GK SOFTWARE

January to June 2014

Interim Report

SIMPLY RETAIL

Summary of Consolidated Results

	30.6.2014	30.6.2013[1]	31.12.2013	Change (2012/2013)
Sales (EUR K)	20,213	18,402	42,458	8.4%
Total operating revenue (EUR K)	20,364	18,475	42,833	8.8%
Operating performance (EUR K)	21,293	19,530	45,285	9.0%
EBIT (EUR K)	(1,334)	(995)	1,045	29.7%
EBIT margin (on sales)	(6.6%)	(5.4%)	2.5%	—
EBIT margin (on total operating revenue)	(6.3%)	(5.1%)	2.3%	—
EBT (EUR K)	(1,303)	(1,008)	932	24.9%
Annual net income (EUR K)	(2,107)	(1,091)	601	95.9%
Earnings per share (weighted)[2]	(1.11)	(0.61)	0.34	85.2%
Earnings per share (diluted) (EUR)[3]	(1.11)	—	0.33	—
Equity ratio	70.4%	65.9%	69.3%	—
Net debt (EUR K)	(12,383)	7,655	(11,453)	61.8%

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6.

2 – The calculations are based on the average number of shares amounting to 1,890,000 entitled to share in the profits on 30 June 2014.

3 – Subscription rights to 24,675 shares in all had been issued to Group employees as part of the share option scheme by 30 June 2014. 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 1,900,473.

Contents

A | To the Shareholders

Letter from the Management Board

Dear shareholders,

We are delighted to be able to present you with the report for the first six months of the 2014 business year. We were able to maintain the trend of the past few months during the second quarter and we continued to expand our business. Turnover in the first six months of the year, for example, grew to a figure of EUR 20.21 million, an increase of 9.8 percent when compared to the same period in the previous year (H1 figure in 2013 = EUR 18.40 million). This growth in turnover was equally due to our core GK/Retail business (+9.7 percent) and the IT-Services business unit (+15.8 percent). The EBIT amounted to EUR (1.33) million, following a figure of EUR (1.0) million in the same period in the previous year. This provided an EBIT margin related to turnover of (6.6) percent. The shortfall for the period amounted to EUR (2.11) million and earnings per share were EUR (1.11). After deducting one-off special effects, GK SOFTWARE balanced the books in the second quarter and this gives us a sense of optimism as we look forward to the second half of the year.

The development, which started in the fourth quarter of last year, is continuing – i.e. companies are now tending to reach the key decision phase regarding projects after a fairly long period of restraint. We are therefore expecting further projects to reach the fruition stage during the third and fourth quarters and we are in a good position here.

Gaining a significant project with Canada's largest retailer, Loblaw, in conjunction with SAP was particularly important for us during the second quarter. As part of this, we shall introduce the SAP Store Device Control by GK solution at Loblaw. This has enabled us to gain our second important customer in North America so soon after persuading Bentley Leathers to adopt our system. Alongside this, we are preparing the rollout of software with an existing customer in the USA, so that we will soon have several active references with well-known customers in the important North American retail market.

As expected, the issue of omni-channel retailing is becoming increasingly important for all new projects and with our existing customers too. After we were able to gain the very important European omni-channel project with the Swiss retailer Migros at the end of last year, we have invested even more in this field within our range of solutions. In addition to seamlessly linking all the channels, the issue of cloud technology, which we believe is an important component in omni-channel landscapes, has continued to be a major focus of our product development work. We held innovation workshops with many important customers during the first half of the year in order to present our latest range of solutions and pick up new suggestions for further developments too. We will continue these events in the second half of the year.

We further consolidated our cooperation with SAP during the first two quarters of the 2014 business year and conducted more joint sales activities with potential customers. As part of this, we will attend several SAP events outside Europe during the next few months in order to be able to present our range of solutions in even greater depth. We have also strengthened our technological cooperation in forward-looking issues in order to offer our joint customers a consistent platform. Alongside this, our direct sales department is processing projects with potential customers, which do not use SAP.

In terms of our business with the AWEK Group, which we acquired at the end of 2012, we intensified our sales activities in order to market its services portfolio even better within the overall Group and win more customers for the AWEK solution euroSuite that are suitable for small and medium-sized firms.

Both the services and maintenance turnover in our GK/Retail business registered significant growth again during the first six months of the year. Our successful work in existing projects and in initial projects, which we were able to secure during the last few months, formed the basis for this. As a result, several projects progressed to the pilot or rollout phase and we introduced many customised adjustments. As a result, the number of installations has continued to grow and now numbers approx. 188,000 systems in 37 different countries. We have therefore achieved a market share of about 22 percent in Germany based on the number of stores that major retailers operate[1].

1 – Companies with more than 50 stores; without bakery, butcher's shops, opticians, petrol stations, tire dealers and automotive retail.

The issues of omni-channel and cloud technology continued to be the major focus in the field of research and development during the first half of 2014, because we see the greatest potential for the future here. We are continually optimising the new cloud option presented for the first time at the EuroShop trade fair in Düsseldorf in February for use in an omni-channel environment in order to implement and introduce standard processes much faster in this environment.

In terms of our partner business, the GK Academy has developed an extensive training programme to train and qualify our partners. They can now complete many training modules so that they can obtain the necessary expertise regarding our solutions, depending on their partner status. We have also developed a certification programme for hardware partners in order to achieve greater reliability for all those involved in our projects.

In the light of the developments during the first six months of the year and on the basis of the very well filled sales pipeline both in our direct and partner sales operations, we are continuing to stand by our forecast for the whole year and remain confident that our business will continue to grow during 2014. We are currently involved in in-depth discussions with customers from both Germany and abroad and believe that our range of solutions puts us in a very good position in several ongoing invitations for tenders.

We therefore continue to assume that, if business goes well in 2014, we will be able to continue to increase our turnover in comparison with the previous year and will be able to return to the corridor of profitability that we enjoyed during the years 2008 – 2011. However, this forecast is subject to the proviso that no extraordinary events take place, which would have an adverse effect on the overall economy or the retail sector.

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

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

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 2014	EUR 51.84 (20 January 2014)
Lowest price in 2014	EUR 39.40 (26 May 2014)

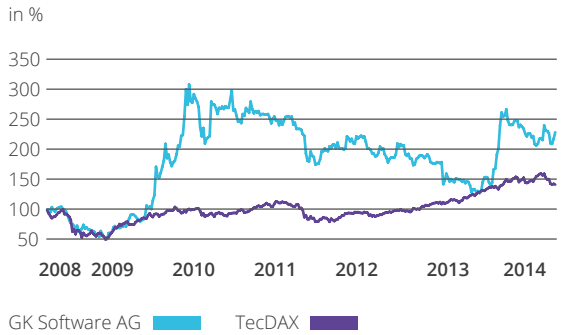
Summary/Shares Performance

The value of the GK Software AG shares listed on the Prime Standard section at the Frankfurt Stock Exchange fell slightly during the course of the first six months of 2014 after they had gained almost EUR 20 within a few weeks at the end of 2013. The shares were valued at EUR 43.14 at the end of the reporting period. This corresponded to a market capitalisation of approx. EUR 81.5 million on 30 June 2014.

Shareholder Structure

The shareholder structure on 30 June 2014 was as follows: Rainer Gläss directly holds 3.32 percent and Stephan Kronmüller 2.33 percent of the shares. GK Software Holding GmbH, which holds 49.56 percent of the shares, is indirectly assigned to them; each of them holds one half of these shares. The free float accounts for 44.79 percent of the shares.

F.01 Development of GK Software shares (indexed)

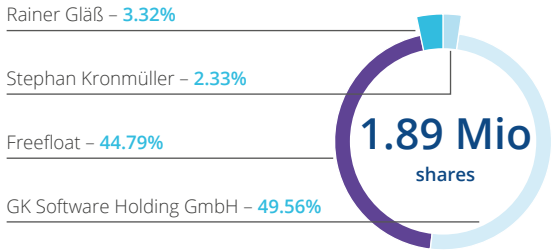


The company was informed about the following shareholdings in GK Software AG, which exceeded the 3 percent threshold:

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

F.02 Shareholder structure on 30 June 2014



Directors Dealing 2014

There were none during the reporting period.

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.

B

Interim Group Management Report

Economic Report

Business and General Conditions for GK SOFTWARE

Corporate Structure and Holdings

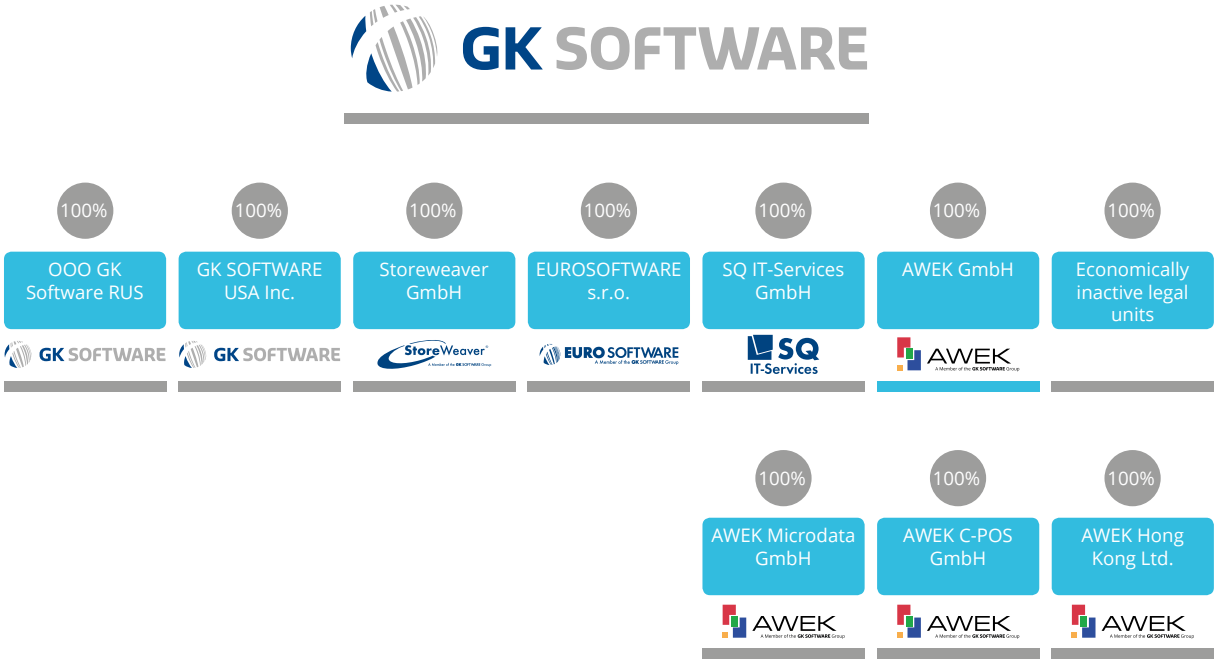
- **Nine business locations in Europe and branches in the USA and Russia**
- **Both company founders are actively involved in the company**

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. The intention is to merge SQ IT Services GmbH with GK Software AG.

