken together with the annual income, this caused the increase in equity. Otherwise, non-current assets declined by EUR 1.22 to EUR 15.25 million since the last balance sheet reporting date, while current assets discounting cash and cash equivalents increased by EUR 1.31 million to EUR 18.83 million.

The equity ratio rose because of the annual profits and the increase in share capital mentioned above to a figure of 69.3 percent. Equity on 31 December 2013 amounted to EUR 33.16 million.

Debts at GK SOFTWARE declined by EUR 1.37 million during the year under review; it was possible to reduce non-current liabilities by EUR 1.16 million to a figure of EUR 4.01 million and current liabilities by EUR 0.21 million to a figure of EUR 10.65 million.

exceeded the capitalisation in this sector. This decline amounted to EUR 0.58 million. Acquired customer relations and acquired intangible assets were amortised on schedule in the field of intangible assets and this created declines in carrying amounts of EUR 0.13 million or EUR 0.23 million respectively. In contrast, the carrying amounts for property, plant and equipment remained almost unchanged in comparison with the previous year's figure at EUR 4.79 million.

Current assets rose primarily by EUR 2.23 million to a figure of EUR 13.09 million through the increase in trade accounts receivable. The reason for this was the extensive invoicing performed in the month of December. Most of the accounts receivable had been settled by the time that this report was drawn up. The income tax refund claims fell by EUR 1.10 million to EUR 0.22 million because of repayments that were made.

Stocks of cash and cash equivalents amounting to EUR 13.74 million exceed the interest-bearing liabilities of EUR 2.29 million by EUR 11.45 million. The development of cash and cash equivalents is explained as part of the analysis of the financial situation.

The decline in non-current debts by EUR 1.16 million to a figure of EUR 4.01 million was due to two major factors. Firstly, pension obligations were settled as part of restructuring the balance sheet and this created a decline in pension provisions

T.07 Assets Situation

EUR K	2013		2012		Change
Non-current assets	15,248	31.9%	16,466	37.1%	(7.4)%
Current assets or cash and cash equivalents	18,831	39.4%	17,519	39.5%	7.1%
Cash and cash equivalents	13,742	28.7%	10,382	23.4%	32.4%
Assets	**47,821**	**100.0%**	**44,367**	**100.0%**	**7.6%**
Equity	33,156	69.3%	28,332	63.9%	18.0%
Non-current liabilities	4,011	8.4%	5,171	11.7%	(22.4)%
Current liabilities	10,654	22.3%	10,864	24.5%	(5.1)%
Liabilities	**47,821**	**100.0%**	**44,367**	**100.0%**	**7.6%**

In greater detail, the changes can be substantiated as follows. The decline in non-current assets was largely due to the decline in the carrying amounts on own work capitalised (software). This was due to the scheduled amortisation, which significantly

of EUR 1.71 million to a figure of EUR 0.91 million; secondly, the non-current bank liabilities fell on schedule by EUR 0.21 million to a figure of EUR 1.02 million through the process of reclassifying them as current.

Current debts fell by EUR 0.21 million because of the fall in current provisions by EUR 0.93 million and current bank liabilities by EUR 0.97 million. The current provisions fell primarily because of the far lower need for warranty provisions. Bank liabilities also fell because of scheduled repayments, the almost equivalent (increasing) reclassification of portions of the non-current bank liabilities, which became due within sight of the reporting date, and the repayment of a loan worth EUR 1.0 million. This development was balanced by the simultaneous increase in trade accounts payable at the reporting date (+EUR 0.58 million) and the increase in income tax liabilities (+EUR 0.47 million), which were the result of the significantly higher annual income. Other liabilities also rose. The increase of EUR 0.90 million to a figure of EUR 4.68 million was primarily due to the increase in liabilities in the personnel department (liabilities for holidays, overtime, outstanding salaries) by EUR 0.72 million and the increase in liabilities for value-added tax by EUR 0.20 million due to the higher sales in December.

Financial Situation

We would point out that the previous year's figures in the cash flow accounts were changed due to the initial adoption of IAS 19 mentioned above and the final purchase price allocation arising from the acquisition of the AWEK Group, where the provisional figures were changed.

The cash flow from operating business in the narrower sense – i.e. without any change to net current assets – increased from EUR 3.06 million in the previous year to EUR 5.83 million, i.e. by EUR 2.77 million. This development was largely due to the improved annual profits (+EUR 2.59 million) corrected by value adjustments to the current assets and the accruals reported at this point from actuarial gains or losses (OCI) arising from the use of IAS 19 (+EUR 0.66 million).

The changes to net current assets related to the reporting date weighed on the operating cash flow to the tune of EUR 5.24 million, after it was possible to establish some easing of the pressure to the tune of EUR 1.91 million in the previous year. The major burden resulted from the development of trade accounts receivable in the light of value adjustments that were made; they increased by EUR 4.22 million. The main reason for this could be found in the invoicing performed during December 2013, although it should be emphasised that most of these invoices had been settled by the time that this report was drawn up. The decline in provisions by EUR 1.73 million also weighed on the figures. This fall was largely due to the lower need for warranty and pension provisions.

The results therefore indicate an increase in cash and cash equivalents from operating activities of EUR 0.64 million, following a figure of EUR 4.97 million in the previous year.

The account balance of interest payments and income taxes to be paid or refunded (EUR 1.24 million) eased the pressure on the operating cash flow during the year under review; charges of EUR 1.79 million were recorded in the previous year. Overall, this created a net inflow of funds from operating activities of EUR 1.83 million, following a figure of EUR 3.18 million in the previous year.

After the Group's investment behaviour was dominated by the acquisition of the AWEK Group in the previous year, the net outflow of cash and cash equivalents for investments reached normal levels again at EUR 0.95 million, following a figure of EUR 3.99 million in the previous year.

The funding activities in the business year were dominated by the increase in capital in return for cash deposits performed in December 2013. Overall, funds amounting to EUR 3.67 million accrued for GK SOFTWARE. Regardless of this, GK SOFTWARE used its good liquidity situation to continue reducing its existing obligations towards banks on schedule. As a result of repayments of loans, the company reimbursed EUR 2.08 million. At the same time, it took out loans totalling EUR 0.89 million with a monthly repayment deadline by using credit cards; EUR 0.79 were repaid through the monthly accounting procedures.

Funds totalling EUR 2.59 million accrued for the company from funding activities during the business year so that the stocks of cash and cash equivalents rose by EUR 3.36 million to EUR 13.74 million on the balance sheet reporting date.

Report on Key Events

after the Balance Sheet Dates

No major events took place after the end of fiscal 2013 that need to be mentioned at this point.

Report on Risks and Prospects at GK SOFTWARE

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

Risks

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

The risk early warning system focuses on recognising risks; it attempts to pick up any possible risks that might pose a threat to the company's existence. The risk management scheme does not pick up any positive opportunities.

The most serious risk among the following is the risk of damage to the company's reputation if an individual project goes wrong. The risks that influence customer behaviour, like the effects on demand because of a perception that the company has performed inadequately or delays in investments because of new market conditions or regulatory measures follow this in terms of their significance. There may well be connections between the risks of the two types mentioned: changes in market conditions or regulatory requirements could increase the complexity of projects and therefore make negative project work more probable.

The other risks mentioned above are the result of the risks already outlined here and are less important. We currently believe the financial risks are of a secondary nature.

We have summarised the individual risks, which are the result of integrating the AWEK Group or the acquisition of other companies, in a separate risk category; this eludes any general order of assessment.

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

One major risk – which cannot be influenced by the Group – involves business developments at customers of GK SOFTWARE on account of the development of the general economy and consumer sentiment. The actual developments in fiscal 2014 and the prospects for fiscal 2015 have been dominated by a generally calm, but constant growth process in the global economy. The effects of the crisis between the Ukraine and Russia are completely unclear and affects markets in which the group operates. The actual ongoing developments in these situations and the uncertainties associated with them will have an effect on economic developments in Europe to a degree that cannot yet be determined.

The forecasts of associations and analysts indicate that the retail sector will once again develop in a relatively calm way in the significantly calmer overall economic climate; but the psychological effect of any contradictory news in an environment, which is difficult to predict, and its effects on the investment behavior of customers of GK SOFTWARE is hard to forecast – as was true last year.

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

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

On the basis of its customer structure and the structure of its target market, the consolidated group business is repeatedly dominated by individual major projects with a relatively low number of customers, so that these business relations provide significant contributions to sales and results within a fiscal year. The Management Board assumes that this will continue to be the case in the future too. If a business partner breaks off a project or falls into payment difficulties, this could have financial consequences for GK SOFTWARE. However, this risk is restricted by regular payment plans or agreemants for payments according to what are known as project milestones.

Another new risk results from the start of developments related to omni-channel approaches to retailing. This fundamentally new way of thinking and the opportunity of introducing it can extend the sales cycles in comparison to current times, as customers view these developments as strategic and have to introduce a relevant process to achieve the full potential. This can lead to extended times for decisions with the corresponding effects on the sales opportunities for GK SOFTWARE.

The ongoing consolidation of the retail sector market may lead to a reduction in the number of store networks in the short term, so that demand from the retail sector could rise. The retail sector in Germany is generally dominated by price wars. Retail companies therefore seek to pass on the resulting pressure on prices to their suppliers and contractual partners. This process is also felt for investments in IT equipment and may have an effect on producers of retail sector software. As GK SOFTWARE AG, however, provides solutions for a highly central function within retail sector groups, these risks are not classified as a threat to the company's existence.

The process of consolidation on the customer side is continuing, similar to that encountered at rival companies. This concentration is clear from the acquisition of direct competitors of GK SOFTWARE AG by globally important manufacturers of hardware, which then become universal providers for the retail sector. This combination could cause possible customers to purchase all their services from these rival firms. Although the management board at GK SOFTWARE AG assumes that the market developments used in the past to purchase hardware and software separately will continue, a reversal of this trend and therefore a negative impact on GK SOFTWARE's sales opportunities cannot be completely ruled out.

The planned expansion is also associated with certain financial risks. These mainly arise from preliminary payments made to acquire customers – by consolidated companies. This risk is increased by the extensions for sales cycles outlined above in the report on the business situation. The increase in sales expenditure associated with longer sales cycles plays a role in part. But the need to maintain the ability to deliver products when deals are signed is of special importance. This can lead to idle capacity costs of a significant magnitude.

In the course of any further expansion, the project business will have furthermore to be increasingly scaled and this should take place using partners. However, there are other risks when working with partners – not every process can be precisely controlled. So GK SOFTWARE has set up a partner program with certification for integration partners and so-called project coaches and this is designed to guarantee the quality of project operations.

The customer projects in Germany and abroad, which are increasingly becoming more complex as

described in the analysis of the market and competitive environment, also contain risks for the ongoing development of GK SOFTWARE AG and could lead to higher provisions for warranties and accommodating arrangements, not only for individual projects, but for all of them. But the Management Board is confident that it has steered the development work for the software in a direction that generally guarantees the quality standards used in the past. The risks within individual projects are managed in the manner described above.

GK SOFTWARE AG does not rule out a situation where it partly acquires its products and sales base by deliberate acquisitions in order to complete the planned expansion of its business operations in the next few years. The consolidated group will exercise the maximum possible degree of prudence when preparing for and checking acquisitions. But it is impossible to completely eliminate the risk that an acquisition may have negative effects on the results at GK SOFTWARE.

Following the takeover of the AWEK Group, it is assumed that the restructuring and the integration of AWEK will weigh on the Group's finances. If the integration and restructuring do not succeed or only succeed in part or if it is not possible to communicate the benefits of having a solution from one source to new and existing customers, loans extended to AWEK directly by GK SOFTWARE AG or through Group companies could be affected detrimentally. The Management Board assumes that the restructuring and integration of AWEK will have largely been completed within the market place too during 2014.

To ensure further growth, the companies also need to attract additional highly qualified employees and we cannot rule out the possibility that members of staff in key positions will leave the consolidated companies. So it will be an ongoing challenge for the consolidated group to commit current staff to the firm and at the same time attract new, motivated specialists. GK SOFTWARE is making every effort to be an interesting employer for its existing employees by providing a combination of interesting tasks, international fields of operations with its innovative products and becoming one for the labor market. The IPO and the company's reputation as an innovative IT corporation have increased the attractiveness of the group for the labor market.This attractiveness, which is already a fact, was increased even further by the establishment of a share option program for managers and leading employees in the Group; this was completed in the year under review. A competence management scheme, which has been recently introduced, is designed to further increase the skills and proficiency of members of staff as they face their business tasks.

Against the backdrop that the group is managing its capital – which includes both equity and all accounts receivable and payable – with the aim of guaranteeing that the group will be able to service its loans and debts at all times and provide adequate liquidity to secure investment projects and is attaching the greatest importance to maintaining capital, it is important to name the following further risks to business developments.

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

Trade accounts receivable exist with all the Group's current customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability of any default on account of the impossibility of meeting the obligations agreed with the Group is therefore slight. This situation is monitored closely by observing the customer's payment behaviour, the market environment and drawing on external sources like reports from the relevant specialist press. If this monitoring process gives rise to an assumption that the general economic situation at individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible loss. Value adjustments may occur if customers believe that work has not been complete or is inadequate. In these cases, the Group basically carries out individual value adjustments for precautionary reasons to the degree that there is some expectation

that settlements on a goodwill basis - without any recognition of legal grounds - might be made. A flat-rate value adjustment on the complete item is also made to reflect the general default risk for trade accounts receivable. Interest revenues are not entered from these financial assets where value adjustments have been made.

The default risk on liquid resources is slight, as the banks holding the accounts are all members of the German deposit protection scheme or they have an outstanding reputation with a corresponding credit rating.

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

The Group controls the liquidity risks by having available appropriate reserves, credit lines and similar credit facilities and by monitoring the deviations between forecast and actual cash flows. The maturity dates of financial obligations are monitored and the Group's fundamental ability to generate adequate finances from its operating business in order to be able to meet these obligations at any time. Based on the current structure of the obligations and the actual liquidity situation, the Management Board has not identified any liquidity risks.

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 eurozone. The interest rates are the result of selected types of funding to enhance the Group's financial latitude.

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 are charged. Because of the minor scope of this business, we have foregone any quantitative analysis of the risks associated with this business.

Exchange rate risks occur from the Group's exposure to Czech crowns, Swiss francs, Russian roubles and US dollars. The Group engages in payment obligations arising from work, renting and leasing contracts in all these currencies. The Group also purchases equipment and materials in all these currencies. The Group only issued invoices for sales and work in the normal currency (euros) and Swiss francs on the balance sheet date. To determine the risk of exposure to foreign currencies, the Group is carrying out a sensitivity analysis. The results of this analysis will have some influence on the exchange rate risks as a result of a ten-percent increase and decrease in the value of the euro in comparison with these currencies to the tune of EUR 81 K (EUR 109 K in the previous year). In the view of the management team, the sensitivity analysis does not, however, reflect the actual exchange rate risk, as the risk at the end of the reporting period only reflected the risk during the year to a certain extent. This was because of accounting fluctuations, particularly at the end of the first quarter of a business year for work, which is assessed in Czech crowns, but is only accounted for once a year.

The Group is exposed to interest risks, as the Group's companies take out financial resources at fixed and variable interest rates. The risk is controlled by the Group by maintaining an appropriate ratio by taking out a mixture of fixed and variable interest rates on funds. 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 in the notes on the consolidated accounts. The interest risks are the result of interest payments agreed within the loan contracts. There is no link with the exchange rate risk here, because all the loans are nominated in euros. During the year under review, interest payments of EUR 180 K were made and entered to affect the income statement. The interest rate on the loan with the DZ Bank is fixed over the complete term so that no interest risks arise from this contract. The interest rate is set quarterly at a rate of 1.9 percentage points above the 3-month EURIBOR rate in the case of the investment loans taken out with the Commerzbank to the value of EUR 750 K and EUR 450 K. The interest risk has been restricted by an interest rate cap of 1.0 percent p.a. The loan from the Commerzbank in Plauen also attracts an

interest rate that is set quarterly at 1.8 percentage points above the 3-month EURIBOR rate. The risk here has been restricted to 4.0% p.a. throughout the term by means of an interest rate cap. If the 3-month EURIBOR rate had changed by one percentage point, this would have meant a change in the interest charge of EUR 30 K in 2013 (determined using the actual interest charges in 2013 and a change in the interest rate). There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are used.

There are no other risk categories - because of the type of financial instruments used. There is a description of the exchange rate and interest risk in section 8.1 of the notes on the consolidated accounts.

The Management Board believed that there was no risk that could be called a threat to GK SOFTWARE's existence at the end of fiscal 2012.

Opportunities

There are growth opportunities for the consolidated group both in Germany and abroad. The issues targeted by the products of GK SOFTWARE AG are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be a success in the international market place, the consolidated group is well placed with plenty of good references from the German retail sector and a technically well-developed product. GK SOFTWARE AG products are already well represented on the international market and are being used at more than 185,000 POS units in 35,000 stores in 36 countries. GK SOFTWARE AG also has several major partners with excellent networks in the retail sector. The partnership with SAP here should make it easier to gain access to new customers in international markets like the USA and Asia. The consolidated group can make use of the experience that it has gained with its German customers, as the solutions have already been successfully introduced in 36 countries and therefore can be quickly transferred to foreign customers.

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

One of the major issues for the retail sector during the next few years will be to integrate their stationary business with other channels, e.g. web stores or mobile apps. Then there are the latest trends like home delivery, mobile payment or social networks, which need to be integrated on one platform. Other long-term issues like integrated and automated processes for optimizing stocks, scheduling and efficient customer management systems will continue to play an important role in reducing costs and increasing customer loyalty. As a result, the retail trade will almost certainly invest in solutions that integrate all the business processes. Without standardization and simplification of the processes, retail companies' margins will come under pressure as well. Homogenized till systems and centralized data flows will therefore be very important to retailers in the future. GK SOFTWARE AG can clearly benefit from this investment behavior in the retail sector.

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

Internal Checking and Risk Management Systems with Regard to the Accounting Process

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

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

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

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

The Group accounts and the accounts for the individual companies are organized and handled in-house. GK SOFTWARE AG completes the accounts of the German subsidiaries or branches of subsidiaries as a service. The financial statements for the foreign Group companies are handled locally. The local annual accounts are then consolidated with the parent company's accounts by making suitable adjustments. The wage and salary accounts for the German companies and branches of the foreign subsidiaries were handled by a services company during fiscal 2011. The wage and salary accounts for the German companies have been handled by GK SOFTWARE AG since the beginning of fiscal 2012.

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

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

Outlook

The 2013 business year proved that the Group is capable of asserting itself, even in a tough market environment. However, despite the good conditions and an excellent position in the market place, this business year also demonstrated that it is not possible to guarantee sales success. The company is currently looking at a number of excellent sales opportunities, but it is far from being able to view them as already having been won. Hard work will be necessary in order to be able to fully develop the existing potential. Based on the information available so far, the Management Board is expecting the Group's financial and earnings situation to further improve as a result of the ongoing expansion of business in 2014 and it does not expect any developments in its financial situation, which could pose a threat to the company's existence. However, this development is subject to the developments, which may be expected or come as a surprise, which the Group is unable to influence; they could have a major effect on this forecast.

The company will continue to follow the pathway pursued during the past few years of continuing to place the company's business on a broader

geographical footing and penetrate the domestic market to an even greater extent. We are therefore intending to further increase our share of turnover with companies, which have their management centres outside Germany, and also serve our German domestic market by expanding into other retail segments, which are new for us, and by enhancing our business relations in segments where we are already present to an even better and more extensive degree.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the Group's turnover will continue to expand significantly in 2014.

If this development proves realistic, the Management Board is expecting the GK/Retail business to continue to expand so that turnover in this segment will increase significantly. This growth should once again generate similar levels of profitability as in previous years – i.e. within a significant double-digit target range. However, we are also aware that our investments in the development of our North American business will have a major negative effect on our overall margin within this business unit. We are expecting a continuation of the declining trend in our SQRS business sector, as mirrored in the 2012 and 2013 business years. We do not expect any new orders for services. In terms of profitability, we expect to reach an EBIT margin with a high single-digit figure. We will be able to compensate for the cost risk of the decline in resource requirements here by diverting the resources to the GK/Retail business unit on account of the increase in demand there. We are expecting a major expansion of turnover in the IT Services business unit, but on average the EBIT margin will be significantly lower than in the other two business units i.e. in the high single figure range.

