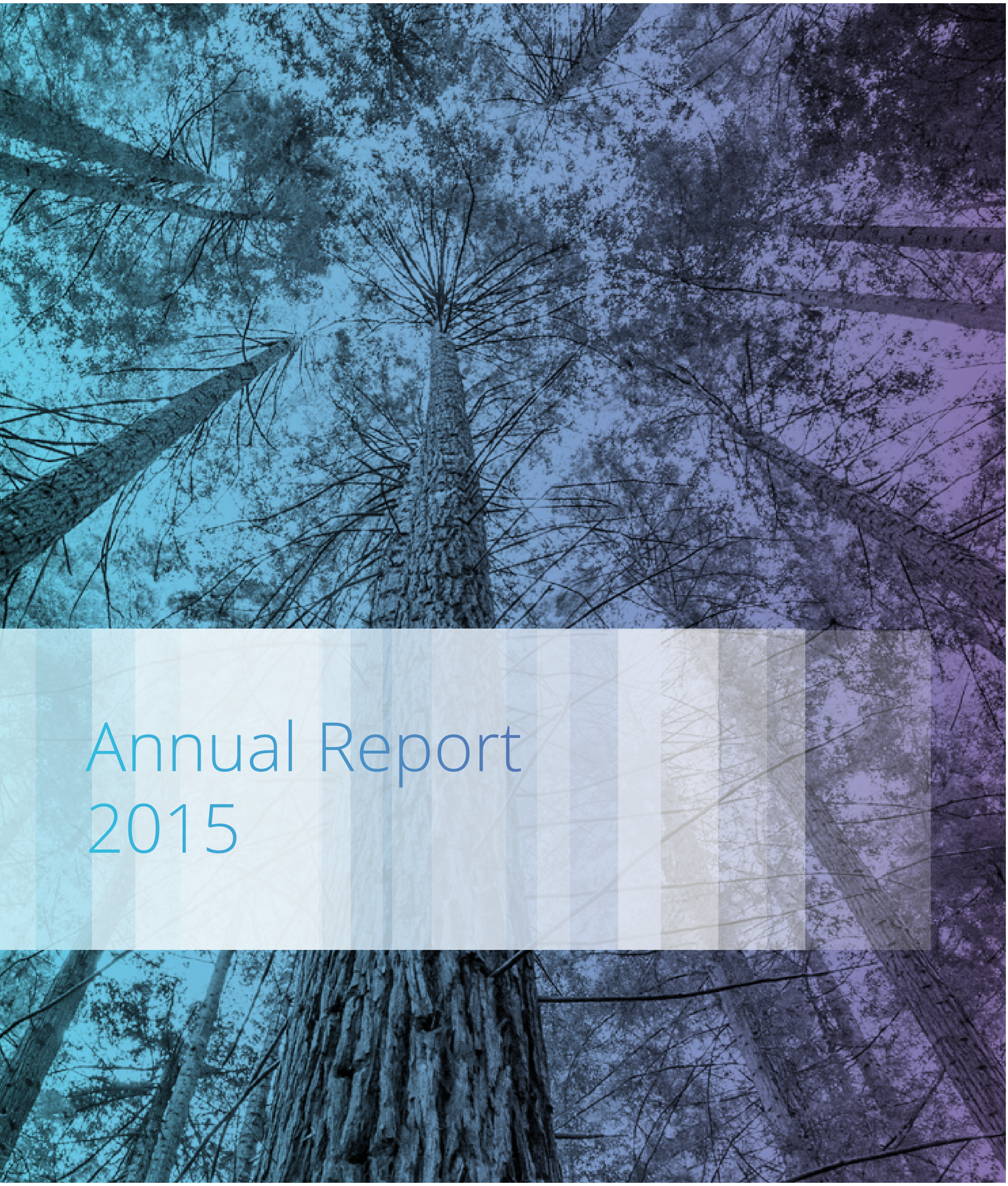


Simply Retail.

Summary of Consolidated Results

	31.12.2015	31.12.2014	31.12.2013	Change (2015/2014)
Sales (EUR K)	62,602	44,634	42,458	40.3%
Operating performance (EUR K)	63,127	45,146	42,833	39.8%
Total operating revenues (EUR K)	64,853	47,333	45,285	37.0%
EBIT (EUR K)	(1,276)	(3,015)	1,045	(57.7)%
EBIT margin (on sales)	(2.0)%	(6.8)%	2.5%	—
EBIT margin (on total operating revenue)	(2.0)%	(6.4)%	2.3%	—
EBITDA (EUR K)	2,177	37	3,340	5,864.3%
EBT (EUR K)	(1,383)	(2,987)	932	(53.7)%
Annual net income (EUR K)	(1,500)	(1, 870)	601	(19.8)%
Earnings per share (weighted) (EUR)	(0.79)	(1.65)	0.34	—
Earnings per share (diluted) (EUR)	(0.79)	(1.64)	0.33	—
Equity ratio	42.7%	68.1%	68.4%	—
Net debt (EUR K)	7,346	(11,974)	(9,041)	(181.2)%

Development by quarter (EUR K)

Sales, EBIT, profit

Contents

A To the Shareholders

B Consolidated Annual Report

C Consolidated Financial Report

25

YEARS OF
INNOVATING RETAIL
1990 – 2015

A To the Shareholders

Letter from the Management Board

Dear shareholders,

We are delighted to be able to present you with our financial report for the year 2015. We achieved outstanding sales results during the year, pressed ahead with our process of internationalisation and significantly reversed the previous trend. We were able to increase our turnover by 40 percent compared to the previous year and achieve revenues of EUR 62.62. Organic growth accounted for about two thirds of this figure and one third came from our acquisition in the USA. Our measures designed to improve internal procedures on the profits side provided clear results, which were reflected in a significantly improved EBITDA, which reached EUR 2.18 million, following a figure of EUR 0.04 million in the previous year. Amortisation on account of the acquisition of the retail division of DBS Data Business Service Inc. weighed on the EBIT, however, which was still within the bounds of our expectations at EUR (1.28) million - the figure in the previous year was still EUR (3.02 million) - but in our view, it still does not match the possibilities within the Group. This led to consolidated annual results of EUR (1.50) million, which still exceeded that of the previous year at EUR (1.87 million), but naturally does not match the possibilities within the Group. This result corresponds to earnings per share of EUR (0.79).

Our growth during the year was based on all kinds of services, although the increase in licence revenues was particularly striking, rising by 139 percent to EUR 10.50 million. This was primarily based on 15 new GK/Retail projects, which were all gained outside our German-speaking home market and conjunction with SAP. This enabled us to demonstrate our competitiveness in all the important international markets once again. A clear sign that the readiness on the part of retailers to make decisions is on the rise again in the D-A-CH region too was the statement published by Aldi Nord in January 2016 that the leading international discounter had opted for SAP and [1]. As a result of current distortions at some of our competitors, we believe that we have further growth opportunities in our home market too, as many retailers are looking for modern solutions in conjunction with omni-channel retailing. After we were able to win five international projects with SAP in the previous year, the significance of our partnership with SAP was even more striking along the pathway of internationalising our customer base. It was possible to sign contracts with these 14 new customers, which include some very well-known international retailers. Alongside this, we continued to press ahead with the reciprocal permeation of our ranges of solutions - primarily in the light of omni-channel capabilities.

We were able to achieve an extremely important acquisition for our strategy of internationalisation right at the beginning of the reporting period. By acquiring the highly profitable retail division of the US company DBS Inc., which took place in March 2015, we took an important step towards further tapping into the market in North America, the largest retail market in the world. The part of the company acquired is firstly geared towards project development and consultancy work, but secondly to drawing up solutions that complement those offered by GK Software. The new unit has already focussed on implementing store projects for many years and has successfully handled many introductions of the previous SAP till solution POS (Triversity) during the last few years. As a result, we were able to migrate some of the relevant customers to range of solutions sold by SAP and underlay this with further expertise in conjunction with SAP. Part of the acquisition involved purchasing a market-leading software solution, which is geared to linking a wide variety of hardware and software in order to handle electronic payments in North America. The relatively rapid integration in GK Software's range of solutions brings with it considerable simplification and acceleration in handling projects in this market too. As planned, all the important employees in the acquired company are still working for us and we are actively expanding GK Software USA Inc. in order to meet the demands of enhanced sales work and the project business in North America.

We also set up a wholly-owned subsidiary in South Africa at the start of the business year. This is focusing on the issues of sales and project handling in southern Africa with a small team of employees. As part of our activities, we were able to hand over reference installations for productive operations in four countries in the region during 2015 and others will follow during 2016. In the light of the potential in this market, we expect this branch to grow moderately too. Another wholly owned subsidiary of the Group was set up in Lvov in Ukraine in the shape of Eurosoftware-UA LLC dur-

1 – The name GK Software always refers to the Group hereinafter. "The Company" is also used as a synonym. If "GK Software AG" is used, this only refers to the individual company.

ing February of this year. This is being used as a near-shore development site and personnel are currently being taken on.

In order to take even greater account of the market demands in conjunction with the issue of omni-channel retailing, we successfully presented our new OmniPOS solution to the first interested parties at specialist trade fairs in the USA and Düsseldorf and received excellent feedback; this was officially launched for all customers at the beginning of 2016. During the course of the reporting period, we actively started to introduce the first customer projects with the new OmniPOS solution as part of a ramp-up phase. We are convinced that this significant further development of our GK/Retail range of solutions has significantly improved our opportunities in all tender procedures. It has already become clear that our omni-channel range is competitive for customers and interested parties and we therefore assume that our sales opportunities will significantly improve once again. We are convinced that modular concepts will replace monolithic solutions in future. Important processes will be made available as services for stores, webshops and mobile devices as part of this. To achieve this, we have to make available all the data that is available on the customer, the item, availability, unfinished shopping baskets from other sales channels or current social media trends in real time. The work in our research and development department was therefore dominated by very close coordination with SAP during the whole of the 2015 business year, so that we integrated new and ongoing developments made by our strategic partner, e.g. in the field of Hybris e-commerce, HANA, CAR or Fiori, in our project development work. In line with this, our solutions once again successfully underwent premium qualification by SAP in March 2016; this guarantees that the latest versions of our solutions are approved for sale by SAP.

We were also able to expand our installed base by approx. 14,000 installations so that we now have in operation 213,026 productive systems (tills, mobile devices, servers) in 41 different countries. We were therefore able to continue to expand our market leadership position in Germany and the international arena. The position of GK Software is also evident in that we now have business relationships with 20 percent of the TOP 50 of the largest retailers in the world. As in previous years, we generated further turnover from almost all our existing projects on a continual basis. This occurs with great regularity, as our customers have to permanently adapt their solutions to the new demands of their business by expanding into new countries, developing new sales concepts or introducing omni-channel requirements.

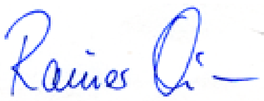
As far as our partner business is concerned, the GK Academy was able to fully play the role conceived for it for the first time during the 2015 business year. Employees from 14 implementation partners received training, for example, and some of them already bear full or partial responsibility in projects. Some of our customers also booked places on our product training courses in order to reinforce their in-house expertise. The Academy also introduced a certification programme for hardware partners and several providers have already made use of this. We believe that the GK Academy programme will enable us to intensively prepare our well-positioned international partner network to handle projects with our solutions around the globe with high quality levels.

We are very confident that we will be able to continue our growth pathway in 2016 and beyond. Our new solutions have triggered great interest in the market place and our sales pipeline is very well filled. Our partnership with SAP continues to bear fruit and we are involved in detailed discussions with potential customers from Germany and abroad. We believe that we are in an excellent position in several ongoing tender procedures and we are also expecting further growth from our business with existing customers.

Based on the figures for 2014, we estimate that we could double our turnover within three years. We wish to continue the trend set in 2015 during the 2016 business year and achieve a positive margin (EBIT related to turnover). Our medium-term target margin for the overall business encompassing all the business units is about 15 percent. This forecast is naturally subject to the proviso that no extraordinary events occur, which could lead to negative interference with the overall economy or the retail sector.

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
CEO

André Hergert
CFO

Letter from the Supervisory Board

Dear shareholders,

The report by the Supervisory Board for the 2015 business year at GK Software AG, which I am presenting here, relates once again to a difficult year, although we had actually assumed in the previous year that more favourable conditions would gradually set in. Following the highly successful years after the IPO with consistently good results, the year 2012 clearly demonstrated that success is no foregone conclusion. We returned to our pathway of success once again in the 2013 business year by adopting suitable measures. Everything looked as if this would continue in the same vein even at the annual shareholders' meeting in 2014, but this unfortunately did not turn out to be true for 2014 or for 2015 either.

Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board consists of three members. In 2015, they were:

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

Mr Ludwig and Mr Zinn have been appointed until the end of the annual shareholders' meeting in 2016, while Mr Thomas Bleier's appointment will terminate with the conclusion of the 2019 annual shareholders' meeting.

Meetings

The Supervisory Board held its ordinary meetings on 22 February, 28 April, 26 June, 31 August and 30 November 2015. Two telephone conferences were held on 23 January and 13 May, when major decisions were about to be taken. All members of the Board were present at all the ordinary meetings and conferences. It is customary practice at GK Software AG that the representatives of the Management Board are always involved in the meetings. Outside of the meetings, the members of the Supervisory Board were also regularly in contact with each other as well as with the Management Board and the members of the Group Management Board, particularly through the Chairman of the Supervisory Board. Decisions were made during meetings or by a circulation procedure. During its meetings, the Supervisory Board was briefed in detail about the economic and financial situation of the Company and the fundamental corporate policy by means of verbal and written reports from the Management Board. In addition to this, the Management Board reported on the course of business by providing interim reports at regular intervals and promptly forwarded the minutes of the board meetings.

Functions of the Supervisory Board

In the 2015 financial year, the Supervisory Board for GK Software AG fulfilled the tasks incumbent upon it according to law, the articles of association, the recommendations of the government commission's "German Corporate Government Code" and the Supervisory Board's revised rules of internal procedure and continually monitored the Company's managers.

In the interests of streamlining the managerial structure in 2013, the restructuring of the Management Board in terms of personnel was an urgent issue following the changes to the structure and procedural organisation of the Company. The restructuring of the Management Board from four to just two members with a Group Management Board beneath it proved beneficial. However, this did not apply to the makeup in terms of personnel. Following the orientation period that is normal in these kinds of situations, the envisaged efficient ways of working did not, however, materialise despite having flexible management conditions, so changes in personnel and changes in responsibilities were necessary.

This was completed during the second half of 2015 in line with the experience and knowledge gained in the general restructuring in 2013 and in close cooperation with the Supervisory Board. Following the recent orientation period, it is already clear that this has led to much closer cooperation on the new management committee and this typifies the expectations for the next few years. What is essential for the ongoing development of the Company is particularly that Mr Jaszczyk can press ahead with the development of the North American business within the Group as its Chief Executive Officer, supported by the takeover of part of the DBS company from March 2015 onwards. The development of the US subsidiary also experienced the necessary support, which will have a positive effect on the continuing penetration of the American market. It is also extremely beneficial that he can also fulfil his role as CTO for the Company and was able to achieve major ongoing developments in our products with his team in 2015.

In addition to the considerable support during this orientation process after the personnel restructuring work, which occurred without any problems, the continued development and adaptation of the risk management systems has been an important issue for years. As a result, the Supervisory Board called for reports on the progress of the implementation of the security concept, which has now been extended once again, and on the further establishment of formalised administrative processes, revised procedures in the controlling department and the work of the data protection officer, who was appointed in the previous year. The Supervisory Board welcomed the progress achieved and the fundamental revision of the planning processes, which was tackled and used for the first time as a new framework for the annual planning work in 2015. It was also possible to continue refining the processes.

The Supervisory Board also fully focused on the appropriateness of the remuneration for members of the Management Board, particularly in the light of the restructuring process. As in previous years, our attention was focused on the relationship between remuneration and the Company's economic situation and on the conditions prevalent at other companies, the comparison with the overall structure of remuneration within GK Software AG and the composition of fixed and variable salary components. After it had been established that, as in the previous year, there had been significant deviations from the economic targets set for the 2015 business year, the Supervisory Board significantly reduced the variable salary components for all the Management Board and Board members and did not approve the amount originally agreed.

In order to monitor the management team, the Supervisory Board was guided by the annual budget passed for 2015 and called for reports from the Management Board particularly regarding the ongoing business policy and corporate planning, profitability, the course of business and important individual measures adopted by the Company. The Supervisory Board also received a number of additional reports on the development of business throughout the business year and even more so after the annual shareholders' meeting, after there had been a failure to achieve the anticipated positive development in business and the targets set for the business year. The takeover of AWEK initially provided the expected reinforcement and the desired effects for the ongoing development of GK Software AG, but was then only able to fulfil some of the expectations placed on it in 2015. In contrast to this, the partial takeover of DBS in North America seems to have proven to be completely successful with regard to the strategic and economic goals. The Management Board supplied the Supervisory Board with information throughout the year both during and outside meetings and the Supervisory Board discussed these reports and checked them with a critical eye, although, unfortunately, they did not contain the anticipated positive reports of success.

Corporate Governance

The Supervisory Board and Management Board act in the full knowledge that good corporate governance forms an important basis for the Company's success and is therefore in the best interests of shareholders and equity markets. The Management Board and Supervisory Board issued their annual declaration of compliance according to Section 161 of the German Companies Act in April 2016. The wording of this is printed in this business report as part of the Corporate Governance report. The Management Board and the Supervisory Board have pledged to follow the recommendations of the German Corporate Governance Code as far as possible. A decision concerning GK was made on the legal stipulation to have equal representation of women and men in management positions on 31 August 2015. No conflicts arose in 2015 as regards conflicts of interest in the members of the Supervisory Board.

2015 annual audit

The GK Software AG annual accounts compiled by the Management Board in line with the guidelines set by the German Commercial Code and the IFRS Consolidated Accounts and the respective management report have been audited by the auditing company, Deloitte & Touche GmbH, and were given an unqualified audit certificate.

Taking into account these audit reports, the Supervisory Board examined the annual accounts compiled by the Management Board, the consolidated accounts, the dependency report, the management report for GK Software AG and for the Group and the loss recorded by the Management Board for 2015. During its meeting on 25 April 2016, the Supervisory Board asked the Management Board to explain the 2015 annual and consolidated accounts with their minus figures and report on the profitability, the Company's equity, the interim course of business and the Company's ongoing situation. All the Supervisory Board members received the necessary documents prior to this meeting.

During the meeting, the auditors commented on the Management Board's presentation, explained the audit findings using the audit reports and answered all the questions on these reports. The auditors were able to satisfactorily answer all the issues that were mentioned during the meeting. There are no doubts about the auditors' independence. The Supervisory Board therefore approved the annual accounts for GK Software AG in its meeting on 25 April 2016 and approved the consolidated accounts for GK Software. The annual accounts have therefore been approved. The Supervisory Board agreed with the Management Board's recommendation to record the loss, particularly in view of the fact that significant adjustments in value from the previous year could then be undertaken too.

The Management Board also prepared a report on relations with associated companies in line with Section 312 of the German Companies Act. The auditors checked this and provided a verbal report on the results of the audit during the meeting on 25 April 2016. The review by the Supervisory Board did not give rise to any reasons for objections to be raised. Accordingly, it did not have any objections to the final declaration by the Management Board in its report according to Section 312 of the German Companies Act either.

The Supervisory Board would like to thank the Management Board, the Group Management Board, the complete management team and all the employees for the work that they performed in 2015. It wishes them all a rapid and sustained return to success in results, which will also provide confirmation of their efforts and their successful work in the long term.

Schöneck, 28 April 2016

Uwe Ludwig
Chairman of the Supervisory Board

Corporate Governance Report

According to Section 289a of the German Commercial Code

GK Software views responsible and transparent performance as absolutely essential for its long-term economic value creation. Both the Management and Supervisory Boards have therefore issued the statutory statement of compliance according to Section 161 of the German Companies Act. Monitoring compliance with the statement is therefore viewed as an important task for the Management Board and the Supervisory Board. The statement is submitted every year and is available to the public on the internet at http://investor.gk-software.com in the "Corporate Governance" section.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board have been working together based on a relationship of trust for many years. The Management Board provides regular reports to the Supervisory Board about profitability and Group strategies and their implementation, but also about existing or possible risks. This is done during the scheduled Supervisory Board meetings, three of which were held during the past financial year, and also directly through regular monthly meetings with the Chairman of the Supervisory Board. Further information on this can be found in the Report by the Supervisory Board. Because it has just three members, the Supervisory Board did not form any committees. All the issues are discussed and decided upon by the full body. The Chairman of the Supervisory Board is solely authorised to conduct negotiations for human resources decisions related to the Management Board, but these negotiations must be approved by the whole body. There were no conflicts of interest amongst members of the Management and Supervisory Boards.

Transparency

In the summer of 2008 GK Software chose to have its IPO listed on the most stringently controlled segment of the German Stock Exchange, the Prime Standard section. The highest possible degree of transparency towards its investors and all the other participants in the capital markets has been one of the most important Company principles from the outset.

The company will also appoint a voting proxy at the 2015 annual shareholders' meeting, who will allow shareholders to exercise their voting rights even if they cannot attend the annual shareholders' meeting. All public information such as ad hoc announcements and press releases, the financial statements or the reports on the annual shareholders' meeting will be made available on the Company's website.

Risk management

The risk management system established by the Group is geared towards the needs of the Company. It is designed to help identify risks at an early stage and appropriately prevent or restrict any risks that occur. Please refer to the Group management report for further details.

Declaration of Compliance

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

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

The last annual declaration was submitted in April 2015 and related to the version of the Code dated 24 June 2014. The future corporate governance practices at GK Software AG in the following declaration relate to the recommendations in the Code in its current version dated 5 May 2015.

On 27 April 2016, the Management and Supervisory Boards at GK Software AG declared that since the release of the last annual declaration of compliance in April 2015 the recommendations of the "Government Commission on German Corporate Governance Code" had been met, apart from the exceptions noted in the declaration published in April 2015, and continue to be met with the following exceptions.

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

Code number 4.1.5 The candidates for management functions will mainly be selected by the Management Board on the basis of their personal skills and abilities in the interests of the Company. Only after this will other objective background issues in the candidates like their age, place of origin or gender be taken into account in order to not generally restrict the interests of the Company. In setting the target rate for the share of women on the top management level below the Management Board, the Management Board will take into account the fact that this only involves four persons.

Code number 4.2.4 The Company does not reveal the earnings of the members of the Management Board in the annual accounts by name. The total earnings of the members of the Management Board are disclosed. This departure from normal practice was adopted on account of the qualified majority of three quarters of the equity capital represented at the annual shareholders' meeting at the annual shareholders' meeting on 29 June 2015 in line with Section 286 Paragraph 5 of the German Commercial Code and Section 314 Paragraph 2 Sentence 2 of the German Commercial Code not to reveal the individual salaries in the annual and consolidated accounts for 2015—2019.

Code number 4.2.5 Please refer to Code Number 4.2.4 regarding Code number 4.2.5.

Code number 5.1.2 The Supervisory Board will mainly take into account the personal suitability, which results from the individual skills and specialist expertise in the candidates, when filling vacant positions on the Management Board so as to not generally restrict the interests of the Company. Other criteria will only be taken into consideration after this. There is no age limit for members of the Management Board; GK Software AG feels that the professional qualifications of the members of the Management Board play a more important role. The Supervisory Board will particularly take into account the fact that the Management Board only consists of two members when setting the target size for the share of women on the Management Board.