Group structure of GK SOFTWARE AG

F.03



A draft form of the merger agreement was handed in at the Commercial Register for GK Software AG on 25 July 2014. Schöneck is also home to 1. Waldstraße GmbH which was set 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 which operates as business unit IT-Services. 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 IT-Services also consists of mobile technicians who are spread across the different parts of Germany.

GK SOFTWARE has its own sales organisation in Russia in the shape of GK SOFTWARE RUS. GK SOFTWARE Inc. was founded in the USA in December 2013 in order to support the expected expansion of our North American business with a local business organisation. The former member of the Management Board, Michael Jaszczyk, became the

new company's CEO and he continues to be available to act as CTO for GK Software as a whole.

The GK SOFTWARE AG Management Board consists of the 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).

Chairman, Uwe Ludwig leads the three-man Supervisory Board at GK SOFTWARE AG. 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.

Human Resources

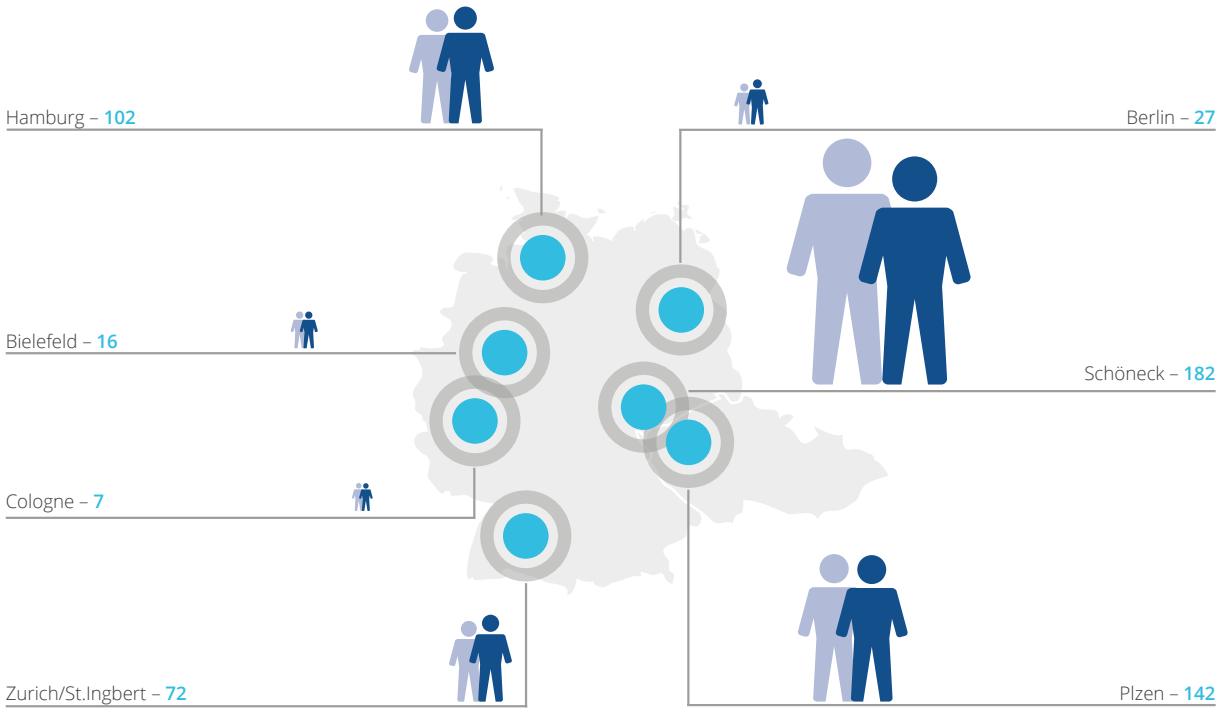
- **Growth in personnel through taking over the AWEK Group**
- **Trainee and further training programmes for the employees**

The Group employed 557 people in all on the reporting date on 30 June 2014 (disregarding the members of the Management Board and trainees). This meant four employees fewer on the same basis than on the reporting date at the same time in the previous year (561).

Many of the Group's employees work at the Schöneck business site (182 – the figure was 213 in the previous year). The Berlin branch now has 27 employees in the sales & marketing, project and partner management, development and first-level support (hotline) departments; the figure was 32 in the previous year.

Distribution of employees at group business locations

F.04



The number of employees at the Czech subsidiary EURO-SOFTWARE s.r.o. in Plzen has remained constant at 142 (the same figure in the previous year).

102 people were employed at IT-Services in Hamburg at the end of the first six months of the year (96 in the previous year), including many mobile service technicians, who are spread across Germany. 16 workers were employed at the second IT-Services business site in Bielefeld on 30 June 2014; most of them work in software development (17 in the previous year). Overall, the number of employees at IT-Services numbers 118 (113 in the previous year).

72 people were working at the St. Ingbert business site at the end of the reporting period (54 in the previous year). Four employees worked at Dübendorf at this time (two in the previous year).

Seven people worked at the Cologne branch on the reporting date; the figure was four at the same time in 2013. Two people were employed at the branch in Russia at this time (just one 12 months ago). In the USA, three people worked on permanent contracts for GK SOFTWARE AG and two people were freelancers.

The Management Board assumes in future that the moderate rate of growth in employee numbers will continue and the company will particularly be looking for highly qualified members of staff.

In order to support and promote the growth in turnover at GK SOFTWARE in terms of personnel too, the company has been investing heavily in training and developing its employees for years. There are currently four trainees working at GK SOFTWARE AG.

The GK SOFTWARE Software Solutions

- **GK SOFTWARE — The Retail Application Company**
- **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 188,000 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 processes 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. The first customers have already migrated or are in the process of switching.

Product Development
Scheduled minor releases for GK/Retail 12 were approved during the first half of 2014 and they have extended the standard version with solution components, functions and interfaces to subsystems in line with the roadmap. The main areas of focus have been omni-channel retailing and developing a till option that can work with cloud technology and it will expand the standard version as a new option.

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 started to train selected implementation partners in 2014 and they will then be able to take over the introduction of GK/Retail in their own right. 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.

Customers and projects

- **Gaining new major international projects**
- **Market entry in North America**

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 products and services are directed at companies with a wide variety of sizes and are very suitable for customers with stores in several countries.

New projects in 2014/End of 2013:
- Migros (approx. 800 markets in Switzerland – business gained at the end of 2013)
- Bentley (approx. 450 stores in North-America – business gained at the end of 2013)
- Medimax (120 stores in Germany – business gained at the end of 2013)
- Loblaw (2,300 corporate and franchised stores in Canada)

In terms of existing projects, the first half of 2014 was dominated by successful pilot schemes in several projects and rollouts. Further national versions were handed over and have already been rolled out. The migration of existing customers to the latest software version continued so that the lion's share of our customers have either switched or the transfer progress is already at an advanced stage. This is creating the conditions for ensuring that we have been able to consolidate our relations with our customers, which have existed for many years. We have also been able to sign further contracts with existing customers and they cover, for example, extensions to licencing agreements or developments to software or local services.

Evidence of the vibrant partnership with SAP is evident in the fact that there are now more than ten joint customer projects where SAP has sold GK

solutions. The strategic relations between the two companies for the stores area is also reflected in our joint activities at trade fairs, coordinated sales activities and close technical cooperation.

Market and Competitive Environment

- **Stable first half year**
- **Growth of approx. 2 percent expected in 2014**
- **Investment needs for retail IT remain high**

The development of business at GK Software is dictated by several factors and their effect on different economic areas. The most important determining factors are the general economic conditions and the current state and expected prospects for the retail sector in Germany, Europe and the US. Following the successful year in 2013, the first half of 2014 was again positive for the German retail sector. With the exception of March[1], the other months exceeded the figures for the previous year to a moderate degree, on average by about 1 percent in real terms, nominally by 2 percent.[2] The general economic conditions in GK SOFTWARE AG's home market continue to remain positive. A glance at neighbouring countries reveals similar trends. The retail sector grew slightly in nominal terms in Austria too – by 1.9 percent.[3] Turnover in Switzerland remained stable in nominal terms, but rose by 1.0 percent in real terms as a result of the effects of inflation, sales days and public holidays.[4]

Related to the European Union, growth declined in the first half of 2014 and this process was greater in May. So it is not possible to ascertain any ongoing upward trend in the European retail sector overall, even if longer term positive trends are clearly recognisable in some countries, e.g. Belgium, Great Britain or the Baltic States. In the crisis-ridden countries on the Iberian Peninsula and Greece and Italy, there are signs that these nations are overcoming the difficult situation, as reflected in the increase in private consumer expenditure.[5]

In the USA, however, a continual upwards trend has been noted in turnover in the retail sector since the middle of 2012 and this could provide greater vibrancy in the world's largest retail market.[6]

However, all these developments do not enable the company to draw any linear conclusions about the readiness of retailers to invest, because they do not automatically lead to higher IT budgets, as the last few years in Germany have shown. But at least they form the basis in the medium term for the fact that investments will be made and not postponed any longer.

According to the EY Retail Barometer, 42 percent of retailers are expecting their business to improve during the next six months, while about 50 percent assume that things will not change.[7] The data in Germany on the consumer side – in contrast to other EU countries – is very positive too. Consumer sentiment according to the GfK Consumer Climate Index is at its highest since 2006. Positive job prospects and a good financial basis are encouraging consumers to spend more. The situation in the USA and China is similar. Improvements in future prospects are strengthening customers' assets situation and prospects for spending here too.

The prospects in the business-to-consumer e-commerce sector remain positive too. Growth is expected both here in Germany and on a global scale in 2014 and this growth rate will far exceed what happens in the stationary retail business. Forecasts by e-marketers assume that the growth in North America (32.9 percent) and in Western Europe (24.5 percent) will be very high.[8] This could enable the sector to break through the EUR 40

1 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/04/PD14_151_45212.html

2 – https://www.einzelhandel.de/index.php/presse/aktuelle-meldungen/item/124308-halbzeit-im-konsumjahr-2014

3 – http://www.statistik.at/web_de/statistiken/handel_und_dienstleistungen/konjunkturdaten/035695.html

4 – http://www.bfs.admin.ch/bfs/portal/de/index/themen/06/03/blank/key/04.html

5 – http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teiis200&plugin=0

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

7 – http://www.ey.com/Publication/vwLUAssets/EY_Handelsbarometer_-_Juli_2014/$FILE/EY-Handelsbarometer-Juli-2014.pdf

8 – http://www.emarketer.com/Article/Worldwide-Ecommerce-Sales-Increase-Nearly-20-2014/1011039

billion threshold in terms of turnover. The potential that exists here is clear from the fact that the average turnover per consumer in Germany was about EUR 927 in 2013 and is forecast to rise to EUR 1,131 in 2014, while the figure is almost twice as high in the USA.[1] The challenges associated with this for the retail trade also affect the range of GK Software solutions, as the company's customers have to face up to these factors when converting and redesigning their IT landscapes. Other new issues like home delivery act as additional driving forces. In the latter area in particular, Germany still needs to make up a lot of ground. The market share of the food retail sector in the whole online market, for example, is just 0.2 percent in Germany, while the figure is already 4.5 percent in Great Britain or the equivalent of EUR 5.5 billion.[2] German companies are currently testing various concepts like store-based deliveries, store-based click and collect or central warehouse-based deliveries to a greater degree too.