As we are assuming that implementation partners will be more significantly involved in the development of our business in future than in the past, we believe that the personnel requirements at GK SOFTWARE will stabilise within the personnel cost increases experienced during the past business year.

We would like to explicitly repeat here that these estimates are subject to the absence of any external shock situations, which might occur, possibly as a result of an escalation of the events not that far away in the Russian Federation or if the euro crisis should flare up again. These kinds of problems that would affect the whole economy could lead to a curb on the readiness of the retail sector to make investments and this could logically have a negative effect on the turnover and income potential at GK SOFTWARE.

We are expecting significant growth in turnover for the GK/Retail business in 2015 with profitability levels similar to those in 2014. But even if we maintain the level achieved in the 2013 business year, we do not expect any general negative impact on the excellent financial situation that we enjoy at the moment.

The Management and Supervisory Boards will suggest whether funds should be distributed as a dividend or used for future growth, depending on ongoing developments and any business opportunities that arise.

Other Information

According to Section 315 of the German Commercial Code

Principles of the Company's Remuneration System

The members of the Management Board not only receive a fixed salary, but also a component that is dependent on results and they are coupled to qualitative targets and mainly relates to the development of the company. These qualitative goals are set by the Supervisory Board for the members of the Management Board every year. The allocation of share options to members of the Management Board takes place through the Supervisory Board and depends on the degree to which the members of the Management Board have met their business targets. Furthermore, pension commitments have been made to one member of the Management Board. The members of the Management Board are entitled to participate in the company's share option program according to the general rules stipulated for these programs.

11,500 share options in all were granted to members of the Management Board during fiscal 2013. Overall, the members of the Management Board held more than 14,500 options on the balance sheet reporting date.

The following applies to the complete Management Board – if the targets that are set are fully met, their total earnings are divided up into a 70 percent share for the fixed part and a 30 percent share for variable earnings. Fixed earnings of 71 percent and 29 percent of earnings determined in a variable manner were paid out or offered as bonuses during the course of 2013. It is possible to grant settlement payments to members of the Management Board leaving the company for any extraordinary work within the scope of the German Corporate Governance Code. The Supervisory Board determines whether this takes place or not.

The members of the Supervisory Board receive a fixed annual payment according to the articles of incorporation. There is no provision for any performance-related remuneration.

Information according to Section 315 Paragraph 4 of the German Commercial Code

1. **Capital ratios.** The equity capital at GKSOFTWARE amounted to 1,890 K euros on 31 December 2013 and is divided up into 1,890,000 individual share certificates. Each individual share certificate represents one vote according to Section 4 of the articles of incorporation.

2. **Shareholders' rights and obligations.** The same rights and obligations are linked to each share. Shareholders are entitled to asset and administrative rights. The asset rights include the right to share in the profits and the buying option to purchase shares in any increase in share capital. The shareholders' participation in the company's profits is also defined by their share in the equity capital. Their administrative rights include the right to take part in the company's annual shareholders' meeting, speak there and ask questions or make applications and exercise voting rights.

3. **Equity shareholdings.** The following direct or indirect shareholdings that exceed 10 percent were known on the reporting date:

a. Mr. Rainer Gläß directly or indirectly has 531,142 shares, of which 468,350 shares are indirectly held through GK Software Holding GmbH.

b. Mr. Stephan Kronmüller directly or indirectly has 512,350 shares, of which 468,350 shares are indirectly held through GK Software Holding GmbH.

c. GK Software Holding GmbH directly has 936,700 shares. Mr. Rainer Gläß and Mr. Stephan Kronmüller each own half of this company.

4. Appointments to the Management Board or amending the articles of incorporation.
Appointing or dismissing members of the Management Board are issues that are governed by Sections 84 and 85 of the German Stock Corporation Act. Members of the Management Board are appointed by the Supervisory Board for a maximum period of five years and an extension of their time in office is permissible for a maximum period of five years each time. According to the articles of incorporation, the number of members of the Management Board is determined by the Supervisory Board, but the Management Board must consist of at least two persons. The Management Board at GK SOFTWARE AG currently has four members. The articles of incorporation can only be amended by the annual shareholders' meeting according to the rules of the German Stock Corporation Act. The Supervisory Board may decide on the version of the articles of incorporation – i.e. only make grammatical amendments to the articles of incorporation. Any decisions taken by the annual shareholder's meeting only require a simple majority of votes cast, if the law does not specify anything different.

5. The Management Board's powers to issue and repurchase shares.
Contingency capital. According to Section 4a of the articles of incorporation, the Management Board was entitled to grant purchase options on up to 37,000 individual share certificates to members of the Management Board, company managers, where GK SOFTWARE AG already has a direct or indirect shareholding ("associated companies"), and managers at the company and their associated companies on one or more occasions until 14 May 2013, provided that the Supervisory Board approves of these measures.
A share option program came into force in 2010. A total of 12,300 stock options have been offered to employees at the company and associated firms and it was initially possible to redeem them on 30 June 2012 provided that certain conditions were met. Of these, 2,225 options were forfeited during fiscal 2011.Once the exercise period lapsed on 31 December 2012, another 10,075 of these options were forfeited because the exercise criteria were not met. This means that all the stock options issued in this program were forfeited.
Another 9,450 stock options were offered to members of the company and associated firms in fiscal 2011. They cannot be redeemed until 30 June 2015, if the redemption conditions are met.
16,175 stock options in all were offered to

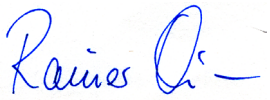
members of the company and associated firms in fiscal 2012 and they cannot be redeemed until 5 July 2016, if the redemption conditions are met. 2,875 share options, which were granted in 2011 and 2012, were forfeited during the course of the 2013 business year.
14,250 share options were issued to members of the company and associated firms during the course of the 2013 business year; they can be redeemed for the first time on 9 May 2017, provided that the conditions for exercising them have been met.
Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares would be fully entitled to profit-sharing in the business year in which they accrue.
According to Section 4a Paragraph 4 of the articles of the company, the share capital has been conditionally increased by a further EUR 50,000, divided into 50,000 individual share certificates. The increase in share capital will only be carried out if holders of stock options, which were issued in the period up to 27 June 2017 on the basis of the resolution passed at the annual shareholders' meeting on 28 June 2012, make use of their subscription rights to company shares and the company, which has the right to issue new shares, grants existing shares that have not met the conditions for the subscription rights.
Members of the Management Board, managers of companies where GK SOFTWARE AG has an indirect or direct majority holding ("associated firms") and managers of the company and their associated firms are entitled to participate in the stock option program.
The issue of subscription rights is the responsibility of the Management Board, together with approval from the Supervisory Board.
Share options were issued to members of the group participating in this scheme for the first time during the course of the 2013 business year. 10,675 share options, which cannot be exercised until 26 August 2017 provided that the necessary conditions have been met, were issued to the eligible persons. Another 14,000 share options were issued to members of the group participating in the scheme - but they will not be able to exercise them for the first time until 10 November 2017.
Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares will be fully entitled to attract profits in the business year in which they are issued.
Approved capital. According to Section 4b of the articles of incorporation, the Management Board is empowered until 27 June 2017 to increase the company's equity capital on one or more occasions by up to 895,000.00 euros – by issuing up to 895,000 individual share certificates. Subscription rights must be granted to shareholders in principle; but the Management Board is entitled to exclude the subscription rights to one or more increases in share capital as part of authorized capital in order to balance out fractional amounts, in the case of increases in share capital in return for property, plant and equipment, particularly when acquiring companies, if the increase in share capital takes place in exchange for cash deposits and the issue price does not fall far below

the share market price for shares that have already been issued and if the ratio of new shares issued, where subscription rights are excluded in line with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act does not exceed 10 percent of the share capital.
The Management Board made use of this authorisation on 27 December 2013, with the agreement of the Supervisory Board. The company's share capital was increased by EUR 100,000.00, divided into 100,000 ordinary shares, but excluding any pre-emptive rights on the part of shareholders, in return for a cash deposit. SAP AG, Walldorf, alone was permitted to subscribe to these. The issue price was EUR 37.82 per share. The new shares are entitled to attract profits for the first time from 1 January 2014 onwards. As a result, the outstanding sum of authorised capital amounts to EUR 795,000.00.

6. **Change of control clauses.** The "SOFTWARE LICENSE AND RESELLER AGREEMENT" between SAP AG and GK SOFTWARE AG may be terminated by SAP AG for an important reason, if the majority of the shares in GK SOFTWARE AG are sold to someone, who is a direct competitor of SAP AG.

7. **Compensation agreements.** Compensation agreements with one member of the Management Board if an offer is made to take over the company. If there is a fundamental change in the make-up of the shareholders, the member of the Management Board is entitled to a financial settlement in line with the German Corporate Governance Code.

The Management Board



Rainer Gläß
CEO

André Hergert
CFO

C | Consolidated Financial Report

Consolidated Balance Sheet

on 31 December 2013

Assets

T.08

EUR	Notes No.	31.12.2013 (audited)	31.12.2012 (audited and adjusted)
Property, Plant and Equipment	2.2.; 3.1.	4,794,037.16	4,884,102.79
Intangible Assets[1]	2.3.; 2.14.; 3.2.	9,922,121.87	10,923,811.77
Financial Assets		1,660.00	1,660.00
Active Deferred Taxes[1]	2.12.;4.9.	529,861.75	656,454.97
Total Non-Current Assets[1]		**15,247,680.78**	**16,466,029.53**
Raw Materials, Supplies and Consumables	2.4.; 3.3.	1,034,421.29	999,052.62
Finished Goods	2.4.; 3.3.	8,389.14	9,763.94
Initial Payments Made	3.3.	0.00	9,790.67
Trade Accounts Receivable	2.5.; 3.4.	13,094,022.68	10,859,813.32
Accounts Receivable from Ongoing Work	3.5.	659,939.36	768,700.00
Income Tax Assets	2.5.; 3.7.	217,923.96	1,321,894.70
Accounts Receivable from Associated Companies	3.6.	4,786.79	0.00
Other Accounts Receivable and Assets	2.5.; 3.7.	3,811,920.33	3,550,244.42
Cash and Cash Equivalents[1]	2.6.; 3.8.	13,742,273.60	10,382,172.37
Total Current Assets[1]		**32,573,677.15**	**27,901,432.04**
Balance Sheet Total[1]		**47,821,357.93**	**44,367,461.57**

Liabilities

T.09

EUR	Notes No.	31.12.2013 (audited)	31.12.2012 (audited and adjusted)
Subscribed Capital		1,890,000.00	1,790,000.00
Capital Reserves	2.7.	18,042,151.84	14,352,940.73
Retained Earnings		31,095.02	31,095.02
Other Reserves (OCI from introducing IAS 1 in 2011)[2]		203,162.70	(230,528.06)
Profits Carried Forward		12,388,914.04	0.00
Annual Net Income (prev. Year: Balance Sheet Profits[1,2])		601,139.40	12,388,914.04
Total Equity Capital[1]	3.9.	**33,156,463.00**	**28,332,421.73**
Provisions for Pensions and Similar Obligations	2.8.; 3.10.	912,049.00	1,708,325.80
Non-Current Bank Liabilities	2.9.; 3.11.	1,021,750.00	1,230,750.00
Deferred Public Sector Subsidies	2.10.; 3.12.	996,836.08	957,586.04
Deferred Tax Liabilities[1]	2.12.; 4.9.	1,080,292.79	1,274,433.47
Total Non-Current Liabilities[1]		**4,010,927.87**	**5,171,095.31**
Current Provisions	2.11.; 3.14.	1,628,329.38	2,562,347.94
Current Bank Liabilities	2.9.; 3.11.	1,267,764.30	2,244,605.84
Trade Accounts Payable	2.9.; 3.15.	1,421,291.35	842,927.23
Initial Payments Received	2.9.; 3.16.	804,700.50	1,056,989.66
Income Tax Liabilities	2.12.; 3.17.	848,066.78	376,202.24
Other Current Liabilities[1]	2.9.; 3.18.	4,683,814.75	3,780,871.62
Total Current Liabilities[1]		**10,653,967.06**	**10,863,944.53**
Balance Sheet Total[1]		**47,821,357.93**	**44,367,461.57**

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

2 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

Consolidated Income Statement and Other Results

for the fiscal year from 1 January to 31 December 2013

Consolidated Income Statement

T.10

EUR	Notes No.	2013 (audited)	2012 (adapted)
Ongoing Business Divisions			
Sales Revenues	2.13.; 4.1.	42,457,575.07	28,425,826.84
Changes in Stocks of Unfinished Work		0.00	(127,306.31)
Own Work Capitalized	4.2.	375,541.51	747,679.34
Other Operating Revenues	4.3.	2,451,492.91	1,657,766.63
Sales Revenues and Other Revenues		**45,284,609.49**	**30,703,966.50**
Materials Expenditure	4.4.	(4,082,260.48)	(672,572.73)
Human Resources Expenditure[1]	4.5.	(25,604,653.76)	(19,440,739.87)
Depreciation and Amortization[2]	4.6.	(2,294,598.70)	(2,067,659.51)
Other Operating Expenditure[2]	4.7.	(12,257,664.18)	(7,289,545.59)
Total Operating Expenditure[1,2]		**(44,239,177.12)**	**(29,470,517.70)**
Operating Results[1,2]		**1,045,432.37**	**1,233,448.80**
Financial Income[1]		110,259.43	222,389.93
Financial Expenses[1,2]		(223,467.41)	(179,286.73)
Financial Results[1,2]	4.8.	**(113,207.98)**	**43,103.20**
Results before Income Taxes[1,2]		**932,224.39**	**1,276,552.00**
Income Taxes[2]	2.12.; 4.9.	(331,084.99)	(225,659.67)
Consolidated Net Income for the Year[1,2]		**601,139.40**	**1,050,892.33**
Other Results after Income Taxes[1]			
Equity Procurement Costs incl. Tax Effect		(114,775.89)	0,00
Items, which are not subsequently reclassified in the profit and loss statement			
Actuarial gains / losses from defined benefit pension plans[1]	2.8.; 3.10.; 4.9.	433,690.76	(230,528.06)
Other Results after Tax [1]		**318,914.87**	**(230,528.06)**
Overall Result [1]		**920,054.27**	**820,364.27**
Davon den Eigentümern des Mutterunternehmens zuzurechnen[1]		920,054.27	820,364.27
Non-Diluted Earnings per Share (EUR/share) - From Consolidated Net Income [1,2,3]	4.10.	**0.34**	**0.59**
Diluted Earnings per Share (EUR/share) - From Consolidated Net Income [1,2]	4.10.	**0.33**	**0.59**

1 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

3 – Based on the 1,791,370 shares that had been approx. issued by 31 December 2013. On balance sheet day there were 1,890.000 shares issued at 31 December 2013 of which 1,790.000 shares were entitled to profit-sharing in the business year 2013.

Statement of Changes in Equity

on 31 December 2013

Statement of Changes in Equity

T.11

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Other Reserves[1]	Group Balance Sheet Profits[1,2]	Total
Figures on 31 December 2011	**1,790,000.00**	**14,177,069.73**	**31,095.02**	**0.00**	**12,233,021.71**	**28,231,186.46**
Stock Option Program	0.00	175,871.00	0.00	0.00	0.00	175,871.00
Dividend Payments	0.00	0.00	0.00	0.00	(895,000.00)	(895,000.00)
Effects of the first use of IAS 19	0.00	0.00	0.00	(230,528.06)	0.00	(230,528.06)
Consolidated Net Income for the Year	0.00	0.00	0.00	0.00	1,050,892.33	1,050,892.33
Figures on 31 December 2012	**1,790,000.00**	**14,352,940.73**	**31,095.02**	**(230,528.06)**	**12,388,914.04**	**28,332,421.73**
Capital Increase	100,000.00	3,682,000.00	0.00	0.00	0.00	3,782,000.00
Offsetting the costs of acquiring equity with the capital reserves	0.00	(114,775.89)	0.00	0.00	0.00	(114,775.89)
Stock Option Program	0.00	121,987.00	0.00	0.00	0.00	121,987.00
Accruals based on IAS 19	0.00	0.00	0.00	433,690.76	0.00	433,690.76
Stock Option Program	0.00	0.00	0.00	0.00	601,139.40	601,139.40
Figures on 31 December 2013	**1,890,000.00**	**18,042,151.84**	**31,095.02**	**203,162.70**	**12,990,053.44**	**33,156,463.00**

1 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

Consolidated Cash Flow Statement

on 31 December 2013

Cash Flows from Operating Business

T.12

EUR K	Notes No.	31.12.2013 (audited)	31.12.2012 (audited)[1,2]
Cash Flows from Operating Business			
Consolidated net profit		601	1,051
Stock Option Program (non-cash expenses)		122	176
Income Taxes Affecting Results		332	122
Interest Income/Expenses Affecting Results/ Net Income		113	(35)
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment		0	(9)
Reversal of Deferred Allowances from the Public Sector		(39)	(78)
Write-Downs Recognized for Receivables		1,993	—
Write-Ups Recognized for Receivables		(16)	(6)
Amortization/Depreciation		2,295	2,068
Other Non-cash Revenues and Expenditure		(1)	(3)
Actuarial Profits and Losses		434	(231)
		5,834	**3,055**
Changes in the Current Assets			
Changes in Trade Accounts Receivable and Other Receivables		(4,334)	2,412
Changes in Inventories		(24)	118
Changes in Trade Accounts Payable and Other Liabilities		1,145	(2,421)
Changes in Initial Payments Received		(252)	200
Tax effect from equity capital procurement costs		(45)	—
Changes in Provisions		(1,730)	1,605
Inflow of Funds from Operating Activities		**594**	**4,969**
Interest Payments Received	5.	74	92
Interest Paid	5.	(61)	(181)
Income Taxes Paid	5.	1,222	(1,699)
Net Flow Provided by Operating Business (Transfer)		**1,829**	**3,181**

1 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

Cash Flows from Investment Activities and Financing Activities, Credits and Means of Payment

T.13

EUR K	Notes No.	31.12.2013 (audited)	31.12.2012 (audited)
Transfer (Net Cash Flow Provided by Operating Business)		**1,829**	**3,181**
Cash Flow from Investment Activities			
Payments for Property, Plant and Equipment and Non-Current Assets		(1,203)	(2,056)
Proceeds from Disposals of fixed Assets		—	24
Investment Subsidies Used		79	44
Purchase of Subsidiaries Minus Acquired Net Cash and Cash Equivalents	6.5	—	198
Disbursed Loans		(34)	(372)
Payments for pre-acquisition Relations		—	(2,190)
Proceeds from the Repayment of Loans		207	364
Net Cash Outflow for Investment Activities		**(951)**	**(3,988)**
Cash Flow from Financing Activities			
Dividend Payments	5.	—	(895)
Revenues by Issuing Equity Instruments of the Group		3,668	—
Loans Taken Out		893	2,036
Repayment Installments for Loans		(2,078)	(3,814)
Net Income (prev. Year: Net Decrease) in Cash and Cash Equivalents from Financing Activities		**2,483**	**(2,673)**
Net Income (prev. Year: Net Decrease) in Cash and Cash Equivalents		**3,361**	**(3,480)**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	3.8	10,382	13,859
Impact of Changes in Exchange Rates on Cash and Cash Equivalents		(1)	3
Cash and Cash Equivalents at the End of the Accounting Year	3.8	**13,742**	**10,382**
Limited Available Funds	3.8	10	10

Notes on the Consolidated Accounts

for the fiscal year 2013

Adjustments to the consolidated accounts for 2013

After publication of the group accounts of the fiscal year 2013, which were made on 17 April 2014 and approved by the Supervisory Board on 28 April 2014, the preparation work for the report for the first quarter of 2014 revealed that a statement of expenditure for some advisory services from previous years had been incorrectly entered under the expenditure for the year 2014. The account totalled EUR 383 K plus value-added tax and had been entered at a figure of EUR 228 K under "Other operating expenditure" The remaining figure of EUR 155 K concerned capital procurement measures and should be entered under "Capital reserves" and "Other operating profits", including the effect on income tax needing to be taken into account. On the basis of the published consolidated annual net income of EUR 763 K, the failure to enter this item of expenditure had a major effect. In addition, the picture of the earnings, assets and financial situation, at least in terms of the earnings situation, which was provided by the annual group net income, did not match the actual circumstances.

