GK SOFTWARE

January to June 2016

Interim Report

Simply Retail.

Summary of Consolidated Results

		30.6.2016	30.6.2015	31.12.2015	Change (2016/2015)
Turnover	EUR K	**35,084**	26,856	62,602	30.6%
Operational performance	EUR K	**35,337**	27,147	63,127	30.2%
Total operating revenue	EUR K	**36,353**	28,310	64,853	28.4%
EBIT	EUR K	**305**	(2,275)	(1,276)	113.4%
EBIT margin (on turnover)	in %	**0.9**	(8.5)	(2)	—
EBIT margin (on total operating revenue)	in %	**0.8**	(8.0)	(2)	—
EBITDA	EUR K	**2,307**	(693)	2,177	432.7%
EBT	EUR K	**113**	(2,306)	(1,383)	104.9%
Net result for the period	EUR K	**(209)**	(2,909)	(1,500)	92.8%
Earnings per share (weighted)	EUR	**(0.11)**	(1.54)	(0.79)	—
Earnings per share (diluted)	EUR	**(0.11)**	(1.53)	(0.79)	—
Equity ratio	in %	**42.5**	46.3	42.7	—
Net debt	EUR K	**7,677**	9,046	7,346	(15.1)%
Employees		**820**	707	739	16.0%

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Letter from the Management Board

Dear shareholders,

We would like to take this opportunity of presenting you with the annual report for the first half of 2016. We can look back on six very successful months. We once again managed to significantly increase our turnover. We were able to exceed the excellent results in the same period in the preceding year by more than 30 percent to reach a figure of EUR 35.08 million. In addition to strong business with our existing customers, a significant expansion in our licence revenues formed the basis for this success during the first half of the year. Four new projects, which we were able to gain together with SAP, played a key role in this process. The new customers not only include the international fashion supplier Gerry Weber, but also a leading DIY store operator, an international luxury goods provider and a pharmacy store operator in Guatemala. As a result, we managed to sign agreements covering the equipping of approx. 3,000 stores with about 6,000 systems during the first half of the year.

In addition to outstanding turnover in the licence business, we were also to make significant improvements in the efficiency of our consulting and implementation department in major areas. As a result, we were able to achieve a result that was far better than that of the same period in the previous year. The EBITDA, for example, reached a figure of EUR 2.31 million and was therefore almost EUR 3 million higher than the figure in the same period in the previous year (EUR (0.69) million). The EBIT amounted to EUR 0.31 million, after a figure of EUR (2.28) million was recorded in the previous year. This resulted in a loss for the period of EUR (0.21) million mainly because of income taxes amounting to EUR 0.32 million; the net result in the same period in the previous year was EUR (2.91) million. This corresponds to losses per share of EUR (0.11) (previous year: EUR (1.54)).

We therefore view the results in the first half of the year as clear confirmation of our course and our forecast for the financial year. It has been particularly important for us to see that our new OmniPOS solution, which is being sold by SAP as "SAP Omni-Channel Point-of-Sale by GK", is fully meeting our sales expectations and has proven to be very competitive from the outset. The first productive rollout started during the summer in an OmniPOS project in Ireland and the UK. This means that we already have the first references available just six months after the official launch of the product at the major trade fairs at the beginning of the year and others will follow during the course of the year. We were able to continue expanding the strategic partnership with SAP, which is contributing to the company's growth to a major degree. Our Central Pricing Engine, for example, which has been further developed in close cooperation with SAP, has now been taken over into SAP's range of solutions and embedded in cross-industry solutions sold by SAP. Shortly after the signing of the agreement, one of the world's TOP 50 retailers opted for this software component developed by us. The Central Pricing Engine forms the heart of the comprehensive omni-channel concepts. We will continue this close and very successful cooperation with SAP, as it is permanently opening up new potential for the Company around the globe.

The number of installations using our software continued to rise to a figure of 219,000 during the reporting period, as some projects have reached the rollout stage and we have delivered new country versions to our customers, e.g. in Lithuania. In addition to our clear market leadership for store software in the German-speaking world, our global competitive situation is clearly demonstrated through the fact that we maintain business relations with 20 percent of the world's 50 largest retailers. Alongside the new installations, a large majority of our existing projects continue to generate further turnover, as our customers are continually adapting their solutions to the new demands of their business, tapping into markets in new countries, equipping new sales lines or opting to use additional solutions from our portfolio.

The official launch and the ongoing development of our OmniPOS system were the most important milestone in our research and development work during the first half of the year. The current version of our Omni-POS solution successfully gained premium qualification from SAP during the first half of the year and is therefore available for sale by SAP.

We took over TOV Eurosoftware-UA in Lviv as a wholly owned subsidiary at the beginning of the year in order to gain further room for manoeuvre as regards gaining new employees. The company employed 27 members of staff on the reporting date and the company shares were acquired for a price of EUR 46 K. It has been fully consolidated within the Group since the beginning of this year. Lviv in Western Ukraine is an

outstanding place for gaining well trained specialist staff, who will support our software production.

Based on a very well filled pipeline and the results already achieved, we are confident that we will continue to grow in 2016 and beyond. We are currently holding in-depth discussions with potential customers from Germany and abroad and believe that we are very well placed to win several ongoing tender procedures with our range of software solutions during the second half of the year.

The Management Board at GK Software is standing by its forecast without making any changes, as expressed in the financial statement for the year 2015, assuming that the general economic and political conditions remain as they are. It is probable that turnover in the GK/Retail segment will continue to increase significantly during 2016. In the medium term (up to 2018), we anticipate that we will be able to increase turnover by one and a half compared with 2015 (EUR 62.60 million in the reporting year). However, this development will not necessarily be in any way linear.

We cannot provide a forecast for profitability for individual years. However, we assume that we will once again be able to achieve our old target margin level (EBIT margin) of earnings before interest and taxes of more than 15 percent in our core business segment in the medium term (by 2018) (the figure was (2.0) percent in 2015). For 2016, however, it is quite conceivable that the results will be slightly negative, as the further development of our non-European target markets is a top priority for the Group and could well be associated with further considerable costs.

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

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

GK Software AG shares

Basic data

T.01 Basic data

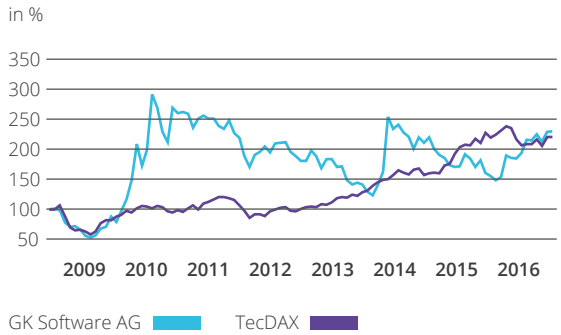
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime 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 2016	EUR 45.68 (26 May 2016)
Lowest price in 2016	EUR 36.01 (18 January 2016)

Summary/share performance

The expression GK Software always refers to the corporate Group in the following text. The same is true of the term "the Company". When GK Software AG is used, this exclusively refers to the individual company.

GK Software AG shares, which are listed on the Prime Standard section of the Frankfurt Stock Exchange, were subject to major fluctuations during the first half of 2016. They started the period at EUR 35.70 and rose to EUR 44.90 at the end of March and then fell back again to EUR 39.00. Following another increase, they reached their peak value of EUR 45.68. The shares were worth EUR 42.45 at the end of the reporting period. This corresponded to market capitalisation of EUR 80.23 million at the end of the first half of 2016. The share price was at EUR 47.30 at the time of writing this report (8 August 2016).

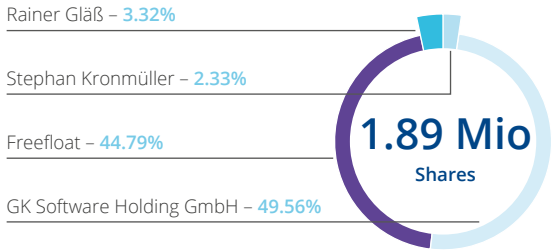
F.01 Share price development (indexed)



Shareholder structure

GK Software AG has an extremely stable shareholder base, which is enabling the Company to achieve long-term and sustained development. The shareholder structure on the reporting date (30 June 2016) was as follows: Rainer Gläss, the founder and CEO, directly holds 3.32 percent of the shares. Stephan Kronmüller, also a Company founder and the former Head of Technology and Development, directly holds 2.33 percent of shares. 49.56 percent of the shares are owned by GK Software Holding GmbH, which has been indirectly and equally apportioned to the Company partners Rainer Gläss and Stephan Kronmüller.

F.02 Shareholder structure on 30 June 2016



This meant that 44.79 percent of the shares were in free float on 30 June 2016.

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

T.02 Amounts overstepping the threshold value

Valid on	Shareholder	Share in %
16.8.2011 [1]	Andreas Bremke GmbH, Arnsberg	3.99
19.6.2013	Deutsche Balaton Aktiengesellschaft, Heidelberg	3.18
27.12.2013 [2]	SAP AG, Walldorf	5.29
17.3.2016 [3]	Scherzer & Co. AG, Cologne	6.36

1 - Mr Andreas Bremke informed us on 19 July 2016 that his share of voting rights in GK Software AG, Schöneck, Germany, had fallen below the threshold of 3% on 13 July 2016 and amounted to 2.96% (that is, 55,958 voting rights) on that day.

2 - SAP AG, Walldorf, Germany, informed us on 17 December 2013 that it owned a share of voting rights of 58.3 percent (equals 55.2 percent following the increase in capital on 17 December 2013) because of (financial/other) instruments (pre-emptive rights until 31 December 2020).

3 - Initial notification of 5.23 percent on 6 March 2012. Information on the current portfolio by the shareholder on 17 March 2016.

Directors' dealings in 2016

None in the first half of 2016

Investor relations

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

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

GK Software AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this means drawing up detailed 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 also meets investors' requirements for information. As in previous years, GK Software AG will also hold an analysts' conference during the Frankfurt Equity Capital Forum in 2016. Investor and press roadshows also take place at regular intervals so that the Company remains in permanent contact with the capital markets.

B

Interim group management report

Financial report

Business and general conditions at GK Software

Corporate structure and holdings

- **Twelve business sites in Europe and branches in the USA, Russia and South Africa**
- **Both company founders are actively involved in the Company**

GK Software AG is one of the world's leading technology companies for retail sector software with a special focus on solutions for large and very large retail companies with many local stores. GK Software AG and its predecessor company, G&K Datensysteme GmbH, which was founded by Rainer Gläss and Stephan Kronmüller and changed its name to GK Software AG in 2001, have been successfully operating in the market place for more than 25 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/Vogtl. since it was founded. Alongside its administration department, the Company has its product development department, project management and third-level support facilities at this site. 1. Waldstrasse GmbH, which was founded to prepare for the takeover of new business activities, is another wholly owned subsidiary. GK Software

Group structure of GK Software AG

F.03

AG has a branch next to Checkpoint Charlie in Berlin, which is primarily responsible for managing the marketing, sales and partner activities; the Company's user-help desk and parts of the software development work are also based there.

The Group's second largest business site has been situated in Plzen in the Czech Republic for almost 20 years. The wholly owned subsidiary, EUROSOFTWARE s.r.o., is home to the software production and research & development departments. Major work on programming and further technological developments for the solutions provided by GK Software take place at the Plzen site. TOV Eurosoftware-UA in Lviv became another wholly owned subsidiary of GK Software has been an additional business site for customised software development since the beginning of 2016.

GK Software AG has another wholly owned subsidiary in Dübendorf in Switzerland called StoreWeaver GmbH. StoreWeaver GmbH has a German branch in St. Ingbert in the German state of Saarland. The teams in St. Ingbert are primarily responsible for the onward development of customer projects; and they also look after the customers of the former Solquest GmbH company.

AWEK GmbH, which focuses on providing services, is also a wholly owned subsidiary. It has its headquarters in Barsbüttel near Hamburg. Mobile technicians for field services are managed from there and cover the whole of Germany. AWEK Microdata GmbH, which is also a wholly owned subsidiary and is based in Bielefeld, specialises in the ongoing development of the Eurosuite checkout software for small and medium-sized enterprises and looks after the installations where this software is in use. AWEK GmbH and AWEK Microdata GmbH together form the IT Services segment within the Group.

GK Software has its own sales organisation in Russia in the form of OOO GK Software RUS. GK Software USA Inc. was founded in the USA in December 2013 so that the Company can support the expected expansion of its North American business locally with a local organisation of its own. The retail segment of DBS Data Business Systems Inc., which was taken over in March 2015, has been incorporated into GK Software USA Inc. GK Software Africa (PTY) Ltd was set up in South Africa at the start of 2015.

The Management Board of GK Software AG consists of Company founder Rainer Gläss (CEO, Strategy, 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, Michael Jaszczyk (CTO), Harald Göbel (Customer Solutions & Services) and Stefan Krueger (Sales).

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

Personnel

- **Further growth at almost all the business sites**
- **Trainee and further training programmes for members of staff**

A total of 820 people were employed within the Group on the reporting date of 30 June 2016 (excluding members of the Management Board and trainees). This means that there are 113 more employees than on the same date in the previous year (707).