Code number 5.3 In a departure from number 5.3 of the Code, the Supervisory Board at GK Software AG does not form any committees due to the size of the board (the Supervisory Board consists of only three members), as the provision of consistent and extensive information for all members of the Supervisory Board can be guaranteed most efficiently in meetings where all the members of the Supervisory Board are present. Any issues can be handled and answered appropriately by the whole body. An auditing committee (number 5.3.2) has therefore not been set up either. The same applies to the nomination committee (number 5.3.3) and the other specialist committees (number 5.3.4). The issues normally incumbent on the specially appointed committees are handled by the complete board, as the board members have the necessary qualifications for this.

Code number 5.4.1 The composition of the Supervisory Board at GK Software AG is not decided by the Supervisory Board, but by the Company's annual shareholders' meeting. The Supervisory Board seeks to engage in successful cooperation between its members and constructive cooperation with the Management Board. The nominations for candidates submitted by the Supervisory Board to the annual shareholders' meeting will take into account the geographical distribution and the degree of complexity of the business at GK Software. Criteria such as the age, background or gender of the candidates will not be taken into consideration. There is no provision for an obligatory age limit for the members of the Supervisory Board, as the older members of the Supervisory Board particularly enrich the board as a result of their wide experience and their specialist qualifications are of great importance. For the same reason, there is no set limit for membership of the Supervisory Board either. The Supervisory Board will particularly take into account the fact that the Management Board only consists of two members when setting the target size for the share of women on the Management Board.

Code number 5.4.6 The remuneration for the members of the Supervisory Board exclusively takes place with fixed elements. No remuneration, which depends on the Company's success, is granted to the members of the Supervisory Board, as the members of the Supervisory Board must be able to pursue their tasks as a supervisory body for the Company without any possible conflict of interests.

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

GK Software AG shares

Basic data

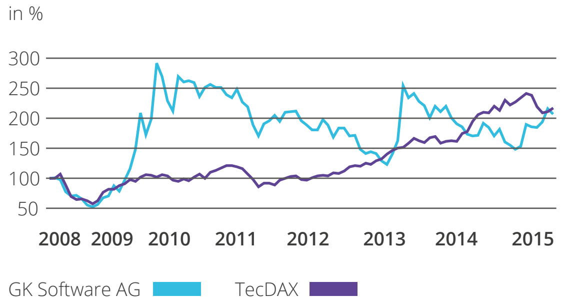
Basic Data

T.01

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 2015	EUR 39.90 (2 April 2015)
Lowest price in 2015	EUR 28.94 (12 October 2015)

Share price development (indexed)

F.01



Summary/share performance

The GK Software AG shares listed on the Prime Standard section of the Frankfurt Stock Exchange registered a sideways trend moving upward slightly during the last business year, having started the year at EUR 33.50. The shares were worth EUR 36.90 at the end of the reporting period. This corresponded to market capitalisation of EUR 69.7 million at the end of 2015.

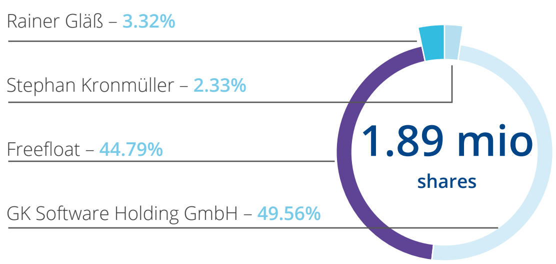
Shareholder structure

GK Software AG has an extremely stable shareholder base, which is enabling the Company to achieve long-term and sustained development. The shareholder structure was as follows on the reporting date of 31 December 2015: 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. This created a free float of 44.79 percent on 31 December 2015.

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

Shareholder structure on 31 December 2015

F.02



T.02 Amounts overstepping the threshold value

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

1 – 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 2015

There were none during the 2015 financial year.

Investor relations

For its IPO during the summer of 2008, GK Software chose to have its shares listed on the most strictly regulated sector of the Deutsche Börse, the Prime Standard. 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 involves the completion of quarterly reports and extensive half-yearly and annual reports in German and English, a finance calendar, obligatory announcements, which have to be published immediately, and corporate news. 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 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.

The Management Board also prepared a report on relations with associated companies in line with Section 312 of the German Companies Act. The auditor checked this and verbally communicated the results of his audit to the meeting on 28 April 2016. The review by the Supervisory Board did not give rise to any reasons for objections to be raised. It did not raise any objections to the Management Board's final declaration in its report in line with Section 312 of the German Companies Act.

The Supervisory Board wishes to thanks the Management Board and all staff members for their commitment and the work they have performed and also wishes them all continued success.

B

Consolidated Annual Report

Economic Report

Business and general conditions at GK Software

Corporate structure and holdings

- **Twelve business sites in Germany, the Czech Republic, Switzerland, Russia, South Africa, the USA and Ukraine.**

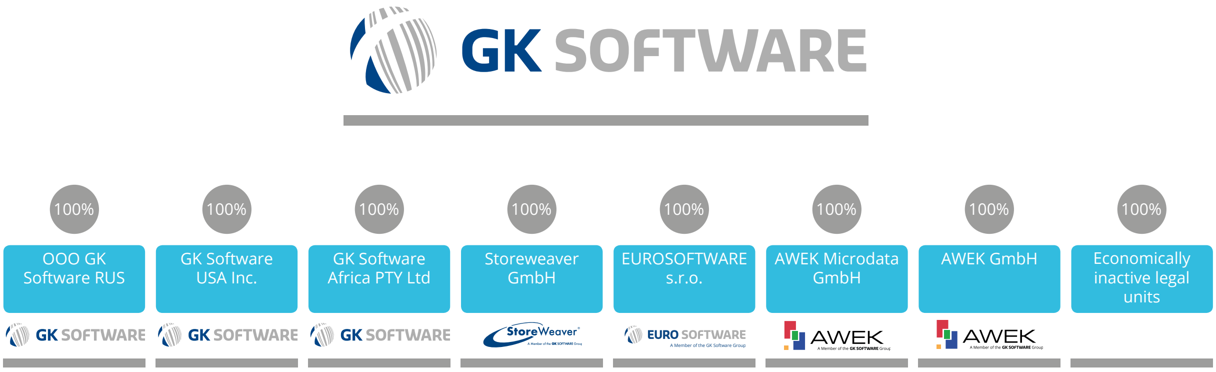
- **Both company founders are actively involved in the Company**

GK Software is one of the world's leading companies for retail software in terms of technology and specially focuses on solutions for firms with large numbers of local stores. GK Software AG and its predecessor company, G&K Datasysteme GmbH, which Rainer Gläss and Stephan Kronmüller founded in 1990 and which became GK Software AG in 2001, have now been active in the market place for the past 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. The business site in Schöneck is not only responsible for administration, but also product development, project management and providing "third-level support". Schöneck is also home to 1. Waldstraße GmbH, which was set up in preparation for the launch of new business activities and is also a sub-

Group structure of GK Software on 31 December 2015

F.03



sidiary that is wholly owned by GK Software AG. GK Software has a branch at Checkpoint Charlie in Berlin, which is primarily responsible for marketing, sales and partner activities and is home to the user help desk.

The Group's second largest business site has been situated in Plzen in the Czech Republic since 2002. Software production and research & development are the main activities pursued by the wholly-owned subsidiary, Eurosoftware s.r.o. Major work on programming and further technological developments for the solutions provided by GK Software take place at the Plzen site. An additional branch, located in Cologne, focuses on software development.

GK Software has a wholly-owned subsidiary, StoreWeaver GmbH, in Switzerland and it has its headquarters in Dübendorf. StoreWeaver GmbH has a German branch in St. Ingbert in the federal state of Saarland. The teams in St. Ingbert are responsible for the ongoing conceptual development of the StoreWeaver EE product group (Enterprise Edition) and handling the relevant customer projects and they also look after the customers of the SQRS product group (Solquest Retail Solutions).

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

GK Software has its own sales and project handling organisation in Russia in the shape of OOO GK Software RUS. GK Software USA Inc. was founded in the USA in December 2013 so that we can support the expected expansion of our North American business locally with a local organisation of our own. The CEO of the North American company is Michael Jaszczyk, a former member of the Management Board, who continues to work for the Company as its CTO. The retail segment of DBS Inc. which was taken over in March 2015, is being integrated into GK Software USA, Inc. A wholly-owned subsidiary trading under the name of GK Software Africa (Pty) Ltd was also set up in South Africa at the beginning of 2015 to deal with business in this region.

The partnership with SAP was once again extremely important for GK Software AG's business during the reporting period, just as it has been in previous years. SAP is by far the most important partner for GK Software in terms of business operations. Sales situations and projects, for example, are processed together in numerous countries. At present, SAP operates as a reselling partner for GK Software on four continents. The SAP POS by GK software developed by the Company is the official migration path for existing customers for the discontinued SAP (SAP POS) solution. SAP acquired a 5.29 percent share in GK Software AG at the end of 2013 and has a pre-emptive right to the founders' shares.

The Management Board of GK Software AG consists of Company founder Rainer Gläss (CEO, Management, Marketing & Sales) and André Hergert (Finances and Personnel). The Management Board is supported by a Group Management Board, which consisted of the following members during the financial year: Stephan Kronmüller, Achim Sieren (until September 2015), Michael Jaszczyk (CTO), Harald Kehl (until September 2015) and Stefan Krueger (Senior Vice President, Sales). Harald Göbel joined the group as Senior Vice President, Customer Solutions & Services, in September 2015.

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, then was last re-elected to serve a further five years at the 2014 annual shareholders' meeting. Herbert Zinn was elected to the Supervisory Board at the annual shareholders' meeting in 2011.

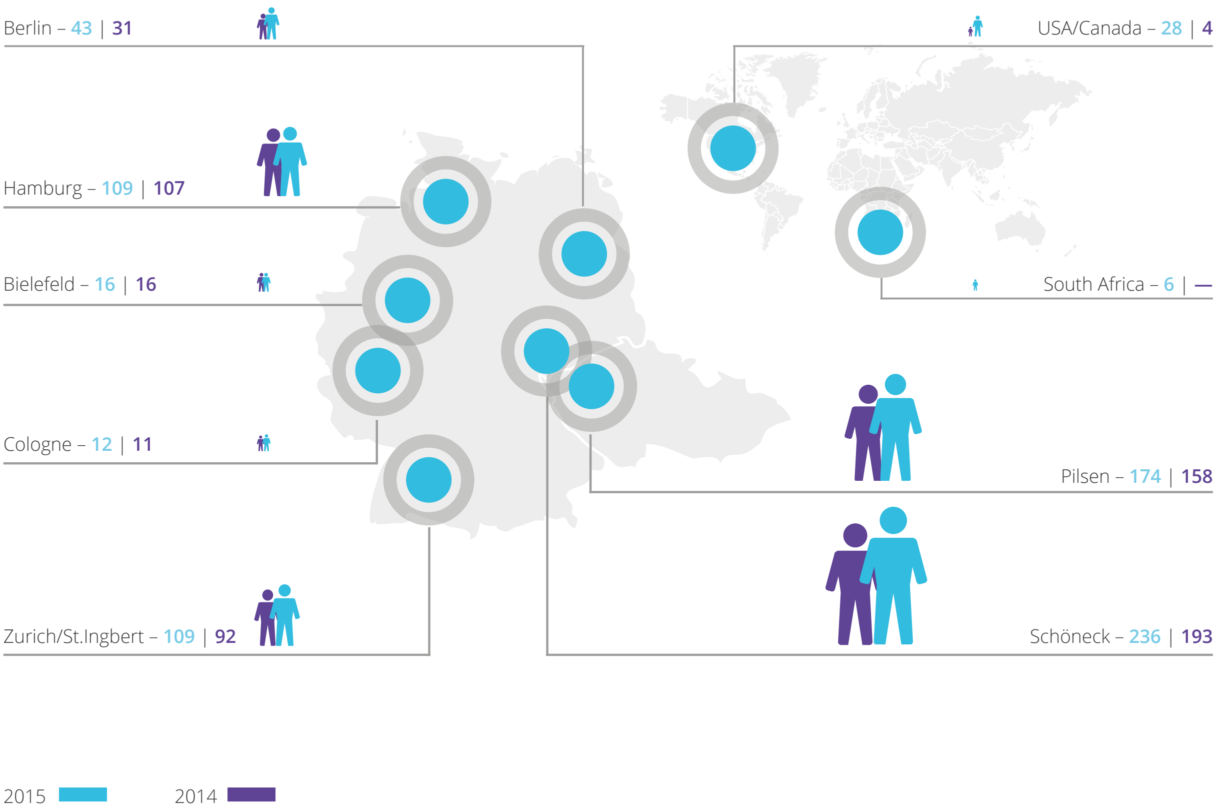
The management of the Group is largely determined by two key management factors - turnover and earnings - although, for the latter, earnings before interest and taxes (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) are mainly used and the relationship between these earning factors and turnover and operating performance. Operating performance is defined as the sum of turnover revenues, the change in stocks of unfinished services or those not paid for and unfinished and finished goods and capitalised expenditure to prepare in-house developments. These management factors are complemented - they enable a deeper economic assessment of the individual segments and the customer orders (projects) that have been handled. The major factor here is the personnel ratio (quotient of personnel expenditure attributed to an object under consideration and turnover revenues) and variants of this factor.

This is accompanied by a key performance indicator system directed at the earning capacity, which concerns the Group's funding. The issue here is the ability of the Group to be able to service its financial obligations at any time, both in the long and short term. The key performance indicators used here concern the equity ratio, the capitalisation ratio in different variants as a measure of matching the maturities of assets and the capital used to fund them. Another important aspect concerns the Group's ability to be able to use any investment opportunities, which arise, at very short notice. A key performance indicator here is the excess in cash and cash equivalents over interest-bearing liabilities. There are different variants of this key performance indicator too, depending on the goal of the observation.

This system, which is geared towards financial key performance indicators, is complemented by those geared towards non-financial indicators. The main focus of attention here is on factors like customer satisfaction and the number of customer contacts. They are not observed in a formal manner, but they are recorded and analysed as part of regular reporting to the responsible members of the Group Management Board and the Management Board.

Distribution of employees at group business locations (from 4 employees) on 31 December 2015

F.04



Personnel

- Growth in personnel continues
- Significant growth, through the US acquisition too

A total of 739 people were employed by the Group on the reporting date of 31 December 2015 (excluding members of the Management Board and trainees). As a result, there were 121 more employees than on the previous year's reporting date (618).

With 236 staff members (previous year: 193), a large proportion of the Group's employees are employed at the Schöneck business site. The Berlin branch now has 43 employees working in the sales & marketing, project and partner management, development and first-level support (hotline) departments (previous year: 31).

The number of employees increased to 174 (previous year: 158) at the Czech subsidiary EURO-SOFTWARE s.r.o. in Plzen.

There were 109 employees at AWEK in Hamburg (previous year: 107) at the end of the year. They included a large number of mobile service technicians who are deployed at various sites throughout Germany. 16 employees in all were employed at AWEK's second business site in Bielefeld at the end of 2015 (previous year: 16); they mainly work on software development. Overall, AWEK has 125 employees (previous year: 123).

109 people were working at the St. Ingbert business site at the end of the year (previous year: 92). Four people were working in Dübendorf (Switzerland) at this time (previous year: 4 too). 12 employees were working at the Cologne branch at the end of the year, compared to 11 employees in the previous year.

28 people were working for the Group in the USA and Canada at the end of the year as a result of the takeover of the retail segment of DBS Data Business Systems Inc. (previous year: 4). This figure included taking over 21 employees, including 5 freelance workers, from DBS Data Business Systems Inc.

GK Software Africa (Pty) Ltd, which was founded at the start of 2015, had six employees at the end of the year. Two people were employed at OOO GK Software RUS, as in the previous year.

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 from a human resources point of view too. Three trainees are also currently employed at GK Software AG

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 a 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, which ensure 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 in order to safeguard the future viability of GK/Retail for years to come and not persevere with 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 move from DOS to Java. However, if we view the effects resulting from this, the expenditure associated with it and the dimension of this change in general terms, the 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 is far more than the preceding solution, GK/Retail POS (version 12), which is in use at most customers. The fundamental architecture idea of OmniPOS is being able to use nearly all the functions in a modular and dispersed manner and with and 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. That 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. 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, tills, 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, on to which solutions from different manufacturers can be docked. The Enterprise Storemanager guarantees the central management of the overall systems landscape. The Enterprise Cockpit handles the monitoring work across the systems. 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** cover 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 the 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 are possible. Basic services like the price calculation logics can be deployed both locally on the stationary till, centrally on the server or separately and be generally used for all the channels. The design of the front ends on the basis of HTML5 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 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 across 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 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 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 main focus of investments throughout 2015 was the new solution known as GK/Retail Omni-POS. In addition, most of the other GK/Retail solutions underwent further development to enable them to work with the new solution. An SAP version of the new solution was handed over for premium qualification and then approved for sale by SAP as SAP Omnichannel POS by GK. The premium qualification process was successfully completed by SAP in March 2016. New products and functions were tested by SAP as part of this kind of product testing and in each case the current version was released for sale.
AWEK develops and sells software for medium-sized companies, which complements the GK Software range, and this is primarily aimed at the medium-sized retail sector. It provides support for an earlier version of this software used by several customers in German-speaking countries.

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 Group has been able to supplement its portfolio with high-value services by acquiring AWEK. For the first time, it is possible to offer full services to the retail trade in addition to software maintenance, which is subject to charges. This means that GK Software can now 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 a customer's business.

Partner training

The GK Partner Academy became fully operational during the 2014 financial year in order to provide qualifications for implementing partners. In order to achieve the status of Advanced Partner within the partner programme, an appropriate number of the partner's employees need to have completed the set training programmes and courses, which are subject to charges. The Group continued to work very hard in 2015 to fulfil the conditions to train implementation partners, which can then handle the introduction of GK/Retail themselves. 14 partners were trained during the course of the year and some of them are now actively involved in implementation projects. During the past year, several hardware partners also paid to have their equipment certified by the GK Academy.

Research and development

- **Research and development as a strategic factor in the face of competitors**
- **Constant expansion of investments in R&D safeguard the Company's role as a leading innovator**
- **Using new technologies as part of the partnership relationship with SAP**

The ongoing development of existing products and the development of new software solutions have been the major focus at GK Software during the past few financial years and they will continue to be strategic competitive factors in future too. This is also reflected in the continuing growth in the number of employees in this department. The lion's share of the research and development department is based at the subsidiary Eurosoftware s.r.o. in Plzen. 14 software developers are currently exclusively working on the latest trends in the software market in order to develop new, ground-breaking products from these. This work is being complemented by the GK Futurelab, which is also based at Eurosoftware s.r.o. in Plzen, and it pools the skills of employees from the complete corporate group. This gives these employees the freedom to develop new technologies, trends and processes, test them and try them out so that GK Software retains its innovative capacity.

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

Overall, GK Software spent EUR 665 K on research & development work during the 2015 financial year (EUR 610 K during the previous year); this corresponds to 1.46 percent of turnover. EUR 525 K of this figure was capitalised as intangible assets. Investments in property, plant and equipment were made to the normal degree, but simply cover the equipment at employees' work stations in these departments.

The findings that are gained flow permanently into the ongoing development of the products. For example, these results led to the ongoing development of significant components in the software solutions and they have already triggered very positive responses in the market place.

Customers and projects

- **Gaining new projects in South Africa and North America**
- **The expansion of the standard product with new, country-specific variations**

GK Software's customers come from almost all areas of the retail sector and are distributed around the globe. The market sectors, in which the Company is active, are primarily the food retail sector, drugstores & household goods, fashion & lifestyle. DIY & furniture markets or technology & cars. The products and services are geared towards companies with a wide variety of sizes. GK Software currently has 118 customers. They include 37 customers, which are attributed to the retail segment of DBS Data Business Inc., which was taken over in 2015. The Company maintains business relationships with 10 customers, which are among the 50 largest retailers in the world. The Company has productive installations operating in 41 countries.

New customer projects in 2015:
The Company gained 14 new projects during the reporting period. In most cases, the customer's name is subject to secrecy until the pilot installation or the rollout has taken place.

- US pharmaceutical retailer (more than 1,000 outlets in Great Britain)
- US sports items retailer (approx. 150 outlets in five different countries)
- A luxury goods retailer (approx. 30 outlets in the United Arab Emirates)
- A micro-retailer (approx. 1,000 stores in Bulgaria)
- A shoe retailer (approx. 50 outlets in the USA, further potential worldwide)
- A fashion retailer (approx. 80 outlets in Mexico)
- A fashion retailer (approx. 50 outlets in Russia)
- A food retailer (approx. 2,300 outlets in Canada)
- A fashion retailer (approx. 550 outlets in Poland)
- A fashion retailer (approx. 50 outlets in Great Britain)
- A toy retailer (approx. 80 outlets in Great Britain and Ireland)
- An animal food retailer (approx. 130 outlets in Russia)
- A food retailer (approx. 100 outlets in Russia)
- A public service company (many business sites around the world)
- A fashion retailer (approx. 450 outlets across Europe)

2015 was also dominated by successful pilot schemes and subsequent roll-outs within existing projects. We delivered and rolled out more country-specific versions in several ongoing projects. It was possible to put installations into productive use in Zambia, Namibia and Botswana for the first time, for example. A start was made on handling the first projects with the new solution as part of the ramp-up phase for GK/Retail OmniPOS in 2015. 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.

One piece of evidence for the vibrant partnership with SAP is that 30 joint customer projects now exist where GK solutions have been sold by SAP. The strategic relationship between both companies for the store sector was also reflected in their joint activities at the NRF, the most important North American trade fair, at the EuroShop, the significant European retail trade fair, and many other coordinated activities.

Market and competitive environment

- **The German retail sector once again set new records in 2015 - turnover rose to EUR 472.4 billion**
- **E-commerce continues to grow - its share is now almost ten percent of the market**
- **Investment needs for retail IT remain high**

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

With GK Software's expansion into more and more business areas, it goes without saying that the number of factors affecting its business have increased, as the situation in some individual markets may move in different directions in spite of global economic trends. This means that there is at least a partial separation in the Company's business activities from the developments in its original core markets in the medium term - principally in Central Europe - without these markets losing their significance for GK Software in the foreseeable future. The year 2015 illustrated that GK Software can now very easily move aside into different geographical markets if no orders for major projects are placed in its traditional home markets.

Alongside the basic economic trends in the markets processed directly or through partners, the general trends in the retail sector are also an enormously important factor for the Company's business. The issue of omni-channel retailing is clearly the number one factor, as it is exerting a huge influence on retailers' strategic decisions in all markets. Long-term issues like demographic developments, new ways of establishing customer loyalty or internationalisation remain important driving factors and are increasingly linked to the mega-trend of omni-channel retailing. GK Software responded to these major focuses in the retail sector at an early stage and it has paved the way for the future with its new product GK/Retail Omni-POS.