Compared to the previously published consolidated annual group accounts, the entry of the incorrectly assigned statement has resulted in the following changes in the major key figures on the balance sheet and the profit and loss statement for the year 2013.

The annual group net income now amounts to EUR 601 K following the previously published figure of EUR 763 K, which is due to an increase in "Other operating expenditure" of EUR 228 K and the reduction in the income taxes entered on the expenditure side by EUR 66 K. As a result of the reduction in the annual group net income and the inclusion of equity procurement costs amounting to EUR 155 K minus the effect on income taxes of EUR 45 K compared to the previously published figures, the Group's equity on 31 December 2013 amounted to EUR 33,156 K, after a figure of EUR 33,428 K had originally been published. The change in the annual group net income leads to a statement of the earnings per share of EUR 0.34 (undiluted) and EUR 0.33 (diluted).

Through the increase in the trade accounts payable by EUR 455 K and the simultaneous reduction in the liabilities arising from income taxes by EUR 111 K and because of the equity figure, which has fallen by EUR 272 K, the balance sheet sum amounts at EUR 47,821 K to originally EUR 47,749 K.

The cash flow from operating business in the consolidated cash flow statement rose by EUR 109K, while the cash flow from financing activities decreased by EUR 109K.

1. Principles of Reporting

1.1. General Information

GK Software AG (hereinafter called GK SOFTWARE) is a joint-stock company based in Germany. The address of the registered headquarters and head office for business operations is Waldstrasse 7, 08261 Schöneck.

GK SOFTWARE AG is registered in the Commercial Register at Chemnitz Local Court under reference number HRB 19157.

The group's business involves the development and production and sales and trade in software and hardware.

The group manages its capital – which not only includes equity capital 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. As a result, the group attaches the greatest priority to maintaining capital reserves.

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

The consolidated group's major customers include:

- CJSC „Trade House" (X5 Retail Group)
- Coop Genossenschaft
- EDEKA Zentralhandelsgesellschaft mbH
- Galeria Kaufhof GmbH
- Hornbach-Baumarkt-AG
- Netto Marken-Discount AG & Co. KG
- Parfümerie Douglas GmbH
- Tchibo GmbH

1.2. Principles of Presentation

The GK SOFTWARE consolidated accounts have been prepared according to the International Financial Reporting Standards (IFRS), as they are used within the European Union (EU), and according to the commercial law regulations that also need to be followed according to Section 315a, Paragraph 1 of the German Commercial Code. GK SOFTWARE has applied all the IFRS rules (including any associated interpretations) issued by the International Accounting Standards Board (IASB) and those in force and adopted for use in the EU by the European Commission at the time that these consolidated accounts were compiled.

The consolidated balance sheet has been classified according to maturities in line with IAS 1. The profit and loss statement has been prepared according to the total costs procedure. If items on the balance sheet and in the profit and loss statement have been summarised in order to improve the clarity of the presentation, they are itemised and explained in the notes on the consolidated accounts. The disclosure of the profit and loss statement and other income takes place in the form of a statement of operating results.

The standard Group rules on 31 December 2013 formed the basis for the consolidated accounts of the companies included in the Group and the annual accounts prepared for the comparative period ending on 31 December 2012.

All the accounting standards were used in fiscal 2013 that must be applied for financial years, which start on 1 January 2013. This particularly includes the following standards and interpretations, which were to be used for the first time:

- Revision of IFRS 7: Disclosures—Offsetting Financial Assets and Financial Liabilities
- The amendments to IFRS 7 require the disclosure of information on balancing rights for financial instruments and on arrangements associated with them (e.g. collateralisation requirements) in an enforceable offsetting framework contract or a corresponding agreement.
- The amendment has been used retrospectively. As the Group has not concluded any offsetting arrangements, no results on the disclosures or the sums indicated in the consolidated accounts arise from applying the amendment.
- New and revised standards with regard to consolidation, joint arrangements, associated companies and disclosures in the notes on the consolidated accounts

The IASB published a package consisting of five standards in May 2011:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (2011) Separate Financial Statements
- IAS 28 (2011) Investments in Associates and Joint Ventures.

Amendments to IFRS 10, IFRS 11 and IFRS 12 were published in June 2012 in order to clarify the regulatory content of particular temporary guidelines with regard to their first use.

The IFRS, as used within the European Union, envisage mandatory use of these rules in the business years, which start on or after 1 January 2014. In this sense, the IFRS used in the EU differ from the IASB rules. However, it is permissible to use them earlier on a voluntary basis, if all the five standards are introduced at the same time. The company has not made use of this option. Their first use will not have any effect on the consolidated accounts at the current time.

IFRS 13 governs standard guidelines for assessing the fair value and the associated disclosures. The field of application of IFRS 13 is far-reaching and covers both financial and non-financial items. IFRS 13 is always used if another IFRS prescribes an assessment of the fair value or allows this or disclosures on assessing the fair value are required. This is not the case with share-based payments, which fall under the scope of IFRS 2, Share-Based Payments, leasing relationships, which come under the scope of IAS 17, Leases, and assessments, which are similar to a fair value, but are not a fair value (e.g. net sales in IAS 2, Inventories, or the value in use in IAS 36, Impairment of Assets).

IFRS 13 defines the fair value as the price, which the entity preparing the balance sheet would receive when selling an asset in a normal transaction between the market participants in the main market (or the most advantageous market) on the valuation date, taking into account current market conditions, or would have to pay for transferring a debt. The fair value according to IFRS 13 is a price in the sales market, regardless of whether this price is directly observable or can be estimated by using another assessment procedure. IFRS 13 also contains far-reaching disclosure obligations.

IFRS 13 must be used prospectively from 1 January 2013 onwards. The temporary rules also envisage a situation where the disclosure obligations do not have to be used on comparative information, which is made available prior to the first use of this standard. In line with this, the Group has not made any disclosures newly required according to IFRS 13 for the comparative figures from the year 2012 (c.f. subsections 17, 18 and 43 for the disclosures for 2013). Apart from these additional disclosures, the use of IFRS 13 does not have any major effects on the amounts reported in the consolidated accounts.

Amendment to IAS 1: Changes to the Presentation of Other Comprehensive Income
The amendments to IAS 1 result in the introduction of new terminology for the income statement previously described as the comprehensive income statement. According to this, the term "comprehensive income statement" is replaced by the "profit and loss statement and other income". However, this is not mandatory. The company has adopted the new terminology.

The amendments to IAS 1 maintain the opportunity of reporting the profit and loss statement and other income in an income statement or in two income statements directly following each other. GK Software AG has not only adopted the new terminology as a result of the amendments to IAS 1, but has also transferred the report of the profit and loss statement and other income to one income statement. The summary in one income statement, in the view of GK Software AG, creates an improved presentation of the profit and loss statement and other income. The previous year's presentation has been adjusted accordingly.

The amendments to IAS 1 also require that items under other income be grouped in two categories:

- items, which are not subsequently reclassified in the profit and loss statement,
- and items, which under certain circumstances have to be reclassified subsequently in the profit and loss statement.

The income taxes applicable to these must be assigned to the items under other income. But this does not exclude the possibility of entering items under other income before tax. The amendments have been used by the Group retrospectively and the items under other income have been adapted accordingly. Apart from the aforementioned changes to presentation, no other consequences for presenting the profit and loss statement and other income have ensued as a result of using the amendments in IAS 1.

IAS 19 (2011) Employee Benefits
The International Accounting Standards Board (IASB) published the amendments to IAS 19 "Employee Benefits" in June 2011 and the EU adopted them in June 2012. The amendments to IAS 19 must in principle apply retrospectively to financial statements for business years, which start on or after 1 January 2013. The major effects for GK SOFTWARE AG result from the fact that the actuarial gains and losses are no longer entered in the profit and loss statement, but directly under other income. The Group profit and loss statement will in future remain free from any effects arising from actuarial gains and losses, as they are now entered under other income. In addition, the net interest rate is being introduced. As a result, the net pension obligation is discounted using the discount interest rate, which forms the basis for the gross pension obligation. As the net pension obligation is reduced by any plan assets, interest amounting to the discount interest rate is assumed for calculating the plan asset. These amendments affect amounts reported in the profit and loss statement and under other income in previous years (see the following table for more details). IAS 19 (2011) also contains amendments for presenting the defined benefit costs and requires partly more far-reaching disclosures. The Group has made use of the relevant temporary rules and has adapted the previous year's comparative figures retrospectively.

T.14 Effects of using IAS 19 (2011)

EUR K	2012
Effects on the annual group net income	
Reduction in personnel expenditure	332
Reduction in net interest income	(7)
Reduction in income taxes	(94)
Change in annual group net income	231
Effects on other income	
Reduction of other reserves because of actuarial gains/losses based on defined benefit pension obligations	325
Income taxes, which apply to items under other income	(94)
Change in other income	(231)
Change in the total income	0

The undiluted and diluted earnings per share increased by 0.21 euros to 0.59 euros on 31 December 2012.

If the balance sheet practices in IAS 19 had been retained in their non-amended version, major effects on the Group's profit and loss statement

would have ensued in conjunction with entering the actuarial gains and losses on 31 December 2013: the actuarial gains and losses amounting to 604K euros and the income taxes applicable to these items amounting to 171K euros would have been entered immediately in the profit and loss statement and not directly under other income. There would not have been any other major effects on the consolidated balance sheet or the Group's profit and loss statement and the development of other income on 31 December 2013.

Amendment to IAS 1: Presentation of Final Statements (as part of the annual improvements to the IFRS cycle 2009-2011, published in May 2012)
The annual improvements to the IFRS cycle 2009-2011 created amendments to several IFRS. The amendments to IAS 1, relating to the question of when the presentation of a third financial statement associated with the start of the comparative period and when the related consolidated notes disclosures are necessary, are relevant for the Group. The amendments to IAS 1 clarify the situation that any obligation to prepare a third financial statement is only necessary if

- a company uses balance sheet and assessment principles retrospectively or adapts or reclassifies balance sheet items retrospectively and

- the retrospective change, adaptation or reclassification has a major effect on the information contained in the third financial statement.

It also makes clear that any consolidated notes disclosures do not have to be made for the third financial statement.

The Group made use of the amended standard IAS 19 (2011), Employee Benefits, for the first time in the business year that is the subject of this report. As any retrospective use of IAS 19 (2011) does not have any major effects on the information contained in the consolidated balance sheet on 1 January 2012, the company decided not to issue a third financial statement for 1 January 2012 in keeping with the amended IAS 1.

1.3. Consolidated Companies

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

The consolidated companies not only include the parent company, SQ IT-Services GmbH, Schöneck, 1. Waldstraße GmbH, Schöneck and AWEK GmbH, Barsbüttel, with its two German subsidiaries named below too, but also four companies based abroad (EUROSOFTWARE s.r.o., Plzen/Czech Republic, StoreWeaver GmbH, Dübendorf/Switzerland; OOO GK Software RUS, Moskow/Russia and GK Software USA Inc., Cape Coral/USA).. StoreWeaver GmbH, Dübendorf/Switzerland has been set up in 2008. SQ IT-Services GmbH, Schöneck, which was founded to acquire the business operations of Solquest GmbH and 1. Waldstraße GmbH, Schöneck, which was set up in preparation to absorb new business activities, have both been included among the consolidated companies for the first time in 2009. OOO GK Software RUS, which serves as the instrument for handling business activities carried out in the Russian Federation, was founded in 2011 and was included in the consolidated companies. The subsidiary GK Soft GmbH, Basel/Switzerland, which was also set up in 2008, was merged with StoreWeaver GmbH, Dübendorf/Switzerland, on 30 September 2011.

By means of notary public documents dated 10 December 2012, GK SOFTWARE acquired all the business shares in the AWEK GmbH company (hereinafter referred to as "AWEK"), which has its headquarters in Barsbüttel near Hamburg. AWEK GmbH, which exercises the holding tasks for the AWEK Group, is the sole shareholder of the companies AWEK, C-POS GmbH, AWEK microdata GmbH and AWEK Hong Kong Ltd. AWEK C-POS GmbH is one of the largest German independent providers of IT services for the store-based retail sector, regardless of the hardware manufacturers, and it offers the market a full range of 1st, 2d and 3d level support and technical field work for customers across Germany. The company also has its own hardware solutions. AWEK microdata GmbH develops software solutions related to tills and looks after a number of well-known German retailers.

The AWEK Group was included in the GK SOFTWARE consolidated accounts by way of full consolidation from the time of the acquisition, 10 December 2012. AWEK Hong Kong Ltd. was not included in the consolidated companies, as it had not yet started its business activities in the financial year.

This acquisition has had an effect on some items in our consolidated accounts and could impair the comparability of our consolidated accounts in fiscal 2013 with those of the previous year.

GK Software USA Inc, Cape Coral/USA, was set up on 20 September 2013 and was included in the consolidated accounts of GK SOFTWARE by way of full consolidation for the first time when it was set up.

All the firms within the consolidated companies are either directly or indirectly, owned by GK SOFTWARE.

1.4. Principles of Consolidation

The consolidated accounts are prepared on the basis of the standard balance sheet and assessment methods used within the Group.

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

1.5. Corporate Mergers

The acquisition of business operations is entered on the balance sheet according to the acquisition method. The initial consolidation takes effect on the day on which GK SOFTWARE directly or indirectly enters a control relationship with regard to the Group company. The inclusion ends at the time when the control of the Group company is transferred to a company outside the Group. The quid pro quo transferred during a corporate merger is assessed at the fair value, which consists of the valid fair value of the transferred assets at the time of the exchange, the total of the liabilities taken over from the former owners of the acquired company and the equity instruments issued by the Group in exchange for the full consolidation of the acquired company (if relevant). Any costs associated with the corporate merger must in principle be entered to affect net income when they are incurred.

The acquired identifiable assets and liabilities that are taken over must be measured at their fair value. The following exceptions apply:

- Deferred tax claims or deferred tax liabilities and assets or liabilities in conjunction with agreements for benefits to employees must be entered and measured according to IAS 12 “Income Taxes” or IAS 19 “Employee Benefits.”

The goodwill or fair value relates to the surplus arising from the total of the transferred quid pro quo, the amount of all the shares that have been fully taken over in the acquired company, the fair value of the equity share previously held by the acquirer in the acquired company (if relevant) and the balance of the amounts existing at the time of the acquisition in the acquired identifiable assets and the liabilities that have been taken over. During the periods following the corporate merger, the disclosed hidden reserves and hidden liabilities will be continued, amortized or canceled in line with the way that the corresponding assets are treated,

If, after another assessment, the share to be apportioned to the Group of the fair value of the acquired identifiable net assets is larger than the total from the transferred quid pro quo, the total shares not fully taken over in the acquired company and the fair value of the equity share retained by the acquirer in the acquired company (if relevant), the excess amount will be entered directly as profit and will affect the net income (within the profit and loss statement). This kind of passive difference did not occur during the financial year.

If the initial entering of a merger on the balance sheet at the end of the financial year, in which the merger takes place, is incomplete, the Group shall enter preliminary figures for the items where the balance sheet figures are incomplete. The

amounts provisionally assessed must be corrected during the assessment period (see paragraph 6) or additional assets or liabilities must be entered in order to reflect the new information about facts and circumstances, which existed at the time of acquisition and which would have influenced the assessment of the amounts entered on the reporting date, if this had been known.

1.6. Currency Conversion

The consolidated accounts have been presented in euros, the functional currency and the currency that the group uses in presentations. Each company within the group establishes its own functional currency. The items included in the annual accounts for each company are assessed using this functional currency. Foreign currency transactions are initially converted at the spot rate that is valid on the day of the business transaction in the functional currency. Monetary assets and monetary liabilities in a foreign currency are converted to the functional currency at the rate that applies on the balance sheet date.

The effect of any gains and losses arising from currency transactions on corporate results has been shown under other operating earnings or expenditure.

2. Balance Sheet and Assessment Principles

2.1. Principles of accounting and assessment

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

- Accounts receivable and payables in foreign currencies are converted at the valid rates of exchange that applied on the balance sheet reporting date.
- Benefits after the termination of the working relationship are assessed according to IAS 19 (Employee Benefits)

Any disclosures on the methods and assumptions, which we use when determining the relevant assessment principles, can be found below in the notes on the consolidated accounts in the explanations on the relevant asset or liability.

We have entered the item “Income tax claims” separately on our consolidated balance sheet in order to create additional transparency for current assets.

2.2. Property, Plant and Equipment

The balance sheet values of property, plant and equipment are based on purchase costs or production costs plus additional purchase costs, reduced by scheduled depreciation. These assets depreciate 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. The non-real estate fixed assets are depreciated in a linear fashion as a matter of principle; 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 anticipated.

Fully depreciated property, plant and equipment assets are shown with purchasing and production costs and accumulated depreciation until the assets in question are removed from operation. When assets are disposed of, the purchasing and production costs and the accumulated depreciation are canceled from the books and the results of disposing of assets (disposal revenues minus residual carrying amounts) are shown in the income statement under other operating revenues or other operating expenditure.

2.3. Intangible Assets

2.3.1. Intangible Assets Acquired in Return for Payment

Intangible assets that have been acquired in return for payment are entered at purchasing or production costs minus any accumulated amortization and write-down value. The amortization expenditure is entered according to plan in a linear fashion across the expected useful serviceable life from three to fife years as expenditure. The expected useful serviceable life and the method of amortization are checked at the end of each fiscal year and any changes to estimates are taken into account prospectively.

2.3.2. Intangible Assets Developed In-House

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 developed if the following evidence can be provided accumulatively

- The technical feasibility of the completion of the intangible asset value exists in order to make it available for use or for sale.
- The company does intend to complete the intangible asset and use it or sell it.
- There is a capability for using or selling the intangible asset.
- If there is evidence of how the intangible asset will achieve probably achieve some economic benefits in the future.
- There is some availability of adequate technical, financial or other resources in order to complete the development and be able to use or sell the intangible asset and
- There is an ability to reliably determine the expenditure that can be allocated within the framework of developing the intangible asset.

The amount used to capitalize such an intangible asset that 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 human resources costs for the employees involved in the development work and appropriate parts of the relevant overheads.

If the capitalization 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 is not capitalized during the following period.

Intangible assets developed in-house are valued in just the same way as purchased intangible assets by their purchase or production costs minus any accumulated amortization and write-down value. The amortization starts according to plan in the year of their capitalization with the pro rata amount and is using the straight-line method.

2.3.3. Goodwill

With regard to allocating a purchase price, the purchase of the operating business of Solquest GmbH in 2009 led to the formation for the first time of a "goodwill" intangible asset as that part of the purchase price, which cannot be assigned to capitalized assets. This mainly involves the expertise of the Solquest GmbH members of staff, who were taken over by GK SOFTWARE AG, in the field of the merchandise management system and processes.

Following the acquisition of the AWEK Group, an intangible asset entitled "goodwill" was created as that part of the purchase price, which cannot

be attributed to assets that can be capitalized, in addition to the value of the purchase price. This too mainly concerns the expertise of the members of the group in matters related to operating an IT services organization.

We summarize assets, which cannot be checked individually, as part of the intrinsic value tests in the smallest group of assets, which generates an inflow of cash from ongoing use; this cash is largely independent of other assets or groups of assets. If assets do not generate any inflow of cash and this is largely independent of other assets or other groups of assets, we do not check the intrinsic value on the level of the individual asset, but on the level of the unit generating cash and cash equivalents, to which this asset belongs. Our goodwill on 31 December 2013 was allocated to the productrelated "Storeweaver Enterprise Edition" unit generating cash and cash equivalents, on the one hand, and, on the other hand, to the "IT Services" unit generating cash and cash equivalents.