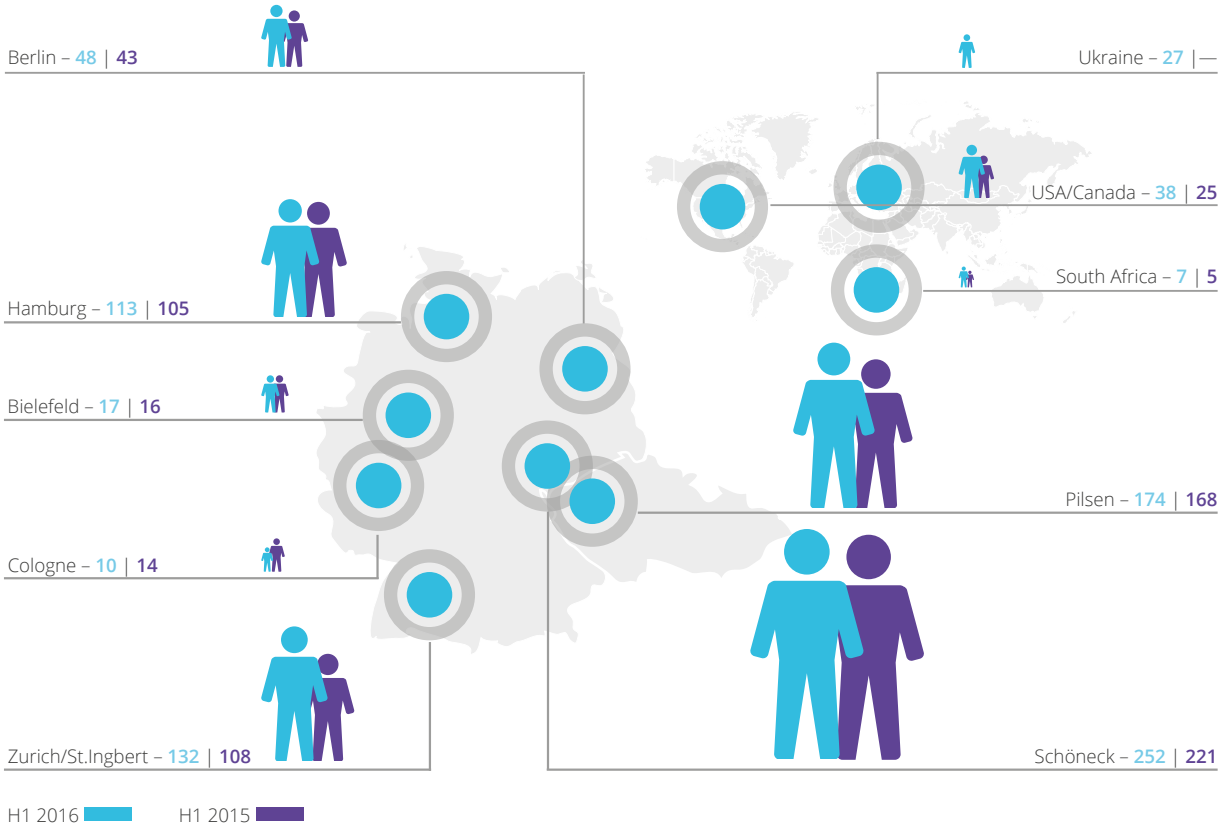
A large number of the Group's employees (252) continue to work at the business site in Schöneck (221: Q2 in 2015). The Berlin branch has now 48 employees working in the sales & marketing, project and partner management, development and first-level support (hotline) departments (the number was 43 at the end of June 2015).

The number of people employed at the Czech subsidiary EUROSOFTWARE s.r.o in Plzen was 174, 6 more than at the same time in the previous year (168: Q2 2015).

113 people were employed in the IT Services sector in Hamburg at the end of the first half of the year (105: Q2 2015), including many mobile service technicians, who are spread across Germany. 17 people were working at the second IT Services site

Distribution of employees at group business locations (from 5 employees) on 30 June 2016

F.04



in Bielefeld on 30 June 2016; they mainly work on software development (16: Q2 2015). Overall, the IT Services division has 130 employees (121: Q2 2015).

128 people were working at the business site in St. Ingbert at the end of the reporting period (72 in the previous year). Four people were working in Dübendorf, the same figure as in the previous year.

The branch in Cologne had 10 members of staff at the end of the reporting period, in comparison with 14 on the reporting date in 2015. As in the previous year, 2 people were employed at the Russian branch on the reporting date. 38 people were working for GK Software in the USA (25 in the previous year). The South African subsidiary employed seven people on the reporting date (5 in the previous year). The number of people employed at the business site of the Ukrainian subsidiary has increased since it was acquired in January 2016 from 14 to 27.

The Management Board expects the growth in employee numbers to continue at a moderate pace in future and the Company will primarily continue to look for highly qualified employees.

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost sales growth at GK Software AG in terms of human resources too. Three trainees are also currently employed at GK Software AG and there are two students attending a university of cooperative education.

The GK Software solution portfolio

- **GK Software — Simply Retail**
- **Extensive portfolio of omni-channel solutions**

GK Software is convinced that only innovative, market-driven retail companies with optimised logistics in the omni-channel world, which is already a powerful driving force, will be able to survive. Retail companies will therefore increasingly become technology-oriented companies, which have to be capable of mapping all their consumers' needs on one modern technological platform. It will be necessary at the same time for them to recognise that they will not handle the increase in complexity with solutions that are running in parallel alongside each other. The main task therefore involves reducing the complexity through a suitable platform solution again and creating solutions, which remain operable and manageable for the users despite growing demands, particularly from consumers. The Company's current slogan "Simply Retail" takes this into account.

In line with this this aspiration, GK Software is following the idea of creating a unified and end-to-end technological platform, which pursues the goal of enabling a consistent and personalised consumer experience through all the so-called customer touch points. It must be possible on this standard platform to create special expansion opportunities for each of the Company's customers at the same time in order to map individual excellence and the creativity of each retail company. For the latter forms the basis for the specific competitive benefits and unique characteristics of the retailers and ensures that they are perceived as a separate brand within the large number of providers in the retail sector.

The Company has made significant investments during the last few years in order to implement this fundamental vision of the future in specific software. This has meant that significant parts of the range of solutions have been extensively revised or newly developed in order to safeguard the future viability of GK/Retail for years to come and not just rely on the status quo. The results of this fundamental management decision cannot be seen that clearly at first glance, as was the case, for example, with the switch from DOS to Java. How-

ever, if we view the effects resulting from this, the effort and expenditure associated with it and the dimension of this change in general terms, this step taken in terms of software development is at least just as great as the former.

The new solution platform known as GK/Retail OmniPOS (POS = Point of Sale) was initially brought on to the market at selected customers in a ramp-up phase, starting in 2015. This solution platform covers far more than the preceding solution, GK/Retail POS (version 12), which is in use at most customers. The fundamental architectural idea of OmniPOS involves being able to use nearly all the functions in a modular and dispersed manner, with or without user interfaces. Each function must be usable as a central service, but also as a local instance and be secure beyond the network boundaries. At the same time, the central services must be able to handle the simultaneous operation of very many customers at the data centre or in a (private) cloud. This is the only way to make it possible to guarantee operations at thousands of checkouts, calculate prices at a web shop or safeguard communications with a large number of customer devices at the same time.

The different GK Software products continue to be brought together in their specific forms for the market within the GK/Retail Business Suite. All the solutions are fully based on the same GK/Retail infrastructure and on Java and open standards. This means that they consistently do not depend on any particular hardware or operating systems.

GK/Retail OmniPOS was officially launched at the beginning of 2016. The first installations were put into productive use in Ireland and the UK in August 2016. GK Software is continuing to market version 12 of the GK/Retail Business Suite in special customer situations. The GK/Retail Business Suite consists of five core solutions in order to group the other processor-oriented additional solutions.

GK/Retail Store Device Control

- **GK/Retail Store Device Control** provides the end-to-end link within the complete store peripheral equipment, for instance, checkouts, scales or reverse vending machines. The software ensures 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 standardised peripheral heads, 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. This solution component is sold by SAP using the name "SAP Store Device Control by GK".

GK/Retail Mobile Merchandise Management Processes

- GK/Retail Mobile Merchandise Management Processes covers the store's merchandise management processes, which are directly made available on the floor or in the warehouse on a wide variety of mobile terminals. The processes, which operate online and offline, rely on a central management system like SAP as their standard feature, but can also interact with other merchandise management systems, if necessary. 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 solution component is sold by SAP using the name "SAP Offline Mobile Store by GK".

GK/Retail OmniPOS and POS

The development and sales activities in the field of POS solutions have primarily focused on GK/Retail OmniPOS since 2015. The GK/Retail POS solution (version 12) will continue to be made available in special sales situations and will be further developed for existing customers.

- GK/Retail OmniPOS is based on a new architectural paradigm, which enables the Company to address all the components as a service and distribute them transparently within the network in line with the customer's IT landscape. As a result, a wide variety of forms of the solution ranging from thin to thick and even smart clients is possible. Basic services like the price

calculation logics can be deployed both locally on the stationary checkout, centrally on the server or separately and be generally used for all the channels. The design of the front ends on the basis of HTML-5 enables rapid adaptation to any kind of device. SAP sells the software under the name "SAP OmniChannel POS by GK".

- GK/Retail POS is the market-leading solution for operating checkout systems. The application guarantees safe handling for all business processes at checkouts (POS) and makes available extensive back office functions for money matters, store administration or reporting.

Other checkout forms are available for both POS variants as additional modules and they rely on the same GK/Retail infrastructure and can be seamlessly inserted in the store landscapes.

- GK/Retail Mobile POS is an innovative software solution for checkout use on devices using the iOS operating system (iPhones, iPods, iPads). The company software manages all the processes available on stationary checkouts and is already being used productively by one important customer. Mobile POS is available in specific individual variations 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 complete all the checkout processes themselves. Together with the associated iOS app, consumer advisers can immediately respond to demands during the checkout process, e.g. age identification when purchasing alcoholic drinks, and they can offer consumers help and support quickly, if required.

GK/Retail Label and Poster Printing

- GK/Retail Label and Poster Printing is a complete solution relying on the GK/Retail infrastructure for label and poster printing and managing electronic shelf media. It ensures that the central standard process for marking prices and addressing customers directly can be used in an efficient manner for in-store marketing. If changes are made to data in the merchandise management system or printing tasks are triggered manually, the solution ensures that all the necessary processes in the store are automatically handled.

GK/Retail Open Scale

- GK/Retail Open Scale is the scale 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 (Physikalisch-Technische Bundesanstalt– Germany's national metrology institute).

Other solutions in the GK/Retail Business Suite

- GK/Retail Enterprise Storemanager is the market-leading software solution providing administration and technical monitoring facilities for major store networks, including those operating in different countries. The software allows corporations to manage and monitor thousands of stores in many countries and is an important unique selling feature for 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 recognised immediately and resolved as quickly as possible. This solution provides company-wide transparency with regard to the status of systems in stores.

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

- GK/Retail Stored Value Server guarantees secure, company-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 whole company 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 whole company. 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).

- GK/Retail TransAction+ is a market-leading solution for handling payments in the USA. It manages to integrate a variety of point of sale systems and a large range of payment authorisation providers. It meets high data protection standards and supports credit and debit cards and gift vouchers, "electronic benefits" and cheque authorisation and accounting for more than 40 payment providers in the USA. The software controls payment devices close to customers at the highest level and is certified for the latest EMV transactions (chip and PIN).

The SQRS software package
When acquiring the assets of the former company known as Solquest GmbH, its range of solutions known as Solquest Retail Solutions (SQRS) was also taken over and it is still in use at eight customers with approx. 4,670 installations. The particular high-performance features of the software lie in the areas of SAP integration and mobile solutions. The SQRS solutions were no longer sold after the takeover of Solquest in order to keep the Group's portfolio of products slim. However, minor adjustments are still being made as part of existing customer relations and they are handled by the StoreWeaver GmbH department. 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.

Ongoing product development
The first half of 2016 was also spent on making further developments to the new OmniPOS software. New functions and business processes and other requirements for specific countries have been implemented. Alongside this, SAP gave the solution premium qualification status during the first six months and thereby approved the current product version of SAP for sale. Regular premium qualification ensures that the SAP version of the software is always based on the current product standard.

Services
In addition to its products, GK Software AG also provides comprehensive services. The most important component in this context involves customising and adapting developments during the initial projects and subsequently introducing change requests, which are a permanent feature of most projects. This includes, for example, adapting software that is already in productive use to broader customer requirements, such as integrating new bonus systems in the checkout environment. Classic issues like consulting, project management or training courses come under the heading of services too.

Maintenance and services
The IT Services sector means that GK Software can also provide maintenance for third-party 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). Work is taking place to continue expanding the Company's portfolio of services.

In addition, as part of the classic software maintenance services, the Group can eliminate errors and faults for all software solutions that are in use at its customers' premises.

Partner training

The GK Academy continued its partner training work during the first six months of the year. 58 employees from partners and customers were trained in this period alone so that they are able to introduce GK solutions. Alongside this, hardware from eight manufacturers was tested and certified for use with GK Software solutions or the certification process was prepared.

Customers and projects

- **Gaining major new international projects**
- **Initial sales successes with the new omni-channel solution**

Most of GK Software's customers continue to come from the retail sector The market sectors, in which the Company is active, are primarily the food retail sector, drugstores & household goods, fashion & lifestyle. DIY & furniture and technology & cars. The products and services are primarily geared towards large and medium-sized enterprises and are particularly suitable for customers with many stores in several countries.

New customer projects in 2016:

- International DIY store operator (more than 200 outlets in Europe)
- Gerry Weber (approx. 1,300 outlets in 18 different countries)
- A leading luxury goods dealer (approx. 1,200 outlets worldwide)
- A pharmacy chain (approx. 230 outlets in Guatemala)

In terms of existing projects, the first half of 2016 was dominated by successful pilot operations in several projects, rollouts and the final completion of one major project. We delivered and rolled out more country-specific versions in several ongoing projects. The migration of the last major existing customers to the latest software version is currently under way so that most of our customers have either switched to this or the switching process is already at an advanced stage. This is creating the conditions for ensuring that we have been able to continue consolidating 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 other services.

The fact that there are now more than 40 joint customer projects where SAP has sold GK solutions is evidence of the active partnership with SAP. The strategic relationship between both companies for the store sector is also reflected in our joint activities at the NRF, the most important North American event and the EuroCIS, the most significant European retail trade fair, coordinated sales activities and close technological cooperation.