Even if growth in 2015 was primarily driven by the licensing business with customers from outside the German-speaking world, the developments in Germany, Austria and Switzerland remain highly significant for the direct business of GK Software, as we believe there will be greater potential in these countries again during the next few years. The German retail sector, Europe's largest retail market, had a very successful year again in 2015. Even though recent years were characterised by continuous growth, revenue actually rose by a further 2.8 percent in real terms[1]. This was the biggest increase in 20 years. Overall, turnover in the retail sector (excluding vehicles, petrol stations, fuels and chemists) amounted to approx. EUR 472 billion in 2015[2]. The increase in turnover in the retail sector therefore grew more strongly than gross domestic product (GDP), which was able to grow in real terms by[3] 1.7 percent. The retail sector therefore contributed 16.2 percent to GDP overall in 2015 and remains a leading sector for the general economy in Germany[4].

The development in interactive trade, i.e. mainly e-commerce and the mail order business without any services, continued to be dynamic. This business was able to increase its turnover once again by 6.6 percent to a figure of approx. EUR 52.4 billion. It therefore accounted for 11.1 percent of the total retail sector figures. This growth was mainly attributable to the e-commerce sector, which increased by more than 7.5 percent to a figure of EUR 46.9 billion. The Company expects this trend to continue in 2016. According to initial estimates, online turnover in the current year is expected to be approx. EUR 54.5 billion[5]. This trend is even more marked in other important retail markets like Great Britain (15.2 percent of total turnover) and the USA (12.7 percent of total turnover). However, it is not yet observable to the same degree in all developed retail markets. While the share of the online retail trade amounts to 8 percent of

1 – http://www.einzelhandel.de/index.php/pressekonferenzen/item/download/8903_620ad28e6205e679a0aee745686f6da2

2 – Ibid.,

3 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/01/PD16_014_811.html

4 – http://de.statista.com/statistik/daten/studie/204886/umfrage/anteil-des-einzelhandels-am-bruttoinlandsprodukt/

5 – https://www.bevh.org/uploads/media/160216_PM_Studienergebnisse_Interaktiver_Handel_2015.pdf

the total retail sector in France, the figure is only 2.5 percent in Italy or 4.8 percent in Canada[1]. It should be generally assumed, however, that online retail sales will continue to grow in all developed retail markets.

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[2]. This means that stationary retailers, which can also handle online business, were increasingly in a position to make use of their advantages arising from the combination of stores and web shops[3]. 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. These unabated developments are triggering huge challenges for the stationary retail sector and the challenges are also being driven by other developments such as mobile couponing. Almost 53 percent of retailers already make use of these kinds of special offers or are planning to do so. 32 percent believe that the prospects for this form of customer loyalty are excellent[4].

The German Retail Federation (HDE: Handelsverband Deutschland) is expecting nominal growth of 2.0 percent to EUR 481.8 billion for the entire retail sector in 2016. However, the experience of the past few years has shown that the forecasts published by the HDE tended to be conservative and were usually exceeded by the actual turnover achieved by the retail sector. The German Retail Federation views consumer confidence, the high level of employment, rising incomes, a steady savings rate and a low level of consumer price increases as the basis for continued, moderate growth.

The annual surveys of retailers in terms of their business prospects support the HDE forecast that 2016 will be a positive year overall. The "e-KIX" retailers' survey in February 2016 showed that approximately 91 percent of the retailers questioned expected their business to remain constant or improve over the twelve-month period[5]. Ernst & Young provided an even more positive picture; in its survey, almost fifty percent of retailers said that they were expecting business to be better in the first half of 2016 than in the same period in the previous year[6].

The analyses performed by the marketing research company GfK also support the HDE forecasts with regard to the developments in the retail sector. The consumer climate remains stable and even rose slightly in March 2016. Overall, the GfK is expecting an increase in consumer expenditure in Germany of about two percent[7]. An increase in private consumption is also expected for the whole of the European Union.[8]

Looking at the German government's digital agenda, the President of (HDE), Josef Sanktjohanser, stated that the "retail sector depends on reliable general conditions with a view to the ongoing process of digitisation" and "the need for investments is therefore appropriately high"[9]. The "Kassensysteme 2016" (Till Systems 2016) published by the EHI Retail Institute confirms this statement for the stores sector. The age of the software in use has continued to rise, according to the study. In line with this, 47 percent of those questioned indicated that they wished to introduce new equipment by 2018.[10]

1 – http://www.retailmenot.de/studien/e-commerce-studie-2015

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

3 – https://www.bevh.org/markt-statistik/zahlen-fakten/

4 – http://www.ey.com/Publication/vwLUAssets/ey-handelsbarometer-juli-2015/$File/ey-handelsbarometer-juli-2015.pdf, p. 21

5 – e-KIX, HDE-Online-Handels-Konjunktur-Index February 2016, p. 5 http://www.ifhkoeln.de/e-kix

6 – http://www.ey.com/Publication/vwLUAssets/ey-handelsbarometer-juli-2015/$File/ey-handelsbarometer-juli-2015.pdf, p. 4

7 – http://www.gfk.com/de/insights/press-release/einkommensaussichten-verbessern-sich/

8 – http://www.gfk.com/de/insights/press-release/europaeisches-konsumklima-steigt-zum-jahresende-deutlich/

9 – http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/124495-digitale-agenda-schl%C3%BCsselrolle-f%C3%BCr-den-handel

10 – EHI Retail Institute, Kassensysteme 2016, Fakten, Hintergründe und Perspektiven, p. 16ff

The need for investments on the part of the retail trade remains high, as the study published by the EHI Retail Institute entitled “IT Trends in the Retail Sector in 2015” indicated. 88 percent of those companies questioned by the EHI at least expected their IT budget to remain constant, if not increase. In addition to this, 34 percent felt that cloud services would become increasingly important in the retail sector and 52 percent believed that omni-channel integration was either good or well on track at their own company.[23] These positive market trends are also an important element in the discussions that GK Software is holding with existing customers and potential interested parties. The IT departments at retailers are also focusing on other issues related to technologies and processes, which GK Software is in an ideal position to cater for with its new GK/Retail OmniPOS solution.

Overall, the conditions for the course of business at GK Software during the current financial year and beyond are very positive. This is all the more so because, following the project successes in North America and South Africa, the Middle East and Eastern Europe, the Company assumes that it will be able to expand its base of potential customers internationally. The upturn in the economy in many eurozone countries and the improved prospects for retailers in the USA may also open up more opportunities.

These trends are subject to the proviso that the global economy is not severely disrupted by political or economic factors that could have a negative effect on the economic situation.

GK Software continues to assume that the investments in new systems that are required in the short or medium term and the use of new technology fields for the retail sector will continue to provide sales potential in Germany and the other markets that are being actively processed in future too. The Company also expects the partnership with SAP in particular to lead to successes internationally and reinforce the Company’s potential in the long term.

GK Software is currently in an excellent position in many ongoing tender procedures in Germany, Austria and Switzerland and abroad and has important advantages over its competitors with its innovative, broad portfolio of products, the internationality of its solutions and its proven ability to handle projects quickly.

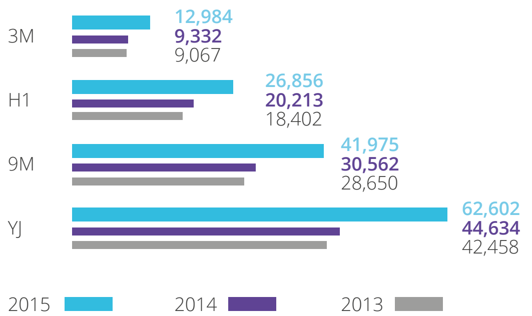
Explanation of the business results and an analysis of the assets, financial and earnings situation

The year 2015 was a successful financial year in the view of the Management Board at GK Software AG and marked a return to a pathway of growth with high profit levels, as in the past. The corporate group was able to register growth in turnover, which was more like a jump: Turnover revenues rose by more than 40 percent from EUR 44.63 million in the previous year to EUR 62.60 million; earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 2.18 million and exceeded the figure for the previous year (EUR 0.04 million) many times over.

Despite these huge improvements over previous years, it is necessary to state that a number of parameters have still not reached the level that they enjoyed in the period before 2012. Earnings before interest and taxes (EBIT) at EUR (1.28) million, for example, still do not reflect the Company's opportunities, even if there was a considerable improvement in comparison with the previous year's figure of EUR (3.02) million. The consolidated annual results amounted to EUR (1.50) million, compared to EUR (1.87) million in the previous year. We are urgently working on improving the internal production structures, which led to these figures.

Quartaly sales development compared to previous years, cumulated amounts – in EUR K

F.05



Total output

T.03

	31.12.2015		31.12.2014		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Turnover	62,602	96.5	44,634	94.3	17,968	40.3
Own work capitalised	525	0.8	512	1.1	13	2.5
Operating performance	**63,127**	**97.3**	**45,146**	**95.4**	**17,981**	**39.8**
Other operating revenues	1,726	2.7	2,188	4.6	(462)	(21.1)
Total output	**64,853**	**100.0**	**47,333**	**100.0**	**17,520**	**37.0**

Earnings situation

- Turnover at EUR 62.60 million; operating results at EUR (1.28) million

The Group's total turnover rose by 40.3 percent from EUR 44.63 million to EUR 62.60 million. The Group's core segment, GK/Retail, developed in a particularly gratifying way: Turnover here rose by 56.5 percent from EUR 31.66 million to EUR 49.56 million; the welcome development of our US acquisition made a considerable contribution here. The Retail & Programming division of DBS Inc., which has been part of the consolidated accounts since 18 March 2015 and has been integrated in the GK/Retail business segment, contributed EUR 5.52 million to the increase in turnover in this segment. However, organic growth was very satisfying too; there was an increase here of more than 38 percent here, which exceeded expectations significantly.

On the other hand, turnover in the IT Services business segment remained almost constant (an increase from EUR 11.92 million to EUR 11.98 million); and it was the same story at SQRS (Solquest Retail Solutions: turnover during the reporting year remained the same as in the previous year: EUR 1.06 million).

In line with this, the share of total turnover generated by the GK/Retail segment increased to 79.2 percent, while the shares for IT Services and SQRS amounted to 19.1 and 1.7 percent respectively.

If we look at the development of turnover according to types of work, the development of licensing revenues for GK/Retail is particularly gratifying:

Revenues here rose from EUR 4.22 million to EUR 9.79 million. This development reflects the 13 new customers that opted for GK/Retail. The development for the small & medium enterprise solution known as "Eurosuite" was less important in absolute terms, but still remarkable: licensing turnover here rose from EUR 0.17 million to EUR 0.70 million.

Revenues generated by maintenance work were just as positive; growth by 21.9 percent from EUR 17.02 million to EUR 20.76 million increased the absolute reliable contribution made by this sector every year even further.

Turnover for services, which are the result of introductory and adaptation services in customer projects, rose by approx. 32 percent to EUR 29.68 million. The GK/Retail business segment was the driving force here too with growth in turnover of more than 40 percent.

The increase in other turnover revenues was primarily due to the activities in the Retail & Programming division at DBS Inc. It also offers its customers the procurement of hardware, so that the turnover in the GK/Retail segment rose from EUR 0.32 million to EUR 1.22 million.

GK Software continued to invest in the further development of its solutions during the 2015 financial year too. The visible expression of this was the capitalisation of services with a value of EUR 0.52 million (previous year: EUR 0.51 million), particularly for new functions available in the omnichannel sector.

Overall, GK Software generated an operating performance amounting to EUR 63.13, following a figure of EUR 45.15 in the previous year (+39.8 percent); other operating revenues during the 2015 financial year still reached a figure of EUR 1.73 million, after this figure had been EUR 2.19 million in the previous year. The main reason for this was the decline in revenues from the reversal of provisions from EUR 0.55 million to EUR 0.08 million. Total operating revenues at EUR 64.85 therefore exceeded the previous year's figure by 37.0 percent.

Expenditure on purchased goods and purchased services rose by EUR 3.12 million to EUR 8.27 million. This increase was almost equally divided among an increase in the use of goods and external services. The increase in goods put to use and semi-finished products amounted to EUR 1.23 million and led to total expenditure of EUR 4.04 million, while expenditure on external services directly related to projects increased by EUR 1.89 million and amounted to EUR 4.23 million in all. The increase in the need for finished and semi-finished products was mainly due to the needs of the IT Services business segment (+EUR 1.38 million) because of some hardware projects being fully handled and the obligations arising from the customer contracts purchased in conjunction with the US acquisition (+EUR 0.98 million). Several factors played a role in the field of purchased services. The most important, however, was that GK Software is continuing to try to make its organisation more adaptable to fluctuations in demand. The increase was almost entirely due to expenditure on outside service providers in customer projects. However, other factors, which were more negligible overall, related to increased travel expenses triggered by global customer support and similar factors due to the geographical expansion of the business field.

Management had already decided to increase capacity for product development and project handling and completion in anticipation of a continuing rise in orders. As a result, the average number of employees over the year rose from 572 to a figure of 697. However, this figure includes the increase caused by the acquisition in the USA, so that GK Software USA employed 28 people at the end of the year. The expansion in personnel resulted in an increase in personnel costs from EUR 28.75 million in the previous year to EUR 39.67 million in the reporting year. The increase amounted to EUR 10.92 million or approx. 38 percent. The personnel ratio was actually 1.0 percentage point below the previous year's figure at 63.4 percent; however, this figure still has significant potential for improvement in comparison with the figures available prior to 2012. The Company is working hard to enhance this figure in order to return to more efficient ways of working. Management continues to believe that one of its central tasks is to implement and supplement the measures that have been introduced and further improve the qualitative structure of capacities and gear them even more closely to needs.

Other operating expenditure rose by EUR 1.34 million to a figure of EUR 14.74 million. The crucial reasons for this lay in the one-off increase in expenditure linked to the US acquisition (+EUR 0.34 million) and the general expenditure for this acquisition in this field, which was naturally missing in the previous year's figure (+EUR 0.15 million). In addition, the ongoing intense efforts to find new employees for GK Software and retain those currently with the Group led to an increase in expenditure of EUR 0.25 million compared to the previous year. The same applied to the travel expenses required, as the field of business expanded; they increased by EUR 0.43 million in comparison with the previous year.

Overall, this development led to a major increase in the EBITDA to EUR 2.18 million, following a figure of EUR 0.04 million in the previous year.

Depreciation and amortisation accounted for EUR 3.45 million during the reporting period, following a figure of EUR 3.05 million in the previous year. While there was a need to adjust the value of the goodwill acquired with the purchase of Solquest in 2009 by EUR 0.87 million in the previous year, this financial year was dominated by the scheduled amortisation on the newly acquired assets in the US acquisition. This amounted to EUR 1.22 million. The base line for scheduled depreciation/amortisation therefore remained largely unchanged when comparing the two years.

T.04

Turnover by segments	FY 2015		FY 2014		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Turnover with						
GK Retail	49,559	79.2	31,660	70.9	17,899	56.5
SQRS	1,062	1.7	1,053	2.4	9	0.9
IT Services	11,981	19.1	11,921	26.7	60	0.5
Total	**62,602**	**100.0**	**44,634**	**100.0**	**17,968**	**40.3**
Licences	**10,490**	**16,7**	**4,391**	**9.8**	**6,099**	**138.9**
GK Retail	9,793	15,6	4,223	9.5	5,570	131.9
SQRS	—	—	—	—	—	—
IT Services	697	1.1	168	0.4	529	314.9
Maintenance	**20,755**	**33.2**	**17,022**	**38.1**	**3,733**	**21.9**
GK Retail	12,290	19.6	8,478	19.0	3,812	45,0
SQRS	974	1.6	934	2.1	40	4.3
IT Services	7,491	12.0	7,610	17.0	-119	-1.6
Services	**29,682**	**47.4**	**22,504**	**50.4**	**7,178**	**31.9**
GK Retail	26,076	41.7	18,599	41.7	7,477	40.2
SQRS	88	0.1	119	0.3	(31)	(26.1)
IT Services	3,518	5.6	3,786	8.5	(268)	(7.1)
Other business	**(1,498)**	**2.4**	**673**	**1.5**	**825**	**122.6**
GK Retail	1,223	2.0	316	0.7	907	287.0
SQRS	—	—	—	—	—	—
IT Services	275	0.4	357	0.8	(82)	(23.0)
GK Academy	**177**	**0.3**	**44**	**0.1**	**133**	**302.3**
GK Retail	177	0.3	44	0.1	133	302.3
SQRS	—	—	—	—	—	—
IT Services	—	—	—	—	—	—

As a result, GK Software achieved an EBIT figure of EUR (1.28) million, following a figure of EUR (3.02) million in the previous year - i.e. an improvement of EUR 1.74 million.

The financial results were only just negative at EUR (0.11) million (EUR 0.03 million in the previous year). Interest revenues amounting to EUR 0.22 million (EUR 0.15 million in the previous year) were countered by interest-bearing liabilities of EUR 0.32 million (EUR 0.13 million in the previous year).

The development of costs exceeded the expectations on account of one-off costs arising from the acquisition of the Retail & Programming division at DBS Inc., the higher than expected expenditure on tapping into the overseas markets in North America and African and the efficiency issues in the production structure at GK Software, which have not yet been adequately resolved.

Financial results

T.05

	31.12.2015		31.12.2014		Change	
	EUR K	in %[1]	EUR K	in %[1]	EUR K	in %
EBITDA	2,177	3.5	37	0.1	2,140	5,783.8
EBIT	(1,276)	(2.0)	(3,015)	(6.8)	1,739	(57.7)
EBT	(1,383)	(2.2)	(2,987)	(6.7)	1,604	(53.7)
Consolidated earnings	(1,500)	(2.4)	(1,870)	(4.2)	370	(19.8)

1 - on turnover

Overall this led to consolidated net results of EUR (1.50) million, following a figure of EUR (1.87) million in the previous year. This amounted to undiluted and diluted earnings per share of EUR (0.79) in 2015. Both figures amounted to EUR (0.99) per share in the previous year.

Assets situation

The consolidated balance sheet total amounted to EUR 67.76 million on the reporting date and was therefore EUR 23.09 million higher than the figure of EUR 44.67 million on the last reporting date. The reason for this was the acquisition of the "Retail & Programming Division of DBS Inc." as part of an asset deal, which was reported on 19 March 2015.

Non-current assets rose by EUR 18.50 million to a figure of EUR 34.47 million and doubled during the course of the year. Current assets rose by EUR 7.39 million to a figure of EUR 25.92 million, while cash and cash equivalents fell by EUR 2.80 million to a figure of EUR 7.38 million.

The equity ratio on 31 December 2015 amounted to 42.7 percent, after it had stood at 68.4 percent on the reporting date in the previous year. Equity capital amounted to EUR 28.97 million (EUR 30.56 million at the end of the previous year).

Debts at GK Software rose by EUR 24.67 million to a figure of EUR 38.79 million from EUR 14.12 million in the previous year.

Assets situation

T.06

	31.12.2015		31.12.2014		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	34,468	50.9	15,972	35.8	18,496	115.8
Current assets without cash and cash equivalents	25,915	38.2	18,528	41.4	7,387	39.9
Cash and cash equivalents	7,377	10.9	10,173	22.8	(2,796)	(27.5)
Assets	**67,760**	**100.0**	**44,673**	**100.0**	**23,087**	**51.7**
Equity	28,967	42.8	30,555	68.4	(1,588)	(5.2)
Non-current liabilities	15,882	23.4	4,865	10.9	11,017	226.4
Current liabilities	22,911	33.8	9,252	20.7	13,659	147.6
Liabilities	**67,760**	**100.0**	**44,673**	**100.0**	**23,087**	**51.7**

The causes of the changes are found in the following business transactions:

The major transaction was naturally the acquisition of the Retailing & Programming division of DBS Inc., which cost USD 20 million in all (i.e. approx. EUR 18.9 million). This acquisition largely led to an accrual in intangible assets within the process of allocating the purchase price. The identified assets concern customer relations (an increase in the carrying amounts between the balance sheet reporting dates in 2014 and 2015 of EUR 4.94 million), the acquired intangible assets (software, an increase of EUR 1.62 million) and the volume of orders (an increase of EUR 0.53 million). However, the largest increase in value was reported under goodwill. The increase in carrying amounts during the course of the financial year amounted to EUR 9.84 million.

Stocks of services not yet accounted for were also affected by this acquisition. The increase in inventories still amounted to EUR 0.24 million at the end of the year. No other assets affecting the balance sheet were taken over.

The funding for the acquisition is reflected in the change in non-current liabilities with banks. Loans amounting to EUR 13 million in all were taken out to fund the acquisition. EUR 10.76 million of this figure has to be viewed as non-current. The remaining amount is due for repayment within one year and is therefore described as a current liability.

The purchase price also includes a conditional element, which envisages the disbursement of a further USD 2.5 million (EUR 2.30 million), but only if certain criteria are met. These liabilities increase "Other liabilities" by this amount when the two years are compared.

In addition, existing obligations (e.g. on the basis of initial payments etc.) amounting to EUR 1.64 million were taken over from existing customer contracts in the business unit that was acquired.

The increase in trade accounts receivable by EUR 3.41 million was mainly due to the month of December 2015, when greater turnover was recorded. The turnover generated here far exceeded that in December 2014. Most of the accounts receivable amounting to EUR 12.6 million, which were entered, had already been received at the time when this report was written.

The comparable increase in accounts receivable from ongoing work (+ EUR 3.31 million) was due to some fairly large projects where the structure envisages major milestones, which are fairly far apart in terms of time.

Cash and cash equivalents amounted to EUR 7.38 million and were therefore EUR 2.79 million below the figure of EUR 10.17 million on the reporting date in the previous year. We will discuss the development of cash and cash equivalents in conjunction with the description of the financial situation.

Based on continued good prospects for business at GK Software, we have capitalised the active deferred taxes from the losses carried forward. The amount entered increased by EUR 0.99 million from EUR 2.53 million to EUR 3.52 million.

The significant expansion of business finds expression in current debts. The increase in provisions, for example, is primarily due to this. Current provisions from the personnel department, for example, (provisions for bonuses, the employers' liability insurance association etc.) were increased by EUR 0.96 million and amounted to EUR 2.62 million.

The liabilities from advance payments received also increased markedly. Discounting the effects of the US acquisition, this was due to the general expansion in business at GK Software.

The increase in other liabilities - if not due to the transaction structure of the US acquisition - was primarily due to the increased value-added tax burden because of the excellent turnover during the months of November and December.

Financial situation

The cash flow from operating business in the narrower sense – i.e. without any change to net current assets – increased from EUR 0.64 million in the previous year to EUR 1.89 million, i.e. by EUR 1.25 million. The main reason for this was in the significantly improved EBITDA figure, which increased by EUR 2.14 million in comparison with 2014.

The changes to net current assets related to the reporting date had a positive impact of EUR 1.11 million on the operating cash flow, in contrast to a figure EUR (0.26) million that weighed on results in the previous year. The positive impact came from the significantly higher figure for advance payments received (+EUR 3.50 million), while the increase in accounts receivable and other assets may have weighed on the cash flow to a greater degree than in the previous year at EUR (6.74) million, but this was more than compensated for by the increase in liabilities and similar debts, which provided relief amounting to EUR 7.65 million.

Taking into account the balance of paid and received interest and income taxes paid, the increase in cash and cash equivalents from operating activities amounted to EUR 2.20 million, following an outflow of EUR 0.42 million during the previous year.