The goodwill amounts are checked for their intrinsic value at least once a year. If any events or circumstances indicate that the fair value may have been reduced, another check takes place.

If results or circumstances provide evidence that the carrying amount may have fallen, a check will also take place. Any reduction would be determined by discovering the expected, achievable amount for the units that would generate cash and cash equivalents. If this amount falls below the carrying amount of the unit including the assigned goodwill, impairment expenditure is directly entered in the profit and loss statement, which may not be reversed in the following reporting periods. Regular checks are made on 31 December each year.

2.3.4. Customer Base

The purchase of the operating business of Solquest GmbH in 2009 led to the formation for the first time of a "customer base" intangible asset by assigning the purchase price. The valuation was determined according to the expected influx of funds from the unit, which generates cash and cash equivalents and to which the customer base is allocated.

An asset entitled "Customer base" was identified when acquiring the business shares of AWEK GmbH. Some of the group's customers have had business relations with it for years and they are mainly medium-sized German retailers. The customer list includes companies like the Bartels-Langness group (brands like "famila," "MARKANT," "nah & frisch" and others). The customer base also includes "Dehner," one of the largest horticultural companies – and "Globus" and the books wholesaler "KNV". In addition, AWEK works for companies, which are already GK SOFTWARE customers, e.g. "EDEKA," "valora," and "Fressnapf."

The amortization is entered according to plan as expenditure in a linear fashion along the expected period of use. The expected period of use and the amortization method are checked on each reporting date and all the changes to estimates are taken into account 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. Any impairment charges are entered under the item "Extraordinary amortization." The expected influx of funds is the lower of the two values from the fair value minus any sales expenditure 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.

2.3.5. Write-Downs of Property, Plant and Equipment and Intangible Assets with the Exception of Goodwill

At each reporting date, the group checks the carrying amounts of property, plant and equipment and intangible assets in order to determine whether there are any indications of the need to write down these assets. If these indications are seen, the achievable value of the asset is assessed in order to determine the scope of any possible write-down expenditure. If the achievable amount for the individual asset cannot be estimated, an estimate is made of the achievable value of the unit that generates cash and cash equivalents, to which the asset belongs. If an appropriate and constant basis can be determined for allocation, the joint assets are allocated to the units that generate the individual cash and cash equivalents.

Otherwise, an allocation to the smallest group of units generating cash and cash equivalents takes place, for which an appropriate and constant principle of allocation can be determined.

The achievable amount is the higher amount arising from the fair value minus any sales costs and the value in use. When determining the value in use, the estimated future flows of cash are discounted by a pre-tax interest rate. On the one hand, this pre-tax interest rate takes into account the current market assessment above the fair value of the money and, on the other hand, the risks inherent in the asset, if they have not been included in the flows of funds.

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 achievable amount. The expenditure for the write-down is entered immediately in the accounts.

If the expenditure on write-downs should reverse subsequently, the carrying amount of the asset (or unit generating cash and cash equivalents) is increased to the latest estimate of the achievable 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.

2.4. Inventories

The following assets are entered as assets, if they:

- are set to be used as raw or auxiliary or working materials when producing something or when providing a service,
- are being produced for this kind of sale or
- are kept for sale in normal business procedures.

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 shares embrace both the individual costs and the attributable overheads.

2.5. Trade Accounts Receivable, Income Tax Assets and Other Accounts Receivable and Assets

Accounts receivable and other assets (in the loans and accounts receivable category) are generally assessed according to the effective interest method for amortised purchase costs minus any value adjustments. As they do not normally contain any interest quota, they must be recorded on the balance sheet at their nominal value minus any value adjustments for irrecoverable accounts receivable.

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. Financial assets are viewed as impaired if there is an objective indication that the expected future cash flows may have changed in a negative direction as a result of one or several events, which occurred after the initial setting of the value of the asset.

Any write-down leads to a direct reduction in the carrying amount of all the affected financial assets, with the exception of trade accounts receivable, where the carrying amount is reduced by an impairment account. If an impaired trade account receivable is believed to be irrecoverable, the account receivable remains initially, but is then classified as a liability in the impairment account. Any subsequent receipts on sums already entered as value adjustments are also entered against the impairment account. Any changes to the carrying amount in the impairment account are entered through the profit and loss statement to affect the net income.

2.6. Cash and Cash Equivalents

Cash and cash equivalents are entered at their nominal value. The cash equivalents include

demand deposits and fixed deposits with an original due date of no more than three months.

2.7. Stock Option Program

GK SOFTWARE has continued to develop since the time that it was founded. As a provider of innovative solutions and services related to end-to-end software for stores, the company has been able to continually attract new customers and partners. This constant success is primarily based on the innovative energy and willing dedication of the company's employees and those at associated companies. A decision was therefore made to improve the commitment and motivation of leading employees and those who are providing special services by introducing a stock option program to supplement their normal remuneration.

Options were first issued to employees, who are part of the management team within the Group (entitlement group II), and employees who have worked in an outstanding manner (entitlement group III) in July 2010. The company has been able to grant entitlement group II up to 11.000 subscription rights to an individual share certificate and up to 3.000 subscription rights to entitlement group III. Each subscription right grants the right to a no-par GK SOFTWARE individual share certificate made out to the holder. These shares are being newly issued from the conditional capital amounting to 37.000.00 euros, a decision authorized by the annual shareholders' meeting on 14 May 2008, if the subscription right is exercised in the future. The subscription right is not transferable and is subject to conditions of exercise, which are identical for employees in both entitlement groups.

The in 2010 granted subscription rights can be exercised for the first time after a waiting period of two years, if the beneficiary has a job at GK SOFTWARE or one of its subsidiaries, which has not been terminated, and the average price of the shares has been at least 50 euros on the XETRA trading floor within four weeks prior to any exercising of the rights. The right to exercise this option lapses after six months. The period for exercising the option ended on 31 December 2012. As the exercise criteria were not met, the 10.075 options outstanding in this program have lapsed.

9.450 more stock options were offered to members of the company and associated firms during fiscal 2011. They cannot be redeemed until 30 June 2015 if the redemption conditions are met.

Subscription rights were granted in 2012 too. These subscription rights can only be exercised after a four-year waiting period. In all, 16.175 stock options were offered to members of the company and associated firms in fiscal 2012 and they cannot be redeemed until 5 July 2016, if the redemption conditions are met. During the course of the 2013 business year, 3,875 of these options in all lapsed, as the exercise conditions were missed during their term. 15,250 new options were issued as part of this programme. This means that the authorisation for conditional capital I has been fully used and has lapsed during the passing of time so that any new options from this conditional capital can no longer be granted. Each of the options granted in the years 2011, 2012 and 2013 give the holder the right to exchange the option for one new, no-par company share made out to the holder. The shares would be fully entitled to attract profits in the year in which they are created.

T.15 Development of outstanding share options that have been exercised and lapsed or forfeited

	Number of Options
Options outstanding on 1 January 2012	19,525
Options granted during the course of fiscal 2012	16,175
Options lost during the reporting period	0
Options expiring during the reporting period	10,075
Outstanding options on 31 December 2012	25,625
Exercisable options on 31 December 2012	0
Options outstanding on 1 January 2013	25,625
Options granted during the course of fiscal 2013	39,925
Options lost during the reporting period	3,875
Options expiring during the reporting period	0
Outstanding options on 31 December 2013	61,675
Exercisable options on 31 December 2013	0

15,175 of the outstanding options on 31 December 2013 have an exercise price of 39.14 euros and had a probable average exercise period of 4¼ years on the balance sheet date. According to IFRS 2.11, the equivalent value of the granted options was determined by the fair value of the equity instruments on the issue date (6 July 2012), as

the contractual partners are company employees or employees at associated firms. The fair value was determined using simulation in the Monte Carlo process. For the simulation process, it was presumed that the beneficiaries of the options would exercise their options as quickly as possible. On the valuation date, the price of the shares, which form the basis of the option, amounted to 39.50 euros. The retention period is 4 years, which makes 5 July 2016 the vesting date. The term of the option from the issue date is as far as 4½ years. The risk-free interest rate of 0.24 percent was derived from the WT3217 time series yield curve (Svensson method) for publicly listed Federal Treasury bonds / with a 4-year term / and issued by Deutsche Bundesbank on 6 July 2012. The volatility was calculated in line with an estimated average term of option rights of 4¼ years based on the company share price from 17 November 2008 until 6 July 2012 as historic volatility. This enabled the company to exclude as far as possible any excessive fluctuations directly after the IPO. The volatility established in this way amounted to 43.42 percent. An annual dividend of 0.50 euro per share has been assumed. 6,000 stock options has been granted to members of the management board.

Based on 10,000,000 simulations, the fair value of each option was 11.929 euros, which provides a figure of 192,952 euros for 16,175 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to 49,672 euros.

Other 9,450 outstanding options have a strike price of 20 euros and had a probable average exercise period of 4 ¼ years on the balance sheet date. According to IFRS 21, the equivalent value of the options granted above the fair value of the equity instruments was set on the issue date (1 July 2011), as the contractual partners are employees of the company or work at firms associated with it. The fair value has been determined using a simulation in the Monte Carlo process. The simulation assumes that those entitled to options will exercise their options as quickly as possible. The stock exchange price for the shares, on which the option is based, amounted to 45.19 euros on the valuation date. The qualifying period is 4 years and the day on which the option becomes non-forfeitable is therefore 30 June 2015. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 2.12 percent has been taken from the daily rates from the German Central Bank on 1 July 2011 with a remaining term of 4 years based on the WT3217 time series interest structure graph (Svensson Method) for listed German government securities. The volatility has been calculated in line with an estimated average term of the option rights of 2 ¼ years based on the company's share price between 17 November 2008 and 30 December 2011 as historical volatility. This method enables the company to rule out any excessive fluctuations immediately after the IPO. The volatility determined in this way amounted to 45.63 percent. 3,000 stock options were granted to members of the Management Board.

Based on 10,000,000 simulations, the fair value per option was 21,025 euros and this therefore involves a figure of 198,686 euros for the 9,450 options. This amount must be accounted for as expenditure on human resources depending on how much of the qualifying period has elapsed and must be added to capital reserves. The expenditure for the reporting year amounted to 48,199 euros. An annual dividend of 0.50 euros per share has been assumed

A further outstanding 15,250 options had an exercise price of 29.03 euros and a probable average exercise period of 4 ¼ years on the issue date. According to IFRS 2.11, the equivalent value of the granted options was determined through the fair value of the equity instruments on the issue date (10 May 2013), as the contract partners are company employees or work at firms associated with it. The fair value was determined using the Monte Carlo method simulation. The simulation assumes that those entitled to the options will exercise them as quickly as possible. The stock market price of the shares, on which the option was based, was 28.25 euros on the assessment date. The vesting period is 4 years and the vesting date is therefore 9 May 2017. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 0.24 percent stemmed from the WT 3217 Interest Structure Curve time series (Svensson method) for stock market listed government securities with a 4-year remaining term/daily values published by the German Bundesbank on 10 May 2013. The

volatility was calculated as historical volatility in line with an estimated average term of the option rights of 4 ¼ years based on the company's share price performance from 11 February 2009 until 10 May 2013. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility determined in this way amounted to 39.49 percent.

Based on 10,000,000 simulations, the fair value per share option amounted to 6,231 euros, making a total of 95,023 euros for the 15,250 options. This amount must be entered pro rata as personnel expenditure for the elapsed vesting period and allocated to capital reserves. This amounts to expenditure for the reporting year of 15,346. euros A dividend of 0.50 euros per share was assumed here too.

A further 10,675 options with an exercise price of 25.42 euros were issued on 27 August 2013 and they had a probable average exercise period of 4 ¼ years on the issue date. According to IFRS 2.11, the equivalent value of the options granted was determined using the fair value of the equity instruments on the issue date (27 August 2013), as the contract partners are company employees or work at firms associated with it. The fair value was determined using Monte Carlo method simulation on the assumption that those entitled to the options would exercise them as quickly as possible. The stock market price of the shares, on which the option was based, was 25.60 euros on the assessment date. The vesting period is 4 years and the vesting date is therefore 26 August 2017. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 0.63 percent stemmed from the WT 3217 Interest Structure Curve time series (Svensson method) for stock market listed government securities with a 4-year remaining term/daily values published by the German Bundesbank on 27 August 2013. The volatility was calculated as historical volatility in line with an estimated average term of the option rights of 4 ¼ years based on the company's share price performance from 27 May 2009 until 27 August 2013. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility determined in this way amounted to 36.56 percent.

Based on 10,000,000 simulations, the fair value per share option amounted to 6,167 euros, making a total of 65,833 euros for the 10,675 options. This amount must be entered pro rata as personnel expenditure for the elapsed vesting period and allocated to capital reserves. This amounts to expenditure for the reporting year of 5,721 euros. A dividend of 0.50 euros per share was assumed here too.

Another 14,000 share options with an exercise price of 25.02 euros were issued on 11 November 2013 and they had a probable average exercise period of 4 ¼ years on the issue date. According to IFRS 2.11, the equivalent value of the options granted was determined using the fair value of the equity instruments on the issue date (11 November 2013), as the contract partners are company employees or work at firms associated with it. The fair value was determined using Monte Carlo method simulation on the assumption that those entitled to the options would exercise them as quickly as possible. The stock market price of the shares, on which the option was based, was 27.90 euros on the assessment date. The vesting period is 4 years and the vesting date is therefore 10 November 2017. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 0.44 percent stemmed from the WT 3217 Interest Structure Curve time series (Svensson method) for stock market listed government securities with a 4-year remaining term/daily values published by the German Bundesbank on 11 November 2013. The volatility was calculated as historical volatility in line with an estimated average term of the option rights of 4 ¼ years based on the company's share price performance from 11 August 2009 until 11 November 2013. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility determined in this way amounted to 32.17 percent.

Based on 10,000,000 simulations, the fair value per share option amounted to 6,240 euros, making a total of 87,360 euros for the 14,000 options. This amount must be entered pro rata as personnel expenditure for the elapsed vesting period and allocated to capital reserves. This amounts to expenditure for the reporting year of 3,049 euros. A dividend of 0.50 euros per share was assumed

here too. A total of 10,000 options were granted to members of the Management Board.

Overall, personnel expenditure of 121,987 euros was entered for the share options that were issued during the business year. The weighted average terms for the options amounted to 4 ¼ years.

2.8. 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 carried out on each balance sheet date. Any new assessments, consisting of actuarial gains and losses, changes, which are the result of the use of the asset upper threshold, and the revenues from the plan assets (without any interest on the net debt) are entered directly under other income and therefore form a direct part of the balance sheet. The new assessments entered under other income form part of the other provisions and are no longer reclassified in the profit and loss statement. Any past service costs are entered as expenditure, when the change of plan takes place.

The net interest is the result of multiplying the discount rate with the net debt (pension obligation minus the plan asset) or from the net asset value, which occurs at the start of the business year, if the plan asset exceeds the pension obligation. The defined benefit costs contain the following elements:

- past service costs (including current service costs, past services costs and any gains or losses from the change or reduction of 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 the personnel expenditure item and financial expenditure or financial revenues (unbalanced). Any gains or losses from plan reductions are entered on the balance sheet as past service costs.

The defined benefit obligation entered in the consolidated accounts represents the current shortfall in cover or excess 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.

2.9. Financial Liabilities

Financial liabilities are entered if a group company becomes a contractual party to a financial instrument. They are either categorised as financial liabilities assessed at their fair value and affecting the net income or as other financial liabilities. Financial liabilities must be assessed at their fair value when they are incurred. Any transaction costs, which must be directly attributed to the issue of financial liabilities, which are not assessed at their fair value and do not affect the net income, reduce the fair value of the financial liabilities when they are incurred. Any transaction costs, which must be directly attributed to the issue of financial liabilities and which are assessed at their fair value and affect the net income, are directly entered in the profit and loss statement. The group currently reports no financial liabilities assessed at their fair value and affecting the net income.

Other financial liabilities, for example, loans taken out, trade accounts payable and other liabilities, are assessed in line with the effective interest method for amortised purchase costs. The effective interest method is a method for calculating amortised purchase costs on a financial liability and attributing interest expenditure to the relevant periods. The effective interest method is the rate of interest, with which the estimated future payments – including all the fees and paid or received charges, which are an integral part of the effective interest rate, transactions and premiums or discounts – are discounted to the net carrying amount of the initial entry over the expected

term of the financial instrument, or over a shorter period.

2.10. 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 actually granted.

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 income statement over the term of the relevant asset.

Other public sector subsidies are entered as a type of revenue over the period, which is necessary to allocate them on a systematic basis to the relevant expenditure that they are designed to balance out. 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 in the income statement during the period in which the claim for their entitlement arose

2.11. Current Provisions

Provisions are formed for uncertain obligations that could arise towards third parties, if these obligations will probably create a decline in resources in the future. They are set at the probable settlement amount, taking into account all the recognizable risks and are not allocated with any right of recourse. No provisions are laid aside for future expenditure, which does not relate to third-party obligations.

2.12. Taxation

The expenditure on income tax represents the total current tax expenditure and deferred taxes.

2.12.1. 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 income statement, as it excludes expenditure and revenues, which will not attract tax in later years 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 time of taxation from the point of view of the balance sheet date.

2.12.2. Deferred Taxes

Deferred taxes are entered to cover the differences between the carrying amount of assets and liabilities in the consolidated accounts and the relevant tax valuation rates as part of calculating the taxable income and they are entered on the balance sheet according to the asset and liability method. Deferred tax debts are entered on the balance sheet for all temporary differences in tax terms and deferred claims for taxes are entered if it is probably 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, which 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 subsidiary companies, 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 lowered, if it is no longer probable that sufficient taxable income will be available in order to realize the claim completely or in part.

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 liability has to be paid or when the asset value is realized. 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 realize 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 authority and if the group intends to settle its current tax claims and tax liabilities on a net basis.

2.12.3. Current and Deferred Taxes in the Period

Current and deferred taxes are entered as expenditure or earnings in the income statement unless they relate to items, which were directly entered under equity. In this case, the tax is also entered directly under equity.

2.13. Revenue Recognition

Sales revenues are evaluated at their fair value of the equivalent received or to be received and are reduced by expected customer returns, discounts and other similar deductions.

2.13.1. Providing of goods

Sales revenues from the sale of goods are entered, if the following conditions have been met cumulatively:

- The group has transferred the major risks and opportunities from the ownership of the goods to the purchaser.
- The group neither retains an ongoing right of disposal, such as is usually connected to ownership, nor does it have any effective power of disposal over the sold goods.
- The amount of sales revenues can be reliably determined.
- It is probable that the economic benefits from the business transaction will flow to the group and
- The expenditure incurred or still being incurred in connection with the sale can be reliably determined.

2.13.2. Providing Services

Revenues from service contracts are entered according to the degree to which they have been completed. In more detail, revenue recognition takes place as follows:

Revenues from licenses:
Revenue recognition takes place at the time that the productive till system or a functioning software solution is handed over to a customer.

Revenues from services (customizing) and revenues from adjustments outside the contractually agreed service (change request):
The revenue recognition in principle takes place at the time when the agreed service is handed over to or accepted by the customer. Services are valued according to IAS 18.20 in conjunction with IAS 18.26 in order to guarantee revenue recognition that meets the requirements of IFRS. In the case of service business, for which it was impossible to reliably assess the results – particularly those where the degree of completion was hard to determine – we only recorded this item in terms of expectations about the recovery of costs that were incurred (IAS 18.26). In the case of those projects where the results could be reliably assessed (IAS 18.20), revenues were entered in line with the degree of completion. Both the amount of revenues and the amount of costs incurred in the business and also the expected total costs of the business transaction can be reliably determined. It is also probable that the economic benefits will accrue for the group.

The degree of completion is determined according to the degree of completion of the service being provided and – prior to the first measurement date or between two measurement dates – according to the actual costs already incurred and the planned work to complete the overall service until the next measurement date. The amount of contract revenues is determined from the agreed job amount for performing the work by the measure-

ment date or – prior to the first measurement date or between two measurement dates – proportionate to the actual work performed in terms of the total work performance planned for the reporting date as a share of the contract amount prior to the next measurement date.