Market and competitive environment

- **Positive first half of the year**
- **Growth of approx. 2.0 percent expected in 2016**
- **Investment needs for retail IT remain high**

Business developments at GK Software are significantly affected by the economic situation in the retail sector in Europe, the USA and other developed countries. Apart from the general need for investments in the retail sector and other factors, this forms an important basis for the forecasts covering the Company's ongoing opportunities. Following the successful year in 2015, the first six months of 2016 were positive for the retail sector in Germany too. With the exception of January, the other months exceeded the figures for the previous year on average by 2.3 percent in real terms and 2.4 percent in nominal terms.[1] Forecasts envisage growth of 2.0 percent for the year 2016.[2] The general economic conditions in GK Software's home market therefore continue to be positive. A glimpse at neighbouring countries reveals differing trends. Turnover in the first six months in Austria, for example, rose between 0.1 and 2.0 percent, compared to the previous year, apart from June. Developments in Switzerland were much more negative, where turnover in the retail sector declined by between 1.4 and 2.8 percent.[3]

The overall prospects for the European retail sector indicate an ongoing upward trend. Turnover adjusted for inflation rose, for example, by between 2.2 and 3.3 percent on average in the

1 – Press review no. 265 dated 29 July 2016, https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/07/PD16_265_45212.html

2 – The German Retail Sector, Situation in July 2016, p.7, http://www.einzelhandel.de/images/presse/Graphiken/DerEinzelhandelJan2014.pdf

3 – Eurostat, Turnover in the Retail Sector Overall, http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teiis200&plugin=0 (annual comparison)

months from January until May, in comparison with the figures from the previous year. [1] This development was not reflected in each country, however, and the crisis-hit countries in southern Europe in particular are still a long way off the significantly more positive developments, although slight improvements were recorded there. [2]

There has been a continual upward trend in retail sales in the USA since the middle of 2012 and this has ensured greater movement in the world's largest retail market. [3]

However, it is not possible to draw any linear conclusions from all these developments in terms of the readiness of retailers to invest, as they do not necessarily lead to higher IT budgets, as previous years have shown in Germany. However, they do form a basis, at least in the medium term, for making investments and not continuing to postpone them.

According to the current EY Retail Barometer, only about 61 percent of German retailers described their situation as good or reasonably good, following a figure of 60 percent in the survey conducted in the previous year. [4]Overall one retailer in two is expecting an improvement in its situation, while only one in ten assumes the opposite. [5]On the consumer side, the data in Germany declined slightly in July 2016 according to the GfK consumer climate index, which is primarily due to Brexit. Expectations about income on the part of consumers have been delicately balanced since November 2015, but are positive overall. This was exceeded by a willingness to consume, which was probably not impaired by the vote by the people of Britain. [6]

Prospects continue to be very positive in the e-commerce sector. Turnover here will continue to grow in 2016 [7], although the most attractive markets are the USA, China, Great Britain, Japan and Germany [8]. "RetailMeNot" is expecting turnover of EUR 62.5 billion in the latter, according to its "2016 E-Commerce Study". The existing potential is clear from the fact that the average turnover per customer in Germany was about EUR 1,211 in 2015 and is forecast to rise to EUR 1,352 in 2016, while the increase will be even higher in the USA. [9]The challenges associated with this for the retail sector also affect the solutions provided by GK Software, as the Company's customers have to face them when remodelling and introducing new elements into their IT landscapes. Other new issues like home delivery are acting as further driving forces. There is much ground to be made up in Germany in the latter sector in particular. The market share of food retailers in the total online market is only 0.8 percent in Germany, while it is already 4.4 percent in Great Britain and is valued at EUR 9.2 billion (£ 7.7 billion). [10] Test procedures are currently taking place in Germany again to a greater degree and cover different concepts like store-based deliveries, click-and-collect or central warehouse-based deliveries. About 60 percent of German omni-channel dealers already offer in-store return services or click and collect. [11]One trend should particularly be highlighted: it already began to make itself felt in 2014 and is highly significant for business at GK Software. Multi-channel retailers grew disproportionately in 2015 and increased their turnover by 27 percent to a figure of approx. EUR 14 billion; while the classic purely online markets only grew by four percent to a figure of EUR 24.9 billion. This means that stationary retailers, which can also manage to set up an online business, were increasingly in a position to make use of their advantages arising from the combination of stores

1 – Eurostatistics Data for Short-term Economic Analysis, Issue Number 07/2016, p. 18 (Retail Trade Deflated Turnover) http://ec.europa.eu/eurostat/documents/3217494/7571692/KS-BJ-16-007-EN-N.pdf

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

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

4 – Ernst & Young Trade Barometer, July 2015, p. 3. http://www.ey.com/Publication/vwLUAssets/EY-handelsbarometer-juli-2016/$FILE/EY-handelsbarometer-juli-2016.pdf

5 – Idem, p. 5.

6 – http://www.gfk.com/de/insights/press-release/brexit-stoppt-aufwaertstrend-des-konsumklimas/

7 – http://www.statista.com/statistics/261245/b2c-e-commerce-sales-worldwide/

8 – https://www.atkearney.com/consumer-products-retail/e-commerce-index/full-report/-/asset_publisher/87xbENNHPZ3D/content/global-retail-e-commerce-keeps-on-clicking/10192?_101_INSTANCE_87xbENNHPZ3D_redirect=%2Fconsumer-products-retail%2Fe-commerce-index

9 – http://www.retailmenot.de/studien/internationale-ecommerce-studie-2016

10 – Syndy study: The State of Online Grocery Retail in Europe: pages 14; 25

11 – EHI study: Omnichannel Commerce 2016, p. 27

and web shops[1]. GK Software has been preparing its solutions for this development by moving in the direction of omni-channel retailers for years and therefore believes that it is in an excellent position to meet the relevant demands. New and replacement investments continue to be generally subject to the premise that they must equip firms for future issues too.

Overall, the need for investments on the part of the retail trade remains high, as the study published by the EHI Retail Institute entitled "Checkout Systems in 2016" indicates. 47 percent of IT managers are planning the new introduction of checkout software during the next two years in order to guarantee the use of mobile devices, cashless payments and an exchange of data in real time between enterprise headquarters and stores.[2]The RIS News "Annual Retail Technology Study" shows that 58 percent of the retailers questioned will increase their IT expenditure every year in order to guarantee their customers' data security, increase the personalisation of marketing and expand growing digital sales.[3]

Overall, the conditions for the course of business at GK Software remain positive for the second half of 2016. And this is all the more so, because the company is assuming, on the basis of its partnership with SAP, that it will be able to continue to expand its base of potential customers in the international arena. But these trends are subject to the proviso that the global economy is not hugely disrupted by political or economic factors, which would have a negative effect on economic developments.

GK Software continues to assume that the necessary investments in new systems needed in the short and medium term and the introduction of new issues within the retail sector will continue to offer sales potential in Germany and in the other markets that are being actively processed. There is also an expectation that the partnership with SAP in particular will create further success stories in the international marketplace 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 through its broad portfolio of products, the internationality of its solutions and its proven ability to handle projects quickly.

1 – https://www.bevh.org/presse/pressemitteilungen/details/datum/2016/februar/artikel/interaktiver-handel-in-deutschland-2015-fast-jeder-achte-euro-wird-online-ausgegeben/

2 – EHI Retail Institute, Study: 2016 Checkout Systems, p. 23, 34, 45

3 – RIS News, study 26th Annual Retail Technology Study, p. 6, 10

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

Earnings situation

- **Turnover: EUR 35.08 million; EBITDA: EUR 2.31 million.**

The first half of 2016 was dominated by a period of rapid growth in turnover. It was possible to increase turnover by more than 30 percent from EUR 26.86 million to EUR 35.08 million, while the EBITDA rose by EUR 3.00 million to EUR 2.31 million (earnings before interest, taxes depreciation and amortisation) in comparison with the figures for the comparative period in the previous year. It was therefore possible to register a positive EBIT figure of EUR 0.31 million earlier than expected. The EBIT figure was still negative ((2.28) million) during the same period in the previous year. Taking into account income taxes, the losses in the period amounted to EUR (0.21) million; the loss in the previous year was much higher at EUR (2.91) million. If we relate these figures to the number of shares issued during the first half of 2016, The undiluted earnings amounted to EUR (0.11) per share at the end of the first half of 2016. The losses in the previous year amounted to EUR (1.54) per share.

The particularly encouraging fact in this development was that the strong growth in turnover was equally supported by the GK/Retail core segment and the second most important IT Services segment. Both segments grew by more than 30 percent: The core business, for example, was able to contribute EUR 6.83 million to the overall growth and generated turnover of EUR 28.43 million during the first half of the year, while the turnover at IT Services rose by EUR 1.46 million from EUR 4.73 million to a figure of EUR 6.19 million. The SQRS business segment continued to decline according to expectations and contributed EUR 0.47 million to total turnover during the reporting period, after this figure had amounted to EUR 0.53 million during the same period in the previous year.

If we view the makeup of turnover according to types of turnover, it is clear that the turnover from licences rose by EUR 2.43 million from EUR 2.53 million to EUR 4.95 million (an increase of more than 84 percent). The reason for this development was the sales agreements signed with four new customers and the strong licence business with existing customers. But even the licence business with our Eurosuite solution in the IT Services segment developed in a very positive manner: Here it was possible to increase turnover from EUR 0.07 million to EUR 0.43 million with the result we were able to almost double our turnover in licences overall in comparison with the same period in the previous year.

Service revenues grew by 31 percent in the core business sector - by EUR 4.01 million to a figure of EUR 16.98 million. The comparable figure for the previous year was EUR 12.97 million. Overall, the rollout and expansion business related the GK/Retail core business contributed almost half the total turnover within the corporate Group.

Maintenance revenues in the GK/Retail business also continued to grow (+15.7 percent) and accounted for 23.0 percent of total turnover in this segment at a figure of EUR 6.53 million.

However, other turnover revenues in the GK/Retail segment, which came from the sale of hardware to customers and preparatory services for this customer hardware, fell by EUR 0.24 million in comparison with the previous year. The reason for this lay in the continuation of one-off turnover occurring in the course of the same period in the previous year arising from the sale of hardware in the USA, for which no relevant business was completed during the current reporting period.

Overall, the Group generated maintenance turnover amounting to EUR 10.69 million, following a figure of EUR 9.64 million in the same period in the previous year. The IT Services division contributed EUR 3.75 million to this process. This figure was EUR 0.23 million higher than the previous year's figure of EUR 3.52 million.

On the other hand, other turnover in the IT Services segment rose strongly. This figure was EUR 0.90 million higher than the previous year's figure at EUR 1.36 million. This turnover represents a direct contrast to the decline in turnover in the maintenance area in this business segment, as this

additional turnover with new customers during the last and this financial year occurred for the equipment and preparation work on hardware and therefore compensated for the reduced number of terminal devices being maintained at existing customers.

Turnover in the SQRS segment continued to decline as expected and some of this was transferred to the GK/Retail segment. The revenues from maintenance in this division fell slightly from EUR 0.03 million to EUR 0.05 million compared to the same period in the previous year. Turnover from maintenance work, however, reached a figure of EUR 0.42 million and was therefore EUR 0.06 million lower than the figure in the previous year.

The operating performance primarily rose by 30.2 percent because of the increase in turnover. Overall, it amounted to EUR 35.34 million, compared to EUR 27.15 million for the same period in the previous year. Own work capitalised fell slightly to EUR 0.25 million, following a figure of EUR 0.29 million in the first half of 2015. The low absolute amount of own work capitalised and its decline also expressed the increasing degree of maturity in the products.

The Group's total operating revenues rose by one quarter to 36.35 million (EUR 28.31 million in the previous year). The share of turnover in total operating revenues was 96.5 percent, slightly higher than in the previous year, while the share of own work capitalised amounted to 0.7 percent, following a figure of 1.0 percent in the reporting period in the previous year.

Expenditure on purchased goods and services rose by a total of EUR 0.62 million to EUR 3.82 million. This increase included EUR 0.18 million on additionally purchased goods compared to the previous year and EUR 0.423 million on external consultancy services related to the envisaged increased flexibility of service capacities.

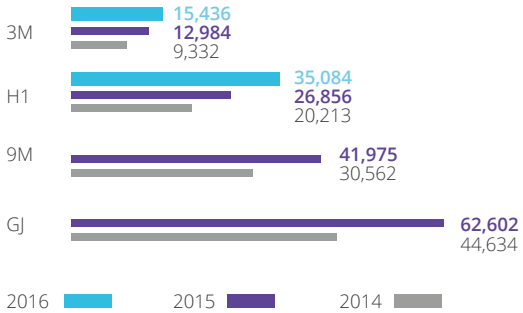
Despite these efforts to make capacities more flexible, the personnel costs increased in response to the considerable expansion in turnover once again by 22.5 percent or EUR 4.20 million to a figure of EUR 22.87 million. Other driving forces in the growth in personnel numbers were the need to underpin the continuing process of internationalisation and provide the relevant workers to cope with the strong services on offer.

Depreciation and amortisation amounted to EUR 2.00 million, following a figure of EUR 1.58 million in the previous year. The increase by EUR 0.42 million was largely due to scheduled amortisation (amounting to EUR 0.30 million) on the assets identified as part of the purchase price allocation for our acquisition in the USA. It should be noted that the complete first half of 2016 was subject to depreciation/amortisation, while this was only the case of three-and-a-half months in the previous year because the acquisition took place in March. The remaining increase was due to the scheduled depreciation on office and business equipment as part of the expansion of capacities.