The outflow of cash and cash equivalents from investment activities amounted to EUR 18.58 million, following a figure of EUR 1.55 million in the previous year. The reason for this strong increase was naturally the US acquisition.

GK Software obtained part of the funds for handling the acquisition as outside funding from banks within its funding activities. This was mainly due to taking out loans amounting to EUR 14.11 million. Current account lines amounting to EUR 1.02 million had been taken out by the reporting date. Overall, cash and cash equivalents amounting to EUR 12.57 million accrued for the Group through funding activities.

In total, stocks of cash and cash equivalents therefore declined by EUR 2.80 million to a figure of EUR 7.38 million during the financial year and a current account line of EUR 1.02 million was also used.

In the light of the fact that the Group is managing its capital with the aim of guaranteeing that it will be able to service its loans and debts at all times and provide adequate liquidity to secure investment projects, it therefore places the highest priority on maintaining capital.

Liabilities amounting to EUR 19.55 million have to be serviced during 2016. EUR 10.91 million are due for repayment in the years 2017 - 2020, then a figure of EUR 12.31 million.

As regards the existing liabilities, EUR 17.14 million was interest-free on the reporting date, EUR 1.45 million was subject to a variable interest rate with an average figure of 1.56 percent and a further EUR 13.27 million had a fixed interest rate of between 2.19 and 4.10 percent. We are expecting interest payments of EUR 0.26 million from these existing liabilities and the interest payments will amount to approx. EUR 0.50 million during the following years.

The currency structure of the liabilities on the reporting date involves liabilities amounting to EUR 14.25 million in US dollars, EUR 0.48 million in Czech crowns, EUR 0.21 million in Swiss francs and EUR 0.05 million in South African rand.

Beyond the balance sheet, there were also obligations arising from operating leasing contracts of EUR 1.12 million in total on the balance sheet reporting date, of which EUR 0.63 million is due for repayment during the course of 2016 and a further EUR 0.49 million is due between 2017 and 2020.

The Group is currently working on expanding the outside funding available to it in order to be able to continue using the investment opportunities that arise.

The development of the Group's turnover is particularly gratifying and shows that GK Software's market products and services meet customers' needs. However, the earnings situation - even if it has improved significantly - has not yet met the targets set by management. The measures introduced to improve the production structure may be starting to take effect, but they have not yet affected the structure in its entirety. A great deal of work is taking place to change this. The balance sheet structure was largely dominated by the US acquisition and therefore changed significantly; the key performance indicators on the assets and financial situation improved overall and provide evidence of a solid foundation.

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. They are turnover and earnings. In order to normalise tax effects, GK Software uses earnings before income taxes and the financial results (EBIT) to determine earnings and the margin on operating performance derived from this. In this respect, we refer to the forecast report for the development of these key figures.

T.07 Financial performance indicators

	2015	2014
Gross earnings margin on turnover	90.4%	89.6%
Personnel ratio	63.4%	64.4%
EBITDA margin on operating performance	3.4%	0.1%
EBIT margin on operating performance	(2.0)%	(6.7)%
Equity ratio	42.7%	68.4%
Investment ratio I	50.9%	35.8%
Excess in cash and cash equivalents over interest-bearing liabilities (EUR K)	(7,346)	9,041

We would refer to our comments on the Group's management system with regard to the calculation system for these key performance indicators.

The key performance indicators listed above help with analysing developments, which 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, it largely depends on the "Turnover" key performance indicator and any deterioration in its value may express both wrongly established production apparatus and the failure to meet the "Turnover" key indicator target. However, this can be directly deduced. In this sense, these key performance indicators are important aids in analysing developments, but do not form any control parameters per se.

If we assume that the forecast for the key performance indicators will be met, we can expect that the key performance indicators cited here to analyse the earnings, financial and assets situation will provide a positive development and again move towards the figures recorded in 2013.

Non-financial performance indicators. Management largely observes key figures in sales activities when it comes to non-financial performance indicators. There are two key values here: customer satisfaction and the number of customer contacts. They are not observed in a formalised manner, but are documented and assessed through regular reports about existing projects and sales activities with possible new customers 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.

Report on key events

after the end of the financial year

The Management Board with the agreement of the Supervisory Board decided on 1 February 2016 to buy back some of its own shares, within the authorisation granted it by the annual shareholders' meeting on 18 June 2013. The programme started on 3 February 2016 and will initially run until 30 June 2016.

The shares may be used for any purposes cited in the authorisation that forms the basis for the action. They particularly include using the shares as the payment for the acquisition of companies and using them within the share option scheme.

The scheme covers the acquisition of company shares with a total value of up to EUR 200 K (discounting ancillary costs for the acquisition) and the acquisition was to take place through the stock market and be handled by a bank mandated by the Company in line with Articles 4-6 of Order (EC) no. 2273/2003 of the Commission dated 22 December 2003 and the stipulations in the German Companies Act and the Securities Trading Act. The Management Board would point out according to Article 5 Paragraph 3 of the Order that the threshold value of 25% of the average daily turnover in shares may be exceeded according to Article 5 Paragraph 2 of the Order as part of implementing the buy-back programme.

The Lebensmittelzeitung retail newspaper reported in March 2016 that ALDI Nord had decided to use the GK Software checkout and store solution sold by SAP and that the implementation would be handled by an SAP partner.

Otherwise no event of particular importance occurred after the end of the financial year which could have a significant impact on the Group's assets, financial or earnings situation.

Report on the Risks, Prospects and Outlook for the GK Software Group

The Management Board did not communicate any notable changes to statements made in the previous year as part of its risk and opportunity management system during the recent checks on existing opportunities and risks.

Risks

Risk management system

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 and those that might not. 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 the members of the Group Management Board and employees who are responsible for the risk classes described below are encouraged in order to eliminate any 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 upper management and those responsible, but at the same time, people tend to avoid communicating unpleasant news and 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 increased 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 increases 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 focusses 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 can 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, but their impact on forecasts is not believed to be very significant at the moment.

We are summarising the individual case risks, which result from the acquisition of other companies, for example, in our own risk category, which is not subject to 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.

GK Software deliberately takes entrepreneurial risks in order to benefit from the opportunities presented by the market in the appropriate manner. A risk management system was 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 Supervisory Board is informed of the results of these discussions. The documentation for the risk management system is being continually updated.

Risks and overall picture of the risk situation

One major risk - which the Company cannot influence - is the development of business at customers of GK Software because of the development of the general economic situation and consumer sentiment. The actual developments in 2015 and the prospects for 2016 and thereafter too have been marked by generally steady, but constant growth prospects in the global economy. The impact of the crisis between Ukraine and Russia is still completely unclear and this affects specific markets in which GK Software operates. The renewed risk of terrorist action and the intensification of conflicts in the Middle East are other political risk factors, which could have a negative effect, for example. The actual ongoing developments in this situation and the associated uncertainties could exert an influence on economic developments in Europe, but it is impossible to specify any details at the moment.

It is true that the forecasts presented by associations and analysts tend to suggest that the retail sector will enjoy relatively steady developments in a significantly calmer overall economic environment, but the psychological factors of any contradictory news situations on the investment behaviour of customers of GK Software can only be guessed in an environment that is hard to assess - 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 an important indicator for assessing risks. These two factors are therefore subject to particular monitoring and are regularly checked as part of the sales controlling processes.

On the basis of its customer structure and the structure of its target market, the consolidated group business is repeatedly dominated by individual major projects with a relatively 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 falls 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 to retailing. 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 the 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 long term, which could lead to an increase in demand from the retail sector. The retail sector in Germany is generally dominated by price wars. Retail companies therefore seek to pass on the resulting pressure on prices to their suppliers and contractual partners. This process is also felt for investments in IT equipment and may have an effect on manufacturers of software for the retail sector. However, as GK Software provides strategically significant solutions for retail groups, these risks are not classified as a threat to the company's existence.

The process of consolidation on the customer side is continuing, similar to that encountered at rival companies. This concentration is marked by the acquisition of direct competitors of GK Software by major global manufacturers of hardware, which are therefore becoming 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 assumes that the market development seen in the past leads to hardware and software being purchased separately, it is impossible to fully exclude a reversal in this trend and therefore adverse effects on the sales opportunities at GK Software.

The planned expansion is also associated with certain financial risks. These mainly arise from preliminary payments for customer acquisition for the Group. This risk is increased by the extensions in sales cycles already mentioned above. 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.

The project business also needs to be increasingly scaled as part of any further expansion and this take places by involving partners. There are, however, other risks here, in particular quality risks, due to the lack of control over partners. GK Software has therefore set up a partner programme to certify integration partners and so-called project coaches. This is designed to guarantee the quality of project operations and continually develop this work.

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 fair 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 manager 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 cannot exclude the possibility that it will expand its product and sales base by the deliberate acquisition of companies with regard to the expansion of its business activities during the next few years. The Group will exercise the maximum possible degree of prudence when preparing for and checking acquisitions. However, it is impossible to fully exclude the risk that an acquisition may have negative effects on the results at GK Software.

To ensure further growth, the companies within the Group 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 to the job market. The aim is to further increase the existing attractiveness by completing the introduction of share option schemes for managers and senior employees within the Group. 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 further risks to business developments within the Group.

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 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 for 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. 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 default risk for the Group in this regard corresponds to the maximum sum, which the Group would have to pay if a claim was made against the guarantee.

The Group controls the liquidity risks by having 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. The Group typically accepts so-called "covenants" in addition to the general loan conditions when funding projects with loans, which are provided by banks, and they relate to general financial performance figures or other conditions. Failure to meet these additional conditions normally entitles the bank concerned to make the loans in question due for payment in full immediately, regardless of whether the main loan obligations are being met and probably can continue to be met or not. The Group handles this risk by monitoring the covenants and communicating with the banks concerned in an appropriate manner.

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

Market risks 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 financing to enhance the Group's financial leeway.

In order to guard against these market risks, the Group is making increasing use of derivative financial tools like interest-capping business or currency hedging tools to provide safeguards against rising interest on debit balances and a possible devaluation of the euro. This hedging business is always closely related to the Company's actual fundamental business and is exclusively used to maintain as far as possible the bases for calculations used for this business.

Exchange rate risks arise from the Group's exposure to Czech crowns, Swiss francs, Russian roubles, South African rand, US dollars and Canadian dollars. The Group therefore enters into payment obligations arising from work, renting and leasing contracts in all these currencies. GK Software with its companies therefore not only issued invoices for sales and services in euros on the balance sheet reporting date, but also in Swiss francs, US dollars, Canadian dollars and South African rand. The Group carried out a sensitivity analysis to determine its risk of exposure to foreign currencies. The results of this analysis show that exchange risks amounting to EUR 318 K arise if there is a ten-percent increase and/or decline in the value of the euro in comparison with these currencies (EUR 82 K in the previous year). 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. Risks exist in possible changes in exchange rates for services, which the Group companies settles in local currencies every month. These service invoices are settled in Czech crowns, Swiss francs or US dollars.

An interest exchange rate 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 10,000 K (USD 10,595 K) amounted to a total figure of EUR 184 K on the balance sheet reporting date - derived from the mid-market price. This amount was entered on the balance sheet under "Other assets". No valuation unit was formed.

The Group is exposed to interest risks, as it takes out financial resources with fixed and variable interest rates. The risk is controlled by maintaining an appropriate ratio, i.e. by taking out a mixture of fixed and variable interest rates on funds. This takes place by using interest rate caps. 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. Interest payments amounting to EUR 261 K were made during the reporting year and were entered 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 fixed interest rate also exists for the complete term of the loan taken out with IKB Industriebank AG to fund the acquisition of the Retail & Programming division of DBS Inc. The interest rate is set quarterly at a rate of 1.9 percentage points above the three-month EURIBOR rate in the case of the investment loans taken out with the Commerzbank with a value of EUR 750 K and EUR 450 K (value on the reporting date: EUR 371 K). The interest risk has been restricted by an interest rate cap of 1.0 percent p.a. The loan of EUR 180 K from the Commerzbank in Plauen (value on the reporting date: EUR 67 K) also attracts an interest rate that is set quarterly at 1.8 percentage points above the three-month EURIBOR rate. The risk here has been restricted to 4.0% p.a. throughout the term by means of an interest rate cap.
If there was an extreme change in the 3-month EURIBOR rate by one percentage point, this would trigger a change in the interest expenses amounting to EUR 39 K during 2015 (determined using

the factual interest expenses during 2015 with a changed interest rate). There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are used.

There are no other risk categories - because of the type of financial instruments used. There is a description of the exchange rate and interest risk in section 7.1 of the notes on the consolidated accounts.

In the view of the Management Board, there were no risks, which could prove to be a threat to the existence of GK Software and its Group at the end of 2015.

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 213,000 installations in 39,250 stores in 41 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 customers and international customers, as the solutions have already been successfully implemented in 41 countries and can therefore be quickly transferred to foreign customers.

The growth prospects in Germany have not yet been exhausted by a long way either. The focus of GK SOFTWARE AG will be on new areas in future. Fairly small and medium-sized chain stores, which have not been a prime target in the past, provide further huge potential, particularly if standardised solutions are sold.

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

GK Software can benefit from this investment behaviour on the part of the retail sector.

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

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

The tools in the internal checking system and risk management, which relate to accounting, pursue the goals of maintaining assets and recognising risks in economic developments within society and the consolidated group in good time. The focus not only particularly relates to the internal checking system for invoicing, but also on complying with the relevant stipulations in invoicing law.

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 must be noted that any internal checking system related to invoicing procedures - regardless of its scope and type - cannot provide any absolute certainty, but has to be designed in such a way that any major incorrect statements about the Company's or Group's earnings, asset and financial situation can be prevented.

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

The constant increase in the speed of amendments to European international accounting laws and the additions - which often contradict and compete with national law and standards - are proving to be an additional burden on any presentation of accounts and involve a number of risks with 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 level in proportion to the information benefits for those who will actually read the balance sheet. This not only involves training employees who are familiar with accounting practices and who consult with external services providers, as described above, but also obtaining the necessary information about adjustments to accounting law in good time and including 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 conducted by GK Software on its own.

The accounts of the individual companies and the Group are handled with IT support and displayed on Microsoft Navision. The technical equipment and the provision of personnel for the department have been selected in such a way that all the tasks associated with a company of this size can be handled appropriately.

Outlook

In the view of the Management Board, the 2015 financial year proved that the Group is in a good position to hold its ground and return to its former strengths. While the readiness of possible customers, which are interested in the Company's products and services, to make investment decisions has markedly increased from our point of view, other uncertainties still have to be overcome with decision-makers; and we also need to demonstrate that the tasks viewed as challenges can be best overcome by using GK Software's range of products. At the same time, it is essential to continue pursuing and implementing measures to improve the Company's internal structures and processes in order to do full justice to our internal claims to provide high-quality software and project work.

In our view, the 2015 financial year proved to be the first partial step in completing the economic turnaround for the group of companies. The development in turnover in particular has been very positive - even in the light of the expectations expressed in the previous year. The results have also developed in the expected direction and are not least impaired by factors, which we took into account in our planning work, but nevertheless had a stronger effect than had been assumed.

Based on the information available so far, the Management Board is expecting the Group's financial and earnings situation to further improve as a result of the ongoing expansion of business in 2016 and it does not expect any developments in its financial situation, which could pose a threat to the company's existence. This estimate is naturally subject to the impact of developments, which the company cannot influence and which might have a significant effect on this forecast, whether they are expected or come as a surprise.

We continue to believe that the pursuit of our strategy to increase the extent of our geographical range by tapping into and developing other geographical markets is the correct course for GK Software. 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 only succeed in the entirety of the corporate Group over a period, which we estimate to be three years.

In general terms, the following points need to be noted: GK SOFTWARE plans to return to the familiar profit margins of more than 15 percent (EBIT margin on turnover) for its core business. We have set ourselves a deadline to achieve this by 2018. This is against the backdrop of the repeated negative profit margin in the current financial year, but this has been significantly improved. However, the expenses from tapping into new markets could continue to prevent the achievement of this goal. In addition, short-term delays to customer projects can have a considerable impact on the Group's earnings situation. 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.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the GK/Retail's turnover will continue to grow considerably in 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). This development must 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 Company and could be associated with further considerable costs.

As regards the non-financial performance indicators in the area of customer satisfaction, we are expecting a steady improvement over the com-ing years compared with 2015; this will be due to product improvements and the addition of local employees in the project-customer interfaces. However, we would like to emphasise that the expansion into new geographical markets may cause friction due to cultural differences, which could temporarily prevent us from reaching this target. Based on our expectations, the number of customer contacts will not change significantly, but will lead to better qualified opportunities.

We would explicitly repeat here once again that these estimates are only valid provided that no external political or economic shock situations take place. The volatility of the general conditions has constantly increased over the past few years and will at least remain at this enhanced level. These kinds of problems, which affect the whole economy, could lead to a curb on the readiness of the retail sector to make investments and this could logically have a negative effect on the turnover and income potential at GK Software.

The absolute number one priority will be further growth at the Company in future too. The Supervisory Board and the Management Board of GK Software therefore propose to only distribute the available funds in the form of dividends if extraordinarily positive business developments occur.

Other information

According to Section 315 of the German Commercial Code

Principles of GK Software AG's remuneration system

The members of the Management Board at GK Software AG not only receive set remuneration, but also a component that depends on results; it is coupled to qualitative target stipulations and mainly relates to developments at the Company. These qualitative targets are set by the Supervisory Board for the members of the Management Board every year.

The Management Board is granted benefits in kind in addition to fixed remuneration. This includes the provision of company cars, which are also available for private use. In addition to this, the Management Board is reimbursed for the costs of maintaining residences at the different company business locations. The members of the Management Board are also provided with pension packages according to their level of seniority.

Furthermore, pension commitments have been made to both members of the Management Board. The members of the Management Board are entitled to participate in the company's share option scheme according to the general rules stipulated for these schemes. The allocation of share options to members of the Management Board takes place through the Supervisory Board and depends on the degree to which the members of the Management Board have met their business targets.

5,000 share options in all were granted to the members of the Management Board during 2015. 1,500 share options from options granted in 2011 also expired during the reporting period. Overall, the members of the Management Board were able to hold more than 24,000 options on the balance sheet reporting date. The following applies to the whole Management Board if the targets that are set are fully met: their total earnings are divided up into a 70 percent share for the fixed part and a 30 percent share for variable earnings. Fixed earnings of 74 percent and 26 percent of earnings determined in a variable manner were paid out or offered as bonuses during the course of 2015. It is possible to grant settlement payments to members of the Management Board who leave the Company if they have performed any extraordinary work within the scope of the German Corporate Governance Code. The Supervisory Board determines whether any benefits are granted or not.

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

Information according to Section 315 (4) of the German Commercial Code

1. **Capital ratios.** The equity capital at GK Software amounted to EUR 1,890,000.00 on 31 December 2015 and was divided up into 1,890,000 no-par ordinary shares with a calculated share in the equity capital of EUR 1.00 each. Each no-par value share is awarded one vote, in accordance with Section 4 of the articles of association.

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

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

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

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

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

   d. SAP SE, Walldorf, Germany, informed us on 10 December 2013 in accordance with Section 25a of the German Securities Act that its voting rights share as a result of (financial/other) instruments, which is subject to reporting requirements, amounted to 60.5 percent (corresponding to 1,143,492 voting rights) on 10 December 2013, based on the overall number of voting rights at GK Software AG, i.e. 1,890,000.

4. **Appointments to the Management Board or amendments to the articles of incorporation.** Appointing and dismissing members of the Management Board are issues that are governed by Sections 84 and 85 of the German Companies Act. Members of the Management Board are appointed by the Supervisory Board for a maximum period of five years and an extension of their time in office is permissible for a maximum period of five years each time. According to the articles of association, the number of members of the Management Board is determined by the Supervisory Board, but the Management Board must consist of at least two persons. The Management Board at GK Software AG currently has two members. The articles of association can only be amended by the annual shareholders' meeting according to the rules of the German Companies Act. The Supervisory Board may decide on the version of the articles of association – i.e. just make linguistic amendments to the articles of association.
   Any decisions taken at the annual shareholders' meeting require the simple majority of votes cast according to Section 15 Paragraph 2 of the articles of association, if the law does not prescribe anything different.

5. **The Management Board's powers to issue and buy back shares.**
   Contingency capital According to Section 4a Paragraphs 1 and 2 of the articles of association, the Management Board was entitled, with the agreement of the Supervisory Board, to grant one or several subscription rights on as many as 37,000 individual shares to members of the Management Board, managers of companies, where GK Software AG has a direct or indirect majority holding ("associated firms") and managers of the Company and its associated firms as part of the share option scheme by 14 May 2013. The existing options from this scheme were completely forfeited in 2015. 16,175 share options in all were offered to employees of the Company and associated firms in the 2012 financial year; they can only be redeemed for the first time on 5 July 2016, if the redemption conditions have been met. Of these, a total of 2,625 options were forfeited by the end of the 2015 financial year.
   Another 15,250 share options were offered to members of the company and associated firms during the 2013 financial year. It is not possible to redeem them until 10 May 2017, if the redemption conditions are met. 250 of these options were forfeited on 31 December 2015. Each of the options gives the holder the right to exchange the option for a new, no-par value company share made out to the holder. The shares would be fully entitled to attract profits in the financial year in which they are created. No other share options can be granted from this contingency capital, as the authorisation for the Management Board for this ended on 14 May 2013.
   According to Section 4a Paragraph 4 of the articles of association, the equity capital has been conditionally increased by a further EUR 50,000 (contingency capital II), divided into 50,000 individual share certificates. The increase in equity capital will only be 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, which has the right to issue new shares, grants existing shares that have not met the conditions for the subscription rights. Members of the Management Board, managers of companies, where GK Software AG has a direct or indirect majority holding ("associated firms") and managers of the Company and its associated firms are entitled to participate in the share option scheme.
The issue of subscription rights is the responsibility of the Management Board, once approval has been obtained from the Supervisory Board. Each of the options gives the holder the right to exchange the option for a new, no-par value company share made out to the holder. The shares would be fully entitled to attract profits in the financial year in which they are created.
A share option scheme to make use of contingency capital II came into force during the course of the 2013 financial year. 50,000 options in all were offered to members of the Company and firms associated with it.
Another 10,675 share options were offered to members of the Company during the 2013 financial year. These can be exercised for the first time from 26 August 2017 onwards, if the redemption conditions are met.
Another 14,000 share options were offered to members of the Company during the 2013 financial year. These can be exercised for the first time from 10 August 2017 onwards, if the redemption conditions are met.
Another 3,500 share options were offered to members of the Company on 28 August 2014. These can be exercised for the first time from 28 November 2018 onwards, if the redemption conditions are met.
A further 21,825 share options were offered to employees on 1 December 2014 during the 2014 financial year. These can be exercised for the first time from 28 February 2019 onwards, if the redemption conditions are met. 4,125 of these options were forfeited in 2015.
The decision taken at the annual shareholders' meeting on 29 June 2015 authorised the Management Board to issue up to 75,000 share options with subscription rights to GK Software AG shares with a term of up to five years by 27 June 2020, provided that each share option grants the right to subscribe to one GK Software AG share; this may only take place with the agreement of the Supervisory Board. The share options are exclusively for subscription by members of the GK Software AG Management Board, selected managers and other senior employees at GK Software AG and for subscription by members of the management team, and selected managers and other leading employees in companies, which are independently associated firms in a relationship with GK Software AG in the sense of Sections 15 and 17 of the German Companies Act.
A share option scheme from contingency capital II was drawn up for the first time in 2015. 5,000 share options were issued to Company employees on 1 November 2015. The share options are subject to a four-year commitment period, so that they cannot be exercised for the first time until 31 October 2019. None of these options were granted to members of the Management Board.
25,625 options were also issued on 30 November 2015. They are also subject to a four-year commitment period and can therefore not be exercised until 29 November 2019, if the conditions for exercising them are met. 5.000 of these share options were granted to members of the Management Board.
Authorised capital. The Management Board is authorised to increase the Company's equity capital on one or more occasions by up to EUR 945,000 by issuing up to 945,000 ordinary shares in accordance with Section 4b of the articles of association until 27 August 2019. In principle, the subscription privilege must be granted to shareholders. However, the Management Board has the right to exclude the subscription right to one or several increases in capital as part of authorised capital in order to balance out fractional amounts, or in the case of increases in capital in return for assets in kind, particularly when acquiring companies, or if the increase in capital takes place in exchange for cash deposits and the issue price does not fall far below the stock exchange price for shares that have already been issued and the ratio of new shares issued does not exceed 10 percent of the share capital to the exclusion of the subscription privilege according to Section 186 Paragraph 3 Sentence 4 of the German Companies Act. These new shares

may also be offered or transferred to people employed by the Group or by an associated firm within the meaning of Section 15 of the German Companies Act.