Revenues from servicing work:
Revenues from servicing work are included in the accounts at the contractually agreed rates for the number of hours that have been worked and any costs that have been directly incurred on a monthly basis. If there is no direct reference to specific work performed and payments are made for servicing work beyond the period of one month, revenue recognition takes place at a monthly pro rata rate.

2.14. Management Estimates and Appraisals

In preparing the annual statements, assumptions have to be made to a certain degree and estimates are made, which have an effect on the level and statements of assets and liabilities or earnings and expenditure on the balance sheet. The assumptions and estimates largely relate to an assessment of the intrinsic value of intangible assets, a unified definition of the economic serviceable life of property, plant and equipment, the valuation of inventories and the accounting procedures and assessment of provisions. The assumptions and estimates 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 business development, the circumstances that 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 estimates. 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 will be adjusted accordingly. At the time when the annual statements were prepared, the assumptions and estimates on which they were based were not subject to any major risks, so that management assumes that no major adjustment of the carrying amounts of the assets and liabilities indicated on the balance sheet will be necessary in the following fiscal year from the current point of view.

2.14.1. Main Sources of Uncertainty Regarding Estimates

The following text indicates the most important assumptions made with regard to the future and the other major sources of uncertainty regarding estimates on the balance sheet date. A major risk could arise as a result of these and mean that a major adjustment to the assets and liabilities recorded here would be necessary.

Intrinsic value of intangible assets developed in-house
THe management board once again assessed the intrinsic value of the intangible assets developed in-house as a result of the group's development of software. Value adjustments have not been necessary. These intangible assets have been taken into account at a value of 1,474K euros on the consolidated balance sheet dated 31 December 2013. (prev. year: 2,046K euros)

The progress made in projects has continued to be very satisfactory and customer response has confirmed the previous estimates that the management board made regarding expected revenues. However, the management board is continuing to check its assumptions regarding future market shares and expected profit margins for its product. These checks have created a situation where the carrying amounts of this asset has been recognized at its full rate despite the possibility of lower revenues. The situation is being carefully monitored and, should the market situation demand it, adjustments will be made in subsequent fiscal years.

Intrinsic value of goodwills
As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH in 2009, the group has entered an intangible asset worth 6,403K euros as goodwill for the very first time. The intrinsic value of this goodwill was checked on 31 December 2013. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure

might fall below the carrying amount of the goodwill. The calculation of the value in use requires an estimate of future cash flows from the unit generating cash and cash equivalents and a suitable discount rate for the cash value calculation.

Goodwill of 244K euros was entered on the balance sheet as a result of the corporate merger with AWEK as part of the final purchase price allocation on 10 December 2012 and as an accrual in the goodwill item on the consolidated balance sheet. The goodwill is fully attributed to the IT Services unit generating cash and cash equivalents. Its intrinsic value was checked on 31 December 2013. There were no indications that the expected, achievable influxes of funds from the unit generating these cash and cash equivalents to be assigned to this goodwill, could fall below the carrying amount of the goodwill. The calculation of the use value requires an estimate of future cash flows from the unit generating the cash and cash equivalents and an estimate of a suitable discount rate for calculating the cash value.

Intrinsic value of accounts receivable from ongoing work
The accounts receivable from ongoing work amounting to 660K euros (prev. year: 769K euros) and entered on the balance sheet in line with IAS 18.27 are subject to continuing project monitoring as regards their intrinsic value. The course of the projects concerned largely matches the planning work and even the opportunity arising from recognition difficulties has not created a situation where an adjustment of the intrinsic value of accounts receivable from ongoing work needs to be made.

Intrinsic value of customer bases
As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the group has entered an intangible asset worth 777K euros under customer base for the very first time in 2009. The customer base is amortized in a linear fashion over the expected period of use of seven years as expenditure and was entered on the consolidated balance sheet with a value of 146K euros (prev. year: 224K euros) on the reporting date. There was no information indicating the need to make a valuation adjustment beyond this.

Because GK SOFTWARE acquired the business shares of AWEK GmbH, the Group entered an intangible asset of 458K euros under customer base. The customer base is amortized as expenditure in a linear fashion over the expected period of use of 10 years and was entered with a value of 408K euros (prev. year: 454K euros) on the reporting date

Intrinsic value of orders on hand
The purchase of the business shares in AWEK GmbH by GK SOFTWARE enabled the Group to enter intangible assets worth 394K euros as the value of orders on hand. The orders on hand are amortised in a linear fashion over the expected period of use of five years and are recognised as expenditure. The figure reported on the balance sheet date amounted to 308K euros (387K euros in the previous year).

Other sources of uncertainty regarding estimates exist with regard to the useful serviceable life of assets, with the assessment of the intrinsic value of trade accounts receivable, the valuation of inventories and the assessment of the need to make provisions.

3. Notes on the Consolidated Balance Sheet

3.1. Property, Plant and Equipment

Property, Plant and Equipment 2012

T.16

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
Figures on 1 January 2012	4,114,736.26	2,431,428.88	0.00	6,546,165.14
Accruals	424,016.26	624,659.99	99,830.42	1,148,506.67
Accruals through corporate mergers	2,281.11	808,401.39	61,906.92	872,589.42
Transfers	89,830.42	0.00	(89,830.42)	0.00
Disposals	0.00	106,444.63	0.00	106,444.63
Figures on 31 December 2012	**4,630,864.05**	**3,758,045.63**	**71,906.92**	**8,460,816.60**
Accumulated depreciation				
Figures on 1 January 2012	684,041.56	1,738,412.85	0.00	2,422,454.41
Accruals	133,474.38	508,684.04	0.00	642,158.42
Accruals through corporate mergers	2,279.11	600,524.55	0.00	602,803.66
Disposals	0.00	90,702.68	0.00	90,702.68
Figures on 31 December 2012	**819,795.05**	**2,756,918.76**	**0.00**	**3,576,713.81**
Carrying amounts on 31 December 2012	**3,811,069.00**	**1,001,126.87**	**71,906.92**	**4,884,102.79**

Property, Plant and Equipment 2013

T.17

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
Figures on 1 January 2013	4,630,864.05	3,758,045.63	71,906.92	8,460,816.60
Accruals	10,359.52	613,483.05	78,734.02	702,576.59
Transfers	0.00	61,906.92	(61,906.92)	0.00
Disposals	0.00	79,020.88	0.00	79,020.88
Figures on 31 December 2013	**4,641,223.57**	**4,354,414.72**	**88,734.02**	**9,084,372.31**
Accumulated depreciation				
Figures on 1 January 2013	819,795.05	2,756,918.76	0.00	3,576,713.81
Accruals	146,577.84	640,120.32	0.00	786,698.16
Disposals	0.00	73,076.82	0.00	73,076.82
Figures on 31 December 2013	**966,372.89**	**3,323,962.26**	**0.00**	**4,290,335.15**
Carrying amounts on 31 December 2013	**3,674,850.68**	**1,030,452.46**	**88,734.02**	**4,794,037.16**

Procurement obligations for other office and business equipment existed and amounted to approx 270K euros (2012: approx. 48K euros).

3.2. Intangible Assets

IIntangible Assets 2012

T.18

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Orders on Hand	Total
Purchasing or production costs						
Figures on 1 January 2012	5,447,051.07	1,087,234.36	6,402,785.24	777,000.00	0.00	13,714,070.67
Accruals	747,679.34	159,452.04	0.00	0.00	0.00	907,131.38
Accruals through corporate mergers	0.00	806,238.78	244,178.00	458,038.00	393,530.00	1,901,984.78
Figures on 31 December 2012	**6,194,730.41**	**2,052,925.18**	**6,646,963.24**	**1,235,038.00**	**393,530.00**	**16,523,186.83**
Accumulated amortization						
Figures on 1 January 2012	3,084,015.87	642,626.11	0.00	447,232.00	0.00	4,173,873.98
Accruals	1,064,980.03	244,417.24	0.00	109,544.83	6,558.93	1,425,501.08
Figures on 31 December 2012	**4,148,995.90**	**887,043.35**	**0.00**	**556,776.83**	**6,558.93**	**5,599,375.06**
Carrying amounts on 31 December 2012	**2,045,734.51**	**1,165,881.83**	**6,646,963.24**	**678,261.02**	**386,971.17**	**10,923,811.77**

IIntangible Assets 2013

T.19

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Orders on Hand	Total
Purchasing or production costs						
Figures on 1 January 2013	6,194,730.41	2,052,925.18	6,646,963.24	1,235,038.00	393,530.00	16,523,186.83
Accruals	375,541.52	131,192.01	0.00	0.00	0.00	506,733.53
Disposals	0.00	522.89	0.00	0.00	0.00	522.89
Figures on 31 December 2013	**6,570,271.93**	**2,183,594.30**	**6,646,963.24**	**1,235,038.00**	**393,530.00**	**17,029,397.47**
Accumulated amortization						
Figures on 1 January 2013	4,148,995.90	887,043.35	0.00	556,776.98	6,558.83	5,599,375.06
Accruals	946,954.31	358,356.43	0.00	123,883.80	78,706.00	1,507,900.54
Figures on 31 December 2013	**5,095,950.21**	**1,245,399.78**	**0.00**	**680,660.78**	**85,264.83**	**7,107,275.60**
Carrying amounts on 31 December 2013	**1,474,321.72**	**938,194.52**	**6,646,963.24**	**554,377.22**	**308,265.17**	**9,922,121.87**

The capitalized development costs depreciate according to plan in a linear fashion over an estimated serviceable life of six years. The depreciation starts in the year of capitalization with the pro rata amount.

Any technologies acquired in conjunction with the acquisition of the AWEK Group are entered under industrial property rights and similar rights and values. They are amortized in a linear fashion over an estimated period of use of five years. The amortization starts in the year of capitalization with the pro-rata temporis amount.

Research costs of 93K euros (806K euros in fiscal 2012) were entered immediately as expenditure in fiscal 2013.

The cash generating unit that forms the basis of the goodwill that has been entered was determined by its utilization value, although the procurement costs must not be exceeded. The uti-

lization value is entered as part of the purchase price, which cannot be allocated to assets that can be capitalized. The goodwill existing outside the acquisition of the AWEK Group was fully allocated to the "Storeweaver Enterprise Edition" unit that generates cash and cash equivalents. This unit was described in the consolidated accounts for fiscal 2010 as "LUNAR Project and project business for this partial solution." The carrying amount on 31 December 2013 was unchanged at 6,403K euros.

In order to determine the value in use of a unit that generates cash and cash equivalents, an assessment has been made of the future net cash and cash equivalent accruals. The estimates take place within the planning horizon as part of the normal conventions for Group planning. However, these have been used with specific parameters for the unit generating the cash and cash equivalents and these parameters are based on the analysis of the actual development of the unit generating the cash and cash equivalents in the past. The planning principles generally include planning the balance sheet and the income statement and planning for the expected flows of cash and cash equivalents derived from these.

The detailed planning covers the period until 2018. As use is possible and probable beyond this period — historical experience supports the principle of assuming a normal period of use for solutions provided by the unit generating the cash and cash equivalents of 10 - 15 years — the following period has also been taken into account. An even shrinkage rate of 1 percent has been assumed.

The cash flow determined in this way has been discounted with an interest rate of 8.55 percent, (fiscal 2012: 7.8 percent) which indicates the weighted costs of the capital prior to income taxes. Capital market data from a group of comparable companies has been used in order to determine the weighted capital costs.

The ability of the unit generating the cash and cash equivalents to continue to deliver its projects in line with contractual arrangements is crucially important for assessing the value in use. If it does not manage to do so, recourse claims from customers and damage to the company's reputation could significantly impair the economic prospects of the unit concerned and the whole Group too. A serious impairment of the unit's ability to deliver could arise if it is not possible to retain the employees involved in the projects within the Group, as these employees are essential to the success of the project. A significant loss of employees jeopardizes the successful completion of any project. The value in use is also affected by the fact that the software solutions of the unit generating the cash and cash equivalents are sold through partners. If they are unable to deliver these sales commitments, this will have a negative impact on the value in use.

There could be a need for devaluation if the EBIT forecasts underlying the planning figures miss the target by more than 15 percent in the long term or the capitalization interest rate, which forms the basis for determining the utilization value, rises by more than 2.6 percentage points. We assume that there are no realistic indications to suggest that the main assumptions with regard to the possibility of delivering projects in line with contractual conditions and being able to retain the employees required for this purpose within the Group will diverge significantly from the actual situation. It is not possible for the Group to enforce successful sales by partner companies – nor can it affect the useful life of the software solutions that it provides. We believe that no realistic change in the major assumptions outlined above could create a situation where the carrying amount of a unit would exceed the achievable sum that it could generate.

The acquired debts exceeded the identified assets by 244K euros in association with the acquisition of the AWEK Group, so that goodwill amounting to this sum was entered on the balance sheet as a result of this transaction on 31 December 2012. According to IAS 36.90, checks on the intrinsic value of the unit generating the cash and cash equivalents first took place on 31 December 2013.

The unit generating the cash and cash equivalents that form the basis for this capitalised goodwill was assessed with the value in use, however no more than the purchasing costs, determined as part of the purchase price, which cannot be attributed to assets that can be capitalised. The goodwill existing outside the purchase of the AWEK company has been fully attributed to the IT Services unit generating the cash and cash equivalents. The companies acquired within the AWEK Group are

summarised in this unit. The carrying amount was worth 244K euros on 31 December 2013, meaning that the figure had not changed.

In order to determine the value in use of the unit generating the cash and cash equivalents, the future net influx of cash and cash equivalents was estimated. The estimates took place within the planning horizon and within the principles that are normal for Group planning. Because of the business model for the unit generating the cash and cash equivalents, which differs from the rest of the Group, specific parameters were used for this unit, which are based on the experience and the analysis of the actual development of the using generating the cash and cash equivalents in the past. The budgeting principles generally encompass budgeting the balance sheet and the profit and loss statement and, based on this, budgeting the expected flows of cash and cash equivalents.

The detailed budgeting covers the period up to 2018. As use is possible and probable beyond this period – the unit has been offering its services and products for more than twenty years now – the following period was also taken into account. An even shrinkage rate of 1 percent was assumed for this.

The flows of payments determined in this way were discounted with an interest rate of 8.55 percent (7.8 percent in the 2012 business year) and this specifies the weighted costs of the capital before income taxes. In order to determine the weighted capital costs, capital market data from a group of comparable companies was used.

In the case of this unit generating the cash and cash equivalents, it is crucially important for assessing the value in use that the company can deliver its projects in line with contracts. If this does not happen, the Group can expect the same consequences for the unit generating the cash and cash equivalents as for the "Storeweaver" unit. The reasons for the impairment of the ability to deliver are identical. However, the opportunities for successfully using other sales forms than direct sales are insignificant for the Group.

The checks on the stability of estimates about the value in use in relation to the carrying amount of the net assets of the unit generating the cash and cash equivalents revealed that this does not respond to an increase in the capitalisation interest rate within an expected interval. Only when the capitalisation interest rate was increased by a ratio of two-and-a-half would the carrying amount of the net assets of IT Services exceed the value in use. Sales targets would have to permanently be missed by almost 20 percent in terms of business developments. In the same way as for "Store-Weaver Enterrise Edition", we assume that there are no realistic indicators to show that the main assumptions about the possibility of delivering projects according to contracts and being able to tie down the necessary employees to the Group will significantly deviate from the actual situation. We believe here too that no realistic change in one of the main assumptions quoted above will create a situation where the carrying amount of the unit will exceed the achievable sum.

3.3. Inventories

T.20 Inventories

EUR	31.12.2013	31.12.2012
Raw materials, consumables and supplies and goods purchased	1,034,421.29	999,052.62
Finished Goods	8,389.14	9,763.94
Advance payments on inventories	0.00	9,790.67
Total	**1,042,810.43**	**1,018,607.23**

Inventories worth 2,698K euros (296K euros in the previous year) were entered under material expenditure and in the change of inventories of finished products for the financial year.

3.4. Trade Accounts Receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. The total write-downs amount to 1,993K euros in all (336K euros in fiscal 2012). The write-downs have been entered under other operating expenditure. On balance sheet day value adjustments amounting to 2,534K euros (2012: 543K euros) were made.

Accounts receivable in CZK amounting to 4K euros (8K euros in the previous year) and amounting to 0K euros (previous year: 35K euros) in CHF existed on the balance sheet date.

3.5. Accounts Receivable from Ongoing Work

Customer orders, for which sales revenues have been realized according to IAS 18.20 or according to IAS 18.26 in conjunction with IAS 18.20, must be shown as assets. This item amounted to 659,939.36 euros (769K euros in fiscal 2012) on the balance sheet date.

3.6. Accounts Receivable from Associated Companies

Accounts receivable owed by associated companies amounting to 5K euros (0K euros in the previous year) existed against AWEK Hong Kong Ltd on the balance sheet date. AWEK Hong Kong Ltd has not been included in the consolidation circle, as it had not yet launched its business activities during the business year.

3.7. Other Accounts Receivable, Assets and Income Tax Assets

T.21 Other Accounts Receivable, Assets and Income Tax Assets

EUR	31.12.2013	31.12.2012
Loans paid to third parties	2,697,367.66	2,870,485.15
Tax receivables	217,923.96	1,321,894.70
Accounts receivable from members of the Management Board	100,308.00	72,643.81
Others	1,014,244.67	607,115.46
Those based on legal claims	163,002.85	148,704.63
Those based on asset deferrals	600,403.35	340,253.32
Total	**4,029,844.29**	**4,872,139.12**

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

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

Other accounts receivable amounting to 84K euros existed in CZK on the balance sheet date (previous year: 45K euros), amounting to 1K euros (previous year: 3K euros) in CHF and amounting to 8K euros (previous year: 8K euros) in RUB.

3.8. Cash and Cash Equivalents

Cash and cash equivalents are entered at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. A further 10K euros was pledged as part of rent collateral with the bank providing the guarantee (previous year: 10K euros). The Management Board is expecting this guarantee to be taken up.

3.9. Equity Capital

We refer you to the statement of changes in equity for more information on changes to the equity at GK SOFTWARE on the 2013 balance sheet date.

The company's share capital amounted to 1,790,000.00 euros on 1 January 2013 and was divided into 1,790,000 individual share certificates. On the grounds of the increase in capital decided on 13 December 2013 and its entry in the register on 27 December 2013, the subscribed capital amounted to 1,890,000.00 euros on 31 December 2013; this is divided into 1,890,000 individual share certificates each with a pro-rata quota in the share capital of 1.00 euro.

T.22 Equity Capital

EUR	31.12.2013	31.12.2012
Subscribed capital		
1,790,000 (1,790,000) fully paid up individual share certificates	1,790,000.00	1,790,000.00
100,000 individual share certificates issued as a capital increase	100,000.00	—
Total	**1,890,000.00**	**1,790,000.00**

The capital reserves include the premium amounting to 3,567,224.11 euros minus the flotation costs and this figure, in turn, is reduced by the tax benefit shown for the issue of the new shares.

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

Establishment of authorized capital. As a result of the decision taken by the annual shareholders' meeting on 28 June 2012, the authorized capital was abolished in its previous form (in accordance with the resolution of the annual shareholders' meeting on 14 May 2008) and new authorized capital was created. This decision enabled the shareholders' meeting to empower the Management Board (provided that the Supervisory Board agrees) to increase the company's share capital during the period from 28 June 2012 until 27 June 2017 on one or more occasions by a total of up to 895,000.00 euros by issuing up to 895,000 new non-par value company shares made out to the holder (individual share certificates) in return for cash deposits and/or contributions in kind (authorized capital).

The Management Board made use of this authorisation in December 2013 and introduced a capital increase of 100,000.00 euros through the issue of 100,000 new individual share certificates without any par value made out to the holder, with the agreement of the Supervisory Board. The increase was entered in the Commercial Register on 27 December 2013. This means that there is still a sum amounting to 795,000.00 euros remaining in the authorised amount of 2012.