T.03 Total output

	30.6.2016		30.6.2015		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Turnover	35,084	96.5	26,856	94.9	8,228	30.6
Own work capitalised	253	0.7	291	1.0	(38)	(12.9)
Operating revenues	35,337	97.2	27,147	95.9	**8.190**	**30.2**
Other operating revenues	1,016	2.8	1,163	4.1	(147)	(12.7)
Total operating revenues	36,353	**100.0**	28,310	**100.0**	**8,043**	**28.4**

F.05 Quartaly sales development compared to previous years in EUR K



Turnover by segments

T.04

	H1 2016		H1 2015		Change		FY 2015	
	EUR K	in %	EUR K	in %	EUR K	in %	EUR K	in %
Turnover with								
GK Retail	28,428	81.0	21,598	80.4	6,830	31.6	49,559	79.2
SQRS	466	1.3	526	2.0	(60)	(11.4)	1,062	1.7
IT Services	6,190	17.7	4,732	17.6	1,458	30.8	11,981	19.1
Total	**35,084**	**100.0**	**26,856**	**100.0**	**8,228**	**30.6**	**62,602**	**100.0**
Licences	**4,952**	**14.1**	**2,527**	**9.4**	**2,425**	**96.0**	**10,490**	**16.8**
GK Retail	4,520	12.9	2,453	9.1	2,067	84.3	9,793	15.6
SQRS	—	—	—	—	—	—	—	—
IT Services	432	1.2	74	0.3	358	483.8	697	1.1
Maintenance	**10,687**	**30.5**	**9,635**	**35.9**	**1,052**	**10.9**	**20,755**	**33.2**
GK Retail	6,525	18.6	5,638	21.0	887	15.7	12,290	19.6
SQRS	416	1.2	480	1.8	(64)	(13.3)	974	1.6
IT Services	3,746	10.7	3,517	13.1	229	6.5	7,491	12.0
Services	**17,683**	**50.4**	**13,669**	**50.9**	**4,014**	**29.4**	**29,682**	**47.4**
GK Retail	16,979	48.4	12,966	48.3	4,013	31.0	26,076	41.7
SQRS	50	0.1	22	0.1	28	127.3	88	0.1
IT Services	654	1.9	681	2.5	(27)	(4)	3,518	5.6
Other Business	**1,537**	**4.4**	**902**	**3.4**	**635**	**70.4**	**1,498**	**2.4**
GK Retail	179	0.5	418	1.6	(239)	(57.2)	1,223	2.0
SQRS	—	—	24	0.1	(24)	(100)	—	—
IT Services	1,358	3.9	460	1.7	898	195.2	275	0.4
GK Academy	**225**	**0.6**	**123**	**0.5**	**102**	**82.9**	**177**	**0.3**
GK Retail	225	0.6	123	0.5	102	82.9	177	0.3
SQRS	—	—	—	—	—	—	—	—
IT Services	—	—	—	—	—	—	—	—

Other operating expenditure amounted to EUR 7.35 million during the reporting period, following a figure of EUR 7.13 million in same reporting period in the previous year. This increase by EUR 0.22 million was, in turn, due to the increasing costs for distribution work like travel expenses (EUR +0.34 million), expenditure on trade fairs and other sales expenditure (EUR +0.09 million), data traffic (EUR +0.05 million) and maintenance services for office and business equipment (EUR +0.10 million) with a simultaneous reduction in expenditure on general consultancy and administrative costs (EUR (0.34) million).

As a result, The Group generated earnings before interest and taxes (EBIT) of EUR 0.31 million at the end of the first half of 2016, following an EBIT figure of EUR (2.28) million in the previous year. The financial results during the first six months of 2016 were EUR (0.19) million (EUR 0.03 million in the previous year). Expenditure on interest increased by EUR 0.16 million to EUR 0.27 million because of the new loans taken out as part of the expenditure for the acquisition in the USA, while interest yields remained almost constant at EUR 0.08 million in comparison with the previous year.

Financial results

T.05

	30.6.2016		30.6.2015		Change	
	EUR K	in % [1]	EUR K	in % [1]	EUR K	in %
EBITDA	2,307	6.6	(693)	(2.6)	3,000	432,7
EBIT	305	0.9	(2,275)	(8.5)	2,580	113.4
EBT	113	0.3	(2,306)	(8.6)	2,419	104.9
Consolidated earnings	(209)	(209)	(2,909)	(10.8)	2,700	92.8

1 - on turnover

The earnings before tax (EBT) therefore increased from EUR (2.31) million to EUR 0.11 million in comparison with the previous year. After tax, there was a shortfall for the period of EUR (0.21) million, following a figure of EUR (2.91) million in the previous year.

Based on the 1,890,000 shares in circulation on the reporting date, this corresponds to losses per share of EUR (0.11) (undiluted; the figure in the previous year for the number of shares in circulation at the current time was EUR (1.54) per share). The diluted earnings per share amounted to EUR (0.11).

Assets situation

The consolidated balance sheet total amounted to EUR 67.80 million on the reporting date and was therefore EUR 0.04 million lower than the comparative figure of EUR 67.76 million on 31 December 2015.

Non-current assets rose by EUR 0.45 million in all compared to the balance sheet total on the reporting date of 31 December 2015 and current assets, excluding cash and cash equivalents were slightly at the same level as on the reporting date in the last business year. Stocks of cash and cash equivalents, however, remained almost at the figure for 31 December 2015 (EUR 7.38 million).

On the funding side of the balance sheet, it should be noted that equity declined slightly in absolute terms by EUR 0.14 million. The equity ratio therefore amounted to 42.5 percent, after it had stood at 42.7 percent on 31 December 2015. The equity amounted to EUR 28.83 million on 30 June 2016.

GK Software's debts rose by EUR 0.18 million compared to the reporting date in the previous year - non-current liabilities by EUR 0.81 million to EUR 15.07 million and current liabilities increased by EUR 0.99 million to EUR 23.90 million.

T.06 Assets situation

	30.6.2016 (not audited)		30.6.2015 (not audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	34,512	50.9	34,468	50.9	45	0.1
Current assets without cash and cash equivalents	25,905	38.2	25,916	38.2	(11)	(0.0)
Cash and cash equivalents	7,383	10.9	7,377	10.9	7	0.1
Assets	**67,800**	**100.0**	**67,760**	**100.0**	**40**	**0.1**
Equity	28,828	42.5	28,967	42.7	(139)	(0.5)
Non-current liabilities	15,070	22.2	15,883	23.5	(812)	(5.1)
Current liabilities	23,902	35.3	22,911	33.8	991	4.3
Liabilities	**67,800**	**100.0**	**67,760**	**100.0**	**40**	**0.1**

The reduction in non-current assets was mainly due to the scheduled amortisation of intangible assets. They totalled EUR 1.29 million, while accruals for software tools and own work capitalised and the adjustments to goodwill performed on the basis of changes in currency exchange rates amounted to EUR 0.19 million in all.

Current assets without cash and cash equivalents remained largely stable. The most important changes here were firstly the declines in trade accounts receivable by EUR 1.40 million, which were countered by accruals in accounts receivable for ongoing work amounting to EUR 0.63 million and other receivables and assets amounting to EUR 0.74 million. The increase in accounts receivable from ongoing work was due to the concentration in project flows between project accounting periods, while the increase in other accounts receivable was largely due to the increase in accruals and deferrals in maintenance contracts. The increase in accounts receivable from ongoing work was due to the concentration in project flows between project accounting periods.

Stocks of cash and cash equivalents amounting to EUR 7.38 million matched the value at the end of the 2015 financial year; for further details, see the statements on the financial situation for further details.

Non-current debts declined slightly by EUR 0.81 million in comparison with the balance sheet reporting date in 2015, which was mainly due to

the decline in non-current bank liabilities by EUR 1.30 million, which was, in turn, triggered by the reallocation of liabilities due for payment within one year to current liabilities with banks. In contrast, deferred tax assets and liabilities increased by EUR 0.56 million to a figure of EUR 2.45 million.

The driving force behind the increase in current debts was primarily the increase in current bank liabilities by EUR 1.64 million and the increase in other current liabilities by EUR 0.68 million. The increase in current bank liabilities was due to the one-off reallocation of liabilities incurred with banks because of the acquisition in the USA and due for repayment within one year from the non-current to the current area and making use of current account overdraft facilities. The rise in other liabilities was primarily due to the increase in deferred accruals from earnings statements amounting to EUR 1.41 million.

Financial situation

The cash flow due to operating activities amounted to EUR 1.32 million during the first half of 2016, following a figure of EUR (0.42) million during the same period in the previous year. The cash flow from operating activities in the narrower sense during the first half of 2016 was highly positive (EUR +2.26 million), following a negative figure of EUR (0.89) million in the same period in the previous year. As the change in net current assets had a positive effect on the income statement at EUR 0.46 million in the previous year, this development weighed on the operating cash flow in the reporting period to the tune of EUR 0.09 million. The reason for this development in net current assets was the high numbers of accounts receivable on account of the high turnover in the month of June. The cash flow from operating activities was also negatively affected to the tune of EUR (0.84) million by the negative balance in interest received and paid (EUR (0.23) million, largely due to obligations arising from funding the US acquisition) and the income taxes paid (EUR (0.61) million). This influence was hardly noticeable during the same period in the previous year (EUR +0.01 million). The net influx of cash and cash equivalents from operating activities therefore amounted to EUR 1.32 million.

Investment activities weighed on the Group's cash flow at EUR 1.50 million to a much lesser degree than in the same period in the previous year, which was dominated by the acquisition in the USA and in which payments for investments were made to the tune of EUR 17.67 million. The investment activities are once again dominated by non-current effects.

The funding activities led to an outflow of EUR 0.82 million, which was mainly due to the repayment of bank loans.

Overall, stocks of cash and cash equivalents at EUR 6.36 million were slightly higher than the figure of EUR 7.38 million on 1 January 2016.

Financial and non-financial performance indicators

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

T.07 Financial performance indicators

		30.6.2016	30.6.2015
Gross earnings margin on turnover	in %	92.7	93.5
Personnel ratio	in %	65.2	69.5
EBITDA margin on operating performance	in %	6.6	(2.6)
EBIT margin on operating performance	in %	0.9	(8.5)
Equity ratio	in %	42.5	42.7
Investment ratio I	in %	50.9	50.9
Excess in cash and cash equivalents over interest-bearing liabilities	EUR K	(7,677)	(7,346)

The key figures mentioned above are used - alongside others - to analyse developments that deviate from the plan. For example, the personnel ratio is an important figure for analysing the development of the earnings situation. On the other hand, this largely depends on the "Turnover" key performance indicator and any deterioration in its value may express both wrongly established production apparatus and the failure in the target figure to meet the "Turnover" key performance indicator. However, this can be directly deduced. In this sense, these key indicators are important aids in analysing the development, but do not form any control parameters in themselves.

If we assume that the forecast for the key performance indicators will be met, we can expect that the key indicators quoted here will provide a positive development to manage the earnings, financial and assets situation and will move once again towards achieving the figures recorded in 2013. Developments compared to planning assumptions are currently slightly above expectations. However, based on the current state of information, it should be assumed that the key performance indicators will move in the direction of the values forecast in the 2015 annual accounts.

Non-financial performance indicators. The management team primarily watches key indicators in sales activities as far as non-financial performance indicators are concerned. There are two key values here: customer satisfaction and the number of customer contacts. They are not observed in a formalised manner, but are documented and assessed through regular reports about existing projects and sales activities with possible new customers and are presented to the responsible members of the Group Management Board and the Management Board. Decisions about ongoing actions and procedures are made at an individual case level. Overall, we expect customer satisfaction to continue to improve. The changes introduced in March 2014 regarding the organisation of customer support through the introduction of "client executives" is due to be further intensified this year through the introduction of "customer offices" and this should generally continue to enhance overall support.

Report on key events

after the end of the first half of the year

No key events occurred after the end of the reporting period.

Report on the risks, prospects and outlook for the GK Software group

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

Risks

Risk management system

GK Software deliberately takes entrepreneurial risks in order to benefit from the opportunities presented by the market. A risk management system has been introduced during the past few years to recognise, manage and minimise risks at an early stage. Among other things, the Management Board meets once a month to discuss 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 composition of the Group Management Board ensures that all segments of the business activities are represented in the same way as the internal areas of product development and research & development; this makes it easy for the Group's managers to take into account the specific risks in an appropriate manner. The Supervisory Board is informed of the results of these discussions. The documentation for 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 record any positive opportunities.

Due to the nature of the risk management system, the focus is on early recognition and reporting of emerging risks. For this purpose, informal discussions between members of the Group Management Board and employees who are responsible for the risk classes described below are encouraged, in order to eliminate avoidance strategies in communications as far as possible. This is because the management team is aware that the early recognition of risks requires open communications between top managers and those responsible, but at the same time, people tend to avoid communicating unpleasant news; managing risks by monitoring key figures alone is not possible. Nevertheless, the risk management system is being further developed with a view to the expansion of economic key figures in particular, in order to facilitate the verification of informal information.

The most serious risk among the following risks is the risk of damage to the Company's reputation if an individual project should go wrong. The risks that influence customer behaviour, such as 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 two types of risks mentioned: changes in market conditions or regulatory requirements could increase the complexity of projects, making it more likely that problems will arise during projects.

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

Risks resulting from changes in the requirements of potential customers must first be summarised. These lead to longer sales cycles and therefore to a reduction in the number of realisable sales opportunities. At the same time, new requirements increase the complexity of projects, which raises the risk that project plans will fail. These risks increase the risk of damage to the Group's reputation because the lack of sales opportunities, above all caused by extended sales cycles, raises the significance of individual projects for the overall reputation of GK Software. Another risk group is related

to external risks such as macroeconomic developments, the development of regulatory framework conditions and shifting focuses in the customer and competitive environments. These risks cannot be controlled by the Group and can in part have the effect of enhancing the risks in the first group. A third group of risks relates to the development, usage and management of project capacities. The solution to the usage risk lies in increasing the flexibility of capacities; increased risks for project quality may result from this because more flexible capacity can only be accessed indirectly. Further risks are individual risks that are the result of major individual measures such as company acquisitions and their integration. Alongside these aforementioned operative risks, there are financial risks, the impact of which on projections is not currently believed to be very significant.

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 prevents any general assessment sequence.

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

Risks and overall picture of the risk situation

One major risk which cannot be influenced by the Group involves the business developments of GK Software's customers due to the development of the general economy and consumer sentiment. The actual developments in 2016 and the prospects for 2017 have been dominated by a generally calm and constant growth process in the economy in many parts of the world. The impact of the crisis between Ukraine and Russia is still completely unclear and this affects specific markets where GK Software operates. The refugee crisis and its ongoing development and the lack of clarity about handling it and the timing of Great Britain's exit from the European Union and the ongoing precarious situation in the euro crisis and its possible ensuing factors (e.g. an exit from the eurozone by Greece) will have an effect on economic developments in Europe, which cannot be fully determined yet.

It is true that the forecasts presented by associations and analysts tend to suggest that the retail sector will enjoy relatively calm developments in a largely calm overall economic environment, but the psychological factors of any contradictory news situation on the investment behaviour of customers of GK Software in an environment that is hard to assess can only be guessed - as was the case last year.