In general terms, new or replacement investments are still subject to the proviso that they must be equipped to handle future issues too. As the number of examples of genuine examples of omnichannel integration are still low and there are often uncertainties about which strategy to pursue, this is currently extending the periods before potential customers are able to make a final decision about purchasing software. GK Software has felt the effects of this since the end of 2012 as a result of delays in sales cycles.

Overall, the need for investments on the part of the retail sector remains high, as indicated by the latest study by the EHI Retail Institute entitled "Till Systems in 2014 – Facts, Background Information and Prospects".[3] The age of the software in use has continued to rise almost 20 percent of solutions are more than 10 years old.[4] The current study "The Global Agenda Of Retail CIOs" by Forrester shows that the replacement investments are being increasingly displaced by the new issues already mentioned. Multi-channel integration and the use of mobile devices by both customers and employees are described as the greatest challenges at the moment and they are only surpassed in their strategic importance by the introduction of new merchandise management solutions.[5]

Overall, the conditions for business performance at GK Software remain positive in the second half of 2014. This is all the more so because the company assumes through its partnership with SAP that it will be able to further expand its base for potential customers in the international arena. These trends are subject to the proviso that the global economic is not hugely disrupted by political or economic factors, which would have a negative effect on the economy.

GK Software continues to assume that investments that are required to launch new systems in the short and medium term and the introduction of new issues for the retail sector will provide sales potential in Germany and the other markets that are actively being processed in future. The company also expects that its partnership with SAP will create further success on the international stage and reinforce the company's potential in the long term.

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

1 – http://www.contentmanager.de/nachrichten/studien-und-prognosen/studie-e-commerce-umsatz-2014-ueber-40-milliarden-euro/

2 – http://www.atkearney.de/documents/856314/1214680/BIP_Online-Food-Retailing_Nischenmarkt_mit_Potenzial.pdf/76360586-e8c5-4e83-89bd-b9e13bafea96/

3 – EHI Retail Institute, Kassensysteme 2014, Köln 2014.

4 – Idem

5 – Forrester Consulting, The Global Agenda Of Retal CIOs,- Get Out Of The Back Office And Innovate, Camebridge, Dezember 2003, p. 7ff.

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

Earnings situation

– Turnover of EUR 20 million; EBIT EUR (1.3) million

GK SOFTWARE was able to increase its turnover in the second quarter of 2014, as in the first quarter, when compared with the same period in the previous year. Turnover amounted to EUR 20.21 million for the first six months of 2014, following a figure of EUR 18.40 million in the same period on the previous year. This corresponded to growth of 9.8 percent. Earnings before interest and taxes amounted to EUR (1.33) million, following a figure of EUR (1.00) million in the same reporting period in the previous year. This result meant an EBIT margin on turnover of (6.6) percent, which should be compared to the previous year's figure of (5.4) percent. If we take into account one-off special effects (Euro 0,41k), the EBIT for second quarter 2014 provided balanced results.

The Group's earnings for the first half of 2014 were EUR (2.11) million, in comparison with a figure of EUR (1.09) million in the previous year. Most of this difference with the figure for the previous year was due to deferred tax payments amounting to approx. EUR 0.80 million; the figure for this item amounted to just EUR 0.08 million in the same period in the previous year. If we relate these figures to the number of shares in circulation during the first half of 2014, the earnings per share (undiluted) amounted to EUR (1.11). The figure here for the previous year was EUR (0.61).

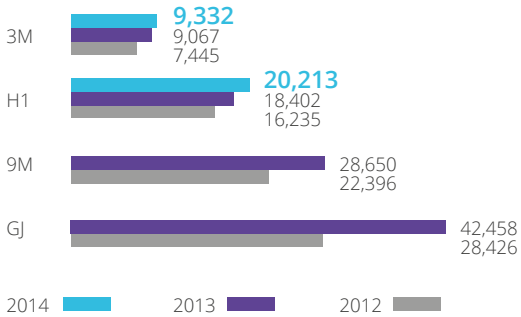
The increase in overall turnover by EUR 1.81 million can be attributed to two contrasting movements. Firstly, the core GK/Retail business contributed to this growth to the tune of EUR 1.23 million and the IT Services business unit accounted for EUR 0.80 million. In contrast, turnover in the SQRS business declined by EUR 0.22 million, in line with our expectations.

The revenues from licensing in the GK/Retail sector roughly corresponded to the figures from the previous year and amounted to EUR 1.18 million, following a figure of EUR 1.27 million on 30 June 2013. On the other hand, the revenues from services in the core business field rose by EUR 1.42 million to a figure of EUR 8.72 million (EUR 7.30 million on 30 June 2013). The turnover from maintenance in the GK/Retail business continued to grow too (+6.4 percent) and accounted for an overall share of 19.6 percent of turnover in this business segment at EUR 3.96 million. Overall, the Group generated turnover from maintenance of EUR 8.15 million, following a figure of EUR 6.67 million in the same period in the previous year. The IT-Services contributed EUR 3.71 million to this figure. Other turnover amounted to EUR 1.87 million, following a figure of EUR 2.97 million in the previous year. The IT-Services unit accounted for the lion's share of this figure at EUR 1.82 million.

Turnover in the SQRS segment continued to decline in line with our expectations. Revenues from services in this sector were significantly lower than the figures for the same reporting period in the previous year at EUR 0.03 million, in contrast to EUR 0.18 million in 2013. Revenues for maintenance work in this sector fell from EUR 0.54 million to EUR 0.48 million. This development was largely due to the migration of customers from the SQRS solution to GK/Retail solutions.

Quartaly sales development compared to previous years in EUR K

F.05



T.03 Sales by Segments

	H1 2014		H1 2013		Change		FY 2013	
	EUR K	in %	EUR K	in %	EUR K	in %	EUR K	in %
Sales with								
GK/Retail	13,881	68.7	12,648	68.7	1,233	9.7	29,607	69.7
SQRS	500	2.5	717	3.9	(217)	(30.3)	1,389	3.3
IT-Services	5,832	28.9	5,037	27.4	795	15.8	11,462	27.0
Total	**20,213**	**100.0**	**18,402**	**100.0**	**1,811**	**9.8**	**42,458**	**100.0**
Licences	**1,184**	**5.9**	**1,271**	**6.9**	**(87)**	**(6.8)**	**6,372**	**15.0**
GK/Retail	1,146	5.7	1,271	6.9	(125)	(9.8)	6,178	14.6
SQRS	—	0.0	—	0.0	—	—	—	—
IT-Services	38	0.2	—	0.0	38	—	194	0.5
Maintenance	**8,151**	**40.3**	**6,668**	**36.2**	**1,483**	**22.2**	**15,924**	**37.5**
GK/Retail	3,964	19.6	3,727	20.3	237	6.4	8,122	19.1
SQRS	475	2.3	537	2.9	(62)	(11.5)	1,065	2.5
IT-Services	3,712	18.4	2,404	13.1	1,308	54.4	6,737	15.9
Services	**9,006**	**44.6**	**7,495**	**40.7**	**1,511**	**20.2**	**18,469**	**43.5**
GK/Retail	8,722	43.2	7,301	39.7	1,421	19.5	14,768	34.8
SQRS	25	0.1	181	1.0	(156)	(86.2)	324	0.8
IT-Services	259	1.3	13	0.1	246	1,892.3	3,377	8.0
Other Business	**1,872**	**9.3**	**2,968**	**16.1**	**(1,096)**	**(36.9)**	**1,693**	**4.0**
GK/Retail	49	0.2	349	1.9	(300)	(86.0)	539	1.3
SQRS	—	0.0	(1)	0.0	1	(100.0)	—	0.0
IT-Services	1,823	9.0	2,620	14.2	(797)	(30.4)	1,154	2.7

Operating revenue rose by 10.2 percent, primarily due to the increase in turnover. Overall, it amounted to EUR 20.36 million, following a figure of EUR 18.48 million in the same period in the previous year. Own work capitalised rose slightly to EUR 0.15 million following a figure of EUR 0.07 million in the first half of 2013, which was mainly due to the development of the new release 14 in our solution suite.

Total operating revenue increased by 9.0 percent to EUR 21.29 million, following a figure of EUR 19.53 million. The share of turnover in the total operating revenue was 94.9 percent, following a figure of 94.2 percent in the previous year, while the proportion accounted for by own work capitalised, which involves the further development of our software solutions, amounted to 0.7 percent, following a figure of 0.4 percent in the same period in the previous year.

T.04 Development of the Total Operating Revenues

	H1 2014		H1 2013		Change
	EUR K	in %	EUR K	in %	in %
Sales revenues	20,213	94.9	18,402	94.2	9.8
Own work capitalized	151	0.7	73	0.4	106.6
Operating revenues	**20,364**	**95.6**	**18,475**	**94.6**	**10.2**
Other operating revenues	928	4.4	1,054	5.4	(12.0)
Total operating revenues	**21,293**	**100.0**	**19,530**	**100.0**	**9.0**

In order to be able to provide these services, the Group made greater use of third-party services. The expenditure for purchased services and raw, auxiliary and operating materials increased by EUR 0.30 million to a figure of EUR 1.84 million. The main item concerned employing external project resources in the GK/Retail business sector. This expenditure rose by EUR 0.19 million.

Personnel expenditure rose by 8.8 percent or EUR 1.12 million, although this increase was primarily due to the fact that the company increasingly has to rely on highly qualified employees in order to

meet its goals in the area of internationalisation. Overall, expenditure on personnel amounted to EUR 13.89 million.

Depreciation/amortisation amounted to EUR 1.00 million during the reporting period, after the figure had been EUR 1.17 million in the previous year. The decline was mainly attributable to the lower scheduled amortisation of intangible assets, particularly the amortisation of own work capitalised; the amortisation was EUR 0.14 million lower here than in the previous year.