Conditional capital. The Management Board was empowered at the annual shareholders' meeting on 14 May 2008 to grant purchasing options for up to 37,000 individual stock certificates on a single occasion or on several to members of the Management Board and managers of companies where GK SOFTWARE has a direct or indirect majority holding ("associated firms") and managers of these firms and their associated companies as part of a stock option program until 14 May 2013. A stock option program has not yet been implemented. The company made use of this authorization for the first time in fiscal 2010 and issued 12,300 stock options to Group employees. The company once again issued 9,450 stock options to group employees during the fiscal 2011. In fiscal 2011 16,175 stock options has been granted again. 15,250 share options were granted during the reporting year. Of the options granted in 2010, all the share options lapsed on 31 December 2012 according to the rules of the share option programme. Another 3,875 options expired in fiscal 2013. As a result, there are still 37,000 outstanding share options; the conditional capital 2008 has therefore been used up and has been finished through the expiry of time.

The annual shareholders' meeting decided on 28 June 2012 to empower the Management Board (provided that the Supervisory Board agrees) to grant subscription rights for up to 50,000 individual share certificates to members of the Management Board, the managers of companies where GK SOFTWARE has a direct or indirect majority holding ("associated firms") and managers of companies and their associated firms until 27 June 2017. The company made use of this authorisation for the first time during the 2013 business year. 24,675 share options in all were issued to members of the Management Board, managers and key personnel at the company and firms associated with it. A further 25,325 share options can still be granted on the basis of this authorisation (conditional capital 2012).

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

3.10. Provisions for Pensions

GK SOFTWARE and the subsidiaries AWEK GmbH and AWEK microdata GmbH have issued pensions commitments in the form of benefit-oriented plans.

The pension commitment is invested as a life-time fixed old-age pension, which is paid when a member of staff retires from the company on reaching the age of 65. A contingent right to a widow's pension amounting to 60 percent of the old-age pension exists if the member of staff suffers invalidity or dies.

The plans in Germany mean that the Group is normally exposed to the following actuarial risks:

investment risks, risks associated with changes in interest rates, longevity risks and salary risks.

Investment risks. The cash value of defined benefit obligations in the plan is determined using a discount rate, which is set on the basis of the profits of top-class corporate loans with a fixed interest rate. As soon as the yields from the plan asset fall below this interest rate, this creates a shortfall in cover for the plan. The plan currently has a relatively balanced investment portfolio of equity instruments, debt instruments and property. Because of the long-term nature of the plan liabilities, the administration board of the pension fund believes that it is advisable to invest an appropriate part of the plan asset in equity instruments and property in order to increase the profits of the plan.

Risks associated with changes in interest rates. Any decline in the bond interest rate leads to an increase in the plan liability, but this is partially offset by increased yields from the investment of the plan asset in debt instruments with fixed interest rates.

Longevity risk. 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 benefitting from the scheme both during their working relationship and also after this ends. Any increase in life expectancy on the part of the employees benefitting from the scheme leads to an increase in the plan liability.

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

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

The calculations are based on the following assumptions:

T.23 Assumptions for calculations of cash value

	2013	2012
Pensionable age (m/f)	60–65/60–65	60–65/60–65
Actuarial interest rate / discount on 1 January 2010	3.50% p.a.	5.00% p.a.
Actuarial interest rate / discount on 31 December 2010 and for 2011	3.50% p.a.	3.50% p.a.
Salary development / rate of benefit increase	0.00% p.a.	0.00% p.a.
Rate of pension increase	1.50% p.a.	1.50% p.a.
Probability of fluctuation	none	none

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

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

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.24 Reconciliation accounts to determine the cash value

EUR	2013	2012
Figures on 1 January:	3,188,199	476,574
Accruals through corporate mergers	0	2,340,072
+ Interest expenditure	109,205	+23,825
+ Working Period Costs	37,112	+22,066
+ Working period costs to be additionally calculated	0	+94,018
– Payout from lump sum compensation	(165,704)	0
– Benefits paid out	(95,646)	0
– Actuarial Profits[1]	(628,695)	0
+ Actuarial Losses[1]		+231,644
Figures on 31 December:	**2,444,471**	**3,188,199**

The development of the plan assets is shown as follows:

1 – The gross amount on the corresponding item under other income.

Development of the Plan Assets

T.25

EUR	2013	2012
Figures on 1 January:	1,479,873	283,560
Accrual on account of the change in consolidated companies	0	1,090,085
+ Expected Yields from Plan Assets	38,432	+14,571
+ Contributions	110,619	+110,619
– Benefits paid out	(72,140)	0
– Actuarial Losses[1]	(24,362)	(18,962)
Figures on 31 December:	**1,532,422**	**1,479,873**

It is therefore clear that there is a planned deficid amounting to 912,049 euros (2012: 1,708,326 euros).

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

Table

T.26

EUR	2013	2012
Current service costs	37,112	22,066
Past service costs	0	94,018
Net interest expenditure	70,773	9,254
Components of the defined benefit costs entered in the profit and loss statement	107,885	125,338
Reassessment of net debt from the defined benefit plan		
Losses from plan assets (with the exception of the amounts contained in the net interest)	24,362	18,962
Actuarial wins and losses from the change in financial assumptions	(628,695)	231,644
Actuarial wins and losses from information based on experience	0	74.677
Components of the defined benefit costs entered under other income	(604,333)	(325,283)
Total	(496,448)	450,621

Of the current annual expenditure of 108K euros (125K euros in the previous year), interest yields amounting to 38K euros (15K euros in the previous year) and interest expenditure amounting to 109K euros (24K euros in the previous year) have been entered in the interest results and the remaining expenditure of 37K euros (116K euros in the previous year) has been registered as "expenditure for old age pensions".

The reassessment of net debt from a defined benefit plan has been entered under other income.

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

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

T.27

EUR	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (–) Surplus (+)
2013	**2,444,471**	**1,532,422**	**912,049**
2012	3,188,199	1,479,873	(1,708,326)
2011	476,574	283,560	(193,014)
2010	437,024	101,054	(335,970)
2009	131,606	86,544	(45,062)

The adjustments based on experience can be represented as follows during the last five years:

Development of the plan debts and plan assets

T.28

EUR	Liabilities of the plan	Assets of the plan
2013	**(3,219)**	**(19,581)**
2012	6,386	18,962
2011	3,503	14,929
2010	(42,275)	(2,061)
2009	2,666	3,330

We assume that contributions amounting to 110,619 euros (2012: 246,097 euros) will be paid into the plan during 2014. The actual revenues from the planned assets during the fiscal year amounted to 14,070 euros following a figure of (4,391) euros in the previous year.

The crucial actuarial assumptions, which are used to determine the defined benefit obligation, are the discount rate and the expected pension trend. The sensitivity analyses shown below were carried out on the basis of the possible changes to each assumptions on the balance sheet date determined by prudent judgment, although the remain-

1 – The gross amount on the corresponding item under other income.

ing assumptions remained unchanged in each case.

3.10.1. Actuarial interest rate

The following table shows the effects of varying the actuarial interest rate in comparison with assumptions (column 1), increasing it by one percentage point (column 2) and reducing it by one percentage point (column 3).

T.29 Actuarial interest rate

	1	2	3
Parameter (actuarial interest rate)	3.50%	4.50%	2.50%
Change to the parameter		1.00%	(1.00)%
DBO on the reporting date in EUR	2,444,471	2,150,421	2,805,694
Absolute change in EUR		(294,050)	361,223
Relative change		(12.03)%	14.78%
Services costs for the 2014 business year	38,191	31,592	46,576
Interest expenditure for the 2014 business year	83,524	94,162	68,686

3.10.2. Benefit dynamics

The following table shows the effects of varying the pension trend in comparison with assumptions (column 1), increasing it by one percentage point (column 2) and reducing it by one percentage point (column 3).

T.30 Benefit dynamics

	1	2	3
Parameter (pension trend)	1.50%	2.50%	0.50%
Change to the parameter		1.00%	(1.00)%
DBO on the reporting date in EUR	2,444,471	2,703,459	2,221,127
Absolute change in EUR		258,988	(223,344)
Relative change		10.59%	(9.14)%
Services costs for the 2014 business year	38,191	42,941	34,176
Interest expenditure for the 2014 business year	83,524	92,588	75,708

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.

In keeping with IAS 19 173 (b), companies do not need to present any comparative information with regard to the information required in line with IAS 19 145 on the sensitivity of the defined benefit obligation in annual accounts for reporting periods, which start before 1 January 2014.

The amount of reinsurance is planned by referring to the pension promise. No additional contributions were made.

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.31 Benefits from the plan in the following years

	EUR
Balance sheet year 1	108,221.00
Balance sheet year 2	108,861.00
Balance sheet year 3	109,429.00
Balance sheet year 4	109,918.00
Balance sheet year 5	110,319.00
Balance sheet year 6-10	572,820.00

The weighted average duration of the defined benefit payment obligation is 21.1 years for GK SOFTWARE on the reporting date or 7.1 years for AWEK GmbH and 9.6 years for AWEK microdata GmbH.

3.11. Non-Current and current Bank Liabilities

Two investments loans (original amounts: 750K euros and 450K euros) were taken out with the Commerzbank AG Plauen in fiscal 2007. The GK Software AG also took over a loan (225K euros) from Gläß & Kronmüller OHG, Schöneck in the course of the merger in 2007. Security for the loans is provided through registered land charges on the business real estate, recorded in the land

register for Schöneck, Plauen Local Court, page 1895. The loan, which was taken over during the course of the merger, was rescheduled during fiscal 2009. The two other loans were valued at a total of 566K euros on the balance sheet date. In addition, the company has assigned its trade accounts receivable against third-party debtors to provide security with a blanket assignment, with the exception of the accounts receivable associated with the "LUNAR" project. Other loans were taken out during fiscal 2009 as a result of the new extension building, the above mentioned rescheduling and the acquisition of Solquest (DZ Bank 748K euros and KfW 180K euros). These loans were valued at 561K euros on 31 December 2013. In order to provide security for the loans from the DZ bank, land charges amounting to 1,085K euros have been entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895.

These loans, which amounted to 1,231K euros (2012: 1,440K euros) on the reporting date, must be repaid with scheduled payments totaling 209K euros (2012: 209K euros). This share of repayment is entered under "Current bank liabilities."

The Current bank liabilities also include a global credit agreement with DZ Bank. This was worth 1,000K euros on the balance sheet reporting date (see no. 8.1.) and a credit card limit, which has been used to the tune of 59K euros (2012: 2,000K euros respectively 36K euros).

3.12. Public Sector Subsidies Charges to Subsequent Accounting Years

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

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

3.13. Deferred Taxes

Please refer to section 4.9.

3.14. Current Provisions

Current Provisions

T.32

EUR	Human resources department	Production department	Other departments	Total
Figures on 1 January 2013	669,608.98	1,499,011.00	393,727.96	2,562,347.94
Amounts used	668,971.95	2,400.00	342,210.87	1,013,582.82
Amortization	637.03	1,200,000.00	51,517.09	1,252,154.12
Allocation	768,032.32	277,656.00	286,030.06	1,331,718.38
Figures on 31 December 2013	**768,032.32**	**574,267.00**	**286,030.06**	**1,628,329.38**

The current provisions in the human resources department primarily concern bonuses and exclusively guarantees in the production department.

The calculations for warranty provisions are based on warranty costs in the past and estimates regarding future costs. Provisions for projects amounting to 152K euros were also newly formed for any expected expenditure on warranties. The company entered earnings from the reversal of provisions amounting to 1,200K euros during the business year. They result from the reversal of a warranty provision made in the previous year for one customer not utilized that amount to 1,100K euros. A claim originating from accounts receivable against the same customer with an equal amount was assessed as not recoverable and was fully impaired.

3.15. Trade Accounts Payable

Accounts receivable are still due to settled within one year.

Accounts payable in foreign currencies amounting to 16K euros (11K euros in the previous year) existed in CZK on the balance sheet date.

3.16. Initial Payments Received

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

3.17. Income Tax Liabilities

This item contains liabilities with regard to corporation tax, the solidarity surcharge and business tax in Germany and the Czech Republic.

3.18. Other Current Liabilities

The tax liabilities cover outstanding income tax payments and sales tax.

Other liabilities in foreign currencies amounting to 313K euros (266K euros in the previous year) existed in CZK on the balance sheet date and amounting to 44K euros (previous year: 25K euros) in CHF.

Other Current Liabilities

T.33

EUR	31.12.2013	31.12.2012
Tax liabilities	1,370,564.43	1,127,679.80
Liabilities from wages and salaries	2,671,156.44	2,140,999.07
Other liabilities towards members of staff	19,936.51	22,740.20
Others	622,157.37	489,452.55
Those based on liabilities deferrals	30,866.94	28,213.90
Total	**4,683,814.75**	**3,780,871.62**

3.19. Secured Liabilities

Two investment loans were taken out with the Commerzbank AG Plauen in fiscal 2007. The loans are secured by the registered land charges on the company's real estate (Carrying amount 3,557K euros), recorded in the land register for Schöneck, Plauen Local Court, Page 1895. Two other

loans were taken out (DZ Bank, KfW) during fiscal 2009 as a result of the extension of the new building, the above mentioned rescheduling and the acquisition of Solquest. Land register debts were entered in the land register for Schöneck, Plauen Local Court, Pages 999, 1378 and 1895 as collateral for the DZ loan.

4. Notes on the Consolidated Income Statement

4.1. Sales Revenues

The sales revenues are exclusively the result of the sale of hardware and software and the provision of services for European customers.

There were sales amounting to 0K euros (2012: 14K euros) recorded during the business year for sales that were calculated according to IAS 18.20. Sales amounting to 551K euros (2012: 794K euros) were realized during the reporting period as sales that were calculated according to IAS 18.27.

Overall, all the customer orders covered in this report had an assets-side balance and were entered with a figure in the "Accounts Receivable from Ongoing Work" section (cf. 3.5).

As regards the make-up of the significant categories of revenues, we would refer to section 7 entitled "Segment Reporting." Warranty provisions amounting to 1,200K euros were released and 278K euros were set aside during the financial year and therefore the figure entered for expected warranties amounted to 574K euros (2012: 1,499K euros) in all on the balance sheet reporting date.

4.2. Own Work Capitalized

Own work capitalized comprises the capitalized production costs for development work on the software that is produced in-house. Direct and indirect cost ratios are included in the production costs.

4.3. Other Operating Revenues

T.34 Other Operating Revenues

EUR	2013	2012
Reversals of uncertain other liabilities or provisions	1,265,459.89	956,777.87
Vehicle use	582,085.29	369,899.13
Earnings from reversals of deferred public grants	56,083.45	70,856.12
Employee contributions towards food allowances	49,260.58	53,488.10
Earnings from investment grants	52,486.31	25,932.86
Earnings from other periods	1,007.84	19,531.19
Reduction value adjustments	15,532.62	6,417.47
Others	429,576.93	154,863.89
Total	**2,451,492.91**	**1,657,766.63**

4.4. Materials Expenditure

T.35 Materials Expenditure

EUR	2013	2012
Expenditure on raw materials, consumables and supplies	2,838,559.78	218,237.46
Expenditure on purchased services	1,243,700.70	454,335.27
Total	**4,082,260.48**	**672,572.73**

4.5. Human Resources Expenditure

T.36 Human Resources Expenditure

EUR	2013	2012
Wages and salaries[1]	21,540,371.08	16,021,119,75
Social security contributions	3,979,159.89	3,217,779.58
Expenditure on retirement benefits	85,122.79	201,840.54
Total[1]	**25,604,653.76**	**19,440,739,87**

On average, 552 people were employed during fiscal 2013 (458 in the previous year). 550 people were employed on the balance sheet date of 31 December 2013.

4.6. Depreciation and Amortization

As in previous year this item exclusively covers scheduled depreciation on property, plant and equipment and the amortization of intangible assets.

4.7. Other Operating Expenditure

As in previous year this item largely covers legal and advisory costs, warrenty expenses, advertising and travel expenses, office and operating costs or administrative and sales expenditure.

4.8. Financial Results

T.37 Financial Results

EUR	2013	2012
Interest income[1]	110,259.43	222,389.93
Interest expenditure[1,2]	(223,467.41)	(179,286.73)
Account Balance	**(113,207.98)**	**43,103.20**

4.9. Income Taxes

T.38 Income Taxes

EUR	2013	2012
Current tax liabilities	569,274.69	294,345.61
Deferred tax revenue	(238,189.70)	(68,685.94)
Total (Tax expenses)[1]	**331,084.99**	**225,659.67**

When determining the deferred taxes, the unchanged company-specific tax rates in Germany were 28.26 percent, 29.1 percent and 32.04 percent as a result of corporation tax, the solidarity surcharge and the business tax. The deferred taxes were based on an unchanged tax rate of 14 percent for Switzerland and 19.0 percent for the Czech Republic.

The deferred taxes are included in the following items:

1 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

Table

T.39

EUR	31.12.2013 Assets	31.12.2013 Liabilities	31.12.2012 Assets	31.12.2012 Liabilities
Fixed assets	0.00	0.00	0.00	1,456.50
Intangible assets	224,106.72	1,067,380.02	264,039.58	1.256.026,91
Provisions for guarantees	2,758.50	0.00	87.39	2,534.31
Provisions for pensions	270,209.87	0.00	384,462.90	0.00
Accounts Receivable from Ongoing Work	1,326.26	12,912.77	7,865.10	14,415.75
Other Provisions	31,460.40	0.00	0.00	0.00
Total according to balance sheet	**529,861.75**	**1,080,292.79**	**656,454.97**	**1,274,433.47**

Deferred tax claims / liabilities result from:

Deferred Tax Claims / Liabilities

T.40

31.12.2013

EUR	Initial Balance	Income Statement-related	Not Income Statement-related	Final Balance
Fixed Assets	(1,456.50)	1,456.50	0.00	0.00
Provisions for Pensions	384,462.90	56,389.21	(170,642.24)	270,209.87
Provisions for Guarantees	(2,446.92)	5,205.42	0.00	2,758.50
Intangible Assets – In-house Developed Software	(593,834.47)	164,364.55	0.00	(429,469.92)
Intangible Assets – In-house Developed Software (Development Expenses AWEK)	(254,691.39)	39,148.49	0.00	(215,542.90)
Acquired Intangible Assets as Part of the Corporate Acquisition (Acquired Technologies)	152,002.58	(47,587.86)	0.00	104,414.72
Acquired Intangible Assets as Part of the Corporate Acquisition (Customer Relations)	(128,340.15)	12,941.87	0.00	(115,398.28)
Intangible assets acquired as part of the purchase of the company (orders on hand)	(111,191.90)	24,091.58	0.00	(87,100.32)
Intangible Assets Acquired through the Solquest Purchase (Customer Relations)	112,037.00	7,655.00	0.00	119,692.00
Goodwill Solquest-purchase	(167,969.00)	(51,899.60)	0.00	(219,868.60)
Accounts Receivable from Ongoing Work	(6,550.65)	(5,035.85)	0.00	(11,586.50)
Other Provisions	0.00	31,460.40	0.00	31,460.40
Other Assets	0.00	0.00	0.00	0.00
Account Balance	**(617,978.50)**	**238,189.70**	**(170,642.24)**	**(550,431.04)**

				31.12.2012	
Initial Balance	Accruals through Corporate Mergers	Income Statement-related	Not Income Statement-related	Final Balance	EUR
(1,456.50)	—	0.00	—	(1,456.50)	Fixed Assets
49,044.14	239,844.00	819.82	94,754.94	384,462.90	Provisions for Pensions
5,048.23	—	(7,495.15)	—	(2,446.92)	Provisions for Guarantees
(686,264.16)	—	92,429.69	—	(593,834.47)	Intangible Assets – In-house Developed Software
—	(250,366.41)	(4,324.98)	—	(254,691.39)	Intangible Assets – In-house Developed Software (Development Expenses AWEK)
—	145,935.56	6,067.02	—	152,002.58	Acquired Intangible Assets as Part of the Corporate Acquisition (Acquired Technologies)
—	(137,411.40)	9,071.25	—	(128,340.15)	Acquired Intangible Assets as Part of the Corporate Acquisition (Customer Relations)
—	(118,059.00)	6,867.10	—	(111,191.90)	Intangible assets acquired as part of the purchase of the company (orders on hand)
85,227.00	—	26,810.00	—	112,037.00	Intangible Assets Acquired through the Solquest Purchase (Customer Relations)
(22,319.00)	—	(145,650.00)	—	(167,969.00)	Goodwill Solquest-purchase
1,485.63	(15,534.46)	7,498.18	—	(6,550.65)	Accounts Receivable from Ongoing Work
—	(80,847.22)	80,847.22	—	0.00	Other Provisions
—	4,254.21	(4,254.21)	—	0.00	Other Assets
(569,234.66)	**(212,184.72)**	**68,685.94**	**94,754.94**	**(617,978.50)**	**Account Balance**

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

Transfer of Tax Expenditure

T.41

EUR K	2013	2012
Pre-tax earnings	932	1,277
Anticipated tax expenditure 24,5% (2011: 25%)	228	319
Tax impact on non-deductible company spending	52	11
Tax impact on tax-free income	(15)	(8)
Tax benefits for R&D expenditure in CZ	0	(69)
Other tax effects	66	(27)
Actual tax expenditure	**331**	**226**
Effective tax rate	35.5%	17.5%

Related to income and expenses of the re-assessment of the performance-oriented plan the amount of 171K euros income tax is included in the other comprehensive income (previous year (95)K euros).