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

One major argument for the successful sales of GK Software solutions and the long-standing customer relationships in many cases is the consistently successful completion of customer projects in the past. However, any failures 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 long-term existence. As a result, the relevant project managers inform the responsible members of the Group 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 important indicators 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 small number of customers, with the result that these business relations provide significant contributions to turnover and results within any financial year. The Management Board anticipates that this will continue to be the case in future too. If a business partner breaks off a project or drifts into payment difficulties, this could have financial consequences for GK Software. However, this risk is restricted by regular payment plans or agreements for payments according to so-called project milestones.

Another new risk arises from the start of developments related to omni-channel approaches in the retail sector. This fundamentally new way of thinking and the opportunity of introducing it can extend the sales cycles in comparison to current periods, as customers view these developments as strategic and have to introduce a proper process to achieve the full potential. This can extend the times required for decisions with the corresponding effects on 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, which could lead to an increase in demand from the retail sector. The retail sector in Germany is generally dominated by strong competition in terms of prices. Retail companies therefore seek to pass on the resulting pressure on prices to their suppliers and contractual partners. This process is also felt in the field of investments in IT equipment and may have an effect on manufacturers of software for the retail sector. However, as GK Software provides strategically significant solutions to retail groups, these risks are not classified as a threat to the company's existence.

The process of consolidation taking place on the customer side is continuing, similar to that encountered at rival companies. This concentration is clear through the acquisition of direct competitors 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 anticipates that past market developments are leading to the separate purchase of hardware and software, a reversal of this trend and therefore a negative impact on GK Software's sales opportunities cannot be completely ruled out.

The planned expansion in turnover is also associated with certain financial risks. For the Group entities, these mainly arise from preliminary payments for customer acquisition. This risk is increased by the extensions in 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 must also be scaled progressively and this should take place through partners. There are, however, other risks here due to the lack of control over partners. GK Software has thus set up a partner programme with the certification of 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 and could lead to higher provisions for warranties and accommodating arrangements, not only for individual projects, but for all of them. The Management Board is however confident that it has steered the development work for software in a direction that generally guarantees the quality standards achieved in the past. This quality risk in individual projects is managed by regular reporting by the responsible project managers to the responsible Group Management Board Members. A summary report of recognised risks is communicated to the Management Board at the standard monthly board meetings.

GK Software does not exclude the possibility of expanding its product and sales base, partly by deliberate acquisitions of companies, in the light of its planned expansion of its business activities during the next few years; one example is the acquisition of the retail division of the US company DBS Data Business Inc. in March 2015. The Group will exercise the maximum possible degree of prudence when preparing for and checking acquisitions. However, it is impossible to completely eliminate the risk that an acquisition may have negative effects on GK Software profits, for example, when integrating the new components of a company. Even after just over a year, we can already state that the acquisition seems to be meeting the short-term expectations placed in it. However, it should be noted that the integration process has naturally not yet been completed and still harbours some risks.

To ensure further growth, the consolidated companies need to attract additional, highly qualified employees. At the same time, it is impossible to rule out the possibility that members of staff in key positions will leave Group companies. For this reason, it will be an ongoing challenge for the Group to retain current staff in the Company and at the same time attract new, motivated specialists.
The Group is making efforts to be an interesting employer for its existing employees and become an interesting employer in the jobs market by providing a combination of interesting tasks, international fields of operation and innovative products. The IPO and the Company's reputation as an innovative IT corporation have made the Group considerably more attractive on the job market. Establishing a share option programme for managers and leading employees in the Group, which was performed during this financial year, is expected to increase this existing attractiveness even more. 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.

In the light of the fact that the Group is managing its capital 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 therefore place the highest priority on maintaining capital, it is important to state the following risks to business developments within the Group too.

The financial risks not only involve credit default risks and liquidity risks, but also 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 receivables exist with 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 such as 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 recorded from these depreciated financial assets.

The default risk with regard to cash and cash equivalents is slight, as the banks holding the accounts are all members of the German deposit protection scheme or they have an outstanding reputation with a corresponding credit rating.

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

The Group controls the liquidity risks by having appropriate cash and cash equivalents, credit lines and similar credit facilities available and by monitoring the deviations between forecasts and actual cash flows. The maturity dates of financial obligations are monitored, as is 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 liabilities and the actual liquidity situation, the Management Board has not identified any liquidity risks.

Risk reporting in relation to the use of financial instruments

The Group is exposed to risks associated with exchange rates 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 any increases in the interest rate that is 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 therefore enters into payment obligations arising from work, renting and leasing contracts in all these currencies. The Group also purchases equipment and materials in all these currencies. On the balance sheet date, the Group had only issued invoices for sales and services alongside the operational currency in Swiss francs, US dollars and Canadian dollars. The Group is carrying out a sensitivity analysis to determine the risk of exposure to foreign currencies. The results of this analysis show an influence on the Group net results in terms of a ten percent increase and/or decrease in the value of the euro in comparison with these currencies amounting to EUR 82 K (previous year: EUR 109 K) arising from exchange rate risks. The development of the euro against the Swiss franc and the US dollar in the past has actually been characterised by even greater fluctuations than those portrayed in the sensitivity analysis. In the view of the Management Board, the sensitivity analysis does not, however, reflect the actual exchange rate risk, as the risk at the end of the reporting period only reflects the risk during the year to a certain extent. This was due to accounting fluctuations, particularly at the end of the first quarter of a financial year, for services which are valued in Czech crowns and US dollars, but which are only accounted for once a year.

An interest and currency swap was taken out to safeguard the cash flow arising from the acquisition of the Retail & Programming division of DBS Inc. in the USA in order to repay the investment loan at IKB. The interest and currency swap started on 31 December 2015 and ends on 31 March 2021. Quarterly repayments amounting to USD 529 K and approx. USD 100 K in interest must be paid to IKB from the first half of 2016 onwards. Bank assessments were used to determine the fair value on the balance sheet reporting date. The market value of this interest and currency swap covering a nominal volume of EUR 9,500 K (USD 10,065 K) amounted to a total figure of EUR 184 K on the balance sheet reporting date - derived from the mid-market price. This amount has been entered on the balance sheet under "Other assets". No valuation unit has been formed.

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 current year, interest payments of EUR 35 K were made and interest expenditure of EUR 126 K was recognised on the income statement. The interest rate on the loan with the DZ Bank is fixed over the complete term so that no interest risks arise from this contract. The interest rate is set quarterly at a rate of 1.9 percentage points above the 3-month EURIBOR rate in the case of the investment loans taken out with the Commerzbank to the value of EUR 750 K and EUR 450 K. The interest risk has been restricted by an interest rate cap of 1.0 percent p.a. The loan from the Commerzbank in Plauen also attracts an interest rate that is set quarterly at 1.8 percentage points above the 3-month EURIBOR rate. The risk here has been restricted to 4.0% p.a. throughout the term by means of an interest rate cap. 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.

At the end of the first half of 2016, the Management Board believed that there was no risk, which might pose a threat to the existence of GK Software or the Group.

Opportunities

There are growth opportunities for the Group both in Germany and abroad. The issues targeted by the products of GK Software are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be successful in the international market, the Group is well placed with references, not only from the German retail sector, but from having a technically well-developed product. GK Software is already very well represented internationally with more than 219,000 installations in 40,000 stores in over 40 different countries. GK Software 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 Group can make use of the experience that it has gained with its German and international customers, as the solutions have already been successfully introduced in 38 countries and can therefore be quickly transferred to foreign customers.

The growth prospects in Germany have also not yet been exhausted 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 retailers 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 optimising 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 standardisation and the simplification of processes, retail companies' margins will come under even greater pressure. Homogenised check-

out systems and centralised data flows will therefore be very important to retailers in the future. GK Software AG can clearly benefit from this investment behaviour in the retail sector.

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

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

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

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

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

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

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

The Group accounts and the accounts of the individual companies are organised and handled in-house. GK Software completes the accounts for the German subsidiaries or branches of subsidiaries as a service. The financial statements for the foreign Group companies are handled locally. The local annual accounts are then consolidated with the parent company's accounts by making suitable adjustments. The wage and salary accounts for the German companies and branches of the foreign subsidiaries are handled by GK Software internally.

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

Outlook

Developments at GK Software on the half-yearly reporting date have exceeded the expectations for this period. Management therefore believes that it will reach the targets that it has set for 2016. In this sense, the forecast for the ongoing course of business in 2016 remains unchanged in comparison with the forecast made in the financial statement for 2015.

Based on the information available so far, we are expecting the Group's financial and earnings situation to improve once again as a result of the ongoing expansion of business in 2016 and we do not expect any developments in its financial situation, which could pose a threat to the company's existence. However, this assessment is subject to the impact of developments, regardless of whether they are expected or come as a surprise; the Group is unable to influence them and they could have a major effect on this forecast.

We remain committed to continuing to pursue our strategy of expanding the geographical scope of the Company by increasingly tapping into and further developing other geographical markets. The expansion into the North American market should increase the visibility for turnover by creating substitution options for shifting sales opportunities. At same time, the Company will continue to further penetrate the existing customer market. We want to ensure that in future, the ongoing expenses can be covered by the current sales revenues from project services, software maintenance and retail services, in order to eliminate the fluctuations in the earnings situation experienced over recent years. This can, however, only be achieved over a longer period of time, which we have set as three years.

It is probable that turnover in the GK/Retail segment will continue to increase significantly during 2016. In the medium term (up to 2018), we anticipate that we will be able to increase turnover by one and a half compared with 2015 (EUR 62.60 million). However, this development will not necessarily be in any way linear.

We cannot provide a forecast for profitability for individual years. However, we assume that we will once again be able to achieve our old target margin level (EBIT margin) on earnings before interest and taxes of more than 15 percent in our core business segment in the medium term (by 2018) (the figure was (2.0) percent in 2015). For 2016, however, it is quite conceivable that the results will be slightly negative before tax and before the costs of funding, as the further development of our non-European target markets is a top priority for the Group and could be associated with further considerable costs. In addition, short-term delays to customer projects could continue to have a considerable impact on the earnings situation for the Group. It is precisely uncertainty about the realisation of individual sales prospects, which, in conjunction with the size of the Group, leads to a forecast for the EBIT fraught with considerable uncertainties, as individual sales opportunities may involve a significant share of sales revenues with particularly high results margins.

We expect the operating performance to develop more slowly than turnover. It should be emphasised that the operating performance not only includes turnover, but also own work capitalised, which accounted for more than 1.1 percent of turnover in the whole previous year. We anticipate that the absolute and relative importance of own work capitalised will continue to decline and therefore the operating performance will grow somewhat more slowly than turnover during the forecast period. Alongside the EBIT figure, EBITDA will further develop for existing business; nevertheless, the lower negative effect from the depreciation of own work capitalised will lead to a gradual acceleration in the development of the EBIT figure compared to that of the EBITDA. Individual needs for value adjustments on intangible assets could lead to additional financial burdens, even if they are not currently expected.

We would explicitly repeat here that these estimates are valid, provided that no external shock situations take place. The political and economic situation has rarely been subject to such a large number of problem areas, which are hard to assess. The ongoing lack of clarity about several countries in southern Europe, the pending question marks in conjunction with what is known as Brexit, the effects that the Arab and African refugee crisis could have on the southern borders of Europe could all have considerable effects on

the general economic climate. All this could affect the readiness of the retail sector to make investments and this could logically have a negative effect on the turnover and results potential at GK Software.

The Management Board

Rainer Glaess
Chief Executive Officer

André Hergert
Chief Financial Officer

C | Consolidated accounts

Consolidated balance sheet

on 30 June 2016

Assets

T.09

EUR	Notes no.	30.6.2016 (not audited)	31.12.2015 (audited)
Property, Plant and Equipment	2.;3.1.	6,365,820.41	5,752,753.87
Intangible assets	2.;3.2.	24,086,041.47	25,189,562.48
Financial assets		1,660.00	1,660.00
Deferred tax assets	2.;4.9.	4,058,786.77	3,523,573.57
Total non-current assets		**34,512,308.65**	**34,467,549.92**
Goods	2.;3.3.	493,074.13	482,464.63
Raw materials and supplies	2.;3.3.	1,258,118.84	1,172,383.58
Initial payments made	2.;3.3.	4,023.18	56,941.54
Trade accounts receivable	2.;3.4.	11,203,433.41	12,604,882.02
Trade accounts receivable from ongoing work	2.;3.5.	7,122,519.25	6,494,637.81
Income tax claims	2.;4.9.	198,632.75	218,534.41
Accounts receivable with associated firms	3.6.	11,857.30	11,857.30
Other accounts receivable and assets	2.;3.7.	5,613,042.92	4,874,184.15
Cash and cash equivalents	2.;3.8.	7,383,294.94	7,376,753.60
Total current assets		**33,287,996.72**	**33,292,639.04**
Balance sheet total		**67,800,305.37**	**67,760,188.96**

Liabilities

T.10

EUR	Notes no.	30.6.2016 (not audited)	31.12.2015 (audited)
Subscribed capital		1,890,000.00	1,890,000.00
Capital reserves		18,456,175.81	18,364,587.77
Retained earnings		31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 2011, IAS 21)		(512,707.25)	(491,252.91)
Profits carried forward		9,172,219.74	10,672,457.83
Shortfall for period		(208,728.46)	(1,500,238.09)
Total equity		**28,828,054.86**	**28,966,649.62**
Provisions for pensions	2.;3.10.	1,399,635.00	1,459,930.00
Non-current bank liabilities	2.;3.11.	10,269,500.90	11,568,035.00
Deferred government grants	2.;3.12.	946,539.98	966,943.09
Deferred tax liabilities	2.;4.9.	2,454,440.04	1,887,700.11
Total non-current liabilities		**15,070,115.92**	**15,882,608.20**
Current provisions	2.;3.14.	1,859,980.79	2,620,599.84
Current bank liabilities	2.;3.11.	4,790,377.70	3,154,528.30
Liabilities from trade payables	2.;3.15.	1,501,425.41	2,091,159.67
Initial payments received	2.;3.16.	4,371,511.58	4,004,546.59
Income tax liabilities	2.;3.17.	397,051.48	740,615.04
Other current liabilities	2.;3.18.	10,981,787.63	10,299,481.70
Total current liabilities		**23,902,134.59**	**22,910,931.14**
Balance sheet total		**67,800,305.37**	**67,760,188.96**