Other operating expenditure amounted to EUR 5.90 million during the reporting period, following a figure of EUR 5.04 million in the previous year. This increase by EUR 0.86 million was largely due to the deliberate strengthening of personnel (increased expenditure to attract employees amounting to EUR 0.23 million) and the sales and project work outside the home market, which was once again extended geographically and enhanced. The number of business trips grew and this led to an increase in travel expenses by EUR 0.31 million and in general sales expenditure, which rose by EUR 0.14 million. Special expenditure on projects meant that this figure was EUR 0.04 million greater than in the same period in the previous year. In addition, the expansion of our Swiss and US presence caused increases in expenditure of approx. EUR 0.11 million.

As a result, the Group generated earnings before interest and taxes (EBIT) of EUR (1.33) million during the first half of 2014. The EBIT in the previous year was EUR (1.00) million. If we correct these figures in terms of one-off special effects in our project business amounting to EUR 0.41 million, we balanced the books during the second quarter of 2014. The financial results amounted to EUR 0.03 million during the first half of 2014 (EUR (0.01) million in the previous year). Expenditure on interest fell from the previous year's figure of EUR 0.06 due to the scheduled repayments in the previous year to a figure of EUR 0.04 million during the reporting period. Interest yields rose slightly to EUR 0.07 million (EUR 0.05 million).

Financial Results

T.05

	30.6.2014		30.6.2013		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
EBIT	(1,334)	(6.6)	(995)	(5.4)	(399)	34.1
EBT	(1,303)	(6.4)	(1,008)	(5.5)	(295)	29.2
Group result	(2,107)	(10.4)	(1,091)	(5.9)	(1,016)	93.1

Earnings before taxes (EBT) therefore fell in comparison with the previous year from EUR (1.01) million to EUR (1.30) million. After taxes, there was a shortfall for the period of EUR (2.11) million, following a figure of EUR (1.09) million in the previous year. The increase in income taxes was responsible for this decline in earnings; it amounted to just EUR 0.08 million in the same period in the previous year, but the figure was EUR 0.80 during the reporting period. It should be noted that this increase is almost completely due to the increase in deferred tax assets and liabilities based on assessing turnover in terms of its degree of completion (EUR 0.73 million). When calculating taxes, the losses during the year were not taken into account, because the annual planning assumes that they will not be a factor by the end of the year.

Based on the number of shares in circulation on the reporting date (1,890,000), this corresponded to losses per share of EUR (1.11) (undiluted; based on the number of shares currently in circulation, the figure was EUR (0.61) per share during the same period in the previous year). The earnings per share in diluted form amounted to EUR (1.11).

Assets situation

The Group balance sheet on the reporting date for the year under review amounted to EUR 44.03 million and was therefore EUR 3.79 million below the figure on 31 December 2013 (EUR 47.82 million).

On the assets side, the decline in current assets (without liquid assets) since the balance sheet date for 2013 was mainly responsible for this fall; this figure declined by EUR 3.28 million to EUR 15.55 million. The non-current assets without cash and cash equivalents decreased by EUR 0.38 million to EUR 14.87 million.

The equity ratio rose to 70.4 percent on 30 June 2014 (69.3 percent on the same date in the previ-

ous year). Equity accounted for EUR 30.99 million on 30 June 2014.

GK SOFTWARE's debts declined by EUR 1.62 million in comparison with the reporting date in the previous year, although non-current liabilities rose by EUR 0.72 million to EUR 4.73 million, while it was possible to reduce current liabilities by EUR 2.35 million to a figure of EUR 8.30 million.

Assetts Situation

T.06

	30.6.2014		30.6.2013		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	14,867	33.8	15,248	31.9	(381)	(2.5)
Current assets or cash and cash equivalents	15,553	35.3	18,831	39.4	(3,278)	(17.4)
Cash and cash equivalents	13,608	30.9	13,742	28.7	(135)	(1.0)
Assets	**44,027**	**100.0**	**47,821**	**100.0**	**(3,794)**	**(7.9)**
Equity	30,990	70.4	33,156	69.3	(2,166)	(6.5)
Non-current liabilities	4,733	10.8	4,011	8.4	722	18.0
Current liabilities	8,304	18.9	10,654	22.3	(2,350)	(22.1)
Liabilities	**44,027**	**100.0**	**47,821**	**100.0**	**(3,794)**	**(7.9)**

It is possible to explain the changes in detail in the following way. The decline in non-current assets was largely due to the scheduled amortisation in the various categories, although far lower replacement investments were required. This was also evident due to the fact that the major declines in carrying amounts were recorded in the field of intangible assets (EUR 0.38 million), while the decline for property, plant and equipment was only EUR 0.03 million: i.e. amortisation was balanced by the relevant replacement investments. The increase in deferred taxes by EUR 0.03 million completes the picture of the changes to non-current assets.

Current assets fell mainly due to the decline in trade accounts receivable by EUR 5.11 million to a figure of EUR 7.98 million since the balance sheet date in 2013. The reason for this lay in the settlement of invoices from the considerable number of invoices issued in December 2013. The change was, however, mitigated by development in accounts receivable according to the stage of completion, which rose by EUR 1.96 million. Claims for refunds of income taxes fell by EUR 0.14 because refunds amounting to EUR 0.08 million were repaid.

Stocks of cash and cash equivalents amounting to EUR 13.61 million exceeded the liabilities subject to interest payments amounting to EUR 1.23 million by EUR 12.38 million. The development in the company's supplies of cash and cash equivalents is shown in the analysis of the financial situation.

The increase in non-current debts by EUR 0.72 million was largely due to the increase in deferred tax assets and liabilities. They had risen by EUR 0.73 million to a total figure of EUR 1.81 million since the end of 2013. The reason for this lay in the increase in accounts receivable according to the stage of completion. This growth was supplemented by raising the provisions for pensions by EUR 0.07 million. This increase was mitigated by a scheduled reclassification of non-current bank liabilities amounting to EUR 0.10 million as current and due for payment.

Current debts fell by EUR 2.35 million, partly because of the decline in current provisions by EUR 0.29 million and the current bank liabilities by EUR 0.96 million. Current provisions fell, mainly because of the decline in the need for guarantee provisions. In contrast, bank liabilities declined because of scheduled repayments, the almost equal (increasing) recategorisation of shares of non-current bank liabilities that became due for payment as current on the reporting date and the repayment of a loan amounting to EUR 1.0 million. However, trade accounts payable, which increased by EUR 0.56 million in December 2013 to meet these liabilities, fell back to a figure of EUR 0.86 million. Furthermore, liabilities from income taxes were reduced by payments of EUR 0.34 million and other liabilities declined by EUR 0.20 million.

Financial situation

The cash flow from operating business increased by EUR 0.34 million from EUR 1.14 million in the same period in the previous year to a figure of EUR 1.48 million. While the cash flow from operating activi-

ties in the proper sense was negative during the first half of 2014 (EUR (0.26) million), the changes to net current assets (balance: +EUR 2.11 million), the interest received or paid and the income taxes paid (balance: (EUR (0.36) million) all provided some relief for the operating cash flow to the tune of EUR 1.75 million in all, while the relief in the same period in the previous year only amounted to EUR 0.09 million.

Investments (EUR 0.55 million) weighed on the Group's cash flow to a somewhat greater degree than in the same period in the previous year, in which payments for investments amounted to EUR 0.59 million. The increase can be explained by the slight increase in investments in software products (+EUR 0.08 million) and in investments in property, plant and equipment, which rose to the same degree.

The financing activities were far higher than in the same period in the previous year with outflows of cash and cash equivalents amounting to EUR 1.07 million; in 2013, the outflow was just EUR 0.06 million. This was mainly due to making use of an opportunity to repay a significant tranche of bank liabilities amounting to EUR 1.00 million and scheduled repayments of EUR 0.10 million.

Overall, stocks of cash and cash equivalents had fallen slightly by EUR 0.14 million since 1 January 2014 to a figure of EUR 13.60 million.

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. However, because of the political developments connected to the Ukraine crisis, we have begun to observe the risks related to countries where we have active business operations.

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. Contrary to the Management Board's previous assumption that the restructuring and integration of AWEK would be largely complete on the market side during 2014, it now expects the integration process to continue into 2015 and beyond. This extension is not the result of inadequate integration efforts, but the result of additional integration opportunities that the company has recognised and setting much more ambitious targets.

While GK SOFTWARE largely operated in the European Economic Area in the past, the Ukraine crisis has proven that political decisions can have a significant influence on the Group's business. In this specific case, any trade war that develops between the European Union and Russia could have significant effects on the Group's business in the Russian Federation. The Management Board is making every effort to conclude new contracts in such a way that the Group only needs to provide minor preliminary work, so that if these kinds of scenarios do occur, at least the services provided will be largely protected.

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 72 K (EUR 81 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 60 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 (Euro 180k) 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 33 K in 2014 (determined using the actual interest charges in 2014 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.

The Management Board believed that there was no risk that could be called a threat to GK SOFTWARE's existence at the end of first half year 2014.

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 188,000 POS units in 35,000 stores in 37 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.

Outlook

The first half of the 2014 business year was characterised by investments in establishing our business in North America – and by an intense competitive environment. Although the Management Board is aware that it is impossible to guarantee sales successes, we are continuing to keep our eye on a number of top-class sales opportunities. Based on the information available so far, the Management Board expects the Group's financial and earnings situation to improve in 2014 as a result of the ongoing expansion of business. It does not expect any developments to take place in the financial situation, which could pose a threat to the Group's existence; it therefore confirms its forecast for the 2014 business year made in the Group management report for 2013. 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.