4.10. Earnings per Share

The earnings per share are determined as a quotient from the total result and the weighted average of the number of shares in circulation during the business year. The average number of issued shares during fiscal 2013 was 1,791,370 (1,790,000 in the previous year). The consolidated annual net income in 2013 amounted to 601K euros (2012: 1,051K euros[1]). As a result, the earnings per share amounted to 0.34 euros in 2013 (2012: 0.59 euros[2 3]).

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

In the case of 38,000 share options (25,625 in 2012), the company's share price on average lay below the exercise thresholds. They were not taken into account when calculating the diluted, weighted average price for the ordinary shares on 31 December 2013.

In the case of 24,675 shares, the company's share price on average lay above the exercise thresholds. They were taken into account when calculating the diluted, weighted average prices for the ordinary shares on 31 December 2013. The diluted results per share was 0.33 euros (2012: 0.59 euros[4 5]).

4.11. Currency Conversions

Currency differences are present in the following items in the profit and lost statement:

1 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

3 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

4 – Information on the adaptation of the previous year's figures according to IAS 19 (2011) can be found in the explanations under paragraph 1.2.

5 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 6. „Purchase of Subsidiaries ".

Currency Conversions

T.42

EUR	2013	2012
Other operating expenses	586,005.78	162,435.93
Other operating income	217,880.46	31,368.11
Account Balance	**368,125.32**	**131,067.82**

4.12. Use of Profits

The Management Board is intending to suggest to the 2014 annual shareholders' meeting that a dividend of 0.25 euro should be paid from the balance sheet profits at GK SOFTWARE AG (4,249,713.89 euros) determined in line with German commercial law rules and the remaining amount (3,802,213.89 euros) should be carried forward to the new account. As 1,790,000 dividend bearing shares are in circulation, the group will have to make dividend payments amounting to 447,500.00 euros to its shareholders, if the annual shareholders' meeting approves this proposal.

5. Notes on the Cash Flow Statement

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

6. Acquisition of Subsidiaries

6.1. Acquired subsidiaries

By means of notary public documents dated 10 December 2012, GK SOFTWARE acquired all the business shares in the AWEK GmbH company (hereinafter referred to as "AWEK"), which has its headquarters in Barsbüttel near Hamburg. AWEK GmbH, which exercises the holding tasks for the AWEK Group, is the sole shareholder of the domestic companies AWEK, C-POS GmbH, AWEK microdata GmbH and AWEK Hong Kong Ltd.

AWEK GmbH provides IT services for the retail sector through the holdings that it fully owns – AWEK C-POS GmbH and AWEK microdata GmbH. The group is one of the largest providers of IT services for the store-based retail sector, regardless of which manufacturer is involved. The IT services available provide a complete range of 1st, 2d and 3d level support and technical customer services across Germany for servicing and maintaining hardware and software systems in stores. The company also offers innovative hardware products, which are assembled by toll manufacturers and are prepared at the company premises for installation at customers' buildings (so-called "staging") and then installed. The staging and installation services are also provided for products made by other manufacturers. In addition to this range of services, the AWEK Group also provides software solutions related to tills and also provides implementation and maintenance services for these.

The range of solutions and services are in use at various customers in the German retail sector. The list of customers includes companies like the Bartels-Langness Group (brands like "famila," "MARKANT," "nah & frisch" and others). One of the largest horticultural companies ("Dehner") and "Globus SB-Warenhäuser" and the "KNV" book wholesaler are also part of the customer base. AWEK also works for companies, which are already customers of GK SOFTWARE, e.g. "EDEKA," "valora," and "Fressnapf."

The Group has rounded off its range of services for its customers in the field of IT services by acquiring this group.

6.2. Transferred compensation

The business shares of the two shareholders in AWEK were acquired at a price of 1.00 euros each. As a result, cash amounting to 2.00 euros was spent.

A further sum amounting to 40K euros must be paid if the managing director of AWEK GmbH is still employed at one of the companies in the Group on 20 December 2013 without any period of notice having been served. As this condition was met on the balance sheet reporting date (31 December 2013), the expenditure was entered in the accounts accordingly. This conditional payment to the managing director is a payment for his future services as part of the planning incorporation of AWEK Group and is therefore not compensation for the acquired identifiable net assets

of the AWEK Group. This expenditure is therefore entered in the profit and loss statement under human resources expenditure.

As part of preparing the way for the transaction, GK SOFTWARE granted AWEK GmbH a loan amounting to 300K euros. In addition, in conjunction with the acquisition of the company, accounts receivable from banks and former shareholders amounting to 1,890K euros were repayed. This payments do not represent compensation for the acquisition of the company, as they were not paid to the selling shareholders in exchange for obtaining control.

The costs related to the acquisition amounting to 22K euros have been entered as expenditure in the profit and loss statement and are shown under other expenditure.

6.3. Acquired assets and liabilities, which were entered at the time of the acquisition

The consolidated accounts on 31 December 2012 were dominated by the provisional determination of the purchase price. The following summary reflects the final acquired assets and liabilities at the time of the acquisition.

Assets and depts acquired from AWEK GmbH

T.43

EUR K	Fair value of final PPA	Fair value of provisional PPA
Current assets	**3,202**	**3,202**
Cash and cash equivalents	198	198
Trade accounts receivable and other accounts receivable	1,745	1,745
Inventories	1,259	1,259
Non-current assets	**2,315**	**2,135**
Property, plant and equipment	270	270
Finance assets	1	1
Acquired technologies (softwaredevelopment)	806	823
Customer relations	458	802
Orders on hand	394	—
Active deferred taxes	386	240
Current liabilities	**(3,419)**	**(3,419)**
Trade accounts payable and other liabilities	(3,112)	(3,112)
Current provisions	(307)	(307)
Non-current liabilities	**(1,854)**	**(1,677)**
Provisions for pensions	(1,250)	(1,250)
Deferred tax liabilities	(604)	(427)
Amount Balance (=Goodwill)	**(244)**	**(242)**

The accounts receivable acquired as part of the transaction (which mainly consist of trade accounts receivable) have a fair value of 1,745K euros and a gross contract value of 1,835K euros. The best estimate carried out at the time of acquisition for the contractual cash flows, although it is not expected that these amounts will be recoverable, amounts to 67K euros.

6.4. Goodwill created by the purchase

Goodwill created by the purchase

T.44

EUR K	Carrying amount
Transferred compensation	0
Minus the fair value of the identifiable acquired net assets	(244)
Goodwill generated by the acquisition	**244**

Goodwill has been generated from the acquisition of AWEK GmbH and this takes into account the benefits from expected synergies, growth in sales, future market developments and the existing employees of the AWEK Group. These benefits are not entered separately from the goodwill, as they do not conform to the valuation regulations for intangible assets.

No tax allowance is expected for the goodwill resulting from the acquisition.

6.5. Net outflow of cash and cash equivalents arising from the acquisition

Net outflow of cash and cash equivalents arising from the acquisition

T.45

EUR K	Carrying amount
Quid pro quo paid in cash	0
Minus acquired cash or cash equivalents	(198)
Net outflow of cash and cash equivalents	**198**

6.6. Effects of the acquisition on the Group's results

The Group's annual net income 2012 includes a balance of 14K euros, which can be traced back to the business of the AWEK Group. The AWEK Group contributed a figure of 549K euros to the sales revenues. If the acquisition of the corporation had taken place on 1 January 2012, the share of the Group's annual sales generated by the acquired AWEK Group would have been 11,905K euros and the consolidated annual results would have contained a loss of 2,314K euros, which would have been due to the business of the AWEK Group. This "pro forma" development that is entered for this financial year is not a standard for future developments within the whole Group in the view of the Management Board, as the AWEK Group underwent a process of restructuring during fiscal 2012 and several one-off effects weighed on the profit and loss statement. The Management Board based its assumptions on the carrying amounts shown before the transaction when calculating depreciation/amortization for its "pro forma" remarks. Ramifications like cheaper financing costs through an improved rating were discounted and one-off expenditure for restructuring was not deducted either.

7. Segment Reporting

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

The key components requiring controlling 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 the results for financial yields and income taxes (EBIT).

The group sells its GK/Retail and Solquest Retail Solutions (SQRS) products within a licensing framework and provides introductory and adjustment services and services related to servicing these products. The company also sells hardware for store IT solutions to a limited degree, but this is manufactured by third parties. The subdivision of sales according to fields of work is part of the reporting process.

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

A subdivision of sales in terms of products and fields of work provides the following general view:

Sales by Division

T.46

EUR K	GK/Retail 2013	GK/Retail 2012	SQRS 2013	SQRS 2012	IT-Services 2013	IT-Services 2012	Eliminations 2013	Eliminations 2012	Group 2013	Group 2012
Sales with third parties	**29,607**	**25,959**	**1,389**	**1,918**	**11,462**	**549**	**—**	**—**	**42,458**	**28,426**
Licenses	6,178	3,838	—	—	194	—	—	—	6,372	3,838
Servicing work	8,122	7,332	1,065	1,487	6,737	—	—	—	15,924	8,819
Services	14,768	14,043	324	426	3,377	—	—	—	18,469	14,469
Other matters	564	766	—	5	1,208	552	—	—	1,772	1,323
Revenue reductions	(25)	(20)	—	—	(54)	(3)	—	—	(79)	(23)
Sales with another segment	**782**	**1,219**	**62**	**—**	**255**	**—**	**(1,099)**	**(1,219)**	**—**	**—**
EBIT segment	**362**	**918**	**149**	**317**	**536**	**(3)**	**—**	**—**	**1,047**	**1,232**
Assets	**42,761**	**37,873**	**1,979**	**2,263**	**5,970**	**5,439**	**(2,889)**	**(1,208)**	**47,821**	**44,367**
Cash and cash equivalents	**11,686**	**8,567**	**1,522**	**1,609**	**534**	**206**	**—**	**—**	**13,742**	**10,382**

Depreciation/amortization of 1,823K euros (previous year: 1,892K euros) accumulated for the GK/Retail segment, 109K euros for SQRS (previous year: 150K euros) and 363K euros for IT-Services (previous year: 26K euros). The company is standing by its decision to no longer sell the SQRS software solutions in the future, in order to streamline the Group's product portfolio.

Work based on servicing contracts, which are determined by the normal segment revenues in their outside markets, were charged between the segments. Administrative work is accounted for on the basis of general service contracts. The amount accounted for corresponds to the original costs of providing the administrative work based on our experience of estimating the time involved.

The company achieved sales amounting to 7,588K euros (2012: 4,823K euros) with customers that have their headquarters outside Germany. The share of sales from the SQRS business area amounted to 128K euros (2012: 271K euros) and from the IT-Services 128K euros (2012: 52K euros). In addition, there were sales with customers, which have their headquarters in Germany, but which asked the company to render accounts to the relevant national companies receiving the services. These sales amounted to 383K euros (2012: 324K euros), but are valued as domestic sales because of the contractual basis and were fully assigned to the GK/Retail business area.

Sales with customers, which have a share of sales of more than 10 percent, were achieved and amounted to approx. 6,781K euros (previous year: 6,602K euros) or 16.0 percent (2012: 23.2 percent) of the total sales in fiscal 2013. These sales related to the GK/Retail segment with a customer.

8. Other Information

The Group views capital as all the financial assets, which can be apportioned to the Group. It intends to maintain these assets and control them in such a way that they are adequate to enable it to meet its financial liabilities in good time. The Group is not subject to any capital requirements apart from those dictated by the German legal stipulations. In line with conserving capital, the Group is pursuing an extremely conservative investment strategy in order to prevent any loss of capital.

8.1. Financial Instruments

The financial instruments include original and derivative financial tools.

The original financial instruments largely comprise accounts receivable on the assets side, the other financial assets and payment instruments. On the liabilities side, the original financial instruments largely contain the liabilities assessed at ongoing acquisition costs. The portfolio of original financial

instruments is shown on the balance sheet. If any default risks are recognizable within the financial assets, these risks are entered by means of write-downs.

Two investment loans were taken out from the Commerzbank AG Plauen during fiscal 2007 (original amounts: 750K euros and 450K euros). The interest payments for the two investment loans from the Commerzbank are secured by interest rate ceiling mechanisms in the form of a cap. This security mechanism has a term until 30 June 2017 and is secured using a cap rate of 1.0% p.a. An interest rate ceiling mechanism was agreed with a maximum rate for the loan from the Commerzbank from ERP funds amounting to 180K euros. This security mechanism has a term that runs until 30 September 2016 with a cap rate of 4 percent.

The derivative financial instruments (interest rate caps) were not assessed at their fair value for material points of view. The interest rate cap premiums are reported under other assets (17.5K euros; 23K euros in the previous year) and have been reversed pro rata temporis and entered as interest expenditure. For this reason, this figure was not classified under the "Financial assets assessed at their fair value in terms of affecting the net income" category.

The market value of these interest capping mechanisms on a nominal volume of 670K euros – derived from the mid-market price because of bank assessments – amounted to a total figure of 3K euros (2012: 4K euros) on the balance sheet date.

The conversion of the balance sheet items to assessment categories in line with IAS 39 can be shown as follows:

Conversion of the Balance Sheet Items to Assessment Categories in Line with IAS 39

T.47

IFRS 7.8	Categories	Balance Sheet Items	Amount EUR K	Previous year Amount EUR K
a)	Financial Assets Assessed on the Balance Sheet at Fair Values	N/A	—	—
b)	Financial Investments to be Retained until Final Due Date	N/A	—	—
c)	Loans and Accounts Receivable	Trade accounts receivable, accounts receivable from ongoing work, part sum for other accounts receivable according to individual statement in no. 3.7. (with the exception of the income tax claims and the other statutory claims entered under "Other accounts receivable" and asset deferrals)	16,802	14,690
d)	Financial Assets Available for Sale	N/A	—	—
e)	Financial Liabilities Assessed on the Balance Sheet at Fair Values	N/A	—	—
f)	Financial Liabilities Assessed at amortized costs	Non-current and current bank liabilities, accounts payable, part sum for current provisions according to individual statement in no. 3.14 (human resources department, other departments), part sum for other liabilities according to no. 3.18 (Liabilities from wages and salaries, other liabilities towards employees, other liabilities without liabilities deferrals)	8,047	8,007

The financial assets of the Group are subject to a write-down of 2,313K euros (336K euros in the previous year) on 31 December 2013. Of this sum, 2,085K euros (121K euros in the previous year) applies to individual write-downs of accounts receivable. Write-downs of 228K euros (215K euros in the previous year) applied to the generalised individual write-downs on trade accounts receivable.

The group only has (with the exception of the interest rate caps – for an explanation, see above) the financial instruments entitled loans and accounts receivable and financial liabilities, which have been valued at amortized costs. The assessment categories in IAS 39 provide the following: "Other Earnings" and "Other Expenditure": write-downs, revaluations (write-ups, amortization of write-downs), completed disposals and subsequent entries from depreciated financial instruments.

The following gains and losses have emerged in relation to these categories:

Loans and Accounts Receivable

T.48

EUR K	Notes No.	2013	2012
Write-ups for Amortized Accounts Receivable	4.3	2	6
Expenditure from the Allocation of Write-ups		(1,993)	(336)
Total		**(1,991)**	**(330)**
Financial Liabilities Valued at amortized cost		N/A	N/A

Revaluations expected to have a neutral effect on the results are omitted on the grounds of the assessment categories at hand.

The maximum default risk for the financial assets corresponds to their gross carrying amount minus write-downs, therefore leaving the net carrying amount that is shown. As a result, the circumstances at GK SOFTWARE correspond to what IASB assumes to be the normal case (IFRS 7.B9). Securities and other risk-reducing understandings do not need to be considered at this point.

The maturity structure of trade accounts receivable as of 31 December is shown in the table below:

The Maturity Structure of Trade Accounts Receivable

T.49

EUR	2013	2012
Not pastdue	9,353,341.96	6,417,475.50
1 to 30 days past due	561,879.21	1,100,898.82
31 to 90 days past due	195,041.07	33,694.87
more than 90 days past due	0.00	3,307,744.13
Total	**10,123,395.55**	**10,859,813.32**

The remaining financial claims were not fully due for payment by the balance sheet date.

Any trade accounts receivable overdue by more than 30 days do not provide any reason for further value adjustments, apart from the value adjustments already carried out. The generally high degree of payment practices in the retail sector has almost completely enabled the company to avoid default situations during its corporate history. . The accounts receivable shown above contain amounts, which are overdue on the reporting date, but for which the Group has not conducted any write-downs. This is based on the fact that the credit-worthiness has not been subject to any major changes and the company believes that it will be possible for it to collect the outstanding amounts.

The value adjustments on trade accounts receivable developed as follows in 2013:

Changes in write-downs according to IFRS 7.16

T.50

EUR K	31.12.2013	31.12.2012
Situation at the start of the year	543	214
Value adjustments on accounts receivable	1,993	336
Increases in valuation	(2)	(7)
Situation at the end of the year	2,534	543

The due dates for financial liabilities, which need to be shown, concern the loans taken out by the GK SOFTWARE. The remaining financial liabilities (mainly accounts payment and payments to employees) have very short remaining terms of less than 3 months – in line with normal practice.

The company had taken out the following loans by 31 December 2013:

Loans

T.51

EUR	Amount	Value 31.12.2013	Value 31.12.2012
Investment loan with the Commerzbank Plauen	750,000.00	262,500.00	337,500.00
Investment loan with the Commerzbank Plauen	450,000.00	303,750.00	326,250.00
ERP loan from the Commerzbank Plauen	180,000.00	103,500.00	121,500.00
Loan from the DZ-Bank, Frankfurt	748,000.00	561,000.00	654,500.00
Framework credit agreement DZ-Bank	3,000,000.00	1,000,000.00	2,000,000.00
Total	**5,128,000.00**	**2,230,750.00**	**3,439,750.00**

The investment loans with the Commerzbank Plauen will be repaid on schedule with constant installments by 30 June 2017 (annual repayment of 75K euros) and 30 March 2027 (annual repayment of 22,5K euros). The KfW-Commerzbank loan from ERP funds has a term until 30 September 2016 and is being repaid with an annual amount of 18K euros.

In fiscal 2013 a general loan agreement covering 3,000K euros was concluded with the DZ bank. This general loan agreement is available to GK SOFTWARE until 30 October 2015. So far, 1,000K euros of the agreed loan were taken up with a term until 18 June 2014.

No installments had to be paid on the loan from the DZ Bank, which has a term until 1 October 2019, until 1 January 2012 and it will then be repaid on schedule with installments of 93.5K euros. The debt existing on the balance sheet reporting date has been divided into current and non-current debts in the consolidated accounts.

The interest payments for the two investment loans are secured by means of a maximum rate agreement (cap). The hedging mechanism has a term until 30 June 2017 and is secured with a capping rate of 1.0 percent. An interest rate hedging transaction with a top rate agreement was concluded for the loan from the Commerzbank AG worth 180K euros from ERP resources. This hedging arrangement runs until 30 September 2016 with a cap rate of 4.0% p.a.