Consolidated profit and loss statement and other results

for the financial year from 1 January until 30 June 2016

Consolidated profit and loss statement

T.11

EUR	Notes no.	30.6.2016 (not audited)	30.6.2015 (not audited)	31.12.2015 (audited)
Ongoing business operations				
Turnover revenues	4.1.	35,083,849.18	26,855.937.39	62,602,328.60
Own work capitalised		253,157.40	290,685.50	524,894.01
Other operating revenues	4.3.	1,015,950.74	1,163.208.90	1,725,836.17
Sales revenues and other revenues		**36,352,957.32**	**28,309,831.79**	**64,853,058.78**
Materials expenditure	4.4.	(3,821,255.78)	(3,203,274.78)	(8,266,126.59)
Personnel expenditure	4.5.	(22,871,169.00)	(18,667,840.23)	(39,667,852.88)
Depreciation and amortisation	3.1;3.2.4.6.	(2,001,751.67)	(1,581,768.82)	(3,452,870.12)
Other operating expenditure	4.7.	(7,353,652.97)	(7,132,020.77)	(14,741,782.53)
Total operating expenses		**(36,047,829.42)**	**(30,584,904.60)**	**(66,128,632.12)**
Operating results		**305,127.90**	**(2,275,072.81)**	**(1,275,573.34)**
Financial income	4.8.	80,097.04	78,593.81	215,971.32
Financial expenditure	4.8.	(272,572.31)	(109,490.11)	(323,439.90)
Financial results	**4.8.**	**(192,475.27)**	**(30,896.30)**	**(107,468.58)**
Income tax results		**112,652.63**	**(2,305,969.11)**	**(1,383,041.92)**
Income taxes		(321,381.09)	(603,133.43)	(117,196.17)
Consolidated shortfall for the period		**(208,728.46)**	**(2,909,102.54)**	**(1,500,238.09)**
Other results after income taxes				
Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions				
Differences in exchange rates from recalculating foreign business operations		(20,954.62)	(230,068.69)	(196,021.46)
Items, which will not be reclassified in the consolidated profit and loss statement in future				
Actuarial gains/losses from defined benefit pension plans		(499.72)	(49,173.91)	(59,036.70)
Overall results		**(230,182.80)**	**(3,188.345.14)**	**(1,755,296.25)**
of which attributable to the owners of the parent company		(230,182.80)	(3,188,345.14)	(1,755,296.25)
Earnings per share (EUR/share) from the consolidated shortfall - undiluted		**(0.11)**	**(1.54)**	**(0.79)**
Earnings per share (EUR/share) from the consolidated shortfall - diluted		**(0.11)**	**(1.53)**	**(0.79)**

Group statement of changes in equity

on 30 June 2016

Group statement of changes in equity

T.12

EUR	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Consolidated balance sheet profit	Total
Figures on 1 January 2015	**1,890,000.00**	**18,197,887.67**	**31,095.02**	**(236,194.75)**	**10,672,457.83**	**30,555,245.77**
Share option programme	0.00	96,495.90	0.00	0.00	0.00	**96,495.90**
Allocation based on IAS 19, IAS 21	0.00	0.00	0.00	(279,242.60)	0.00	**(279,242.60)**
Consolidated shortfall for the period	0.00	0.00	0.00	0.00	(2,909,102.54)	**(2,909,102.54)**
Figures on 30 June 2015	**1,890,000.00**	**18,294.383.57**	**31,095.02**	**(515,437.35)**	**7,763,355.29**	**27,438.396.53**
Share option programme	0.00	70,204.20	0.00	0.00	0.00	**70,204.20**
Allocation based on IAS 19, IAS 21	0.00	0.00	0.00	24,184.44	0.00	**24,184.44**
Consolidated annual net profit	0.00	0.00	0.00	0.00	1,408,864.45	**1,408,864.45**
Figures on 31 December 2015	**1,890,000.00**	**18,364,587.77**	**31,095.02**	**(491,252.91)**	**9,172,219.74**	**28,966,649.62**
Share option programme	0.00	91,588.04	0.00	0.00	0.00	**91,588.04**
Net foreign currency losses	0.00	0.00	0.00	(21,454.34)	0.00	**(21,454.34)**
Consolidated shortfall for the period	0.00	0.00	0.00	0.00	(208,728.46)	**(208,728.46)**
Figures on 30 June 2016	**1,890,000.00**	**18,456,175.81**	**31,095.02**	**(512,707.25)**	**8,963,491.28**	**28,828,054.86**

Consolidated cash flow statement

on 30 June 2016

Cash flows from operating business

T.13

EUR K	30.6.2016 (not audited)	30.6.2015 (not audited)
Cash flows from operating business		
Shortfall for period	(209)	(2,909)
Share option scheme (non-cash expenditure)	92	96
Income taxes affecting results	321	603
Interest income/expenses affecting results	193	30
Profit/loss from the sale or disposal of property, plant and equipment	(9)	(2)
Reversals of deferred public sector subsidies	(20)	(21)
Write-downs recognised for receivables	51	13
Write-ups recognised for receivables	—	—
Depreciation and amortisation	2.002	1,582
Actuarial gains/losses	—	(279)
Net foreign currency losses	(21)	—
Net profits from financial instruments assessed at their fair value	(142)	—
Other cash revenues and expenditure	(1)	1
Cash flows from operating business	**2,257**	**(886)**
Changes in current assets		
Changes in trade receivables and other receivables	181	(3,431)
Changes in inventories	(43)	(627)
Changes in trade accounts payable and other liabilities	240	2,577
Changes in initial payments received	367	1,847
Changes in provisions	(835)	91
Inflow of funds from operating activities	**2,167**	**(429)**
Interest paid	(238)	(86)
Income taxes paid	(614)	96
Net inflow (previous year: net inflow of funds from operating activities Amount carried forward	**1,315**	**(419)**

Cash flows from investment activities and financing activities, loans and means of payment

T.14

EUR K	30.6.2016 (not audited)	30.6.2015 (not audited)
Amount carried forward Net inflow (previous year: net inflow of funds from operating activities	**1,315**	**(419)**
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(1,465)	(871)
Proceeds from disposals of fixed assets	9	2
Investment subsidies used	—	—
Disbursement as part of the company acquisition	(46)	(16,805)
Interest payments received	13	53
Disbursed loans	(10)	(84)
Proceeds from the repayment of loans	—	37
Net cash outflow for investment activities	**(1,499)**	**(17,668)**
Cash flow from financing activities		
Loans taken out	0	10,581
Repayment instalments for loans	(819)	(796)
Net inflow (previous year: net outflow) in cash and cash equivalents from financing activities	**(819)**	**9,785**
Net outflow of cash and cash equivalents	**(1,003)**	**(8,302)**
Cash and cash equivalents at the beginning of the financial year	6,360	10,173
Cash and cash equivalents	5,357	1,871
Limited available funds	1,037	11

Selected explanations in the notes on the consolidated accounts

for the first half of 2016

1. Principles of reporting

1.1. General information

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

GK Software 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 of software and hardware and sales and trade in this field.

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.

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

The consolidated group's major customers include:

- adidas AG
- Coop Genossenschaft
- EDEKA Zentralhandelsgesellschaft mbH
- Galeria Kaufhof GmbH
- Hornbach-Baumarkt-AG
- Lidl Stiftung & Co. KG
- Loblaw Companies Limited
- Migros-Genossenschafts-Bund
- Netto Marken-Discount AG & Co. KG
- Parfümerie Douglas GmbH
- Tchibo GmbH
- X5 Retail Group

1.2. Principles of presentation

The abbreviated interim consolidated financial statement has been presented in line with the International Financial Reporting Standards (IFRS), as they are to be used in the European Union, and the commercial law regulations that also have to be taken into consideration according to Section 315 a Paragraph 1 of the German Commercial Code.

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.

The following summary shows the new standards and interpretations needing to be applied for the first time during the reporting period and changes

to standards and interpretations, which are relevant for the 2016 financial year.

Summary of IFRS standards and interpretations

T.15

Announcements	Title	Applicability for GK Software from	Probable effects on the presentation of the assets, financial and earnings situation or the cash flow at GK Software
Changes to IAS 1	Presentation of financial statements	1.1.2016	No major effects
Changes to IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets	1.1.2016	No major effects
Changes to IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture	1.1.2016	GK Software AG
Changes to IAS 19	Employee Benefits	1.1.2016	No major effects
Changes to IAS 27	Consolidated and Separate Financial Statements	1.1.2016	Not relevant for GK Software AG
Changes to IFRS 11	Joint Arrangements	1.1.2016	As the changes only affect future transactions, a forecast regarding the effects on the presentation of the assets, financial and earnings situation is not possible.
Clarifications	Clarification of IFRS 2010-2012	1.1.2016	No major effects
Clarifications	Clarification of IFRS 2012-2014	1.1.2016	No major effects

Further information on standards, interpretations and changes, which have been published, but not yet used, and details on the formation and the assessment of balance sheet items and also arbitrary decisions and uncertainties about estimates can be found in chapter 1.2 "Principles of presentation" in the notes on the consolidated accounts in the 2015 financial statement (2015 Financial Statement, pages 64ff).

1.3. Consolidated companies

The consolidated accounts include GK Software and all the companies where GK Software AG has majority voting rights among the shareholders, either directly or indirectly, with the exception of AWEK Hong Kong.

Reference is made here to chapter 1.3. "Consolidated companies" in the notes on the consolidated accounts in the 2015 financial statement (2015 Financial Statement, pages 67ff).

TOV Eurosoftware-UA was set up on 26 January 2016 and was included in the GK Software consolidated accounts by way of full consolidation for the first time on the date that it was set up. As a result, the Company took over 14 employees in Ukraine. The purchase price was approx. EUR 46 K. As a result, an asset balance of EUR 61K was taken over. Because the acquisition of this company only represents a negligible transaction, no presentation of the breakdown of the purchase price has been made according to IFRS 3.

All the firms within the consolidated companies are either directly or indirectly owned solely by GK Software AG.

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 conversions

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 func-

tional currency. The items included in the annual accounts for each company are assessed using this functional currency. Foreign currency transactions are initially converted into the functional currency at the spot rate that is valid on the day of the business transaction. Monetary assets and monetary liabilities in a foreign currency are converted into the functional currency at the rate that applies on the balance sheet date.

1.6. Report on key events

There were no major events to report after 30 June 2016.

2. Balance sheet and assessment principles

The same balance sheet and assessment principles were used as in the consolidated accounts on 31 December 2015. Reference is made here to chapter 2. "Balance sheet and assessment principles" in the notes on the consolidated accounts in the 2015 financial statement (2015 Financial Statement, pages 67ff).

3. Notes on the consolidated balance sheet

3.1. Property, plant and equipment

Property, plant and equipment

T.16

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
On 1 January 2016	4,761,168.05	6,559,489.44	483,913.05	**11,804,570.54**
Accruals	0.00	997,958.45	323,056.77	**1,321,015.22**
Disposals	0.00	58,986.89	0.00	**58,986.89**
Figures on 30 June 2016	**4,761,168.05**	**7,498,461.00**	**806,969.82**	**13,066,598.87**
Accumulated depreciation				
On 1 January 2016	1,263,552.48	4,788,264.19	0.00	**6,051,816.67**
Accruals	73,223.97	633,703.04	0.00	**706,927.01**
Disposals	0.00	57,965.22	0.00	**57,965.22**
Figures on 30 June 2016	**1,336,776.45**	**5,364,002.01**	**0.00**	**6,700,778.46**
Carrying amounts on 30 June 2016	**3,424,391.60**	**2,134,458.99**	**806,969.82**	**6,365,820.41**

Procurement obligations for other office and business equipment amounted to approx. EUR 252 K (previous year: approx. EUR 417 K).

3.2. Intangible assets

Intangible assets

T.17

EUR	Capitalised development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Orders in hand	Total
Purchasing or production costs						
On 1 January 2016	7,606,711.46	4,496,185.69	16,484,885.70	6,668,386.82	1,604,863.02	**36,861,032.69**
Accruals	253,157.40	153,478.18	0.00	0.00	0.00	**406,635.58**
Changes caused by exchange rates	0.00	0.00	(215,331.94)	0.00	0.00	**(215,331.94)**
Figures on 30 June 2016	**7,859,868.86**	**4,649,663.87**	**16,269,553.76**	**6,668,386.82**	**1,604,863.02**	**37,052,336.33**
Accumulated depreciation						
On 1 January 2016	6,570,985.15	2,104,580.17	870,000.00	1,277,561.54	848,343.35	**11,671,470.21**
Accruals	241,281.88	301,314.76	0.00	309,097.34	443,130.67	**1,294,824.65**
Figures on 30 June 2016	**6,812,267.03**	**2,405,894.93**	**870,000.00**	**1,586,658.88**	**1,291,474.02**	**12,966,294.86**
Carrying amounts on 30 June 2016	**1,047,601.83**	**2,243,768.94**	**15,399,553.76**	**5,081,727.94**	**313,389.00**	**24,086,041.47**

3.3. Inventories

T.18 Inventories

EUR	30.06.2016	31.12.2015
Goods	493,074.13	482,464.63
Raw materials and supplies	1,258,118.84	1,172,383.58
Advance payments on inventories	4,023.18	56,941.54
Total	**1,755,216.15**	**1,711,789.75**

3.4. Trade accounts receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. The number of value adjustments completed during the six months of the financial year amounted to EUR 39 K in total (EUR 22 K in the previous year). The value adjustments were entered under "Other operating expenditure". Revenue from the cancellation of value adjustments was entered and amounted to EUR 46 K. Overall, value adjustments amounted to EUR 129 K (previous year: EUR 136 K).

There were foreign currency receivables in Czech crowns amounting to EUR 6K (previous year: EUR 0 K), in US dollars EUR 1.370 K (previous year: EUR 772 K) and EUR 321 K in South African rand (previous year: EUR 53 K).

Trade accounts receivable from ongoing work
Customer orders, for which sales revenues were realised 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 7,122,519.25 (previous year: EUR 6.495 K).