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

C | Consolidated Accounts

Consolidated Balance Sheet

on 30 June 2014

Assets

T.07

EUR	Notes No.	30.6.2014 (not audited)	31.12.2013 (audited)
Property, Plant and Equipment	3.1.	4,763,509.16	4,794,037.16
Intangible Assets	2.3.; 3.2.	9,542,611.32	9,922,121.87
Financial Assets		1,660.00	1,660.00
Active Deferred Taxes	4.9.	558,805.74	529,861.75
Total Non-Current Assets		**14,866,586.22**	**15,247,680.78**
Raw Materials, Supplies and Consumables	3.3.	1,298,024.42	1,034,421.29
Finished Goods	3.3.	0.00	8,389.14
Initial Payments Made		22,431.43	0.00
Trade Accounts Receivable	3.3.	7,976,478.85	13,094,022.68
Accounts Receivable from Ongoing Work	3.4.	2,620,605.09	659,939.36
Income Tax Assets	3.6.	139,372.72	217,923.96
Accounts Receivable from Associated Companies	3.5.	6,223.23	4,786.79
Other Accounts Receivable and Assets	3.6.	3,489,809.07	3,811,920.33
Cash and Cash Equivalents	3.7.	13,607,657.55	13,742,273.60
Total Current Assets		**29,160,602.36**	**32,573,677.15**
Balance Sheet Total		**44,027,188.58**	**47,821,357.93**

Liabilities

T.08

EUR	Notes No.	30.6.2014 (not audited)	31.12.2013 (audited)
Subscribed Capital		1,890,000.00	1,890,000.00
Capital Reserves		18,078,319.67	18,042,151.84
Retained Earnings		31,095.02	31,095.02
Other Reserves (OCI from introducing IAS 19 in 2011)		107,118.95	203,162.70
Profits Carried Forward		12,990,053.44	12,388,914.04
Annual Net Loss (prev. Year: Balance Sheet Profits)		(2,106,525.53)	601,139.40
Total Equity Capital	3.8.	**30,990,061.55**	**33,156,463.00**
Provisions for Pensions and Similar Obligations	3.9.	976,465.00	912,049.00
Non-Current Bank Liabilities	3.10.	917,250.00	1,021,750.00
Deferred Public Sector Subsidies	3.11.	1,029,437.18	996,836.08
Deferred Tax Liabilities	3.12.; 4.9.	1,809,814.95	1,080,292.79
Total Non-Current Liabilities		**4,732,967.13**	**4,010,927.87**
Current Provisions	3.13.	1,340,023.43	1,628,329.38
Current Bank Liabilities	3.10.	307,288.38	1,267,764.30
Trade Accounts Payable	3.14.	858,656.58	1,421,291.35
Initial Payments Received	3.15.	801,623.06	804,700.50
Income Tax Liabilities	3.16.	513,437.11	848,066.78
Other Current Liabilities	3.17.	4,483,131.34	4,683,814.75
Total Current Liabilities		**8,304,159.90**	**10,653,967.06**
Balance Sheet Total		**44,027,188.58**	**47,821,357.93**

Consolidated Income Statement and Other Results

for the fiscal year from 1 January to 30 June 2014

Consolidated Income Statement

T.09

EUR	Notes No.	30.6.2014 (not audited)	30.6.2013 (not audited)	31.12.2013 (adjusted)
Ongoing Business Divisions				
Sales Revenues	2.2; 4.1.	20,213,285.89	18,402,128.62	42,457,575.07
Own Work Capitalized	4.2.	151,097.52	73,138.80	375,541.51
Other Operating Revenues	4.3.	928,241.28	1,054,294.17	2,451,492.91
Sales Revenues and Other Revenues		**21,292,624.69**	**19,529,561.59**	**45,284,609.49**
Materials Expenditure	4.4.	(1,840,593.19)	(1,542,515.71)	(4,082,260.48)
Human Resources Expenditure	4.5.	(13,891,058.40)	(12,771,017.48)	(25,604,653.76)
Depreciation and Amortization	4.6.	(997,595.65)	(1,171,645.90)	(2,294,598.70)
Other Operating Expenditure	4.7.	(5,897,850.62)	(5,039,529.37)	(12,257,664.18)
Total Operating Expenditure[1]		**(22,627,097.86)**	**(20,524,708.46)**	**(44,239,177.12)**
Operating Results[1]		**(1,334,473.17)**	**(995,146.87)**	**1,045,432.37**
Financial Income		69,826.37	48,540.22	110,259.43
Financial Expenses		(37,924.27)	(61,462.34)	(223,467.41)
Financial Results	4.8.	**31,902.10**	**(12,922.12)**	**(113,207.98)**
Results before Income Taxes[1]		**(1,302,571.07)**	**(1,008,068.99)**	**932,224.39**
Income Taxes[1]	4.9.	803,954.46	82,602.48	(331,084.99)
Consolidated Net Income for the Year[1]		**(2,106,525.53)**	**(1,090,671.47)**	**601,139.40**
Other Results after Income Taxes				
Equity Procurement Costs incl. Tax Effects		—	—	(114,775.89)
Actuarial gains / losses from defined benefit pension plans	3.9; 4.9.	140,977.00	524,650.93	433,690.76
Other Results after Tax		**140,977.00**	**524,650.93**	**318,914.87**
Overall Result[1]		**(1,965,548.53)**	**(566,020.54)**	**920,054.27**
Thereof attributable to owners of parent company[2]		(1,965,548.53)	(566,020.54)	920,054.27
Non-Diluted Earnings per Share (EUR/share) - From Consolidated Net Income[2]	4.10.	**(1.11)**	**0.61**	**0.34**
Diluted Earnings per Share (EUR/share) - From Consolidated Net Income[3]	4.10.	**(1.11)**	**0.61**	**0.33**

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6

2 – The calculations are based on the average number of shares amounting to 1,890,000 entitled to share in the profits on 30 June 2014.

3 – Subscription rights to 24,675 shares in all had been issued to Group employees as part of the share option scheme by 30 June 2014. 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 1,900,473.

Statement of Changes in Equity

on 30 June 2014

Statement of Changes in Equity

T.10

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Other Reserves	Balance Sheet Profits[1]	Total
Figures on 1 January 2013	**1,790,000.00**	**14,352,940.73**	**31,095.02**	**(230,528.06)**	**12,388,914.04**	**28,332,421.73**
Stock Option Program	0.00	48,742.00	0.00	0.00	0.00	48,742.00
Effects of the first use of IAS 19	0.00	0.00	0.00	524,650.93	0.00	524,650.93
Consolidated Net Income for the Year	0.00	0.00	0.00	0.00	(1,090,671.47)	(1,090,671.47)
Figures on 30 June 2013	**1,790,000.00**	**14,401,682.73**	**31,095.02**	**294,122.87**	**11,298,242.57**	**27,815,143.19**
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	73,245.00	0.00	0.00	0.00	73,245.00
Accruals based on IAS 19	0.00	0.00	0.00	(90,960.17)	0.00	(90,960.17)
Stock Option Program	0.00	0.00	0.00	0.00	1,691,810.87	1,691,810.87
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**
Stock Option Program	0.00	36,167.83	0.00	0.00	0.00	36,167.83
Effects of the first use of IAS 19	0.00	0.00	0.00	(96,043.75)	0.00	(96,043.75)
Consolidated Net Loss for the Year	0.00	0.00	0.00	0.00	(2,106,525.53)	(2,106,525.53)
Figures on 30 June 2014	**1,890,000.00**	**18,078,319.67**	**31,095.02**	**107,118.95**	**10,883,527.91**	**30,990,061.55**

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6.

Consolidated Cash Flow Statement

on 30 June 2014

Cash Flows from Operating Business

T.11

EUR K	Notes No.	30.6.2014 (not audited)	30.6.2013 (audited)[1]
Cash Flows from Operating Business			
Consolidated net profit		(2,107)	(1,091)
Stock Option Program (non-cash expenses)		36	49
Income Taxes Affecting Results		804	95
Interest Income/Expenses Affecting Results		(32)	12
Interest Yields Entered and Affecting Net Income		(1)	—
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment		33	(38)
Reversal of Deferred Allowances from the Public Sector		214	363
Write-Downs Recognized for Receivables		(111)	(75)
Write-Ups Recognized for Receivables		998	1,172
Amortization/Depreciation		2	—
Other Non-cash Revenues and Expenditure		(96)	525
Accruals OCI IAS 19 2011		(260)	1.012
Changes in the Current Assets		3,430	1,897
Changes in Trade Accounts Receivable and Other Receivables		(278)	(267)
Changes in Inventories		(820)	(470)
Changes in Trade Accounts Payable and Other Liabilities		(3)	(349)
Changes in Provisions		(224)	(1,557)
Inflow of Funds from Operating Activities		**1,845**	**266**
Interest Payments Received	5.	14	62
Interest Paid	5.	(22)	(30)
Income Taxes Paid	5.	(359)	837
Net Flow Provided by Operating Business (Transfer)		**1,478**	**1,135**

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6.

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

T.12

EUR K	Notes No.	30.6.2014 (not audited)	30.6.2013 (audited)
Transfer (Net Cash Flow Provided by Operating Business)		**1,478**	**1,135**
Cash Flow from Investment Activities			
Payments for Property, Plant and Equipment and Non-Current Assets		(588)	(497)
Proceeds from Disposals of fixed Assets		1	—
Disbursed Loans		(17)	(18)
Proceeds from the Repayment of Loans		57	139
Net Cash Outflow for Investment Activities		**(547)**	**(376)**
Cash Flow from Financing Activities			
Loans Taken Out		572	85
Repayment Installments for Loans		(1,637)	(140)
Net Income (prev. Year: Net Decrease) in Cash and Cash Equivalents from Financing Activities		**(1,065)**	**(55)**
Net Income (prev. Year: Net Decrease) in Cash and Cash Equivalents		**(134)**	**704**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	3.8.	13,742	10,382
Impact of Changes in Exchange Rates on Cash and Cash Equivalents		—	(2)
Cash and Cash Equivalents at the End of the Accounting Year	3.8.	**13,608**	**11,084**
Limited Available Funds	3.8.	10	10

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6.

Notes on the Consolidated Accounts

on 30 June 2014

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 AG condensed 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.

Any standards or interpretations, which were published, but had not yet come into effect, were not yet used for the interim financial statement. The Management Board assumes that the effects of using these new regulations on the annual accounts during the first year will not be significant.

1.2.1. International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) used

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

1.2.2. International Financial Reporting Standards (IFRS) used for the first time during the reporting period

Amendments to IAS 27 Separate Financial Statements

As part of parting company with to IFRS 10 Consolidated Financial Statements, the rules for the control principle and the demands for preparing consolidated financial statements were transferred from IAS 27 and then dealt with by IFRS 10 (see comments on IFRS 10). As a result, IAS 27 now contains the regulations for accounts for subsidiaries, joint companies and associated companies in IFRS separate financial statements.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures

As part of parting company with IFRS 11 Joint Arrangements, changes have been made to IAS 28. IAS 28 covers – as it did in the past – the use of the equity method. However, the scope of application has been significantly expanded as a result of parting company with IFRS 11, as it is now necessary to not only assess holdings in associates using the equity method, but joint ventures too (see IFRS 11). The use of proportionate consolidation for joint ventures has therefore been abandoned. In addition, potential voting rights and other derivative financial instruments also have to be taken into account in determining whether one company exercises a significant influence over another. Another amendment affects the accounts in line with IFRS 5, if only one part of a share in an associate or a joint venture is earmarked for sale. IFRS 5 must be used in part, if only one share or part of a share in an associate (or a joint venture) satisfies the "held for sale" criteria.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendments to IAS 32 Financial Instruments: Presentation

This supplement to IAS 32 clarifies what the conditions are for balancing financial instruments. The supplement explains the meaning of the current legal right to offsetting and makes clear which procedures with a gross balance can be viewed as a net balance in the sense of the standard. As a consequence of these clarifications, the regulations on which details need to be provided in the notes on the financial statements had already been extended in IFRS 7 in the previous year.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendments to IAS 36 Impairment of Assets

The amendments serve to clarify that the disclosure of the recoverable amount, if this is based on the fair value minus any costs of disposal, simply applies to the assets or units generating cash and cash equivalents, for which an impairment was entered during the reporting period.