6. **Share buy-back scheme** The annual shareholders' meeting in 2013 on 18 June 2013 authorised the Management Board to acquire the Company's own shares up to a total of 10 percent of the equity capital of EUR 1,790,000.00 existing at the time that the decision was made by 17 June 2018, provided that the Supervisory Board agrees to this. Together with the other shares owned by the Company or attributed to it according to Sections 71a ff of the German Companies Act, the acquired shares may not exceed 10 percent of the equity capital at any time. The authorisation may not be exercised for the purpose of trading with the Company's shares. The Management Board may use the shares acquired as part of the authorisation for any legal purposes, provided that the Supervisory Board approves.
   The Management Board with the agreement of the Supervisory Board decided on 1 February 2016 to make use of this authorisation. The programme started on 3 February 2016 and will initially run until 30 June 2016.
   The shares may be used for any purposes cited in the authorisation forming the basis for the action, which was granted by the annual shareholders' meeting on 18 June 2013. They particularly include using the shares as the payment for the acquisition of companies and using them within the share option scheme.
   GK Software AG and its subsidiaries did not hold any Company shares on the reporting date of 1 February 2016.
   The scheme covers the acquisition of company shares with a total value of up to EUR 200 K (discounting ancillary costs for the acquisition) and the acquisition was to take place through the stock market and be handled by a bank mandated by the Company in line with Articles 4-6 of Order (EC) no. 2273/2003 of the Commission dated 22 December 2003 and the stipulations in the German Companies Act and the Securities Trading Act. The Management Board would point out according to Article 5 Paragraph 3 of the Order that the threshold value of 25 percent of the average daily turnover in shares may be exceeded according to Article 5 Paragraph 2 of the Order as part of implementing the buy-back scheme.

7. **Change of control clauses.** The "Software LICENSE AND RESELLER AGREEMENT" between SAP AG and GK Software may be terminated by SAP AG for an important reason, if the majority of shares in GK Software are sold to somebody, who is a close rival of SAP AG.

8. **Compensation agreements.** No compensation agreements have been agreed in case a takeover offer is made.

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

C

Consolidated Financial Report

Consolidated Balance Sheet

on 31 December 2015

Assets

T.08

EUR	Notes no.	31.12.2015 (audited)	31.12.2014 (audited)
Property, plant and equipment	2.1.;3.1.	5,752,753.87	4,969,827.38
Intangible assets	2.2.;3.2.	25,189,562.48	8,473,749.85
Financial assets	2.4.	1,660.00	1,660.00
Active deferred taxes	2.12.;3.13.	3,523,573.57	2,526,269.83
Total non-current assets		**34,467,549.92**	15,971,507.06
Goods	2.3.;3.3.	482,464.63	0.00
Raw materials and supplies	2.3.;3.3.	1,172,383.58	1,159,437.47
Initial payments made	3.3.	56,941.54	24,981.23
Trade accounts receivable	2.5.;3.4.	12,604,882.02	9,193,926.55
Trade accounts receivable from ongoing work	2.2.;2,13;3.5.	6,494,637.81	3,181,396.36
Income tax claims	2.12.;3.7.	218,534.41	369,573.22
Accounts receivable with associated firms	3.6.	11,857.30	36,211.23
Other accounts receivable and assets	2.4;2.5.;3.7.	4,874,184.15	4,562,595.79
Cash and cash equivalents	2.6.;3.8.	7,376,753.60	10,172,931.90
Total current assets		**33,292,639.04**	28,701,053.75
Balance sheet total		**67,760,188.96**	44,672,560.81

Liabilities

T.09

EUR	Notes no.	31.12.2015 (audited)	31.12.2014 (audited)
Subscribed capital	3.9.	1,890,000.00	1,890,000.00
Capital reserves	2.7.;3.9.	18,364,587.77	18,197,887.67
Retained earnings	3.9.	31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 2011, IAS 21)	3.9.	(491,252.91)	(236,194.75)
Profit brought forward		10,672,457.83	12,542,553.44
Shortfall for period		(1,500,238.09)	(1,870,095.61)
Total equity		**28,966,649.62**	**30,555,245.77**
Provisions for pensions	2.8.;3.10.	1,459,930.00	1,664,451.00
Non-current bank liabilities	2.9.;3.11.	11,568,035.00	812,750.00
Deferred government grants	2.10.;3.12.	966,943.09	1,008,439.48
Deferred tax liabilities	2.12.;3.13.	1,887,700.11	1,379,763.95
Total non-current liabilities		**15,882,608.20**	**4,865,404.43**
Current provisions	2.11.;3.14.	2,620,599.84	1,656,578.33
Current bank liabilities	2.9.;3.11.	3,154,528.30	318,783.28
Liabilities from trade payables	2.9.;3.15.	2,091,159.67	1,633,957.62
Initial payments received	2.9.;3.16.	4,004,546.59	503,071.57
Income tax liabilities	2.12.;3.17.	740,615.04	816,068.93
Other current liabilities	2.9.;3.18.	10,299,481.70	4,323,450.88
Total current liabilities		**22,910,931.14**	**9,251,910.61**
Balance sheet total		**67,760,188.96**	**44,672,560.81**

Consolidated profit and loss statement and other results

for the financial year from 1 January to 31 December 2015

Consolidated profit and loss statement

T.10

EUR	Notes no.	31.12.2015 (audited)	31.12.2014 (audited)
Ongoing business operations			
Turnover revenues	2.13.;4.1.	62,602,328.60	44,633,997.10
Own work capitalised	4.2.	524,894.01	511,545.52
Other operating revenues	4.3.	1,725,836.17	2,187,859.68
Sales revenues and other revenues		**64,853,058.78**	**47,333,402.30**
Materials expenditure	4.4.	(8,266,126.59)	(5,151,058.67)
Personnel expenditure	4.5.	(39,667,852.88)	(28,748,609.09)
Depreciation and amortisation	3.1;3.2.4.6.	(3,452,870.12)	(3,051,762.33)
Other operating expenditure	4.7.	(14,741,782.53)	(13,397,229.22)
Total operating expenses		**(66,128,632.12)**	**(50,348,659.31)**
Operating results		**(1,275,573.34)**	**(3,015,257.01)**
Financial income	4.8.	215,971.32	154,152.05
Financial expenditure	4.8.	(323,439.90)	(125,916.37)
Financial results		**(107,468.58)**	**28,235.68**
Income tax results		**(1,383,041.92)**	**(2,987,021.33)**
Income taxes	2.12.;4.9.	(117,196.17)	1,116,925.72
Consolidated shortfall for the period		**(1,500,238.09)**	**(1,870,095.61)**
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	1.6.;4.11.	(196,021.46)	0.00
Items, which will not be reclassified in the consolidated profit and loss statement in future			
Actuarial gains/losses from defined benefit pension plans	2.7.;2.8.;4.9	(59,036.70)	(439,357.45)
Other results after tax		**(255,058.16)**	**(439,357.45)**
Overall results		**(1,755,296.25)**	**(2,309,453.06)**
of which attributable to the owners of the parent company		(1,755,296.25)	(2,309,453.06)
Earnings per share (EUR/share) from the consolidated shortfall - undiluted	4.10.	**(0.79)**	**(0.99)**
Earnings per share (EUR/share) from the consolidated shortfall - diluted	4.10.	**(0.79)**	**(0.99)**

Group statement of changes in equity

on 31 December 2015

Group statement of changes in equity

T.11

EUR	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Consolidated balance sheet profit	Total
Figures on 31 December 2013	**1,890,000.00**	**18,042,151.84**	**31,095.02**	**203,162.70**	**12,990,053.44**	**33,156,463.00**
Share option scheme	0.00	155,735.83	0.00	0.00	0.00	**155,735.83**
Allocation based on IAS 19	0.00	0.00	0.00	(439,357.45)	0.00	**(439,357.45)**
Dividend payments	0.00	0.00	0.00	0.00	(447,500.00)	**(447,500.00)**
Consolidated loss for the period	0.00	0.00	0.00	0.00	(1,870,095.61)	**(1,870,095.61)**
Figures on 31 December 2014	**1,890,000.00**	**18,197,887.67**	**31,095.02**	**(236,194.75)**	**10,672,457.83**	**30,555,245.77**
Share option scheme	0.00	166,700.10	0.00	0.00	0.00	**166,700.10**
Profits/losses from changes in exchange rates and pension plans	0.00	0.00	0.00	(255,058.16)	0.00	**(255,058.16)**
Consolidated loss for the period	0.00	0.00	0.00	0.00	(1,500,238.09)	**(1,500,238.09)**
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**

Consolidated cash flow statement

on 31 December 2015

Cash flows from operating business

T.12

EUR K	Notes no.	31.12.2015 (audited)	31.12.2014 (audited)
Cash flows from operating business			
Shortfall for period		(1,500)	(1,870)
Share option scheme (non-cash expenditure)		167	156
Income taxes affecting results		117	(1,117)
Interest income/expenses affecting results		107	(28)
Profit/loss from the sale or disposal of property, plant and equipment		(5)	(2)
Reversals of deferred public sector subsidies		(41)	(99)
Write-downs recognised for receivables		29	1,207
Write-ups recognised for receivables		—	(215)
Depreciation and amortisation		3,453	3,051
Actuarial gains/losses		(59)	(439)
Net foreign currency losses		(196)	—
Net profits from financial tools assessed at their fair value		(184)	—
Cash flows from operating business		**1.888**	**644**
Changes in current assets			
Changes in trade receivables and other receivables		(6,736)	(414)
Changes in inventories		(527)	(142)
Changes in trade accounts payable and other liabilities		4,147	(155)
Changes in initial payments received		3,501	(302)
Changes in provisions		729	752
Inflow of funds from operating activities		**3,002**	**383**
Interest paid	5.	(275)	(35)
Income taxes paid	5.	(531)	(763)
Net inflow (previous year: net inflow of funds from operating activities Amount carried forward		**2,196**	**(415)**

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

T.13

EUR K	Notes no.	31.12.2015 (audited)	31.12.2014 (audited)
Amount carried forward Net inflow (previous year: net inflow of funds from operating activities		**2,196**	**(415)**
Cash flow from investment activities			
Payments for property, plant and equipment and non-current assets		(1,845)	(1,790)
Proceeds from disposals of fixed assets		5	13
investment subsidies used	3.12.	—	258
Disbursement as part of the company acquisition		(16,805)	—
Interest payments received	5.	128	21
Disbursed loans		(104)	(51)
Proceeds from the repayment of loans		38	1
Net cash outflow for investment activities		**(18,583)**	**(1,548)**
Cash flow from financing activities			
Dividend payments	5.	—	(448)
Loans taken out		14,107	1,173
Repayment instalments for loans		(1,533)	(2,331)
Net inflow (previous year: net outflow) in cash from financing activities		**12,574**	**(1,606)**
Net outflow of cash and cash equivalents		**(3,813)**	**(3,569)**
Cash and cash equivalents at the beginning of the financial year	3.8.	10,173	13,742
Cash and cash equivalents		6,360	10,173
Current credit line		1,017	—
Cash and cash equivalents at the end of the financial year	**3.8.**	**7,377**	**10,173**
Limited available funds	3.8.	1,037	11

Notes on the Consolidated Accounts

for the 2015 financial year

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

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

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

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

1.2. Principles of presentation

The GK Software consolidated accounts have been prepared according to the International Financial Reporting Standards (IFRS) as they apply within the European Union (EU) and also the supplementary requirements according to Section 315a, Paragraph 1 of the German Commercial Code.

The annual accounts for GK Software AG and its subsidiaries are integrated into the consolidated accounts, taking into consideration the standard recognition and accounting policies for the Group.

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

Any standards or interpretations, which have been published, but are not yet in force, have not been used for the consolidated accounts. A reliable assessment of the impact caused by their adoption can only be provided if a detailed analysis has been conducted.

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

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

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

Changes to IFRIC 21 Levies

The IASB published the IFRIC interpretation 21 entitled "Levies" in May 2013. The core issue in the interpretation is the question of when the debt should be set for a levy that is imposed by the public sector. The IFRIC makes clear that the obligatory event for setting any debt is that activity, which triggers the payment obligation in line with the relevant laws. An "economic constraint" to perform the relevant activity in future, taking into consideration the principle of continuing the company, however, does not represent any explicit obligatory event. The new rules were adopted into European law by the European Union in June 2014. The changes did not create any significant effects on presenting the assets, financial and earnings situation or the cash flow at GK Software.

1.2.3. Published, but not yet mandatory accounting regulations that need to apply

Standards adopted by the EU

T.14

Announcements	Title	Applicability for GK Software from	Probable application	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	The changes are designed to enable a reduction of the major and simplified details in the annual accounts.	No major effects.
Changes to IAS 16 and IAS 38	Intangible Assets	1.1.2016	According to this, a revenue-based depreciation method is viewed as non-permissible for property, plant and equipment, while a refutable assumption simply exists that this kind of method is not proper for intangible assets.	No major effects.
Changes to IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture	1.1.2016		Not relevant.
Changes to IAS 19	Employee Benefits	1.1.2016	The aim is to create a simplified balance sheet method for contributions by employees or third parties to a pension plan, which enables contributions by employees or third parties during the period to be entered as a reduction in ongoing work service costs, in which the associated work benefit was provided, if the contributions do not depend on the number of service years.	No major effects.
Changes to IAS 27	Consolidated and Separate Financial Statements	1.1.2016		Not relevant.
Changes to IFRS 11	Joint Arrangements	1.1.2016	The purchaser of shares in a joint activity, which represents a business activity according to IFRS 3, must make use of all the principles related to balancing accounts related to corporate mergers in IFRS 3 and other IFRS principles, as long as they do not contradict the principles in IFRS 11.	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.
Presentation	Clarification of IFRS 2010-2012	1.1.2016	Clarification of many standards already published.	No major effects.
Presentation	Clarification of IFRS 2012-2014	1.1.2016	Clarification of many standards already published.	No major effects.

Standards not yet adopted by the EU[1]

T.15

Announcements	Title	Applicability for GK Software from	Probable application	Probable effects on the presentation of the assets, financial and earnings situation or the cash flow at GK Software.
Changes to IFRS 10 and IAS 28	Consolidated and Separate Financial Statements	Postponed indefinitely	The changes concern transactions between an investor and an associated company or joint venture and envisage a complete entry with effects on the results if control of a business operation is lost, regardless of whether the business operations belongs to a subsidiary or not and a partial entry with effects on the results if any assets are sold or accrue, which do not represent a business activity.	As the date for implementation has been postponed indefinitely, the changes to IFRS 10 and IAS 28 are not relevant at the moment.
Changes to IFRS10, IFRS12 and IAS 28	Consolidated and Separate Financial Statements, Investments in Associates	1.1.2016	Investment companies do not come under IFRS 10 and are therefore exempted from its consolidation rules. This exception rule is specified in four points.	Probably no major effects.
IFRS 14	Regulatory Deferral Accounts	1.1.2016	This standard only applies to those using IFRS for the first time.	Not relevant.
Changes to IAS 7	Statement of Cash Flows	1.1.2017	As a result of this announcement, details are prescribed, which are designed to put the user of the financial statements in a position to assess changes to liabilities from the funding activities.	GK Software is currently assessing the announcement, but does not expect any major effects on the presentation of the assets, financial and earnings situation or the cash flow.
Changes to IAS 12	Income taxes	1.1.2017	Clarification of balance sheet accounting for capitalised deferred taxes on unrealised losses to sell available financial assets.	No major effects.
IFRS 9	Financial Instruments	1.1.2018	The final version of IFRS 9 as a complete standard contains all the rules published previously and has combined them with the new rules on entering value reductions and restricted changes to classifying and assessing financial assets.	No major effects.
IFRS 15	Revenue from Contracts with Customers	1.1.2018	The standard envisages a unified principle-based, five-stage model for determining and entering revenues, which must be applied to all contracts with customers. It particularly replaces the IAS 18 "Revenues" and IAS 11 "Construction contracts" existing standards. When using IFRS 15 for the first time, a company must use the standard following the current reporting period. With regard to earlier reporting periods, two options are granted in the transition rules: the full use of IFRS 15 for earlier reporting periods (with certain restricted practical simplifications) or the retention of the earlier amounts, which were reported according to the standards that applied previously, and entering the accumulated effects from the use of IFRS 15 on all the contracts, which had not yet been completed at the start of the reporting period, as an adjustment to the initial balance of equity capital at the time that this was first used (start of the current reporting period).	GK Software is currently assessing the announcement, but does not expect any major effects on the presentation of the assets, financial and earnings situation or the cash flow.

Announcements	Title	Applicability for GK Software from	Probable application	Probable effects on the presentation of the assets, financial and earnings situation or the cash flow at GK Software.
IFRS 16	Leases	1.1.2019	The key requirement in IFRS 16 is to generally enter all the leasing relationships and the associated contractual rights and obligations on the balance sheet for the lessee. The previous differentiation required under IAS 17 between funding and operating leasing contracts therefore disappears for the lessee in future. The lessee enters a leasing liability for all the leasing relationships on its balance sheet to cover the obligation of making leasing payments in future. At the same time, the lessee capitalises a right of use on the underlying asset, which fundamentally corresponds to the cash value of the future leasing payments plus any directly attributable costs. The leasing liability is continued during the term of the leasing contract in a manner similar to the rules in IAS 17 for financial leasing relationships in actuarial terms, while the right of use is amortised according to schedule, which generally leads to higher expenditure at the start of the term of a leasing contract. The rules for the lessor in the new standard, however, are similar to the current rules in IAS 17. The criteria in IAS 17 for classification according to IFRS 16 were taken over. IFRS 16 also contains a series of further new rules to define a leasing relationship, enter it in the accounts, state what needs to be specified in the notes and new rules on sale and leaseback transactions.	The standard has major effects on the presentation of the assets, financial and earnings situation. The details of the effects are explained below.

1 – The first date of usage envisaged by the IASB is assumed to be the probable time of first usage for any standards not yet adopted by the EU.

The IASB published IFRS 16 "Leases" in January 2016, which has major effects on the presentation of the assets, financial and earnings situation at GK Software. The new rules particularly effect the following situations:

- While payment obligations for operating leasing relationships had to be specified in the notes on the accounts in the past, the rights and obligations arising from these must be entered on the balance sheet as rights of usage and leasing liabilities in future.
- GK Software is expecting significant increases in the balance sheet total at the time of first usage because of the increase in leasing liabilities and a similarly high increase in fixed assets because of the usage rights needing to be capitalised. The increase in leasing liabilities creates a corresponding increase in net financial liabilities.
- Amortisation and interest expenditure will be entered in the profit and loss statement in place of leasing expenditure in future. This will lead to a significant improvement in the EBITDA.

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.

The consolidated companies not only include the parent company, 1 Waldstraße GmbH, Schöneck and AWEK GmbH, Barsbüttel, and AWEK Mirdodata, Bielefeld, but also five foreign subsidiaries (Eurosoftware s.r.o., Plzen/Czech Republic, StoreWeaver GmbH, Dübendorf/Switzerland, OOO GK Software RUS, Moscow/Russia and GK Software USA Inc., Cape Coral/USA, GK Software (Pty) Ltd, Bryanston/South Africa). StoreWeaver GmbH, Dübendorf/Switzerland was set up in 2008. 1. Waldstraße GmbH, Schöneck, which was set up in preparation to absorb new business activities, was included in the consolidated companies for the first time in 2009. OOO GK Software RUS, which serves as the instrument for handling business activities carried out in the Russian Federation, was founded in 2011 and was included in the consolidated companies. With notary deeds dated 10 December 2012, GK Software acquired all the business shares in AWEK GmbH (hereinafter referred to as "AWEK"), which has its headquarters in Barsbüttel near Hamburg. AWEK GmbH, which exercises the holding tasks for the AWEK Group, was the sole shareholder of the AWEK C-POS GmbH, AWEK Microdata GmbH and AWEK Hong Kong Ltd companies until 24 August 2015. The AWEK Group was first included in the GK Software consolidated accounts by way of full consolidation from the time of the acquisition on 10 December 2012. AWEK Hong Kong Ltd was not included among the consolidated companies, as it had not yet started its business operations during the financial year. With effect from 1 January 2015, GK Software acquired from AWEK GmbH, which it purchased in December 2012, its subsidiaries AWEK C-POS GmbH and AWEK Microdata GmbH in the interests of simplifying the structure of the corporate group. AWEK GmbH was subsequently merged with AWEK C-POS GmbH.

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

GK Software USA Inc., Cape Coral/USA, was set up on 30 January 2015 and it 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.

All the firms within the consolidated companies are either directly or indirectly solely owned 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. Corporate mergers

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

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

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

The goodwill relates to the surplus arising from the total of the transferred quid pro quo, the amount of all the shares that have not been fully taken over in the acquired company, the fair value of the equity share previously held by the acquirer in the acquired company (if relevant) and the balance of the amounts existing at the time of the acquisition in the acquired identifiable assets and the liabilities and contingent liabilities that have been taken over. During the periods following the corporate merger, the disclosed hidden reserves and hidden liabilities are continued, amortised or cancelled in line with the way that the corresponding assets are treated.

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

If the initial entering of a merger on the balance sheet at the end of the financial year, in which the merger takes place, is incomplete, the Group shall enter preliminary figures for the items where the balance sheet figures are incomplete. The amounts provisionally assessed must be corrected during the assessment period or additional assets or liabilities must be entered in order to reflect the new information about facts and circumstances, which existed at the time of acquisition and which would have influenced the assessment of the amounts entered on the reporting date, had they had been known.

1.6. Currency conversions

When preparing the accounts of each individual consolidated company, any business transactions, which are made in other currencies than the Group's functional currency (foreign currencies), will be converted using the exchange rates valid on the day of the transaction. Monetary items will be converted using the valid exchange rate on the reporting date on each reporting date for accounts. Non-monetary items in foreign currencies, which are assessed at their fair value, are converted using the exchange rates, which applied at the time when the fair value was determined. Non-monetary items assessed at their procurement or production costs are converted using the exchange rate at the time when they are first entered on the balance sheet.