3.5. Accounts receivable with associated firms

On the balance sheet date, there were accounts receivable owed by associated firms amounting to EUR 9 K (previous year: EUR 9 K), owed by AWEK Hong Kong Ltd amounting to EUR 3 K (previous year: EUR 3 K), to GK Software Holding GmbH, the main shareholder of the parent company. AWEK Hong Kong Ltd was not included among the consolidated companies, as it had not yet started its business operations during the financial year.

3.6. Other accounts receivable, assets and income tax assets

T.19 Other accounts receivable, assets and income tax assets

EUR	30.6.2016	31.12.2015
Loans paid to third parties	2,826,521.11	2,812,676.32
Income tax claims	198,632.75	218,534.41
Accounts receivable from members of the Management Board	40,506.17	35,257.50
Others	2,746,015.64	2,026,250.33
of which from legal claims	245,831.40	156,808.12
of which from asset deferrals	1,534,996.90	1,097,831.03
Total	**5,811,675.67**	**5,092,718.56**

The receivables from income tax claims largely contained 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 are granted free of interest.

Other accounts receivable in Czech crowns existed on the reporting date and amounted to EUR 95 K (previous year: EUR 106 K), in Swiss francs EUR 4 K (in the previous year: EUR 19 K), in Russian roubles EUR 5 K (previous year: EUR 6 K), in US dollars EUR 83 K (previous year: EUR 106 K) and EUR 16 K in Ukrainian hryvnia (previous year: EUR 0 K).

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. Bank deposits amounting to EUR 11K (previous year: EUR 11K) were pledged as part of rent collateral for the bank providing the guarantee. The Management Board is not expecting this guarantee to be taken up.

3.8. Equity

Please refer to the equity capital change calculations for more information on the change in equity

capital for GK Software until the reporting date of 30 June 2016.

The company's share capital amounted to EUR 1,890,000.00 on 1 January 2015 and was divided into 1,890,000 individual share certificates.

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

A decision taken at the annual shareholders' meeting on 16 June 2016 empowered the Management Board to issue on one or several occasions option and/or warrant-linked bonds, profit participation certificates or participating bonds or a combination of these financial instruments (jointly referred to as "bond issues") made out to the bearer or registered with a total nominal value of up to EUR 15,000.000.00 with or without a restriction on their term, provided that the Supervisory Board agrees, and grant or impose on the holders or creditors of option bonds or of option profit participation certificates or of option gains bond issues option rights or obligations or grant or imposed on the holders or creditors of warrant-linked bonds or of obligations conversion rights or obligations or up to 250,000 no-par value shares from GK Software AG with a proportionate amount of the equity capital of up to EUR 250,000.00 in total stated in greater detail in the conditions of these bond issues. The shareholders are automatically granted the statutory subscription right to bond issues, which are associated with option or warrant-linked rights or obligations.

Authorised capital There were no changes from the consolidated financial statement on 31 December 2015.

Contingency capital According to Section 4a (1) and (2) of the Articles of Association, the Management Board was entitled to grant subscription rights to as many as 37,000 individual share certificates to members of the Management Board, managers of companies, in which GK Software already has a direct or indirect shareholding ("associated firms"), and managers at the Company and its associated firms on one or more occasions until 14 May 2013, provided that the Supervisory Board approved these measures.

According to Section 4a Paragraph 4 of the Articles of Association, the share capital has been conditionally increased by a further EUR 50,000, divided into 50,000 individual share certificates (subscribed capital II). The increase in capital is only carried out if holders of share options, which were issued in the period up to 27 June 2017 on the basis of the resolution passed at the annual shareholders' meeting on 28 June 2012, make use of their subscription rights to company shares and the company grants its own shares that have not met the conditions for the subscription rights. Members of the Management Board, managers of companies in which GK Software has an indirect or direct majority holding ("associated firms") and managers of the Company and its associated firms are entitled to participate in the share option scheme.

According to Section 4a Paragraph 4 of the Articles of Association, the share capital has been conditionally increased by a further EUR 75,000, divided into 75,000 individual share certificates (subscribed capital 2015). The increase in equity capital is only carried out if holders of share options, which were issued in the period up to 28 June 2020 on the basis of the resolution passed at the annual shareholders' meeting on 29 June 2015, make use of their subscription rights to company shares and the company, which has the right to issue new shares, grants existing shares that have not met the conditions for the subscription rights. Members of the Management Board, managers of companies in which GK Software has an indirect or direct majority holding ("associated firms") and managers of the Company and its associated firms are entitled to participate in the share option scheme.

According to Section 4 Paragraph 7 of the Articles of Association, the equity capital has been increased conditionally by a further EUR 250,000, divided into 250,000 individual shares. The increase in capital is only performed if holders or creditors of option or warrant-linked bonds or those obliged to exercise warrants/options from option or warrant-linked bonds, profit participation certificates or participating bonds that are issued from their own cash contributions, which are issued or guaranteed by GK Software AG or a subordinate Group company on the basis of the authorisation given to the Management Board by

the decision at the annual shareholders' meeting on 16 June 2021, actually make use of their option or warrant rights, if they are obliged to exercise their warrant/option or meet their obligation to exercise a warrant/option or, if GK Software AG exercises a warrant-linked right, to grant GK Software AG shares in full or in part instead of paying the amount due, provided that a cash settlement is not granted or the company's own shares or shares in a different company listed on the stock exchange are not used.

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.

Extra charges arising from the issue of shares are shown in the capital provisions.

There were no changes in relation to the share option programme in 2016.

3.9. Provisions for pensions

GK Software and the subsidiaries AWEK GmbH and AWEK microdata GmbH have issued pensions benefit plans in the form of defined benefit plans.

The pension benefit plans have been organised so that they form a life-long, fixed retirement pension, which is to be paid when a member of staff retires from the company upon 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, salary risks and risks from inflation and pension increases.

Investment risks The cash value of the defined benefit obligation in the plan is determined by using a discount rate which is determined on the basis of the profits of high-grade corporate bonds 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 appropriate to invest a fitting part of the plan assets in equity capital instruments and property in order to gain the opportunity of increasing returns.

Interest change risks Any reduction in the loan interest rate will lead to an increase in the plan liability, but this is partially offset by an increased yield from the plan asset investment in debt instruments with fixed interest rates.

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

Salary risks The cash value of the defined benefit obligation from the plan is determined on the basis of the future salaries of the employees benefiting from the scheme. As a result, any increases in salaries for the employees benefitting from the scheme create an increase in the plan's 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.20 Assumptions for calculating cash values

	H1 2016	FY 2015
Pensionable age (m/f)	60–65/60–65	60–65/60–65
Actuarial interest rate / discount		
On 1 January	2.00% p.a.	2.00% p.a.
Actuarial interest rate / discount		
on 30 June	2.20% p.a.	2.20% p.a.
Salary development/		
future salary 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.

Reconciliation accounts of the opening and closing balances for the cash value of the defined benefit obligations with the reasons for the changes provide the following picture:

T.21 Reconciliation account to determine the cash value

EUR	H1 2016	FY 2015
Figures on 1 January:	3,232,027	3,277,278
+ Interest expenditure	34,892	64,352
+ Working period costs	39,527	81,113
+ Working period costs to be additionally calculated	0	0
- Payment from lump-sum settlement	0	0
– Benefits paid out	(55,699)	(111,227)
+ Actuarial losses	262	(79,489)
Figures on 30 June	**3,251,009**	**3,232,027**

The development of the plan assets is shown as follows:

T.22 Development of the plan assets

EUR	H1 2016	FY 2015
Figures on 1 January:	1,772,097	1,612,827
+ Expected yields from plan assets	20,546	33,416
+ Contributions	94,774	189,548
– Benefits paid out	(36,840)	(73,679)
– Actuarial losses (-) / profits	797	9,985
Figures on 30 June	**1,851,374**	**1,772,097**

This therefore gives rise to a planned deficit of EUR 1,399,635 (previous year: EUR 1,459,930).

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

T.23 Expenditure on pensions

EUR K	H1 2016	FY 2015
Current service costs	39	81
Past service costs	0	0
Net interest expenditure	14	31
Expenditure on retirement benefits	**53**	**112**
Actual revenues from plan assets	21	43

Of the current expenditure of EUR 53 K at the end of the six months (previous year EUR 112 K), interest income amounting to EUR 21 K (previous year: EUR 33 K) and interest expenditure amounting to EUR 35 K (previous year: EUR 64 K) were entered under the "Interest results" and the remaining expenses amounted to EUR 39 K (previous year: EUR 81 K) 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:

T.24 Development of the cash values of defined benefit obligations and plan assets

EUR	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (-) surplus (+)
H1 2016	**3,251,009**	**1,851,374**	**(1,399,635)**
FY 2015	3,232,027	1,772,097	(1,459,930)
FY 2014	3,277,278	1,612,827	(1,664,451)
FY 2013	2,444,471	1,532,422	(912,049)
FY 2012	3,188,199	1,479,873	(1,708,326)
FY 2011	476,574	283,560	(193,014)
FY 2010	437,024	101,054	(335,970)

3.10. Non-current and current bank liabilities

Two investment loans were taken out with the Commerzbank AG Plauen during the 2007 financial year (original amounts: EUR 750 K and EUR 450 K). The Company also took out a loan (EUR 225 K) from Gläß & Kronmüller OHG, Schöneck during 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 the 2009 financial year. The two other loans were valued at a total of EUR 323 K on the balance sheet reporting date. In order to provide additional security, there is a blanket assignment of the receivables from deliveries of goods and services owed by third-party debtors, with the exception of the accounts receivable associated with the "LUNAR" project. Other loans were taken out during the 2009 financial year as a result of the new building extension, the aforementioned rescheduling and the acquisition of SOLQUEST (DZ Bank EUR 748 K and KfW EUR 180 K). These loans were valued at EUR 386 K in total on 30 June 2016. In order to provide security for the loans from the DZ bank, land charges amounting to EUR 1,085 K were entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895. In order to increase liquidity even further, a loan (amounting to EUR 3,000 K) was taken out with Sparkasse Vogtland during 2015. This loan was valued at EUR 2.679 K on the reporting date. The repayment for the following year amounts to EUR 429 K. In order to finance the corporate acquisition in the USA, a loan (amounting to EUR 10,000 K) was taken out with IKB Bank during 2015. This loan was valued at EUR 9.500 K on the reporting date. The repayment for the following year amounts to EUR 2,000 K.

This included securing liabilities amounting to EUR 708 K through a mortgage on 30 June 2016. These loans, which were valued at EUR 708 K (previous year: EUR 813 K) on the reporting date, are due for scheduled repayment in the following year with a total sum of EUR 209 K (previous year: EUR 209 K). This share of repayment is entered under "Current bank liabilities."

In addition to this, the current bank liabilities also include utilised credit card limits amounting to EUR 126 K (previous year: EUR 0 K) and a current account line that was used amounting to EUR 2,026 K (previous year: EUR 1.017 K).

3.11. Deferred government grants

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 amortisation 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. Provisions

T.25 Provisions

EUR	Personnel department	Production-department	Other departments	Total
Figures on 1 January 2016	1,689,073.27	747,321.78	184,204.79	**2,620,599.84**
Amounts used	1,676,836.23	106,593.17	144,914.79	**1,928,344.19**
Liquidation	12,237.04	0.00	0.00	**12,237.04**
Additional funds	1,087,504.18	20,458.00	72,000.00	**1,179,962.18**
Figures on 30 June 2016	**1,087,504.18**	**661,186.61**	**111,290.00**	**1,859,980.79**

The current provisions in the personnel department primarily concern bonuses and nothing but warranties in the production department.

The calculations for warranty provisions are based on warranty costs in the past and estimates regarding future costs. It was possible to reduce the existing provisions for warranties for projects by EUR 20 K for expenditure still expected from warranty claims.

3.14. Liabilities from trade payables

There has been no change to the fact that trade payables are due for settlement within less than one year.

There were foreign currency trade payables amounting to EUR 13 K in Czech crowns on the balance sheet date (2015 financial year: EUR 40 K), EUR 74 K in US dollars (2015 financial year: EUR 52 K), EUR 1 K in South African rand (2015 financial year: EUR 0 K) and EUR 6 K in Ukrainian hryvnia (2015 financial year: EUR 0 K).

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 includes liabilities arising from corporation tax, the solidarity surcharge and trade tax in Germany and the Czech Republic.

3.17. Other current liabilities

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

There were other foreign currency liabilities amounting to EUR 456 K in Czech crowns (previous year: EUR 443 K), EUR 4.199 K in US dollars (2015 financial year: EUR 4.193 K), EUR 70 K in Swiss francs (2015 financial year: EUR 206 K), in Russian roubles EUR 3 K (2015 financial year: EUR 0 K) and EUR 67 K in South African rand (2015 financial year: EUR 45 K).

T.26 Other current liabilities

EUR	30.6.2016	31.12.2015
Tax liabilities	1,402,581.69	1,465,588.74
Liabilities from wages and salaries	3,703,301.31	4,086,745.59
Other liabilities towards members of staff	6,782.99	8,973.75
Liabilities from the acquisition of companies	2,251,846.52	2,302,237.78
Others	3,617,275.12	2,435,935.84
of which from deferrals	1,902,302.13	1,661,234.40
Total	**10,981,787.63**	**10,299,481.70**

4. Notes on the consolidated profit and loss statement

4.1. Turnover revenues

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

During the six months of the financial year, turnover amounting to EUR 1.018 K (previous year: EUR 747 K) was entered, after it had been determined according to IAS 18.20.

Overall, all the customer orders covered in this report had an assets-side balance and were entered with a figure under "Trade accounts receivable from ongoing work" (cf. 3.4).

As regards the make-up of the significant categories of revenues, we would refer to Section 6 entitled "Segment reporting". Overall, warranty provisions amounting to EUR 20 K were newly added to these revenues during the six months of the financial year. The expected warranty payments were worth EUR 660 K on the balance sheet reporting date (previous year: EUR 640 K).