If the recoverable amount corresponds to the fair value minus the costs of disposal in the case of any impairment, the following details must also be made available:

- The assessment methods used and any changes to the assessment methods during stages 2 and 3 of the assessments.
- The level (stage) of the fair value hierarchy according to IFRS 13, which was used to determine the fair value.
- In the case of stage 2 and stage 3 assessments: key assumptions when assessing the fair value including the mandatory disclosure of the discount rate used when employing a cash value method.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

The IASB approved an amendment to IAS 39 Financial Instruments: Recognition and Measurement, with regard to the novation of derivatives and continuation of balancing hedged instruments on 27 June 2013; this was adopted into European law in December 2013. As a result of this amendment, the novation of a hedging instrument to a central counterparty does not lead to any dissolu-

tion of the hedging relationship under the following conditions:

- A novation is prescribed on the basis of existing or newly introduced legal or legal supervisory requirements.
- As a result of the novation, the central counterparty or a company (or several companies), which is/are acting as the counterparty, become(s) the contractual partner for all the parties in the derivative contract.
- No changes may be made to the contractual conditions of the original derivative, apart from the changes that are a necessary consequence of the novation.

According to the previous rules in IAS 39, any balancing of the hedging relationship, for which an OTC derivative was designated as the hedging instrument, had to be ended if a clearing obligation and the use of a central counterparty as the new contractual party led to the OTC derivative being deleted from the accounts.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group, because all the hedging relationships involved continue in unchanged form.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the rules in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new standard defines the term "control" in a new and more detailed manner than in the past. If one company controls a different firm, the parent company must consolidate the subsidiary. IFRS 10 provides a standard basis for the consolidation concept and defines which companies are to be included in the consolidation process. According to this, control exists if the potential parent company has the decision-making authority over the potential subsidiary on the basis of voting rights or other rights, if it participates in positive or negative variable returns from the subsidiary and if it is able to influence these returns through its decision-making authority. The methods of consolidation, on the other hand, remain unchanged.

The GK Group has carried out a thorough analysis of all the holdings on the basis of the new concept of control in IFRS 10. This did not create any significant effects on defining which companies are to be included in the consolidation process and therefore dies not lead to any major changes in the presentation of the assets, financial and earnings situation in the GK Group.

IFRS 11 Joint Arrangements
IFRS 11 establishes new rules for accounting for jointly managed activities (joint arrangements). According to the definition contained in IFRS 11, the issue here involves contractual arrangements, where two or several parties are exercising joint management. Instead of the three different forms in the past (see IAS 31 Interests in Joint Ventures: joint operations, jointly managed assets and jointly managed companies), a distinction is now only made between two different types of joint arrangements:

- Joint operations exist if the jointly controlling parties have direct rights to the assets and obligations for the liabilities, which are, in turn, entered on the consolidated balance sheet on a pro rata basis.
- In joint ventures, on the other hand, the jointly controlling parties only have rights to the net assets. This right is indicated in the consolidated accounts by using the equity method; as a result, the right of choice to include the proportional figures in the consolidated accounts is no longer available.

According to this concept, it is necessary to decide whether a joint operation or a joint venture is present.

The GK Group has carried out a thorough analysis of all its holdings. According to this, it does not have any joint arrangements in the sense of IFRS 11. Therefore, these new regulations do not have any effect on the presentation of the assets, financial or earnings situation of the GK Group.

IFRS 12 Disclosure of Interests in Other Entities
This standard defines the necessary disclosure obligations in relation to holdings in other companies. The necessary disclosures in the notes on the consolidated accounts have therefore become

more extensive in comparison to the details required in the past in line with IAS 27, IAS 28 and IAS 31. One major change in contrast with the disclosures demanded in the past involves the fact that companies must disclose the assumptions and discretionary decisions taken by management, which are made as part of assessing the process of control.

These amendments did not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group. The significantly extended disclosures regarding existing holdings in other companies prescribed in the notes on the consolidated accounts are not required for this interim financial statement according to IAS 34.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transitional Provisions
The amendments published in June 2012 affect the transitional provisions and introduce other exceptions to the obligation to make full retroactive application. In addition, the assessment process to determine whether control exists should not be made at the start of the comparative period, but now at the time when this is initially exercised. Beyond this, these amendments contain some clarification and additional simplification in the crossover to IFRS 10, IFRS 11 and IFRS 12. For example, adjusted comparative information is only required for the previous comparative period. In addition, there is now no obligation to disclose the comparative information for periods, which are prior to the first use of IFRS 12, in connection with the details in the notes on the accounts for non-consolidated structured entities.

These new rules do not have any effect on the presentation of the assets, financial or earnings situation of the GK Group, as the disclosures for this interim financial statement are not required according to IAS 34.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
The amendments contain a definition of the term "investment entities" and remove these kinds of companies from the scope of application of IFRS 10 Consolidated Financial Statements. According to them, the companies controlling investments entities should not generally consolidate the latter in their IFRS consolidated financial statement. Instead of any full consolidation, the current balancing and assessment standards for financial assets apply, assessed at their fair value as they affect net income.

The amendments do not have any effect on a consolidated financial statement that includes investment entities, if the parent company itself is not an investment entity. In this respect, they do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Published, but not yet mandatory accounting regulations that need to apply
The following new and amended standards and interpretations have been published within this reporting period, but have not yet come into force. GK Software declined to make any voluntary, premature use of them. If not otherwise specified, the GK Group is currently checking the possible effects of the following standards and interpretations for its consolidated accounts.

IFRS 14 Regulatory Deferral Accounts
As a result of this standard, any companies using IFRS for the first time are allowed to continue to record deferral accounts, if they had already entered these in their financial statements in the past according to the accounting principles used until that time.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

IFRS 15 Revenue from Contracts with Customers
According to IFRS 15, it will be mandatory to enter the amount of revenue that companies have generated and the time when this occurred. This standard must be used with the exception of the following contracts: leasing relationships, which come under IAS 17 Leases; financial instruments and other contractual rights or obligations, which come under IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Consolidated and Separate Financial Statements or IAS 28 Investments in Associates or Joint Ventures; and insurance contracts within the scope of IFRS 4 Insurance Contracts.

In this sense, the possible scope is limited within the GK Group. We are currently examining affairs on the basis of the existing state of discussions to see what possible effects this might have on the presentation of the assets, financial and earnings situation of the GK Group.

Amendments to IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets – Clarification of Permissible Depreciation/Amortisation Methods
In publishing the amendments to IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets in May 2014, the IASB circulated its clarification of acceptable depreciation/amortisation methods. The amendments concern additional guidelines in relation to permissible depreciation/amortisation methods for property, plant and equipment (IAS 16) and intangible assets (IAS 38). The amendment in IAS 16 forbids a company from registering depreciation on the basis of expected revenues. (Turnover) revenues reflect the generation of the expected economic benefit arising from the business activity and not the use of the expected economic benefit of a tangible asset. As a result, any methods geared towards future expectations of revenues are not permissible according to IAS 16. In IAS 38, a relevant amendment was included as a refutable presumption. Any revenue-based amortisation method is not appropriate on a regular basis.

The GK Group does not expect any effects on the presentation of its assets, financial and earnings situation from this clarification of the permissible depreciation/amortisation methods, as it does not make any use of depreciation/amortisation based on turnover.

The annual accounts for GK Software AG and its subsidiaries are integrated into the consolidated accounts taking into consideration the standard carrying and valuation methods for the Group.

The consolidated interim financial statement has been prepared in euros. The classification of the balance sheet in line with IFRS is carried out according to the maturity of the individual balance sheet items. The profit and loss statement has been prepared according to the total cost method of accounting. GK Software generally presents trade accounts receivable and payable as current items. Pension obligations are shown as non-current debts in line with their character. Deferred tax claims and liabilities are presented as non-current items.

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 cus-

tomers 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.

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. 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.

1.6. Adapting the previous year's figures

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.

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. The changes to the carrying values and the related depreciation periods, differing from the original approach in the area of the intangible assets, will affect the results of the following periods.

T.13 Assets and depts acquired from AWEK GmbH

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)**

2. Balance Sheet and Assessment Principles

2.1. Principles of accounting and assessment

In general, we have used the same balance sheet and valuation principles as for the consolidated accounts on 31 December 2013. The interim report 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.

2.2. 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.

2.2.1. 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 and products.
- The amount of sales revenues can be reliably determined.
- It is probable that the economic benefits from the business transaction will flow to the company and
- The expenditure incurred or still being incurred in connection with the sale can be reliably determined.

2.2.2. 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. The Services are valued according to IAS 18.20 in conjunction with IAS 18.26 in order to guarantee revenue recognition (IAS 18) 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 measurement 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.

2.3. Management Estimates and Appraisals

In preparing the interim 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 interim 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.

2.3.1. 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 EUR 1,284K on the consolidated balance sheet dated 30 June 2014.

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, appropriate 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 EUR 6,403K 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 EUR 244K was entered on the balance sheet as a result of the corporate merger with AWEK as part of the provisional 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. There was no need for any impairment on 31 December 2013.

No events occurred during the reporting period, which would make it necessary to examine once again the intrinsic value of the goodwill prior to the checks carried out at regular intervals.

Intrinsic value of accounts receivable from ongoing work
The accounts receivable from ongoing work amounting to EUR 2,621K and entered on the balance sheet in line with IAS 18.26 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 base
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 EUR 777K 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 interim balance sheet with a value of EUR 118K on 30 June 2014. There was no information indicating the need to make a valuation adjustment beyond this.

Because GK Software AG acquired the business shares of AWEK GmbH, the Group entered an intangible asset of EUR 458K [1] under customer base. The customer base is amortized as expenditure in a linear fashion over the expected period of use of five years and was entered with a value of EUR 385K on the reporting date on 30 June 2014.

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.

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6.

3. Notes on the Consolidated Balance Sheet

3.1. Property, Plant and Equipment

Property, Plant and Equipment

T.14

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 2014	4,641,223.57	4,354,414.72	88,734.02	9,084,372.31
Accruals	0.00	322,150.55	63,026.78	385,177.33
Disposals	0.00	37,951.72	10,000.00	47,951.72
Figures on 30 June 2014	**4,641,223.57**	**4,638,613.55**	**141,760.80**	**9,421,597.92**
Accumulated depreciation				
Figures on 1 January 2014	966,372.89	3,323,962.26	0.00	4,290,335.15
Accruals	73,643.22	331,870.23	0.00	405,513.45
Disposals	0.00	37,759.84	0.00	37,759.84
Figures on 30 June 2014	**1,040,016.11**	**3,618,072.65**	**0.00**	**4,658,088.76**
Carrying amounts on 30 June 2014	**3,601,207.46**	**1,020,540.90**	**0.00**	**4,763,509.16**

Procurement obligations for other office and business equipment existed and amounted to approx EUR 311K (2013: approx. EUR 270K).