Any conversion differences from monetary items are entered in the period in which they are incurred to effect the results. The following are excluded from this process:

- Conversion differences from the inclusion of outside funds in foreign currencies, which occur for assets that are envisaged for productive used in the entry process. They are assigned to the production costs, if they represent adjustments to the interest expenditure from the inclusion of outside funds in foreign currencies.

- Conversion differences from business transactions in order to safeguard particular foreign currency risks (see the guidelines on entering hedging relations in section 2.19).

- Conversion differences from monetary items to be received or to be paid from/to a foreign business operation, the fulfilment of which is neither planned nor probable and is therefore part of the net investment in this foreign business operation, which is initially entered under "Other results" and is reclassified from the equity to the profit and loss statement when sold.

In order to prepare the Group financial accounts, the assets and liabilities from the foreign business operations within the Group are converted into euros and the valid exchange rates on the reporting date for the accounts are used. Revenues and expenditure are converted at the average exchange rate during the period, unless the conversion rates were subject to major fluctuations during the period. In this case, the conversion rates are used at the time of the transaction. Conversion differences from the conversion of foreign business operations in the Group's currency are entered under "Other results" and accumulated under equity.

Any goodwill accruing from the acquisition of a foreign business operation and adjustments to the fair values of the identifiable assets and debts are treated as assets or debts for the foreign business operations and converted on the exchange rate valid on the reporting date. Any resulting conversion differences are entered under "Equity".

2. Balance sheet and assessment principles

The consolidated accounts have been prepared on the basis of historical purchase and production costs: Certain property and financial instruments are excluded from this, if they were entered with the amount of their value new or with the fair value on the balance sheet reporting date. A corresponding explanation is found as part of the particular balance sheet and assessment methods.

Historical purchasing or production costs are generally based on the fair value of the quid pro quo paid in exchange for the asset.

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

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

- share-based payments covered by IFRS 2 Share-Based Payments,
- leasing relationships, which come under IAS 17 Leases,
- assessment standards, which are similar to fair value, but do not correspond to this, e.g. the net sales value in IAS 2 Inventories or the value in use in IAS 36 Impairment of Assets.

The main balance sheet and assessment principles are explained below.

2.1. Property, plant and equipment

The balance sheet values of property, plant and equipment are based on purchase costs or production costs plus additional purchase costs, reduced by scheduled depreciation. These assets depreciate in a linear and pro rata fashion in line with their economic serviceable life.

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

The estimated periods of use, the carrying amounts and the depreciation methods are checked on each balance sheet date and, if necessary, the effect of possible changes to the means of assessment is anticipated.

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

2.2. Intangible assets

2.2.1. Intangible assets acquired in return for payment

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

2.2.2. Intangible assets developed in-house

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

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

- the technical feasibility of the completion of the intangible asset value exists in order to make it available for use or for sale
- the company intends to complete the intangible asset and use it or sell it
- There is a capability for using or selling the intangible asset if the intangible asset will achieve probable future economic value.
- adequate technical, financial or other resources are available to complete the development and use or sell the intangible asset and
- it is possible to reliably determine the expenditure that can be allocated within the framework of developing the intangible asset.

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

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

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

2.2.3. Goodwill

The goodwill resulting from corporate mergers are entered on the balance sheet at their procurement costs minus any necessary write-downs. With regard to allocating a purchase price, the purchase of the operating business of Solquest GmbH in 2009 led to the formation for the first time of a “goodwill” intangible asset as that part of the purchase price, which cannot be assigned to capitalized assets. This mainly involved the expertise of the Solquest GmbH members of staff, who were taken over by GK Software AG, in the field of the merchandise management system and processes.

Following the acquisition of the AWEK Group in 2012, an intangible asset entitled “goodwill” was created as that part of the purchase price, which cannot be attributed to assets that can be capitalised, in addition to the value of the purchase price. This too mainly concerns the expertise of Group employees in matters related to operating an IT services organisation.

The acquisition of the retail segment of the American company DBS Data Business Systems Inc. created the first formation of a “goodwill” intangible asset as that part of the purchase price, which cannot be assigned to capitalised assets, in 2015. This mainly involved the expertise of the DBS Data Business Systems Inc. members of staff who were transferred in terms of their software solutions.

GK Software summarises assets, which cannot be checked individually, as part of the intrinsic value tests in the smallest group of assets, which generates an inflow of cash from ongoing use; this cash is largely independent of that of other assets or groups of assets. If assets do not generate any inflow of cash and this is largely independent of other assets or other groups of assets, GK Software does not check the intrinsic value on the level of the individual asset, but on the level of the unit generating cash and cash equivalents, to which this asset belongs. Any goodwill acquired before

1 January 2015 was partly allocated to the product-related cash-generating unit, "Storeweaver Enterprise Edition" and partly to the "IT Services" cash-generating unit on 31 December 2015. The goodwill acquired in 2015 was allocated to the cash-generating unit, "GK TransAction+Products and Services".

The goodwill amounts are checked for their intrinsic value at least once a year. If any events or circumstances indicate that the fair value may have been reduced, another check takes place. Any reduction would be determined by discovering the expected, achievable amount for the units that generate the cash and cash equivalents. If this amount falls below the carrying amount of the unit including the assigned goodwill, impairment expenditure is directly entered in the profit and loss statement, which may not be reversed in the following reporting periods. Regular checks are made on 31 December each year.

2.2.4. Customer base

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

An asset entitled "Customer base" was identified when acquiring the business shares of AWEK GmbH in 2012. Some of the group's customers have had business relations with it for years and they are mainly medium-sized German retailers. The customer list includes companies like the Bartels-Langness group (brands like "famila," "MARKANT," "nah & frisch" and others). The customer base also includes "Dehner," one of the largest horticultural companies – and "Globus" and the books wholesaler "KNV". In addition to this, AWEK also works for companies which are already GK Software customers, such as "EDEKA," "valora", "Hornbach", "MPreis", "Manufactum" and "Fressnapf".

The purchase of the operating business of DBS Data Systems Inc. by GK Software USA Inc. led to the formation of a "customer base" intangible asset by assigning the purchase price in 2015 too. The valuation was determined according to the expected influx of funds from the unit, which generates cash and cash equivalents and to which the customer base is allocated.

The amortisation is entered according to schedule as expenditure in a linear fashion along the expected period of use. The expected period of use and the amortisation method are checked on each reporting date and all the changes to estimates are taken into account prospectively. As soon as there are some signs that the carrying amount of the customer base exceeds the expected influx of funds, the customer base is revalued with this lower figure. Any impairment charges are entered under the item "Extraordinary amortisation". The expected influx of funds is the lower of the two values from the fair value minus any sales expenditure and the value in use. The value in use is the cash flow reduced to its cash value minus any interest for the unit, which could generate cash and cash equivalents and to which the customer base is assigned.

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

2.2.5. Write-downs of property, plant and equipment and intangible assets with the exception of goodwill

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

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

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

If the expenditure on write-downs should reverse subsequently, the carrying amount of the asset (or unit generating cash and cash equivalents) is increased to the latest estimate of the achievable amount. The increase in the carrying amount is restricted to the value, which would have occurred if no write-down expenditure had been entered for the asset (unit generating cash and cash equivalents) in previous years. Any write-up is directly entered in the accounts.

2.2.6. Intangible assets acquired as part of the purchase of the company

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

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

2.2.7. Writing off intangible assets

An intangible asset has to be written off if it is withdrawn or if no further economic use is expected from its use or its loss. The profit or loss from the write-off of an intangible asset, assessed with the difference between the net sale price and the carrying amount of the asset is entered in the profit and loss statement at the time when the asset is written off. The entry is made under “Other revenues” or “Other expenditure”.

2.3. Inventories

The following assets are entered as assets, if they:

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

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

2.4. Financial assets

Financial liabilities must be entered if a Group company becomes a contractual party to a financial instrument.

Financial assets must be assessed at their fair value when they are incurred. Any transaction costs, which must be directly attributed to the issue of financial assets, which are not assessed at their fair value and do not affect the net income, increase the fair value of the financial assets when they are incurred. Any transaction costs, which must be directly attributed to the acquisition of financial assets and which are assessed at their fair value and affect the net income, are directly entered in the profit and loss statement.

The assignment of financial assets takes place in the following categories:

- Financial assets assessed on the balance sheet at fair values
- Financial investments to be retained until their final due date
- Financial assets available for sale
- Loans and accounts receivable

The assignment depends on the type and intended use of the financial assets and takes place when they accrue. The entry and the withdrawal of financial assets takes place on the trading day, if the transaction involves financial assets, the supply of which takes place within the normal time period for the market concerned.

Bank assessments were used to determine the fair value of derivative assets (interest and currency swap).

2.5. Trade accounts receivable and other accounts receivable, assets and receivables based on work performed

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

Financial assets, with the exception of financial assets assessed at their fair value and affecting the results, are checked to see whether they have any possible write-down indications on the balance sheet date. Financial assets are viewed as impaired if there is an objective indication that the expected future cash flows may have changed in a negative direction as a result of one or several events, which occurred after the initial setting of the value of the asset.

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

If the outcome of a manufacturing order can be reliably assessed, the revenues and the costs, which arise in connection with this manufacturing order, are entered according to the percentage of completion on the balance sheet date and are shown as accounts receivable from ongoing work. The percentage of completion is determined on the basis of the order costs which have arisen from the work already performed in proportion to the expected order costs. Changes in the contracted work, claims and performance bonuses are included to the extent that their amount can be reliably determined and it is deemed that they will probably be received.

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

If it is likely that the total costs for orders will exceed the total revenues from orders, the expected loss is immediately entered as expenditure.

If the order costs incurred plus accrued gains and less recognised losses exceed the milestone invoices by the reporting date, the excess is entered as a manufacturing order with a credit balance due from the customer. For contracts in which the milestone invoices exceed the order costs incurred plus accrued gains and less recognised losses, the balance is entered as a manufacturing order with a debit balance due from the customer. Amounts received before the work has been performed are recognised as liabilities under advance payments received. Invoiced amounts for services, which have already been provided and which have not yet been paid for by the customer, are included in the consolidated balance sheet under "Trade accounts receivable".

2.6. Cash and cash equivalents

Cash and cash equivalents are entered at their nominal value. The cash equivalents include demand deposits and fixed deposits with an original due date of no more than three months.

2.7. Equity

2.7.1. Explanation of the item

An equity instrument is a contract, which provides the grounds for a residual claim to the assets of a company after the deduction of all the associated debts. Equity instruments are entered at the expenditure revenue obtained minus any attributable issue costs. Issue costs are those, which would not have been incurred if the equity instrument had not been issued.

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

Any outside or Company capital instruments issued by a Group company are classified according to the economic substance of the contractual arrangement and the definitions as financial liabilities or equity.

2.7.2. Share option scheme

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

According to Section 4a Paragraphs 1 and 2 of the articles of association, the Management Board was entitled, with the agreement of the Supervisory Board, to grant one or several subscription rights to as many as 37,000 individual shares (contingency capital I) to members of the Management Board, managers of companies, where GK Software AG has a direct or indirect majority holding ("associated firms") and managers of the Company and its associated firms as part of the share option scheme by 14 May 2013. This authorisation has now expired. Each of the options gives the holder the right to exchange the option for a new, no-par value company share made out to the holder. The shares would be fully entitled to attract profits in the financial year in which they are created. The subscription right is not transferable and is subject to conditions of exercise, which are identical for employees entitled to them.

During the 2011 financial year 9,450 share options were offered to employees of the Company and associated companies. It was possible to redeem them for the first time by 30 June 2015, if the redemption conditions were met. 1,500 options in this scheme were forfeited in previous years and 7,950 options lapsed during the course of the 2015 financial year. As a result, there were no options remaining from the share option scheme dated 1 July 2011.

16,175 share options in all were offered to members of the Company and associated firms during the 2012 financial year. During the course of the 2013 financial year, 2,375 of these options were forfeited, as the exercise conditions were missed during their term. A further 250 options were granted during the course of the 2015 financial year.

Another 15,250 share options were offered to members of the company and associated firms during the 2013 financial year. 250 of these options were forfeited in 2015. Prior to this, forfeited options were reissued.

No other share options can be granted from this contingency capital I, as the Management Board's authorisation for this ended on 14 May 2013.

According to Section 4a Paragraph 4 of the articles of association, the equity capital was conditionally increased by a further EUR 50,000 (contingency capital II), divided into 50,000 individual share certificates. The increase in equity 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 existing shares that have not met the conditions for the subscription rights. Members of the Management Board, managers of companies, where GK Software AG has a direct or indirect majority holding ("associated firms") and managers of the Company and its associated firms are entitled to participate in the share option scheme. The issue of subscription rights is the responsibility of the Management Board, once approval has been obtained from the Supervisory Board. Each of the options gives the holder the right to exchange the option for a new, no-par value company share made out to the holder. The shares would be fully entitled to attract profits in the financial year in which they are created. A share option scheme to make use of contingency capital II came into force during the course of the 2013 financial year. 50,000 options in all were offered to members of the Company and firms associated with it.

10,675 and a further 14,000 share options were offered to members of the Company during the 2013 financial year. 3,500 options and a further 21,825 share options were offered to members of the Company during the 2014 financial year.

4,125 options from the option programme containing 21,825 options were forfeited in 2015.

The decision taken at the annual shareholders' meeting on 29 June 2015 empowered the Management Board to issue up to 75,000 share options with subscription rights to GK Software AG shares with a term of up to five years until 27 June 2020, provided that each share option grants the right to subscribe to one GK Software AG share; this may only take place with the agreement of the Supervisory Board. The share options are exclusively for subscription by members of the GK Software AG Management Board, selected managers and other senior employees at GK Software AG and for subscription by members of the management team and selected managers and other leading employees in companies, which are independently associated firms in a relationship with GK Software AG in the sense of Sections 15 and 17 of the German Companies Act.

30,625 share options were offered to employees of the Company and associated companies during the 2015 financial year.

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

T.16

	Number of options
Options outstanding on 1 January 2014	61,675
Options granted during the course of the 2014 financial year	25,325
Options lost during the reporting period	0
Options remaining	0
Options expiring during the reporting period	0
Options outstanding on 31 December 2014	87,000
Exercisable options on 31 December 2014	0
Options outstanding on 1 January 2015	87,000
Options granted during the course of the 2015 financial year	30,625
Options lost during the reporting period	(4,625)
Options expiring during the reporting period	(7,950)
Options outstanding on 31 December 2015	105,050
Exercisable options on 31 December 2015	0

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

Options granted and exercise obstacles

T.17

Issue date	Issue options	of which forfeited	of which lapsed	Options exercised during the reporting period remaining	Exercise price	Exercise period	End of exercise period
	Number	Number	Number	Number	EUR	Years	
01.07.2011	9,450	1.500	7.950	0	20.00	4 1/4	30.06.2015
06.07.2012	16,175	2,625	0	13,550	39.14	4 1/4	05.07.2016
10.05.2013	15,250	250	0	15,000	29.03	4 1/4	09.05.2017
Contingency capital				**28,550**			
27.08.2013	10,675	0	0	10,675	25.42	4 1/4	26.08.2017
11.11.2013	14,000	0	0	14,000	25.02	4 1/4	10.11.2017
28.08.2014	3,500	0	0	3,500	41.78	4 1/4	27.08.2018
01.12.2014	21,825	4,125	0	17,700	37.77	4 1/4	01.12.2018
Contingency capital				**45,875**			
01.11.2015	5,000	0	0	5,000	28.62	4 1/4	31.10.2019
30.11.2015	25,625	0	0	25,625	33.98	4 1/4	29.11.2019
Contingency capital				**30,625**			
Total				**105,050**			

Currency rates, interest rates and volatility

T.18

Issue date	Term from issue date	Stock exchange price on assessment date	Retention period	Risk-free interest rate	vVolatility	Shares for Management Board	Total value
	Years	EUR	Years	in %	in %	Number	EUR
01.07.2011	4 1/2	45.19	4	2.12	45.63	0	0.00
06.07.2012	4 1/2	39.50	4	0.24	43.42	3,000	161,637.95
10.05.2013	4 1/2	28.25	4	0.24	39.49	—	93,465.00
27.08.2013	4 1/2	25.60	4	0.63	36.56	—	65,833.00
11.11.2013	4 1/2	27.90	4	0.44	32.17	10,000	87,360.00
28.08.2014	4 1/2	43.99	4	0.10	30.01	—	32,127.00
01.12.2014	4 1/2	35.80	4	0.02	29.50	6,000	113,634.00
01.11.2015	4 1/2	30.50	4	0.17	29.37	—	41,510.00
30.11.2015	4 1/2	37.80	4	0.29	27.70	5,000	167,408.00

Distribution of expenditure entered

T.19

Issue date	Fair value/ option	Probable average exercise period on the balance sheet reporting date	Assumed annual dividend per share	Distribution of expenditure entered	of which Management bBoard
	EUR	Months	EUR	EUR	EUR
01.07.2011	21,025	0	0.50	23,521.46	0.00
06.07.2012	11,929	6	0.50	40,376.91	17,879.07
10.05.2013	6,231	16	0.50	23,538.93	0.00
27.08.2013	6,167	20	0.50	16,477.25	—
11.11.2013	6,240	23	0.50	21,609.51	17,750.67
28.08.2014	9,179	32	0.50	5,812.24	—
01.12.2014	6,420	35	0.50	29,393.32	9,963.84
01.11.2015	8,302	46	0.50	974.69	—
30.11.2015	6,533	47	0.50	4,995.79	974.69
Total				**166,700.10**	**45,593.58**

Determining the fair values per option took place on the basis of 10,000,000 simulations. The total value per share option scheme was determined by taking into account each option. This figure must be entered as personnel expenditure on a pro-rata basis for the elapsed vesting period and assigned to the capital reserves.

Overall, personnel expenditure of EUR 166,700.10 was entered for the share options that were issued during the financial year. The weighted average terms for the options amounted to 2¾ years.

2.8. Provisions for pensions

The costs for providing benefits in the case of defined benefit pension plans are determined using the projected unit credit method, where an actuarial assessment is carried out on each balance sheet date. Any new assessments, consisting of actuarial gains and losses, changes, which are the result of the use of the asset upper threshold, and the revenues from the plan assets (without any interest on the net debt), are entered directly under “Other income” and therefore form a direct part of the balance sheet. The new assessments entered under “Other income” form part of the other provisions and are no longer reclassified in the profit and loss statement. Any past service costs are entered as expenditure when the change of plan takes place.

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

- past service costs (including current service costs, past service costs and any gains or losses from the change or reduction of the plan),
- net interest expenditure or revenues on the net debt or the net asset value,
- a new assessment of the net debt or the net asset value.

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

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

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

2.9. Financial liabilities

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

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

2.10. Public sector subsidies

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

Public sector subsidies, the most important condition for which is the sale, construction or other kind of purchase of non-current assets, are entered on the balance sheet as accruals and deferrals and are entered on a systematic and reasonable basis so that they affect the profit and loss statement over the term of the relevant asset.

Other public sector subsidies are entered as a type of revenue over the period, which is necessary to allocate them on a systematic basis to the relevant expenditure that they are designed to balance out. Public sector subsidies, which are granted in order to compensate expenditure or losses that have already been incurred or for the purpose of providing immediate financial support to the Group, for which there will not be any corresponding costs in the future, are entered in the profit and loss statement during the period in which the claim for their entitlement arose

2.11. Provisions

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

2.12. Income taxes

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

2.12.1. Current taxes

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

2.12.2. Deferred taxes

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

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

The carrying amount of the deferred tax claims is checked every year on the balance sheet date and is reduce, if it is no longer probable that sufficient taxable income will be available in order to realise the claim completely or in part. A deferred tax asset is entered for the amount of unused tax losses and unused tax credits, which have been carried forward, to the extent that it is probable that a future taxable profit will be available which can be used against the unused tax losses and the unused tax credits.

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

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

2.12.3. Current and deferred taxes in the period

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

2.13. Revenue recognition

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

2.13.1. Selling goods

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

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

be incurred in connection with the sale can be reliably determined.

2.13.2. Providing services

Revenues from service contracts are entered according to the degree to which they have been completed, if the results of any service business can be reliably estimated. In more detail, revenue recognition takes place as follows:

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

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

The degree of completion is determined according to the degree of completion of the service being provided and – prior to the first measurement date or between two measurement dates – according to the actual costs already incurred and the planned work to complete the overall service until the next measurement date. The amount of contract revenues is determined from the agreed job amount for performing the work by the measurement date or – prior to the first measurement date or between two measurement dates – proportionate to the actual work performed in terms of the total work performance planned for the reporting date as a share of the contract amount prior to the next measurement date.

2.13.3. Revenues from servicing work:

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

2.14. Estimates and assessment decisions

In preparing the annual statements, assumptions have to be made to a certain degree and estimates are made, which have an effect on the level and statements of assets and liabilities or earnings and expenditure on the balance sheet. The assumptions and estimates largely relate to an assessment of the intrinsic value of intangible assets, a unified definition of the economic serviceable life of property, plant and equipment and intangible assets, the valuation of inventories and accounts receivable, the intrinsic value of capitalised deferred taxes and the accounting practices and assessment of provisions. The assumptions and estimates are based on premises, which in turn are founded on the level of awareness that is available at the current time. Particularly with regard to the expected future development of business, the circumstances that exist at the time when the net income for the period is prepared and a realistic assessment of the future development of the global and sector-based business environment form the basis of the estimates. The amounts that have been entered may deviate from the originally expected estimated values as a result of developments in these general conditions, which differ from the assumptions and lie beyond the sphere of influence of management. If actual developments differ from those that are expected, the premises and, if necessary, the carrying amounts of the assets and liabilities that are affected will be adjusted accordingly. At the time when the annual statements were prepared, the assumptions and estimates, on which they were based, were not subject to any major risks so that management assumes that no major adjustment of the carrying amounts of the assets and liabilities indicated on the balance sheet will be necessary in the following financial year from the current point of view.

2.14.1. Main sources of uncertainty regarding estimates

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

Intrinsic value of intangible assets developed in-house

The Management Board once again assessed the intrinsic value of the intangible assets developed in-house as a result of the Group's development of software. Value adjustments were not deemed to be necessary. These intangible assets were taken into account on the consolidated balance sheet on 31 December 2015 with a value of EUR 1,036 K (previous year: EUR 1,241 K).

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

Intrinsic value of goodwill

As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH in 2009, the Group entered an intangible asset worth 6,403K euros as goodwill for the very first time. This asset was entered on the consolidated balance sheet on 31 December 2015 with a value of EUR 5,533 K after amortisation amounting to EUR 870 K took place in 2014. The value of this figure was checked on 31 December 2015. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure might fall below the carrying amount of the goodwill. The calculation of the value in use requires the estimate of future cash flows from the cash-generating unit and a suitable discount rate for the cash value calculation. Although the expected and achievable cash inflows exceeded the carrying amount of the goodwill, the management decided to apply a flat-rate haircut to the future forecasts due to the analysis of past expectations and the actual amount of inflows achieved. No revaluation was necessary with regard to this planned reduction.