4.2. Own work capitalised

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

4.3. Other operating revenues

Other operating revenues

T.27

EUR	H1 2016	H1 2015
Reversals of uncertain other liabilities and provisions	23,501.93	121,988.61
Vehicle benefits in kind	470,874.76	395,133.78
Earnings from reversals of deferred public grants	14,250.21	14.506.13
Employee contributions towards catering	35,661.15	27,748.29
Earnings from investment grants	6,152.90	6,367.20
Reductions in value adjustments	46,168.00	12,900.00
Others	419,341.79	584,564.89
Total	**1,015,950.74**	**1,163.208.90**

4.4. Materials expenditure

Materials expenditure

T.28

EUR	H1 2016	H1 2015
Expenditure on raw materials, consumables and supplies	1,361,586.82	1,176,632.04
Expenditure on purchased services	2,459,668.96	2,026,642.74
Total	**3,821,255.78**	**3,203,274.78**

4.5. Personnel expenditure

Personnel expenditure

T.29

EUR	H1 2016	H1 2015
Wages and salaries	19,493,715.06	15,899,915.24
Social security contributions	3,377,453.94	2,767,924.99
of which expenditure on retirement benefits	176,082.41	188,247.32
Total	**22,871,169.00**	**18,667,840.23**

On average, 793 people were employed during the first half of the 2016 financial year (697 in the previous year). 820 people were employed on the reporting date of 30 June 2016.

4.6. Depreciation and amortisation

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

4.7. Other operating expenditure

As in the previous year, this item largely covers legal and advisory costs, expenditure on warranties, advertising and travel expenses, office and operating costs as well as administrative and sales expenditure.

4.8. Financial results

T.30 Financial results

EUR	H1 2016	H1 2015
Interest income	80,097.04	78,593.81
Interest expenditure	(272,572.31)	(109,490.11)
Account balance	**(192,475.27)**	**(30,896.30)**

4.9. Income taxes

T.31 Income taxes

EUR	H1 2016	H1 2015
Current tax liabilities	310,939.96	107,628.58
Deferred tax expenditure 30.6.2015		
Account balance	**321,381.09**	**603,133.43**

Deferred taxes were determined according to the individual company tax rates in Germany, which were 29.13 percent, 29.475 percent and 28.43 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 25.812 percent for Switzerland, 19 percent for the Czech Republic, 39 percent for the USA, 28 percent for South Africa, 20 percent for Russia and 18 percent for Ukraine.

4.10. Earnings per share

The earnings per share are determined as a quotient of the total results and the weighted average of the number of shares in circulation during the financial year. The average number of shares in circulation during the first six months of the 2016 financial year was 1,905,748 (previous year: 1,898,945). The consolidated shortfall for the first six months of 2016 amounted to EUR (209 K) (2015: EUR (1.500 K)). As a result, the earnings per share amounted to EUR (0.11) during the first half of 2016 (2015: EUR (0.79)).

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

The company's share price for 55,300 share options lay above the exercise thresholds as an annual average figure. These were taken into account when calculating the diluted weighted average for the ordinary shares on 30 June 2016. The diluted earnings per share amounted to EUR (0.11) (2015: EUR (0.79)).

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 activities.

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 control parameters 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 as part of its licensing business and provides introductory and adjustment services and services related to maintaining these products. The company also sells hardware for store IT solutions to a limited degree, but this is manufactured by third parties. The breakdown of

turnover according to fields of work forms 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 concerns 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 turnover in terms of products and fields of work provides the following general overview:

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 generated turnover of EUR 8,459 K with customers that have their administration headquarters located outside Germany (previous year: EUR 14,652 K). The share of turnover generated by the SQRS business units amounted to EUR 0 K here (previous year: EUR 0 K) and EUR 493 K for IT Services (previous year: EUR 480 K). 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. This turnover amounted to EUR 450 K (previous year:

Sales by segments

T.32

	GK/Retail			SQRS			IT Services			Eliminations			Group		
	H1 2016	H1 2015	FY 2015	H1 2016	H1 2015	FY 2015	H1 2016	H1 2015	FY 2015	H1 2016	H1 2015	FY 2015	H1 2016	H1 2015	FY 2015
Turnover with third parties	**28,428**	**21,598**	**49,559**	**466**	**526**	**1,062**	**6,190**	**4,732**	**11,981**	**—**	**—**	**—**	**35,084**	**26,856**	**62,602**
Licences	4,520	2,453	9,793	—	—	—	432	74	697	—	—	—	4,952	2,527	10,490
Maintenance	6,525	5,638	12,290	416	480	974	3,746	3,517	7,491	—	—	—	10,687	9,635	20,755
Services	16,979	12,966	26,076	50	22	88	654	681	3,518	—	—	—	17,683	13,669	29,682
GK Academy	225	123	177	—	—	—	—	—	—	—	—	—	225	123	177
Other business	191	434	1,250	—	24	—	1,380	482	321	—	—	—	1,571	940	1,571
Revenue reductions	(12)	(16)	(27)	—	—	—	(22)	(22)	(46)	—	—	—	(34)	(38)	(73)
Turnover with other segments	**(73)**	**204**	**(375)**	**—**	**—**	**—**	**182**	**—**	**—**	**(309)**	**(204)**	**(375)**	**—**	**—**	**—**
EBIT segment	**220**	**(2,142)**	**(1,955)**	**212**	**216**	**464**	**(133)**	**(350)**	**1,644**	**6**	**—**	**(1,429)**	**305**	**(2,275)**	**(1,276)**
Assets	**66,593**	**56,312**	**65,257**	**2,387**	**2,199**	**2,213**	**8,579**	**5,548**	**9,724**	**(9,759)**	**(4,762)**	**(9,432)**	**67,800**	**59,297**	**67,761**
Debts	**39,694**	**30,474**	**38,482**	**270**	**371**	**191**	**6,559**	**4,974**	**7,345**	**(7,549)**	**(3,984)**	**(7,222)**	**38,972**	**31,835**	**38,794**
Cash and cash equivalents	**5,782**	**3,076**	**6,017**	**908**	**631**	**669**	**693**	**1,093**	**691**	**—**	**—**	**—**	**7,383**	**4,800**	**7,377**

Depreciation and amortisation in the GK/Retail segment amounted to EUR 1,807 K (previous year: EUR 3,046 K), for SQRS EUR 0 K (previous year: EUR 0 K) and for IT Services EUR 195 K (previous year: EUR 407 K).

The company is standing by its decision to no longer sell the SQRS software solutions in future in order to streamline the Group's product portfolio.

Work based on servicing contracts, which imitate the normal segment revenues in their outside markets, is charged between the segments.

EUR 424 K), but is valued as domestic turnover because of the contractual basis and has been fully assigned to the GK/Retail business segment.

Turnover with customers, which each have a share of sales that is greater than 10 percent, amounted to approximately EUR 14,792 K (previous year: EUR 7,173 K) or 42.1 percent (previous year: 11.5 percent) of total turnover at the end of the first six months of 2016. This turnover related to the GK/Retail segment with one customer.

7. Other information

7.1. Contingent liabilities

Contingent liabilities 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. However, 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.

Contingent liabilities include one guaranteed credit amounting to EUR 38 K (previous year: EUR 38 K), which was 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 credit balances pledged as collateral and amounting to EUR 11 K (previous year: EUR 11 K). The Management Board does not expect it to be necessary to make use of the guarantee.

Agreements on retaining fees were agreed with employees as part of the acquisition of the retail segment of the US company, DBS Data Business Systems Inc. USD 1,10 K (approx. EUR 1.02 million) was deposited in an American bank account for this purpose.

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the first six months of the 2016 financial year amounted to EUR 648 K (previous year: EUR 1.151 K).

There were payment obligations arising from operating leasing contracts amounting to EUR 1,514 K (previous year: EUR 1.124 K). This includes EUR 841 K, which is due within one year (previous year: EUR 630 K) and EUR 673 K, which is due within five years (previous year: EUR 494 K). There are no finance/leasing agreements.

7.2. Subsidiaries

T.33 Subsidiaries of GK Software AG

Name of the subsidiary	Headquarters	Capital share %	Share of voting rights %	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
1. Waldstraße GmbH	Schöneck	100.0	100.0	Software development, software programming
OOO GK Software RUS	Moscow/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 Hong Kong Ltd.	Hong Kong/China	100.0	100.0	IT Services
GK Software USA Inc.	Cape Coral/USA	100.0	100.0	Software development, software programming
GK Software Africa (Pty)	Bedfordview, South Africa	100.00	100.00	Software development, software programming
TOV Eurosoftware-UA	Lviv/Ukraine	100.00	100.00	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.

7.3. Details of associated persons and firms

There was no need for any expenditure on valuation adjustments or irrecoverable debts with regard to associated persons or these items did not exist.

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

7.3.1. Parent company

The direct parent company is GK Software Holding GmbH, Schöneck. Business relations existed as part of an agency agreement until 30 June 2016. EUR 1 K income from this has been entered under "Other operating income". Accounts receivable amounted to EUR 3 K on 30 June 2016.

7.3.2. Management Board

The following people are or have been members of the Management Board:

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

The salaries of the Management Board amounted to EUR 568 K in all. This included EUR 340 K in fixed earnings, EUR 155 K in variable earnings and monetary benefits amounting to EUR 73 K. 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 are made available.

Share awards that expire at some time are granted as long-term share-based remuneration (share options). If 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 nominal capital of one euro from the authorised capital without any additional payment by the recipient. In terms of the organisation of the stock awards, the same general conditions apply to the Management Board as to senior members of staff. The Management Board held a total of 24,000 options on 30 June 2016. 3,000 of these were allocated to the share option scheme dating from 2012, 10,000 options from 2013, 6,000 options from 2014 and 5,000 options from 2015; the options had a fair value of EUR 11,929, EUR 6,240, EUR 6,420 and EUR 6,533 respectively at the time of issue. The share-based remuneration for the year 2016 therefore totalled EUR 24 K. 7,500 options are held by a former member of the Management Board.

Therefore, the total remuneration for the Management Board, including options, amounted to EUR 592 K.

The annual shareholders' meeting on 29 June 2015 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 the 2015 to 2019 financial years. As a result, no detailed information is made available here.

The company created pension provisions amounting to EUR 240 K for former members of the Management Board and their surviving dependents (previous year: EUR 255 K). The sum required to cover this provision amounted to EUR 510 K (previous year: EUR 492 K) and the net planned assets had a fair value of EUR 270 K (previous year: EUR 237 K). Other non-current due benefits therefore amounted to EUR 240 K in all on the reporting date, EUR (15 K) of which was allocated in 2016.

People, who were or are members of the company's Management Board or Supervisory Board, held the following shareholdings in GK Software during the 2016 financial year on 30 June 2016:

Shareholdings held by members of the Management Board and Supervisory Board

T.34

Name	Number of shares	in %
Rainer Gläss	62,792	3.32
Herbert Zinn	1,000	0.06
André Hergert	500	0.03

Mr Gläss and Mr Kronmüller each held 468,350 shares indirectly through GK Software Holding GmbH on 30 June 2016.

7.3.3. 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 salaries for the Supervisory Board of GK Software AG for the first six months of the 2016 financial year amounted to EUR 40 K (previous year: EUR 40 K) and they represent current 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.35

EUR K	30.6.2016	31.12.2015
Loans to associated firms, which are not part of the consolidated group	1,995	1,999
Other claims for members of the management team in key positions (Management Board members)	37	35
Accounts receivable to other associated firms, which are not part of the consolidated group	366	294
Total	**2,398**	**2,328**

Two loans were granted to closely associated firms. One loan, which provides credit amounting to EUR 2,000 K (previous year: EUR 2,000 K), has been granted for an indefinite period and 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 1,995 K on the balance sheet reporting date (previous year: EUR 1.999 K). Salary claims from Mr Rainer Gläss and Mr Stephan Kronmüller to GK Software serve as collateral for the loan.

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

The other accounts receivable from members of the Management Board amounted to EUR 41 K (previous year: EUR 35 K) and include various advance payments for purchases, travel expenses and similar items and they are therefore not subject to interest. These accounts receivable can be reclaimed at any time.

In addition, there are tenancy arrangements with another closely associated firm. Lease expenditure incurred during the financial year amounted to EUR 26 K (previous year: EUR 53 K).

Expenses for outside services were also incurred with closely associated firms and these amounted to EUR 257 K (previous year: EUR 248 K). In addition to this, income was generated with closely associated firms in connection with providing vehicles and other services. This amounted to EUR 69 K (previous year: EUR 67 K), and there were also expenses for additional services amounting to EUR 98 K (previous year: EUR 460 K). Furthermore, earnings were generated from pension schemes amounting to EUR 49 K (previous year: EUR 133 K) and expenditure for the provision of project services amounting to EUR 243 K (previous year: EUR 512 K). The outstanding accounts receivable with this company were worth EUR 363 K on the balance sheet reporting date (previous year: EUR 289 K).

All the business transactions with closely associated firms concerned other related parties in line with the categorisation in IAS 24.19.

7.4. Fee in line with Section 37w Paragraph 5 Page 6 of the German Securities Trading Act

The Group's interim accounts and the Group's interim progress report have not been subjected to any auditing or checked in line with Section 317 of the German Commercial Code.

7.5. Declaration 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 under the "Corporate Governance" section.

7.6. Information after the annual accounts reporting date

Any information about circumstances, which was available on the accounts reporting date, has been taken into account, provided that the Management Board knew about it by 29 August 2016

7.7. Day on which the accounts are cleared for publication

The Management Board cleared the Group accounts for forwarding to the Supervisory Board on 29 August 2016. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 29 August 2016

The Management Board

Assurance by 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 Group management report reveals the course of business including the business results and the situation within the Group in such a way that it communicates a view, which reflects the actual circumstances, and describes the main opportunities and risks for probable developments at the company.

Schöneck, 29 August 2016

The Management Board

Rainer Gläss
CEO

André Hergert
CFO

Financial calendar

21 - 23 November 2016
Analyst Conference in Frankfurt/M

29 November 2016
Interim report as of 30 September 2016

27 April 2017
Annual report 2016

30 May 2017
Interim report as of 31 March 2017

22 June 2017
Annual Shareholders' Meeting 2017
in Schöneck/V.

30 August 2017
Interim report as of 30 June 2017

November 2017
Analyst Conference in Frankfurt/M

29 November 2017
Interim report as of 30 September 2017

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Dipl.-Volkswirt Uwe Ludwig

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Dipl.-Kfm. André Hergert, CFO

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Notes

Note to the Report

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

Note regarding the rounding of figures

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

Disclaimer

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