3.2. Intangible Assets

IIntangible Assets

T.15

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 2014	6,570,271.93	2,183,594.30	6,646,963.24	1,235,038.00	393,530.00	17,029,397.47
Accruals	151,097.52	61,474.13	0.00	0.00	0.00	212,571.65
Figures on 30 June 2014	**6,721,369.45**	**2,245,068.43**	**6,646,963.24**	**1,235,038.00**	**393,530.00**	**17,241,969.12**
Accumulated amortization						
Figures on 1 January 2014	5,095,950.21	1,245,399.78	0.00	680,660.78	85,264.83	7,107,275.60
Accruals	341,193.80	160,217.50	0.00	51,317.90	39,353.00	592,082.20
Figures on 30 June 2014	**5,437,144.01**	**1,405,617.28**	**0.00**	**731,978.68**	**124,617.83**	**7,699,357.80**
Carrying amounts on 30 June 2014	**1,284,225.44**	**839,451.15**	**6,646,963.24**	**503,059.32**	**268,912.17**	**9,542,611.32**

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.

The goodwill here concerns the acquisition of the operating business of Solquest GmbH. The recoverable amount was determined using the utility value. In order to assess the recoverability of the carrying amount of the goodwill, a detailed turnover and cost planning process takes place for the unit generating cash and cash equivalents once a year in order to determine the flow of cash and cash equivalents from this. If there are any signs that the discounted flow of cash and cash equivalents does not correspond to the carrying amount, the turnover and cost planning process is repeated during the course of the year. There was no information available to suggest the need for this on the balance sheet reporting date of 30 June 2014.

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.

3.3. 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 EUR 2,416K in all (EUR 1,993K in fiscal 2013). The write-downs have been entered under other operating expenditure. On balance sheet day value adjustments amounting to EUR 103K (2013: EUR 2,543K) were made.

Accounts receivable in CZK amounting to EUR 3K (EUR 4K in the previous year) on the balance sheet date.

3.4. 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 EUR 2,620,605.09 (EUR 660K in fiscal 2013) on the balance sheet date.

3.5. Accounts Receivable from Associated Companies

Accounts receivable owed by associated companies amounting to EUR 6K (EUR 5K 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.

3.6. Other Accounts Receivable, Assets and Income Tax Assets

T.16 Other Accounts Receivable, Assets and Income Tax Assets

EUR	30.6.2014	31.12.2013
Loans paid to third parties	2,656,472.34	2,697,367.66
Tax receivables	139,372.72	217,923.96
Accounts receivable from members of the Management Board	106,754.55	100,308.00
Others	726,582.18	1,014,244.67
Those based on legal claims	83,392.49	163,002.85
Those based on asset deferrals	576,226.17	600,403.35
Total	**3,629,181.79**	**4,029,844.29**

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 EUR 36K existed in CZK on the balance sheet date (previous year: EUR 84K), amounting to EUR 6K (previous year: EUR 1K) in CHF, amounting to EUR 9K (previous year: EUR 8K) in RUB and amounting to EUR 5K (previous year: EUR 0K) in USD.

3.7. 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 EUR 10K was pledged as part of rent collateral with the bank providing the guarantee (previous year: EUR 10K). The Management Board is expecting this guarantee to be taken up.

3.8. 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 on 30 June 2014.

The company's share capital amounted to EUR 1,890,000.00 on 1 January 2014 and was divided into 1,890,000 individual share certificates.

T.17 Equity Capital

EUR	30.6.2013	31.12.2013
Subscribed capital		
1,890,000 (1,790,000) fully paid up individual share certificates	1,890,000.00	1,790,000.00
100,000 individual share certificates issued as a capital increase	0.00	100,000.00
Total	**1,890,000.00**	**1,890,000.00**

The capital reserves include the premium amounting to EUR 3,567,224.11 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 EUR 895,000.00 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 EUR 100,000.00 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 EUR 795,000.00 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 2012 16,175 stock options has been granted again. 15,250 share options were granted during fiscal 2013. Of the options granted in 2010, all the share options lapsed on 31 December 2013 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.

3.9. 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.18 Assumptions for calculations of cash value

	H1 2014	FY 2013
Pensionable age (m/f)	60–65/60–65	60–65/60–65
Actuarial interest rate / discount on 1 January	3.50% p.a.	5.00% p.a.
Actuarial interest rate / discount on 30 June	3.20%/2.50% 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:

Reconciliation accounts to determine the cash value

T.19

EUR	H1 2014	2013
Figures on 1 January:	2,444,471	3,188,199
+ Interest expenditure	+41,763	+109,205
+ Working Period Costs	+19,096	+37,112
– Payout from lump sum compensation	—	(165,704)
– Benefits paid out	(54,325)	(95,646)
– Actuarial Profits	—	(628,695)
+ Actuarial Losses	+97,293	0
Figures on 30 June:	**2,548,298**	**2,444,471**

The development of the plan assets is shown as follows:

Development of the Plan Assets

T.20

EUR	H1 2014	2013
Figures on 1 January:	1,532,422	1,479,873
+ Expected Yields from Plan Assets	27,785	38,432
+ Contributions	55,310	110,619
– Benefits paid out	(35,290)	(72,140)
– Actuarial Losses[1]	(8,394)	(24,362)
Figures on 30 June:	**1,571,833**	**1,532,422**

It is therefore clear that there is a planned deficid amounting to EUR 976,465 (2013: EUR 912,049).

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

Benefit expense

T.21

EUR K	2013	2012
Current service costs	19	37
Net interest expenditure	14	71
Expenses for pension benefits	**33**	**108**
Actual revenues from plan assets	19	14

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.6.

Of the current annual expenditure of EUR 33K (EUR 108K in the previous year), interest yields amounting to EUR 28K (EUR 38K in the previous year) and interest expenditure amounting to EUR 42K (EUR 109K in the previous year) have been entered in the interest results and the remaining expenditure of EUR 19K (EUR 37K 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.22

EUR	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (–) Surplus (+)
2014	**2,548,298**	**1,571,833**	**976,465**
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)

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

Development of the plan debts and plan assets

T.23

EUR	Liabilities of the plan	Assets of the plan
H1 2014	**97,293**	**43,684**
2013	(3,219)	(19,581)
2012	6,386	18,962
2011	3,503	14,929
2010	(42,275)	(2,061)

3.10. Non-Current and current Bank Liabilities

Two investments loans (original amounts: EUR 750K and EUR 450K) were taken out with the Commerzbank AG Plauen in fiscal 2007. The GK Software AG also took over a loan (EUR 225K) 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 EUR 517K 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 EUR 748K and KfW EUR 180K). These loans were valued at EUR 609K on 30 June 2014. In order to provide security for the loans from the DZ bank, land charges amounting to EUR 1,085K have been entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895.

These loans, which amounted to EUR 1,126K (2013: EUR 1,231K) on the reporting date, must be repaid with scheduled payments totaling EUR 105K (2013: EUR 105K) on 31 December 2014. 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 EUR 0K on the balance sheet reporting date and a credit card limit, which has been used to the tune of EUR 98K (2013: EUR 1,000K respectively EUR 59K).

3.11. 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.

3.12. Deferred Taxes

Please refer to section 4.9.

3.13. Current Provisions

T.24 Current Provisions

EUR	Human resources department	Production department	Other departments	Total
Figures on 1 January 2014	768,032.32	574,267.00	286,030.06	1,628,329.38
Amounts used	767,552.61	40,500.00	170,145.37	978,197.98
Amortization	479.71	75,675.83	4,500.00	80,655.54
Allocation	641,859.57	68,388.00	60,300.00	770,547.57
Figures on 30 June 2014	**641,859.57**	**526,479.77**	**171,684.69**	**1,340,023.43**

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. Additional to existing provisions for warrenties for projects amounting to EUR 152K , provisions for projects amounting to EUR 9K were newly formed for expected expenditure on warranties.

3.14. Trade Accounts Payable

Accounts receivable are still due to settled within one year.

Accounts payable in foreign currencies amounting to EUR 25K (EUR 16K in the previous year) existed in CZK, amounting to EUR 1K (EUR 0K in previous year) in RUB and amounting to EUR 11K (EUR 0K in previous year) in CHF on the balance sheet date.

3.15. 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.

3.16. Income Tax Liabilities

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

3.17. Other Current Liabilities

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

Other liabilities in foreign currencies amounting to EUR 265K (EUR 313K in the previous year) existed in CZK, amounting to EUR 54K (previous year: EUR 44K) in CHF, amounting to EUR 4K (previous year: EUR 0K) in RUB and amounting to EUR 6K (prev year: EUR 0K) in USD on the balance sheet date.

T.25 Other Current Liabilities

EUR	30.6.2014	31.12.2013
Tax liabilities	545,586.24	1,370,564.43
Liabilities from wages and salaries	2,790,870.30	2,671,156.44
Other liabilities towards members of staff	(5,110.34)	19,936.51
Others	1,151,785.14	622,157.37
Those based on liabilities deferrals	641,208.68	30,866.94
Total	**4,483,131.34**	**4,683,814.75**

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 EUR 2,255K (2013: EUR 0K) recorded during the first half of the business year for sales that were calculated according to IAS 18.20. Sales amounting to EUR 444K were realized during the reporting period as sales that were calculated according to IAS 18.26.

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. 3.4).

As regards the make-up of the significant categories of revenues, we would refer to section 6 entitled "Segment Reporting." Warranty provisions amounting to EUR 9K were released and therefore the figure entered for expected warranties amounted to EUR 451K (2013: EUR 574K) in all on the interim 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.26 Other Operating Revenues

EUR	H1 2014	H1 2013
Reversals of uncertain other liabilities or provisions	84,086.92	407,938.45
Vehicle use	334,526.66	296,140.29
Earnings from reversals of deferred public grants	14,543.27	34,592.77
Employee contributions towards food allowances	21,248.16	25,431.74
Earnings from investment grants	63,372.06	3,353.94
Earnings from other periods	0.00	1,007.84
Reduction value adjustments	111,362.50	112,600.00
Others	299,101.71	173,229.14
Total	**928,241.28**	**1,054,294.17**

4.4. Materials Expenditure

T.27 Materials Expenditure

EUR	H1 2014	H1 2013
Expenditure on raw materials, consumables and supplies	1,137,157.43	1,085,673.27
Expenditure on purchased services	703,435.76	456,842.44
Total	**1,840,593.19**	**1,542,515.71**

4.5. Human Resources Expenditure

T.28 Human Resources Expenditure

EUR	H1 2014	H1 2013
Wages and salaries	11,906,452.56	10,649,479.15
Social security contributions	1,984,605.84	2,121,538.33
Those expenditure on retirement benefits	117,169.64	37,342.13
Total	**13,891,058.40**	**12,771,017.48**

On average, 548 people were employed during first half of fiscal 2014 (552 in the previous year). 557 people were employed on the balance sheet date of 30 June 2014.