Goodwill of EUR 244 K was entered on the balance sheet as a result of the corporate merger with AWEK as part of the final purchase price allocation on 10 December 2012 and as an accrual in the goodwill item on the consolidated balance sheet. The goodwill has been fully attributed to the IT Services unit generating cash and cash equivalents. This value of this figure was checked on 31 December 2015. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure might fall below the carrying amount of the goodwill. The calculation of the value in use requires an estimate of future cash flows from the unit generating the cash and cash equivalents and an estimate of a suitable discount rate for calculating the cash value.

As a result of the acquisition of the operating business of DBS Data Business Systems Inc. by GK Software USA Inc., the Group entered an intangible asset worth EUR 9,838 K as goodwill in 2015. The intrinsic value of this figure was checked on 31 December 2015. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure might fall below the carrying amount of the goodwill.

The calculation of the value in use requires the estimate of future cash flows from the cash-generating unit and a suitable discount rate for the cash value calculation.

Intrinsic value of accounts receivable from ongoing work

The intrinsic value of the accounts receivable from ongoing work amounting to EUR 6.495 K and entered on the balance sheet in line with IAS 11 in conjunction with IAS 18.20 and IAS 18.26 are checked through ongoing project monitoring. The course of the projects concerned largely matches the planning work and even the opportunity arising from recognition difficulties did not create a situation where an adjustment of the intrinsic value of accounts receivable from ongoing work needed to be made, as the recognition difficulties would not lead to any expected expenditure, which exceeded the revenues or even made it impossible to recognise the amounts.

Intrinsic value of customer bases
As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the Group entered an intangible asset worth EUR 777 K under "Customer base" for the very first time in 2009. The customer base is amortised as expenditure in a linear fashion over the expected period of use of seven years and is entered on the consolidated balance sheet at a value of EUR 48 K (previous year: EUR 89 K). There was no information indicating the need to make a valuation adjustment beyond this.

The Group entered an intangible asset of EUR 458 K as the customer base due to the business shares in AWEK GmbH acquired by GK Software. The customer base is amortised as expenditure in a linear fashion over the expected period of use of ten years and was entered with a value of EUR 317 K on the balance sheet reporting date (previous year: EUR 363 K).

As a result of the acquisition of the operating business of DBS Data Business Systems Inc. by GK Software USA Inc., the Group entered an intangible asset worth EUR 5,433 K as its customer base in 2015. The customer base is amortised as expenditure in a linear fashion over the expected period of use of seven years and was entered on the consolidated balance sheet at a value of EUR 5.026 K on the balance sheet reporting date (previous year: EUR 0 K). There was no information indicating the need to make a valuation adjustment beyond this.

The intrinsic value of customer relationships is the result of a comparison drawn from the past of the underlying turnover from existing customer relationships with the turnover actually achieved and the revenues generated from them on the basis of the business planning underlying the procurements costs that have been entered as part of the allocation of the purchase price and the expectations for the further development of these key figures.

Intrinsic value of orders in hand
The useful life of the volume of orders is determined by the time extent of the contractual relations underlying the volume of orders. Furthermore, the purchase of the business shares in AWEK GmbH by GK Software enabled the Group to enter intangible assets worth EUR 394 K as the value of orders in hand. The orders in hand are amortised in a linear fashion over the expected period of use of five years and are recognised as expenditure. The figure presented on the balance sheet date amounted to EUR 151 K (previous year: EUR 230 K).

As a result of the acquisition of the operating business of DBS Data Business Systems Inc. by GK Software USA Inc., the Group entered an intangible asset worth EUR 1,211 K as the value of orders in hand in 2015. The orders in hand are amortised as expenditure in a linear fashion over the expected period of use of five years. The figure entered on the balance sheet date amounted to EUR 606 K (previous year: EUR 0 K).

The intrinsic value of the volumes of orders is the result of a comparison drawn from the past of the underlying turnover from the volumes of orders with the turnover actually achieved and the revenues generated from this on the basis of the business planning underlying the procurements costs that have been entered as part of the allocation of the purchase price and the expectations for the further development of these key figures.

Intrinsic value of active deferred taxes
The intrinsic value of capitalised deferred taxes from any losses carried forward relies on the assessment that the Group companies concerned will in future once again generate profits which allow for the utilisation of the tax losses carried forward. This is done by planning the economic development of the individual companies in the Group.

Recognition and measurement of provisions
The recognition and measurement of provisions in conjunction with pending legal disputes or other outstanding claims subject to settlement, mediation, arbitration or government regulation are linked to estimates by the Group to a considerable extent. In this way, the assessment of the probability that pending legal proceedings will be successful or lead to a liability or the quantification of the possible amount of payment obligations is based on the assessment of the respective individual circumstances. In addition, the determination of provisions for taxes and legal risks is linked to substantial estimates. These estimates can change on the basis of new information. When collecting new information, the Group primarily uses the services of internal experts and external advisers such as actuaries or legal consultants.

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

3. Notes on the Consolidated Balance Sheet

3.1. Property, plant and equipment

Property, plant and equipment in 2014

T.20

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
On 1 January 2014	4,641,223.57	4,354,414.72	88,734.02	**9,084,372.31**
Accruals	887.87	1,020,822.46	107,111.33	**1,128,821.66**
Transfers	119,056.61	54,288.74	(173,345.35)	**0.00**
Disposals	0.00	73,471.65	10,000.00	**83,471.65**
On 31 December 2014	**4,761,168.05**	**5,356,054.27**	**12,500.00**	**10,129,722.32**
Accumulated depreciation				
On 1 January 2014	966,372.89	3,323,962.26	0.00	**4,290,335.15**
Accruals	148,492.77	793,753.68	0.00	**942,246.45**
Disposals	0.00	72,686.66	0.00	**72,686.66**
On 31 December 2014	**1,114,865.66**	**4,045,029.28**	**0.00**	**5,159,894.94**
Carrying amounts on 31 December 2014	**3,646,302.39**	**1,311,024.99**	**12,500.00**	**4,969,827.38**

Property, plant and equipment in 2015

T.21

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
On 1 January 2015	4,761,168.05	5,356,054.27	12,500.00	**10,129,722.32**
Accruals	0.00	1,310,950.66	471,413.05	**1,782,363.71**
Disposals	0.00	107,515.49	0.00	**107,515.49**
Figures on 31 December 2015	**4,761,168.05**	**6,559,489.44**	**483,913.05**	**11,804,570.54**
Accumulated depreciation				
On 1 January 2015	1,114,865.66	4,045,029.28	0.00	**5,159,894.94**
Accruals	148,686.82	849,504.58	0.00	**998,191.40**
Disposals	0.00	106,269.67	0.00	**106,269.67**
Figures on 31 December 2015	1,263,552.48	4,788,264.19	0.00	**6,051,816.67**
Carrying amounts on 31 December 2015	**3,497,615.57**	**1,771,225.25**	**483,913.05**	**5,752,753.87**

Procurement obligations for office and business equipment amounted to approx. EUR 417 K (previous year: approx. EUR 70 K).

3.2. Intangible assets

Intangible assets in 2014

T.22

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 2014	6,570,271.93	2,183,594.30	6,646,963.24	1,235,038.00	393,530.00	**17,029,397.47**
Accruals	511,545.52	149,598.34	0.00	0.00	0.00	**661,143.86**
Disposals	0.00	0.00	0.00	0.00	0.00	**0.00**
On 31 December 2014	**7,081,817.45**	**2,333,192.64**	**6,646,963.24**	**1,235,038.00**	**393,530.00**	**17,690,541.33**
Accumulated depreciation						
On 1 January 2014	5,095,950.21	1,245,399.78	0.00	680,660.78	85,264.83	**7,107,275.60**
Accruals	745,345.74	312,828.34	0.00	102,635.80	78,706.00	**1,239,515.88**
Impairment according to IAS 36	0.00	0.00	870,000.00	0.00	0.00	**870,000.00**
On 31 December 2014	**5,841,295.95**	**1,558,228.12**	**870,000.00**	**783,296.58**	**163,970.83**	**9,216,791.48**
Carrying amounts on 31 December 2014	**1,240,521.50**	**774,964.52**	**5,776,963.24**	**451,741.42**	**229,559.17**	**8,473,749.85**

Intangible assets in 2015

T.23

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 2015	7,081,817.45	2,333,192.64	6,646,963.24	1,235,038.00	393,530.00	**17,690,541.33**
Accruals	524,894.01	2,162,993.05	9,923,827.00	5,433,348.82	1,211,333.02	**19,256,395.90**
Changes caused by exchange rates	0.00	0.00	(85,904.54)	0.00	0.00	**(85,904.54)**
Figures on 31 December 2015	**7,606,711.46**	**4,496,185.69**	**16,484,885.70**	**6,668,386.82**	**1,604,863.02**	**36,861,032.69**
Accumulated depreciation						
On 1 January 2015	5,841,295.95	1,558,228.12	870,000.00	783,296.58	163,970.83	**9,216,791.48**
Accruals	729,689.20	546,352.05	0.00	494,264.96	684,372.52	**2,454,678.73**
Figures on 31 December 2015	**6,570,985.15**	**2,104,580.17**	**870,000.00**	**1,277,561.54**	**848,343.35**	**11,671,470.21**
Carrying amounts on 31 December 2015	**1,035,726.31**	**2,391,605.52**	**15,614,885.70**	**5,390,825.28**	**756,519.67**	**25,189,562.48**

The capitalised development costs depreciate according to schedule in a linear fashion over an estimated serviceable life of six years. The depreciation starts in the year of capitalisation with the proportionate amount.

Any technologies acquired in conjunction with the acquisition of the AWEK Group are entered under industrial property rights and similar rights and values. They are amortized in a linear fashion over an estimated period of use of five years. The amortisation process started in the year of capitalisation with the proportionate amount.

Research costs of EUR 210 K were immediately entered during the 2015 financial year (EUR 93 K during the 2014 financial year) as expenditure.

The goodwill was allocated to the following units generating cash and cash equivalents for the purpose of checking the impairment:

- StoreWeaver Enterprise Edition (GK/Retail segment)
- IT services (IT Services segment)
- TransAction+ Products and Services (GK/Retail segment)

The goodwill was allocated as follows:

T.24 Goodwill at GK Software

EUR K	31.12.2015	31.12.2014
StoreWeaver Enterprise Edition	5,533	5,533
IT Services	244	244
TransAction+ Products and Services	9,838	—

The StoreWeaver Enterprise Edition area
The unit generating the cash and cash equivalents, which form the basis for this capitalised goodwill, was assessed with the value in use, however no more than the purchasing costs, determined as part of the purchase price, which cannot be attributed to assets that can be capitalised. This unit was described in the consolidated accounts for 2010 as "LUNAR project and project business for this partial solution".

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

The detailed planning covers the period until 2020. As use is possible and probable beyond this period — historical experience supports the principle of assuming a normal period of use for solutions provided by the unit generating the cash and cash equivalents of 10 - 15 years — so the following period was also taken into account. An even shrinkage rate of 1 percent has been assumed.

The flows of payments determined in this way were discounted with an interest rate of 6.90 percent (6.70 percent in the 2014 financial year) and this specifies the weighted costs of the capital before income taxes. Capital market data from a group of comparable companies was used in order to determine the weighted capital costs.

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

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

The unit generating the cash and cash equivalents, which form the basis for this capitalised goodwill, was assessed with the value in use, however no more than the purchasing costs, determined as part of the purchase price, which cannot be attributed to assets that can be capitalised.

In order to determine the value in use of a unit that generates cash and cash equivalents, assessments were made of the future net cash and cash equivalent accruals. The estimates take place within the planning horizon as part of the normal conventions for Group planning. Because of the business model for the unit generating the cash and cash equivalents, which differs from the rest of the Group, specific parameters were used for this unit, which are based on the experience and the analysis of the actual development of the using generating the cash and cash equivalents in the past. The planning principles generally include planning the balance sheet and the profit and loss statement and planning for the expected flows of cash and cash equivalents derived from these.

The detailed planning covers the period until 2020. As use is possible and probable beyond this period – the unit has been offering its services and products for more than twenty years now – the following period was also taken into account. An even shrinkage rate of 1 percent has been assumed.

The flows of payments determined in this way were discounted with an interest rate of 6.90 percent (6.70 percent in the 2014 financial year) and this specifies the weighted costs of the capital before income taxes. Capital market data from a group of comparable companies was used in order to determine the weighted capital costs.

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

The checks on the stability of estimates about the value in use in relation to the carrying amount of the net assets of the unit generating the cash and cash equivalents revealed that this does not respond to an increase in the capitalisation interest rate within an expected interval. Only when the capitalisation interest rate was increased by a ratio of two-and-a-half would the carrying amount of the net assets of IT Services exceed the value in use. Sales targets would have to permanently be missed by almost 20 percent in terms of business developments. We assume that there are no realistic indications to suggest that the main assumptions with regard to the possibility of delivering projects in line with contractual conditions and being able to retain the employees required for this purpose within the Group will diverge significantly from the actual situation. We believe here too that no realistic change in one of the main assumptions quoted above will create a situation where the carrying amount of the unit will exceed the achievable sum.

The TransAction+ Products and Services area
We would refer to the explanations in Section 6 - Company acquisitions - as regards the goodwill acquired in 2015 for the cash-generating unit called “GK TransAction+Products and Services”.

3.3. Inventories

Inventories

T.25

EUR	31.12.2015	31.12.2014
Goods	482,464.63	0.00
Raw materials and supplies	1,172,383.58	1,159,437.47
Advance payments on inventories	56,941.54	24,981.23
Total	**1,711,789.75**	**1,184,418.70**

During the financial year, inventories worth EUR 4,036 K (previous year: EUR 2,806 K) were entered as material expenditure.

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 financial year amounted to EUR 22 K in total (previous year: EUR 147 K). The value adjustments were entered under “Other operating expenditure”. Revenue from the reversal of value adjustments in previous years was entered under “Other operating revenues” and amounted to EUR 207 K. Value adjustments amounting to a total of EUR 136K were formed on the reporting date (previous year: EUR 321 K).

There were foreign currency trade receivables amounting to EUR 0 K in Czech crowns on the balance sheet reporting date (previous year: EUR 6 K) and in American dollars amounting to EUR 772 K (previous year: EUR 0 K) and in South African rand amounting to EUR 53 K (previous year: EUR 0 K).

3.5. 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 6,494,637.81 (previous year: EUR 3,181 K) on the balance sheet reporting date.

3.6. Accounts receivable with associated firms

There were accounts receivable with associated firms amounting to EUR 9 K (previous year: EUR 6 K) with AWEK Hong Kong Ltd and amounting to EUR 3 K (previous year: EUR 30 K) with GK Software Holding GmbH, the parent company's main shareholder. AWEK Hong Kong Ltd was not included among the consolidated companies, as it had not yet started its business operations during the financial year.

3.7. Other accounts receivable, assets and income tax assets

T.26 Other accounts receivable, assets and income tax assets

EUR	31.12.2015	31.12.2014
Loans paid to third parties	2,812,676.32	2,746,703.38
Income tax claims	218,534.41	369,573.22
Accounts receivable from members of the Management Board	35,257.50	120,737.77
Others	2,026,250.33	1,695,154.64
of which from legal claims	156,808.12	698,374.71
of which from asset deferrals	1,097,831.03	613,492.19
Total	**5,092,718.56**	**4,932,169.01**

Value adjustments amounting to EUR 53 K (previous year: EUR 53 K) were made on loans paid to third parties.

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 concerned payments in advance for travel expenses, which were granted free of interest.

Other accounts receivable in Czech crowns existed on the balance sheet reporting date amounting to EUR 106 K (previous year: EUR 106 K), in Swiss francs amounting to EUR 19 K (previous year: EUR 3 K), in Russian roubles amounting to EUR 6 K (previous year: EUR 4 K) and in US dollars amounting to EUR 106 K (previous year: EUR 0 K).

3.8. Cash and cash equivalents

Cash and cash equivalents are entered at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. Banks credits amounting to EUR 11K (previous year: EUR 11 K) were pledged as part of rent collateral to the bank providing the guarantee. The Management Board is expecting this guarantee to be taken up. A further USD 1,100 K (EUR 1,103 K) was put aside as security for retention bonuses for employees.

3.9. Equity

We refer you to the statement of changes in equity for the Group for more information on changes to the equity of GK Software on the 2015 balance sheet date.

The Company's nominal capital amounted to EUR 1,890,000.00 on 31 December 2015 and was divided into 1,890,000 individual share certificates.

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

Authorised capital On 28 August 2014, the annual shareholders' meeting passed a resolution authorising the Management Board to increase the ordinary shares of the Company by issuing new, no-par value bearer shares (individual share certificates) in exchange for cash contributions and/or assets in kind by up to a total of EUR 945,000 on one or more occasions until 27 August 2019, provided that the Supervisory Board approves (authorised capital in 2014).

In principle, the subscription right must be granted to shareholders. However, the Management Board is entitled to exclude the subscription right to one or several increases in capital as part of authorised capital in order to balance out fractional amounts or in the case of increases in capital in return for assets in kind, particularly when acquiring companies, if the increase in capital takes place in exchange for cash deposits and the issue price does not fall far below the stock exchange price for shares that have already been issued and the ratio of new shares issued does not exceed 10 percent of the nominal capital to the exclusion of the subscription right according to Section 186 Paragraph 3 Sentence 4 of the German Companies Act and if the new shares have been offered for sale to persons, who have a working relationship with the Company, or have been transferred to them.

Contingent capital. According to Section 4a (1) and (2) of the articles of association, the Management Board was entitled to grant purchase options on up to 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 (4) of the articles of association, authorisation was provided to increase the nominal capital by a further EUR 50,000, divided into 50,000 individual share certificates. The increase in equity 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 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 4a (4) of the articles of association, authorisation was given to increase the nominal capital by a further EUR 75,000, divided into 75,000 individual share certificates. The increase in equity capital is only carried out if holders of share options, which are 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.

We would refer to Section 2.7 of the notes regarding the issue of share options and the amount of contingent capital.

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.

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

Risk associated with changes in interest rates. A 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.

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

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

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

The calculations are based on the following assumptions:

T.27 Assumptions for calculating cash values

	2015	2014
Pensionable age (m/f)	60–65/60–65	60–65/60–65
Discount factor(s) on 1 January	2.00% p.a.	3.50% p.a.
Discount factor(s) on 31 December	2.20% p.a.	2.00% p.a.
Salary development/ expectation of future benefits	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 “2005G Guideline Tables” published by Klaus Heubeck.

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

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

T.28 Reconciliation account to determine the cash value

EUR	2015	2014
Figures on 1 January:	3,277,278	2,444,471
+ Interest expenditure	64,352	83,524
+ Working period costs	81,113	38,191
+ Working period costs to be additionally calculated	0	198,995
– Benefits paid out	(111,227)	(110,031)
+ Actuarial losses	(79,489)	622,128
Figures on 31 December:	**3,232,027**	**3,277,278**

The development of the plan assets is shown as follows:

T.29 Development of the plan assets

EUR	2015	2014
Figures on 1 January:	1.612.827	1,532,422
+ Expected yields from plan assets	33,416	54,281
+ Contributions	189,548	110,619
– Benefits paid out	(73,679)	(73,679)
– Actuarial losses (-) / profits	9,985	(10,816)
Figures on 31 December:	**1,772,097**	**1,612,827**

This therefore gave rise to a planned deficit of EUR 1,459,930 (previous year: EUR 1,64,451), which was entered as a pensions provision.

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

T.30 Provisions for pensions

EUR	2015	2014
Current service costs	81,113	38,191
Past service costs	0	198,995
Net interest expenditure	30,936	29,243
Components of the defined benefit costs entered in the profit and loss statement	112,049	266,429
Reassessment of net debt from the defined benefit plan		
Losses from plan assets (with the exception of the amounts contained in the net interest)	9,985	10,816
Actuarial gains and losses from the change in financial assumptions	(79,489)	622,128
Actuarial gains and losses from the change in adjustments based on experience:	0	0
Components of the defined benefit costs entered under "Other income"	(69,504)	632,944
Total	**42,545**	**899,373**

In terms of the ongoing annual expenditure amounting to EUR 112 K (previous year: EUR 266 K), interest revenues amounting to EUR 33 K (previous year: EUR 54 K) and interest expenditure amounting to EUR 64 K (previous year: EUR 83 K) were entered under "Interest results" and the remaining expenditure amounting to EUR 81 K (previous year: EUR 237 K) was entered 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.31 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 (+)
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)
FY 2009	131,606	86,544	(45,062)

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

T.32 Development of the plan debts and plan assets

EUR	Liabilities in the plan	Assets in the plan
FY 2015	**(65.298)**	**(5,408)**
FY 2014	361,552	22,113
FY 2013	(3,129)	(19,581)
FY 2012	6,386	18,962
FY 2011	3,503	14,929
FY 2010	(42,275)	(2,061)
FY 2009	2,666	3,330

We assume that contributions amounting to EUR 189,548 (previous year: EUR 110,619) will be paid into the plan during 2016. During the financial year, the actual revenues from the planned assets amounted to EUR 43,401, following a figure of EUR 43,465 in the previous year.

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

3.10.1. Actuarial interest rate

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

Actuarial interest rate

T.33

	1	2	3
Parameters (actuarial interest)	1.84%	2.84%	0.84%
Change to the parameters		1.00%	(1.00)%
DBO on the reporting date in EUR	3,232,027	2,807,011	3,761,239
Absolute change in EUR		(425,016)	529,212
Relative change		-13.56%	16.37%
Service costs for the 2015 financial year	79,054	64,057	98,711
Time required for the 2015 financial year	69,782	87,905	44,411

3.10.2. Benefit dynamics

The following table shows the impact of the variation in the pension trend compared with the assumptions (column 1) in the event of a one percentage point increase (column 2) and a one percentage point reduction (column 3).

Benefit dynamics

T.34

	1	2	3
Parameter (pension trends)	1.50%	2.50%	0.50%
Change to the parameters		1.00%	(1.00)%
DBO on the reporting date in EUR	3,232,027	3,602,150	2,914,724
Absolute change in EUR		370.123	(317.303)
Relative change		11.45%	-9.82%
Service costs for the 2015 financial year	79,054	89,500	70,262
Time required for the 2015 financial year	69,782	77,917	62,507

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

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

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

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

Benefits from the plan in the following years

T.35

	EUR
Balance sheet year 1	111,633.00
Balance sheet year 2	112,176.00
Balance sheet year 3	112,627.00
Balance sheet year 4	113,577.00
Balance sheet year 5	115,354.00
Balance sheet years 6-10	760,919.00

On the reporting date, the weighted average duration of the defined benefit payment obligation was 20.33 years, or 34.35 years at GK Software, 6.36 years at AWEK GmbH and 9.50 years at AWEK Microdata GmbH.

3.11. 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 fiscal 2009. The two other loans were valued at a total of EUR 371 K on the balance sheet reporting date. In order to provide additional security, there is a blanket assignment of the receivables from goods deliveries 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 442 K in total on 31 December 2015. 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 2.892 K on the reporting date. 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 10.000 K on the reporting date. The repayment for the following year amounts to EUR 1,500 K.

This included securing liabilities amounting to EUR 813 K through a mortgage on 31 December 2015. These loans, which were valued at EUR 813 K (previous year: EUR 1,022 K) on the reporting date, are due for 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 0 K (previous year: EUR 110 K) and a current account line that was used amounting to EUR 1,017 K (previous year: EUR 0 K).