Quantitative information on risk exposure has not been included, as it was not possible to identify these kinds of risks. This is made clear by a subdivision into individual risk classes:

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 eurozone. The interest rates are the result of selected types of funding to enhance the Group's financial latitude.

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 are charged. Because of the minor scope of this business, we have foregone any quantitative analysis of the risks associated with this business.

Exchange rate risks: Exchange rate risks occur from the Group's exposure to Czech crowns, Swiss francs, Russian roubles and US dollars. The outstanding monetary assets and debts held in foreign currencies have been included at the relevant positions. This also affects those positions between Group companies, if they are reported in a different currency from the normal one. The following table provides a summary of the Group's exposure to the individual currencies on the balance sheet reporting date:

Monetary assets and debts held in foreign currencies

T.52

	Assets		Debt	
EUR K	2013	2012	2013	2012
CZK	947	1,143	329	276
CHF	112	127	44	25
RUB	51	23	1	1
USD	73	—	—	—

The following table shows the results of the sensitivity analysis that was performed. We restricted

the analysis to a two-percent fluctuation in the past, partly because of the linear connections and partly because of the perceived improbability of any long-term shift in the exchange rates. We have determined the effect on the annual results and equity as part of a positive and negative change in the exchange rates of 10 percent against the euro.

Effect of a change in the exchange rate on the annual results and equity

T.53

	Exchange rate loss of (10)% for the euro		Exchange rate gain of 10% for the euro	
EUR K	2013	2012	2013	2012
CZK				
Annual Result	69	96	(56)	(79)
Equity	172	143	(141)	(117)
CHF				
Annual Result	8	11	(6)	(9)
Equity	(1)	3	—	(2)
RUBRussische Rubel				
Annual Result	6	2	(5)	(2)
Eigenkapital	(2)	(3)	2	3
USD				
Annual Result	8	—	(7)	—
Equity	8	—	(7)	—

The Group's exchange rate risk sensitivity was largely unchanged during the current business year when compared to the previous year. This was due to the even course of business of the companies buying and selling in foreign currencies. The establishment of the American company has added a new dimension – the figures can now be affected by the US dollar.

According to the company's managers, the sensitivity analysis does not represent the actual exchange rate risk, as the risk at the end of the year only reflected the risk during the year to a certain extent. Accounting fluctuations are the reason for this, particularly for work that is valued in Czech crowns at the end of the first quarter of a business year, but where accounts are only rendered once a year.

Interest risk: The Group is exposed to interest risks, as the Group's companies take out financial resources at fixed and variable interest rates. The risk is controlled by the Group by maintaining an appropriate ratio by taking out a mixture of fixed and variable interest rates on funds. 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.

The interest risks are the result of the agreed interest payments in loan contracts. There is no link here with the currency risk, because the loans have been listed in euros. Interest payments amounting to 180K euros were made during the current year and entered on the balance sheet. The rate for the DZ Bank is fixed throughout the whole term, so there are no interest risks linked to this loan. The interest for the investment loans with the Commerzbank worth 750K euros and 450K euros are fixed quarterly at a rate 1.8 percentage points above the Three-Month EURIBOR. The interest risk has been restricted by interest capping mechanisms set at 1.0 percent. The interest rate for the loan from Commerzbank Plauen of 180K euros is also set quarterly at a rate of 1.5 percentage points above the Three-Month EURIBOR. An interest capping mechanism restricts the risk here to a term with 4 percent. If the Three-Month EURIBOR rate changed by one percentage point, this would result in a change in the interest payments of 30K euros in fiscal 2013 (determined using the actual interest burden in fiscal 2013 and changing the interest rate). There are no risks related to interest on credit on account of the current low rates of interest available on credit. Nevertheless, we are keeping a careful eye on developments in interest on credit. It is possible to adapt our investment strategy quickly because the assets are only invested on a short-term basis.

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.

Trade accounts receivable exist with all the Group's current customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability

of any default on account of the impossibility of meeting the obligations agreed with the Group is therefore slight. This situation is monitored closely by observing the customer's payment behaviour, the market environment and drawing on external sources like reports from the relevant specialist press. If this monitoring process gives rise to an assumption that the general economic situation at individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible loss. Value adjustments may occur if customers believe that work has not been complete or is inadequate. In these cases, the Group basically carries out individual value adjustments for precautionary reasons to the degree that there is some expectation that settlements on a goodwill basis – without any recognition of legal grounds – might be made. A flat-rate value adjustment on the complete item is also made to reflect the general default risk for trade accounts receivable. Interest revenues are not entered from these financial assets where value adjustments have been made.

The default risk on liquid resources is slight, as the banks holding the accounts are all members of the German deposit protection scheme or they have an outstanding reputation with a corresponding credit rating.

The Group is also exposed to credit risks, which are the result of financial guarantees granted by the Group to banks. The maximum default risk for the Group in this regard corresponds to the maximum sum, which the Group would have to pay if a claim was made against the guarantee. A sum amounting to 48K euros (48K euros in 2012) was entered in the books as a financial liability on 31 December 2013.

The Group has securities for loans that have been extended and they are designed to reduce the default risk on financial assets. A security pledge has been made at a security deposit account for a loan of 0.7K euros that has been extended. The fair value of the deposit account is specified as 1.3 million euros and the deposit account has been pledged. Salary pledges have been deposited as securities for further loans amounting to 1.9 million euros. The fair value of these pledges is 2.7 million euros.

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

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

The following table shows the contractual remaining terms of the Group's financial obligations not covered by derivatives. The tables are founded on non-discounted cash flows for financial liabilities based on the earliest date when the Group could be obliged to make payment. The table contains both interest charges and repayments. The contractual due dates are based on the earliest possible time when the Group could be obliged to make payment. As the instruments with variable interest rates have all been secured at their interest rate using interest rate caps, we have assumed the highest rate from the interest rate cap as the interest charge when determining the interest payments from these instruments.

Table

T.54

EUR	Weighted average interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	More than 5 years	Total	Carrying amount
31.12.2012								
Interest-free	—	3.006,666.50	1.617,132.34	1.056,989.66	376,202.24	—	6.056,990.74	6.056,990.74
Variable interest rate	1.75	—	—	151,105.84	424,500.00	245,250.00	820,855.84	820,855.84
Fixed interest rate	2.05	—	—	2.093,500.00	374,000.00	187,000.00	2.654,500.00	2.654,500.00
Financial guarantees	—	—	—	18,567.25	29,911.88	—	48,479.13	48,479.13
31.12.2013								
Interest-free	—	4,112,384.30	1,992,721.80	804,700.50	959,566.78	—	7,869,373.38	7,869,373.38
Variable interest rate	1.86	—	—	267,764.30	1,021,750.00	—	1,289,514.30	1,289,514.30
Fixed interest rate	2.05	—	—	1,000,000.00	—	—	1,000,000.00	1,000,000.00
Financial guarantees	—	—	—	18,575.03	29,911.88	—	48,486.91	48,486.91

The Group safeguards the amount of its variable interest obligations by interest rate caps. This business relates precisely to the financial instrument that is being secured. Overall, payments amounting to 20K euros were incurred for this during the 2013 business year. We expect a figure of 31K euros for the 2014 business year and payments of 116K euros in the following years. The Group is not currently using any other derivative financial instruments.

The Group can resort to credit lines. 3.5 million euros are available and have not been used. The Group is expecting to be able to service its other obligations by operating cash flows and revenues received when financial assets are due for payment.

In greater detail, this involves the following:

Credit lines

T.55

EUR K	31.12.2013	31.12.2012
Non-collateralised current account credit lines	**3,500**	**3,500**
of which: taken up	1,000	2,000
of which: not taken up	2,500	1,500
Collateralised current account credit lines	**1,000**	**1,000**
of which: taken up	—	—
of which: not taken up	1,000	1,000

Assessments at fair value

We explain below how the Group determines the fair values of various financial assets and debts.

The Group does not have any financial assets or financial debts that can be assessed regularly at their fair value.

In the case of financial assets, which cannot be regularly assessed at their fair value, where the fair value must be specified, however, we view the carrying amounts entered on the balance sheet as a good approximation of the fair values. The reason for this is that temporal differences between due dates for accruals from these assets and the balance sheet data are very short; as a result, no major interest effects take place and the default risk from the assets has already been appropriately taken into account in the individual assessment of the assets.

When it comes to the debts, the items quoted in the following table provide the following picture:

Financial liabilities

T.56

EUR K	31.12.2013 Carrying amount	31.12.2013 Fair value	31.12.2012 Carrying amount	31.12.2012 Fair value
Loans from Banks	2,230,750.00	2,105,382.21	3,439,750.00	3,347,850.68

The fair values for the aforementioned financial debts have been determined using a discounted cash flow method. The major factor here is the discount rate, which takes into account the financing structure of the Group.

8.2. Contingent Liabilities

Contingent liabilities on the one hand present 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. On the other hand, the 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.

One credit by way of bank guarantees amounting to 34K euros (2012: 34K euros) as far as contingent liabilities is concerned and this loan is granted by Volksbank Vogtland e.G. The guarantee is part of the normal collateral for leasing payments at the Berlin office and is secured by the pledging of cash deposits amounting to 10K euros (2012: 10K euros). The Management Board does not expect it to be necessary to make use of the guarantee

8.3. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for fiscal 2013 amount to 1,022K euros (2012: 587K euros).

Payment obligations from operating leasing contracts amounting to 1,915K euros (2012: 1,525K euros). 1,071K euros (2012: 804K euros) are due for payment within one year and 844K euros (2012: 721K euros) within five years) exist. There are no finance/leasing agreements

8.4. Subsidiaries

T.57 Subsidiaries of GK SOFTWARE AG

Name of the subsidiary	Headquarters	Capital share in %	Voting rights share in %	Main business
EUROSOFTWARE s.r.o.	Plzen/Czech Republic	100.0	100.0	Software development, software programming
StoreWeaver GmbH	Dübendorf/Switzerland	100.0	100.0	Software development, software programming
SQ IT-Services GmbH	Schöneck	100.0	100.0	Software development, software programming
1. Waldstraße GmbH	Schöneck	100.0	100.0	Software development, software programming
OOO GK Software RUS	Moskow/ Russian Federation	100.0	100.0	Software development, software programming
AWEK GmbH	Barsbüttel	100.0	100.0	IT services
AWEK microdata GmbH	Bielefeld	100.0	100.0	Software development, software programming
AWEK C-POS GmbH	Barsbüttel	100.0	100.0	IT service
AWEK Hong Kong Ltd.	Hong Kong/China	100.0	100.0	IT service
GK Software USA Inc.	Cape Coral/USA	100.0	100.0	Software development, software programming

All the companies named here with the exception of AWEK Hong Kong Ltd are fully consolidated in these consolidated accounts. AWEK Hong Kong Ltd was not included among the consolidated companies, as it had not yet started its business operations during the financial year.

8.5. Details of Associated Persons and Corporations

Expenditure for write-downs or irrecoverable claims from associated persons were not necessary or did not exist.

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

8.5.1. Parent Company

The direct parent company is GK Software Holding GmbH, Schöneck. No business relations existing during fiscal 2013.

8.5.2. Management Board

The following people are members respectively has been of the Management Board:

- Mr. Rainer Gläß, Schöneck, CEO, Dipl.-Ingenieur
- Mr. André Hergert, Hamburg, CFO, Dipl.-Kaufmann
- Mr. Michael Jaszczyk, Bornheim, CTO, data processing expert
  (From 1 January to 30 November 2013)
- Mr. Oliver Kantner, Buchholz, COO, business management expert
  (From 1 January to 30 November 2013)

The remuneration provided for the Management Board arising totaled 1,377K euros. 990K euros are fixed earnings and 297K euros variable earnings and the non-monetary benefits amount to 90K euros. The variable earnings relate to the degree to which targets were met in the financial year and the previous year. The non-monetary benefits relate to company cars that were made available.

Forfeitable share awards are granted as long-term share-based remuneration (stock options). When they are exercised, the options are serviced by the issue of new non-par value company shares made out to the holder with a calculated share in the share capital of one euro from the authorized capital without any additional payment by individuals. As regards the shape of the share awards, the same general conditions apply to the Management Board as for leading members of staff; reference is made to this in Section 3.9. "Equity." The Management Board held a total of 14,500 options on 31 December 2013. 3,000 of these were allocated to the stock option program from fiscal 2011, 6,000 from fiscal 2012 and 10,000 from fiscal 2013 with a fair value at the issuing time per option of 21,025 euros, 11,929 euros and 6,240 euros respectively.

37K euros (22K euros in the previous year) in service costs were entered in the profit and loss statement for benefits after the end of the work-

ing relationship as pension promises to active and former members of the Management Board during the business year. 110K euros (100K euros in the previous year) were paid into plan assets. Payments amounting to 200K euros (0K euros in the previous year) were also made to former members of the Management Board.

The annual shareholders' meeting on 17 June 2010 decided in line with Sections 286 Paragraph 5 and 314 Paragraph 2 Sentence 2 of the German Commercial Code to forego the disclosure of the individual salaries according to Sections 285 No. 9 Letter a) Sentences 5 – 8 and 314 Paragraph 1 No. 6 Letter a) Sentences 5 – 8 of the German Commercial Code for fiscals 2010 – 2014 inclusive. As a result, no detailed information is available here.

The company formed pension provisions amounting to 88K euros (85K euros in the previous year) to cover pension commitments to former members of the Management Board and their survivors. The settlement amount of this provision totals 236K euros (221K euros in the previous year) and the balanced pension plan reserve has a fair value of 148K euros (136K euros in the previous year).

The members of the Management Board and the Supervisory Board directly held the following shareholdings in GK SOFTWARE on 31 December 2013:

T.58 Shareholdings Received by Members of the Management Board and Supervisory Board

Name	Amount of Shares	in %
Rainer Gläß	62,792	3.32
Herbert Zinn	1,000	0.06
André Hergert	500	0.03

In addition to this, Mr. Gläß and Mr. Kronmüller each indirectly held 468,350 shares through GK Software Holding GmbH on 31 December 2013.

8.5.3. Supervisory Board

The following people are members of the Supervisory Board:

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

The total earnings of the Supervisory Board at GK Software AG in fiscal 2013 amounted to 40K euros (40K euros in the previous year), which represent short-term due benefits.

No other claims for remuneration exist.

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

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

T.59 Accounts receivable from associated corporations and persons

EUR K	31.12.2013	31.12.2012
Loans to associated companies, which are not part of the consolidated group	1,911	2,122
Other claims for members of the management team in key positions (Management Board members)	100	73
Accounts receivable to other associated companies, which are not part of the consolidated group	0	5
Total	**2,011**	**2,200**

Two loans were granted to closely related companies. The one loan with a line of credit amounting to 2,000K euros (2012: 2,500K euros) has been granted for an indefinite period, but it can be terminated at the end of any year with a period of notice of three months; the interest payable amounts to 4% p.a. This was worth 1,911K euros (2012: 2,118K euros)on the balance sheet reporting date. It can be terminated with a period of notice of three months to the end of any year. Salary claims from Mr. Rainer Gläß and Mr. Stephan

Kronmüller to GK SOFTWARE serve as collateral for the loans.

The second loan was granted for an indefinite period with a current account credit line of up to 20K euros and is subject to an interest rate of 6%. The current balance is 0K euros (2012: 4K euros).

Other accounts receivable against members of the Management Board amounting to 100K euros(73K euros in the previous year) comprise various advance payments for purchases, travel expenses and similar issues and are therefore not subject to interest. These accounts receivable can be reclaimed at any time. The Supervisory Board decided in November 2013 to reclaim up to a total figure of 35K euros by 30 June 2014.

In addition, there are tenancy arrangements with another closely related company. The expenditure on tenancy incurred during the financial year amounted to 52K euros (2012: 57K euros).

Expenditure on outside services with closely related companies amounting to 272K euros (2012: 285K euros) was also incurred. Revenues from related firms in conjunction with making available vehicles and other services amounting to 74K euros (2012: 13K euros) and expenditure for other services amounting to 20K euros (2012: 0K euros) were also generated. Turnover from the provision of project work amounting to 399K euros (2012: 396K euros) and expenditure for providing project work amounting to 221K euros (2012: 29K euros) were also generated. The outstanding accounts receivable with this company amounted to 0K euros (2012: 3K euros) on the balance sheet reporting date.

All the business transactions with closely related companies concern other related parties in line with the categorization in IAS 24.19.

8.6. Auditor's Fee

Expenditure amounting to 102K euros for the auditing work for 2013 was incurred by the auditor; other services accounted for 53K euros. The calculated consulting fee for tax accountancy work by the Group auditor amounted to 115K euros. As the provision made in the previous year proved to be too low, an additional sum amounting to 51K euros was taken into account for the auditing services during the business year that has just expired.

8.7. Statement of Compliance

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

8.8. Information after the Annual Accounts Reporting Date

Information about circumstances, which were available at the annual accounts reporting date, was taken into account if the Management Board found out about this by 15 July 2014.

8.9. Day on which the accounts are cleared for publication

The current consolidated accounts were cleared by the Management Board for transfer to the Supervisory Board on 15 July 2014. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 17 April/ 15 July 2014

The Management Board

Assurance 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 AG 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 consolidated 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, 17 Apri/ 15 July 2014

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

Audit Opinion

The translation of the auditor's certificate relates to the German version of the consolidated accounts

We have audited the consolidated accounts of GK SOFTWARE AG, Schöneck – which consist of the consolidated income statement and other results, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes on the consolidated accounts – in addition to the consolidated annual report for the business year from 1 January until 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to §315a Abs. 1 HGB („German Commercial Code") and supplementary provisions of the articles of incorporation are the responsibility of the group management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with §317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated accounts of GK SOFTWARE AG, Schöneck, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to §315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

We issue this confirmation pursuant to our statutory audit conducted on April 28th 2014 and our supplementary group audit conducted in respect to the changes to

- following accounts of the profit and loss statement and other income:
  - Other Operating Expenditure
  - Operating Results
  - Results before Income Taxes
  - Income Taxes
  - Consolidated Net Income for the Year
  - Other income

  - Overall result
  - Earnings per Share

- following accounts of the Consolidated Balance Sheet:
  - Assets, Other Accounts Receivable and Assets
  - Capital Reserves, Liabilities
  - Annual net income, Liabilities
  - Trade Accounts Payable, Liabilities
  - Income Tax Liabilities

- following accounts of the Consolidated Statement of Changes in Equity:
  - Capital Reserves
  - Consolidated Net Profits
  - Total

- Following accounts of the group Cash Flow Statement:
  - Cash Flows from Operating Business
  - Cash Flow from Financing Activities

- following accounts in consolidated financial report:
  - Adjustments to the consolidated accounts for 2013,
  - 3. Notes to the consolidated financial statements,
  - 4. Explanations to the profit and loss statement of the group,
  - 7. Segment reporting,

- following sections in Group management report:
  - Notes to the results and analysis of the asset, financial and profit situation;

Reference is made to the reason for the change given by the group management board in the in the amended notes to the group financial statements, section “Changes of the consolidated annual financial statements 2013”.

Dresden, 28 April 2014/ 17 July 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Karmann)
Auditor

(Franke)
Auditor

Financial Calendar

27 May 2014
Interim report as of 31 March 2014

18 June 2014
Annual Shareholders' Meeting 2014
in Schöneck/V.

27 August 2014
Interim report as of 30 June 2014

24 – 26 November 2014
Analysts' Conference in Frankfurt/M

27 November 2014
Interim report as of 30 September 2014

29 April 2015
Annual report

28 May 2015
Interim report as of 31 March 2015

18 June 2015
Annual Shareholders' Meeting 2015
in Schöneck/V.

27 August 2015
Interim report as of 30 June 2015

November 2015
Analysts' Conference in Frankfurt/M

26 November 2015
Interim report as of 30 September 2015

Imprint/Notes

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Notes

Note to the Report

This Annual Report is the English translation of the original German version. In case of deviations between these two the German version prevails. This Annual Reports is in both languages can be downloaded at http://investor.gk-software.com.

Note regarding the rounding of figures

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

Disclaimer

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