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.29 Financial Results

EUR	H1 2014	H1 2013
Interest income	69,826.37	48,540.22
Interest expenditure	(37,924.27)	(61,462.34)
Account Balance	**31,902.10**	**(12,922.12)**

4.9. Income Taxes

T.30 Income Taxes

EUR	H1 2014	H1 2013
Current tax liabilities	58,443.04	(5,492.52)
Deferred tax revenue	745,511.42	88,095.00
Total (Tax expenses)	**803,954.46**	**82,602.48**

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:

Deferres Taxes

T.31

EUR	30.6.2014 Assets	30.6.2014 Liabilities	31.12.2013 Assets	31.12.2013 Liabilities
Intangible assets	225,170.72	1,147,586.85	224,106.72	1,067,380.02
Provisions for guarantees	58.26	0.00	2,758.50	0.00
Provisions for pensions	303,054.48	0.00	270,209.87	0.00
Accounts Receivable from Ongoing Work	8,461.67	662,228.10	1,326.26	12,912.77
Other Provisions	22,060.61	0.00	31,460.40	0.00
Total according to balance sheet	**558,805.74**	**1,809,814.95**	**529,861.75**	**1,080,292.79**

Deferred tax claims / liabilities result from:

Deferred Tax Claims / Liabilities

T.32

EUR	Initial Balance	Income Statement-related	Not Income Statement-related	30.6.2014 Final Balance
Fixed Assets	0.00	0.00	0.00	0.00
Provisions for Pensions	270,209.87	(12,088.67)	44,933.26	303,054.46
Provisions for Guarantees	2,758.50	(2,700.24)	0.00	58.26
Intangible Assets – In-house Developed Software	(429,469.92)	(40,901.48)	0.00	(470,371.40)
Intangible Assets – In-house Developed Software (Development Expenses AWEK)	(215,542.90)	21,919.62	0.00	(193,623.28)
Acquired Intangible Assets as Part of the Corporate Acquisition (Acquired Technologies)	104,414.72	0.00	0.00	104,414.72
Acquired Intangible Assets as Part of the Corporate Acquisition (Customer Relations)	(115,398.28)	6,470.93	0.00	(108,927.35)
Intangible assets acquired as part of the purchase of the company (orders on hand)	(87,100.32)	11,119.19	0.00	(75,981.13)
Intangible Assets Acquired through the Solquest Purchase (Customer Relations)	119,692.00	1,064.00	0.00	120,756.00
Goodwill Solquest-purchase	(219,868.60)	(78,815.07)	0.00	(298,683.67)
Accounts Receivable from Ongoing Work	(11,586.51)	(642,179.92)	0.00	(653,766.43)
Other Provisions	31,460.40	(9,399.79)	0.00	22,060.61
Account Balance	**(550,431.04)**	**(745,511.43)**	**44,933.26**	**(1,251,009.21)**

	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
Account Balance	**(617,978.50)**	**238,189.70**	**(170,642.24)**	**(550,431.04)**

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 2014 was 1,900,952 (1,791,370 in the previous year). The consolidated net income in the first half of 2014 amounted to EUR (2,107) K (H1 2013: EUR 601K). As a result, the earnings per share amounted to EUR (1.11) in H1 2014 (H1 2013: EUR 0.34).

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 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 30 June 2014. The diluted results per share was EUR (1.11) (H1 2013: EUR 0.33).

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. 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.33

EUR K	GK/Retail H1 2014	GK/Retail H1 2013	GK/Retail 2013	SQRS H1 2014	SQRS H1 2013	SQRS 2013	IT-Services H1 2014	IT-Services H1 2013	IT-Services 2013	Eliminations H1 2014	Eliminations H1 2013	Eliminations 2013	Group H1 2014	Group H1 2013	Group 2013
Sales with third parties	13,881	**12,648**	**29,607**	**500**	**717**	**1,389**	**5,832**	**5,037**	**11,462**	**—**	**—**	**—**	**20,213**	**18,402**	**42,458**
Licenses	1,146	1,271	6,178	—	—	—	38	—	194	—	—	—	1,184	1,271	6,372
Servicing work	3,964	3,727	8,122	475	537	1,065	3,712	2,404	6,737	—	—	—	8,151	6,668	15,924
Services	8,722	7,301	14,768	25	181	324	259	13	3,377	—	—	—	9,006	7,495	18,469
Other matters	56	362	564	—	(1)	—	1,851	2,650	1,208	—	—	—	1,907	3,011	1,772
Revenue reductions	(7)	(13)	(25)	—	—	—	(28)	(30)	(54)	—	—	—	(35)	(43)	(79)
Sales with another segment	**280**	**443**	**782**	**—**	**62**	**62**	**—**	**60**	**255**	**(280)**	(565)	(1,099)	**—**	**—**	**—**
EBIT segment	**(2,106)**	**(1,175)**	**362**	**125**	**167**	**149**	**703**	**11**	**536**	**—**	**—**	**—**	**(1,336)**	**(997)**	**1,047**
Assets	**38,662**	**36,901**	**42,761**	**1,991**	**2,484**	**1,979**	**5,828**	**5,015**	**5,970**	**(2,453)**	**(3,061)**	**(2,889)**	**44,028**	**41,339**	**47,821**
Cash and cash equivalents	**11,780**	**9,030**	**11,686**	**1,546**	**1,876**	**1,522**	**282**	**170**	**534**	**—**	**—**	**—**	**13,608**	**11,076**	**13,742**

Depreciation/amortization of EUR 780K (previous year: EUR 1,823K) accumulated for the GK/Retail segment, EUR 38K for SQRS (previous year: EUR 109K) and EUR 180K for IT-Services (previous year: EUR 363K).

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 EUR 2,592K (2013: EUR 7,717K) with customers that have their headquarters outside Germany. The share of sales from the SQRS business area amounted to EUR 0K (2013: EUR 128K) and from the IT-Services EUR 134K (2013: EUR 128K). 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 EUR 103K (2013: EUR 383K), 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 EUR 0K (previous year: EUR 6,781K) or 0.0 percent (2013: 16.0 percent) of the total sales in the first half of fiscal 2014. These sales related to the GK/Retail segment with a customer.

7. Other Information

7.1. 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 EUR 34K (2013: EUR 34K) 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 EUR 10K (2013: EUR 10K). The Management Board does not expect it to be necessary to make use of the guarantee

7.2. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the first half of fiscal 2014 amount to EUR 613K (H1 2013: EUR 1,022K).

Payment obligations from operating leasing contracts amounting to EUR 1,143K (H1 2013: EUR 1,915K). EUR 623K (H1 2013: EUR 1,071K) are due for payment within one year and EUR 520K (H1 2013: EUR 844K) within five years) exist. There are no finance/leasing agreements.

7.3. Subsidiaries

T.34 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.

7.4. 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.

7.4.1. Parent Company

The direct parent company is GK Software Holding GmbH, Schöneck. No business relations existing during the first half of fiscal 2014.

7.4.2. 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

The remuneration provided for the Management Board arising totaled EUR 827K . EUR 330K are fixed earnings and EUR 457K variable earnings and the non-monetary benefits amount to EUR 40K . 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 3.8. "Equity Capital". The Management Board held a total of 14,500 options on 30 June 2014. 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 EUR 21,025, EUR 11,929 and EUR 6,240 respectively.

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 EUR 92K (EUR 88K 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 EUR 252K (EUR 236K in the previous year) and the balanced pension plan reserve has a fair value of EUR 160K (EUR 148K in the previous year).

The members of the Management Board and the Supervisory Board directly held the following shareholdings in GK Software on 30 June 2014:

Shareholdings Received by Members of the Management Board and Supervisory Board

T.35

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 30 June 2014.

7.4.3. 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 the first half of fiscal 2014 amounted to EUR 20K (EUR 40K 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.

Accounts receivable from associated corporations and persons

T.36

EUR K	30.6.2014	31.12.2013
Loans to associated companies, which are not part of the consolidated group	1,854	1,911
Other claims for members of the management team in key positions (Management Board members)	107	100
Total	**1,961**	**2,011**

Two loans were granted to closely related companies. The one loan with a line of credit amounting to EUR 2,000K (H1 2013: EUR 2,000K) 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 EUR 1,854K (H1 2013: EUR 1,911K) 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 EUR 20K and is subject to an interest rate of 6 percent. The current balance is EUR 0.3K (H1 2013: EUR 0K).

Other accounts receivable against members of the Management Board amounting to EUR 107K EUR (100K 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 EUR 35K by 30 June 2014. The repayment of these claims is not yet complete. The Management Board members have claims for bonus payments amounting to EUR 100,000, which serve to offset the amounts against loans granted to them.

In addition, there are tenancy arrangements with another closely related company. The expenditure on tenancy incurred during the financial year amounted to EUR 26K (H1 2013: EUR 56K).

Expenditure on outside services with closely related companies amounting to EUR 124K (H1 2013: EUR 272K) was also incurred. Revenues from related firms in conjunction with making available vehicles and other services amounting to EUR 7K (H1 2013: EUR 74K) and expenditure for other services amounting to EUR 130K (H1 2013: EUR 20K) were also generated. Turnover from the provision of project work amounting to EUR 87K (H1 2013: EUR 399K) and expenditure for providing project work amounting to EUR 99K (H1 2013: EUR 221K) and expenitures for other services amounting to EUR 40K (H1 2013: EUR 0K) were also generated. The outstanding accounts receivable with this company amounted to EUR 13K (H1 2013: EUR 0K) 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.

7.5. Auditor's Fee

Expenditure amounting to EUR 61K for the auditing work for 2014 was incurred by the auditor. The calculated consulting fee for tax accountancy work by the Group auditor amounted to EUR 55K .

7.6. Tax according to Section 37w Paragraph 5 Page 6 of the German Securities Trading Act

The consolidated interim accounts and the consolidated interim management report have not been submitted to any examination by auditors and have not been checked in line with Section 317 of the German Commercial Code

7.7. 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".

7.8. 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 26 August 2014.

7.9. 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 26 August 2014. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 26 August 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, 26 August 2014

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

Financial Calendar

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

Imprint

Publisher:
GK SOFTWARE AG
Waldstraße 7
08261 Schöneck

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

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

Chairman of the Supervisory Board:
Dipl.-Volkswirt Uwe Ludwig

Management board:
Dipl.-Ing. Rainer Gläß, CEO
Dipl.-Kfm. André Hergert, CFO

Amtsgericht Chemnitz HRB 19157

USt.-ID. DE 141 093 347

Contact Investor Relations

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

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

rschiller@gk-software.com

Notes

Note to the 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.