3.12. 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. EUR 9 K was received for the 2011 investment subsidy during the financial year.

3.13. Deferred taxes

Please refer to Section 4.9.

3.14. Provisions

Provisions

T.36

EUR	Personnel department	Production-department	Other departments	Total
Situation on 1 January 2014	850,968.54	615,849.00	189,760.79	1,656,578.33
Amounts used	849,446.83	1,300.00	152,520.79	**1,003,267.62**
Liquidation	1,521.71	4,341.00	7,000.00	**12,862.71**
Additional funds	1,689,073.27	137,113.78	153,964.79	**1,980,151.84**
Figures on 31 December 2015	**1,689,073.27**	**747,321.78**	**184,204.79**	**2,620,599.84**

The total current provisions in the personnel department primarily concern bonuses, while they are exclusively warranties in the production department.

The calculations for warranty provisions are based on warranty costs in the past and estimates regarding future costs. An amount totalling EUR 271 K was used from provisions additionally formed in 2014 for projects.

3.15. Liabilities from trade payables

Trade payables are still due for settlement within one year.

There were foreign currency trade payables amounting to EUR 40 K (previous year: EUR 33 K) in Czech crowns on the balance sheet reporting date and amounting to EUR 52 K (previous year: EUR 0 K) in American dollars.

3.16. Initial payments received

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

3.17. Income tax liabilities

This items contains liabilities from corporate tax, the solidarity surcharge and business tax in Germany amounting to EUR 627 K) (previous year: EUR 627 K) and amounting to EUR 68 K in the Czech Republic (previous year: EUR 66 K), amounting to EUR 4 K in Switzerland (previous year: EUR 18 K), amounting to EUR 2 K in Russia and totalling EUR 39 K in the USA (previous year: EUR 104 K).

3.18. Other current liabilities

Other current liabilities

T.37

EUR	31.12.2015	31.12.2014
Tax liabilities	1,465,588.74	662,809.17
Liabilities from wages and salaries	4,086,745.59	2,938,535.53
Other liabilities towards members of staff	8,973.75	10,922.66
Liabilities from the acquisition of companies	2,302,237.78	–
Others	2,435,935.84	711,183.52
of which from deferrals	1,661,234.40	84,603.42
Total	**10,299,481.70**	**4,323,450.88**

The tax liabilities cover outstanding income tax payments and value-added tax. There were other foreign currency liabilities amounting to EUR 443 K (previous year EUR 385 K) in Czech crowns, amounting to EUR 206 K (previous year: EUR 50 K) in Swiss francs, amounting to EUR 0 K (previous year: EUR 3 K) in Russian roubles, amounting to EUR 4,193 K (previous year: EUR 37 K) in US dollars and amounting to EUR 45 K (previous year: EUR 0 K) in South African rand.

3.19. Secured liabilities

Two investment loans were taken out with Commerzbank AG Plauen in the 2007 financial year. The loans are secured by the registered land charges on the company's real estate (carrying amount EUR 3,557 K), recorded in the land register for Schöneck, Plauen Local Court, Page 1895. Two other loans were taken out (DZ Bank, KfW) during the 2009 financial year as a result of the extension of the new building, the above mentioned rescheduling and the acquisition of Solquest. Land register debts were entered in the land register for Schöneck, Plauen Local Court, Pages 999, 1378 and 1895 as collateral for the DZ loan. 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 2.892 K on the reporting date. 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 10.000 K on the reporting date. The two loans were granted without any special securities. The Sparkasse is, however, entitled to demand some security at any time, but this situation has not arisen so far.

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 international and national customers.

Turnover amounting to EUR 747 K, which was determined according to IAS 18.20, was entered during the reporting period. Turnover amounting to EUR 2.211 K (previous year: EUR 392 K) was generated for sales, which were determined according to IAS 18.26, during the reporting period.

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. 3.5). Advance payments made from customers were reduced as liabilities. The expenses incurred after the reporting date amounted to EUR 4,007 K (previous year: EUR 1,159 K).

As regards the make-up of the significant categories of revenues, we would refer to Section 7 entitled "Segment reporting". Overall, warranty provisions amounting to EUR 1 K were used and EUR 4 K were amortised and EUR 32 K were newly added for these amounts during the financial year and therefore the figure entered for expected warranties amounted to a total figure of EUR 640 K (previous year: EUR 614 K).

4.2. Own work capitalised

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

4.3. Other operating revenues

T.38 Other operating revenues

EUR	2015	2014
Reversals of uncertain other liabilities and provisions	76,739.51	548,313.65
Vehicle benefits in kind	821,019.85	703,746.27
Earnings from reversals of deferred public grants	28,949.63	29,086.55
Employee contributions towards catering	58,328.89	44,546.97
Earnings from investment grants	21,557.80	69,826.48
Reductions in value adjustments	34,479.13	110,312.18
Others	684,761.36	682,027.58
Total	**1,725,836.17**	**2,187,859.68**

4.4. Materials expenditure

T.39 Materials expenditure

EUR	2015	2014
Cost of raw materials and supplies	4,035,965.54	2,806,285.69
Expenditure on purchased services	4,230,161.05	2,344,772.98
Total	**8,266,126.59**	**5,151,058.67**

4.5. Personnel expenditure

T.40 Personnel expenditure

EUR	2015	2014
Wages and salaries	33,988,096.14	24,249,664.49
Social security contributions	5,679,756.74	4,498,944.60
of which expenditure on retirement benefits	231,310.56	378,671.98
Total	**39,667,852.88**	**28,748,609.09**

On average, 697 people were employed during the 2015 financial year (572 in the previous year). 739 people were employed on the reporting date of 31 December 2015.

4.6. Depreciation and amortisation

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

4.7. Other operating expenditure

As in the previous year, these items largely covered legal and advisory costs, expenditure for warranties, advertising and travel expenses, office and operating costs and administrative and sales expenditure.

4.8. Financial results

T.41 Financial results

EUR	2015	2014
Interest income	215,971.32	154,152.05
Interest expenditure	(323,439.90)	(125,916.37)
Account balance	**(107,468.58)**	**28,235.68**

4.9. Income taxes

T.42 Income taxes

EUR	2015	2014
Current tax liabilities	527,253.38	347,992.42
Deferred tax expenditure	(410,057.21)	(1,464,918.14)
Account balance	**117,196.17**	**(1,116,925.72)**

Deferred taxes were determined according to the individual company tax rates in Germany, which were 29.5 percent, 29.2 percent and 32.6 percent as a result of corporation tax, the solidarity surcharge and the business tax. The deferred taxes in the individual companies were based on a tax rate of 25.8 percent for Switzerland, 19 percent for the Czech Republic, 39 percent for the USA, 20 percent for Russia and 28 percent for South Africa. An average Group tax rate of 28.2 percent was used to determine the deferred taxes on changes arising from the elimination of Group interim profits.

The deferred taxes are included in the following items:

Deferred taxes

T.43

EUR	31.12.2015 Assets	31.12.2015 Liabilities	31.12.2014 Assets	31.12.2014 Liabilities
Loss carried forward	2,559,222.29	0.00	1,757,168.23	0.00
Intangible assets	241,652.83	1,010,433.16	225,905.72	714,492.78
Provisions for guarantees	4,285.69	0.00	2,983.84	0.00
Provisions for pensions	452,494.45	0.00	539,581.10	54,372.90
Changes in exchange rates	71,145.72	60,237.58	0.00	0.00
Trade accounts receivable from ongoing work	948.77	763,417.64	0.00	610,898.27
Value adjustments	56,096.39	0.00	0.00	0.00
Interest and currency swap	105,581.75	53,611.73	0.00	0.00
Other provisions	32,145.68	0.00	630.94	0.00
Total according to the balance sheet	**3,523,573.57**	**1,887,700.11**	**2,526,269.83**	**1,379,763.95**

Deferred tax claims/liabilities resulted as follows:

Deferred tax claims/liabilities

T.44

EUR	Initial balance	Changes related to the income statement	Changes not related to the income statement	31.12.2015 Final balance
Interest and currency swap	0.00	9323.09	42,646.93	**51,970.02**
Provisions for pensions	485,208.19	(58,469.04)	25,755.30	**452,494.45**
Changes in exchange rates	0.00	0.00	10,908.14	**10,908.14**
Provisions for guarantees	2,983.84	1,301.85	0.00	**4,285.69**
Intangible assets – in-house developed software	(362,356.30)	59,820.64	0.00	**(302,535.66)**
Intangible assets – in-house developed software (development expenses at AWEK)	(171,703.67)	43,839.24	0.00	**(127,864.43)**
Acquired intangible assets as part of the corporate acquisition (acquired technologies)	104,414.72	0.00	0.00	**104,414.72**
Acquired intangible assets as part of the corporate acquisition (customer relations)	(106,880.30)	13,500.67	0.00	**(93,379.63)**
Intangible assets acquired as part of the purchase of the company (orders on hand)	(67,662.56)	23,198.59	0.00	**(44,463.97)**
Intangible assets acquired through the Solquest purchase (customer relations)	121,491.00	15,747.11	0.00	**137,238.11**
Goodwill	(5,889.95)	(436,299.52)	0.00	**(442,189.47)**
Trade accounts receivable from ongoing work	(610,898.26)	(151,570.61)	0.00	**(762,468.87)**
General value adjustments	0.00	56,096.39	0.00	**56,096.39**
Other provisions	630.94	31,514.74	0.00	**32,145.68**
Other assets	1,757,168.23	802,054.06	0.00	**2,559,222.29**
Total	**1,146,505.88**	410,057.21	**79,310.37**	**1,635,873.46**

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

T.45 Transfer of tax expenditure

EUR K	2015	2014
Pre-tax earnings	-1,383	(2,987)
Anticipated average tax expenditure of 28.2% (previous year: 31.9%)	(390)	(953)
Tax expenditure according to domestic legislation	527	486
Tax impact on non-deductible company spending	199	70
Tax impact on tax-free income	(22)	(70)
Deferred taxes	(410)	(1,465)
Other tax effects	(178)	(138)
Actual tax expenditure	**117**	**(1,117)**
Effective tax ratio	(8.5)%	(37.4)%

Income taxes amounting to EUR (26) K (previous year: EUR 232 K) are included under "Other results" in conjunction with expenditure and revenues from the reappraisal of the defined benefit obligation.

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 2015 financial year was 1,898,945 (previous year: 1,896,709). The consolidated shortfall for 2015 amounted to EUR (1,500 K) (previous year: EUR (1,870 K)). As a result, earn-

			31.12.2014	
Initial balance	Changes related to the income statement	Changes not related to the income statement	Final balance	
0.00	0.00	0.00	**0.00**	Interest and currency swap
270,209.87	(17,020.46)	232,018.78	**485,208.19**	Provisions for pensions
0.00	0.00	0.00	**0.00**	Changes in exchange rates
2,758.50	225.34	0.00	**2,983.84**	Provisions for guarantees
(429,469.92)	67,113.62	0.00	**(362,356.30)**	Intangible assets – in-house developed software
(215,542.90)	43,839.23	0.00	**(171,703.67)**	Intangible assets – in-house developed software (development expenses at AWEK)
104,414.72	0.00	0.00	**104,414.72**	Acquired intangible assets as part of the corporate acquisition (acquired technologies)
(115,398.28)	8,517.98	0.00	**(106,880.30)**	Acquired intangible assets as part of the corporate acquisition (customer relations)
(87,100.32)	19,437.76	0.00	**(67,662.56)**	Intangible assets acquired as part of the purchase of the company (orders on hand)
119,692.00	1,799.00	0.00	**121,491.00**	Intangible assets acquired through the Solquest purchase (customer relations)
(219,868.60)	213,978.65	0.00	**(5,889.95)**	Goodwill
(11,586.51)	(599,311.75)	0.00	**(610,898.26)**	Trade accounts receivable from ongoing work
0.00	0.00	0.00	**0.00**	General value adjustments
31,460.40	(30,829.46)	0.00	**630.94**	Other provisions
0.00	1,757,168.23	0.00	**1,757,168.23**	Other assets
(550,431.04)	**1,464,918.14**	**232,018.78**	**1,146,505.88**	**Total**

ings per share amounted to EUR (0.79) for 2015 (previous year: (0.99)).

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 75,373 options (previous year: 62,325 options) was below the exercise thresholds taken as an annual average. These were not taken into account when calculating the diluted, weighted average price for the ordinary shares on 31 December 2015.

The Company's share price for 29,675 options (previous year: 24,675 options) was above the exercise thresholds taken as an annual average. These were taken into account when calculating the diluted, weighted average prices for the ordinary shares on 31 December 2015. The diluted earnings per share amounted to EUR (0.79) (previous year: EUR (0.99)).

4.11. Currency conversions

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

Currency conversions

T.46

EUR	2015	2014
Other operating expenses	248,636.73	258,777.44
Other operating income	(31,703.08)	(153,593.09)
Balance (expenses)	**216,933.65**	**105,184.35**

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 interest has been entered under the cash flow from investment activities. Any dividends paid are taken into account in the cash flow from financing activities.

6. Corporate mergers

GK Software USA Inc. acquired the "Retail & Programming" division of the US company DBS Data Business Systems, Inc. as part of an asset deal on 16 March 2015. As a result, the Company gained 21 employees (including 5 freelancers) in the USA and several complementary software solutions for the current GK Software range.

DBS Data Business Systems Inc. was set up in 1977. Since it was founded, DBS has developed and introduced solutions for retail establishments. According to its own information, the company has provided services for more than 2,000 customers during this time. Since then, DBS has handled three business segments which, for example, help the operation of restaurant table services and as support "fast food restaurants" with its solutions. This segment is complemented by services and solutions for school catchment areas. There is also the "Retail and Programming" business segment. This provides solutions for checkouts, especially for handling cash-free payments. This last component of the company is the one that reflects the takeover target of the transaction that has been completed.

The unit is largely located in Raleigh in the federal state of North Carolina. Overall, there are 21 people employed at this unit and 14 of these are based in Raleigh and 2 in Virginia Beach, Virginia. Product and project development are conducted at these locations with access to a total of 5 people outside the United States. 2 of these work in Canada and 3 in Russia. The employees in Russia and one of the Canadian employees are freelancers. A group of advisers experienced in SAP-POS provide consultancy services in addition to the technical tasks.

The unit achieved annual turnover of USD 6.4 million with a surplus of USD 2.6 million before depreciation and amortisation, interest and income tax during the 2013/14 financial year (September to August).

The “Retail & Programming” division at DBS Data Business Systems is an ideal addition for the GK Software activities in North America with its 21 employees, its clear geographical emphasis in Raleigh and its excellent retail sector expertise and reputation. In addition, some of the employees have an excellent level of expertise in SAP integration, their knowledge of the US retail environment should make it much easier to adapt the GK/Retail products to the special features of the North American market and project risks, and they should be able to significantly reduce the project risks of activities associated with a new legal and cultural environment. We also assume that the GK Software transaction in North American will create much improved awareness in the market place and the necessary regional expertise as a result of the excellent retail expertise.

The transaction was conducted as a partial acquisition of title. The purchaser under the law of obligations is GK Software USA Inc. The existing backlog of orders, existing customer relations including advance payments made by customers and the complete fixed assets from the part of the business operation in question were all acquired. Above all, this included the existing solutions in connection with handling payment transactions and the necessary hardware equipment, network infrastructure and office and business equipment. The employment contracts were also transferred to GK Software USA, Inc. The following were explicitly excluded from the acquisition: accounts receivable with customers or other current assets associated with customer agreements, if they were not explicitly listed above. No stocks of cash and cash equivalents accrued for the purchaser either.

When the contract was signed, a single, unconditional, immediate payment of USD 17.5 million was made by GK Software USA, Inc. in cash. USD 1.8 million of this was transferred to an escrow account. A so-called “earn-out” amounting to US 2.5 million was also agreed. The stipulations covering the earn-out payments state that checks must be made at particular times (31 August 2015, 31 August 2016, 31 August 2017 and 31 August 2018) on whether the turnover at GK Software USA Inc., its parent company and its other associated firms exceeds the amount of USD 8.3 million (for the first two accounting periods) or USD 8.8 million (for the last two accounting periods). In this case, 25 percent of the amount exceeding this figure, however no more than USD 2.5 million, must be paid to the vendor. We assume that it will be possible to pay the earn-out to the vendor. This amount has been entered under “Other current liabilities” (EUR 2.3 million).

Financing was carried out through using loan financing from banks to the tune of EUR 13 million. The loan has a fixed interest rate and a one-year exemption period. The period of the loan is seven years in total. The remaining amounts were financed from the Company’s own resources.

The starting figure of USD 20 million was reduced by other assets amounting to USD (1,084 K) in line with the contractual rules. This reduction is the result of the takeover of property, plant and equipment (USD 40 K), stocks of unfinished work (USD 702 K), advance payments already received from customers (USD (1,786 K)) and trade accounts payable (USD (40 K)). This created a final purchase price of USD 18,916 K.

The transaction was completed in terms of the law of obligation on 16 March 2015.

The purchase price allocated to acquired assets and liabilities was as follows:

Acquired assets and debts

T.47

USD K	Fair value of provisional PPA	Fair value of final PPA	Difference
Non-current assets	**13,795**	**9,357**	**(4,438)**
Property, plant and equipment	24	24	0
Third-party licences	16	16	0
Acquired technology (software development)	2,917	2,164	(753)
Customer relationships	9,759	5,849	(3.910)
Orders in hand	1,079	1,304	225
Current assets	**889**	**702**	**702**
Inventories	0	702	702
Other accounts receivable	889	0	(889)
Current liabilities	0	(1.826)	(1.826)
initial payments received	0	(1.786)	(1.786)
Liabilities from trade payables	0	(40)	(40)
Accounting balance = goodwill	**4,423**	**10,683**	**6,260**

The exchange rate on the date of acquisition (18 March 2015) - i.e. USD 1.06 per euro - was used to determine the figures in euros.

The goodwill amounting to USD 10.7 million determined in this way can be fully offset against tax in our view.

A balance of EUR (0.19) million (USD (0.21) million has been included in the annual results; it is due to the business in the Retail & Programming division at DBS Inc. A statement on the contribution of this unit to the consolidated results, if the transaction has been completed on 1 January 2015, is not possible because of the inadequate documents required to make this kind of statement. The main reason for this is the difference in the financial year in the providing company DBS Inc., which does not permit any determination of the results from 1 January 2015 until 16 March 2016.

7. Segment reporting

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

The key components requiring controlling include the segment sales with third parties and the total operating performance of a segment and its earning power, which is determined on the basis of the results for financial yields and income taxes (EBIT).

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

The IT Services segment offers services for operating IT systems at store-based retailers. The services include user support and monitoring and maintaining hardware and software.

A subdivision of turnover in terms of products and fields of work provides the following general overview:

Turnover by segments

T.48

EUR K	GK/Retail FY 2015	GK/Retail FY 2014	SQRS FY 2015	SQRS FY 2014	IT Services FY 2015	IT Services FY 2014	Eliminations FY 2015	Eliminations FY 2014	Group FY 2015	Group FY 2014
Turnover with third parties	**49,559**	**31,660**	**1,062**	**1,053**	**11,981**	**11,921**	**—**	**—**	**62,602**	**44,634**
Licences	9,793	4,223	—	—	(697)	168	—	—	10,490	4,391
Maintenance	12,290	8,478	974	934	7,491	7,610	—	—	20,755	17,022
Services	26,076	18,599	88	119	3,518	3,786	—	—	29,682	22,504
GK Academy	177	44	—	—	—	—	—	—	177	44
Other business	1,250	332	—	—	321	416	—	—	1,571	748
Revenue reductions	(27)	(16)	—	—	(46)	(59)	—	—	(73)	(75)
Turnover with other segments	**(375)**	**472**	**—**	**—**	**—**	**96**	**(375)**	**(568)**	**—**	**—**
EBIT segment	**(1,955)**	**(4,255)**	**464**	**159**	**1,644**	**1,080**	**(1,429)**	**—**	**(1,276)**	**(3,016)**
Assets	**65,257**	**40,664**	**2,213**	**1,841**	**9,724**	**5,932**	**(9,432)**	**(3,764)**	**67,761**	**44,673**
Debts	**38,482**	**11,970**	**191**	**232**	**7,345**	**4,901**	**(7,222)**	**(2,986)**	**38,794**	**14,117**
Cash and cash equivalents	**6,017**	**9,021**	**669**	**304**	**691**	**848**	**—**	**—**	**7,377**	**10,173**

Depreciation and amortisation in the GK/Retail segment amounted to EUR 3,046 K (previous year: EUR 2,691 K), for SQRS EUR 0 K (previous year: EUR 0 K) and for IT Services EUR 407 K (previous year: EUR 361 K).

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

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

The company generated turnover of EUR 14,652 K with customers that have their administration headquarters located outside Germany (previous year: EUR 9,041 K). The share of turnover generated by the SQRS business units amounted to EUR 0 K here (previous year: EUR 0 K) and EUR 480 K for IT Services (previous year: EUR 186 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 424 K (previous year: EUR 292 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 7,173 K (previous year: EUR 4,991 K) or 11.5 percent in 2015 (previous year: 11.2 percent) of total turnover. This turnover related to the GK/Retail segment with one customer.

8. Other information

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

8.1. Financial instruments

The financial instruments include original and derivative financial instruments.

The original financial instruments largely comprise accounts receivable on the assets side, the other financial assets and means of payment. On the liabilities side, the original financial instruments largely comprise the liabilities assessed at ongoing acquisition costs. The portfolio of original financial instruments is shown on the balance sheet. If any default risks are recognizable within the financial assets, these risks are entered by means of write-downs.

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

The derivative financial instruments (interest rate caps) were not assessed at their fair value for material points of view. The cap premiums are reported under "Other assets" with figures of EUR 7 K (previous year: EUR 12 K) and have been reversed on a pro rata basis and entered as interest expenditure. For this reason, this figure was not classified under the "Financial assets assessed at their fair value in terms of affecting the net income" category.

The negative market value of these interest capping mechanisms on a nominal volume of EUR 439 K (derived from the mid-market price through bank assessments) amounted to a total figure of EUR 6.4 K on the balance sheet date (previous year: EUR 0.4 K).

An interest exchange rate swap was taken out to safeguard the cash flow arising from the acquisition of the Retail & Programming division of DBS Inc. in the USA for repaying 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 USD 10,595 K (EUR 10,000 K) amounted to a total figure of EUR 184 K on the balance sheet reporting date - derived from the mid-market price. This amount was entered on the balance sheet under "Other assets". No valuation unit was formed.

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

Conversion of the balance sheet items to assessment categories in line with IAS 39

T.49

IFRS 7.8	Categories	Balance sheet items	Amount EUR K	Previous year Amount EUR K
a)	Financial assets assessed on the balance sheet at fair values	Interest and currency swap	184	—
b)	Financial investments to be retained until final due date	N/A	—	—
c)	Loans and accounts receivable	Trade accounts receivable, accounts receivable from ongoing work, part sums for other accounts receivable according to individual statement in Section 3.7. (with the exception of the income tax claims and the other statutory claims entered under "Other accounts receivable" and asset deferrals)	22,536	15,626
d)	Financial assets available for sale	N/A	—	—
e)	Financial liabilities assessed on the balance sheet at fair values	N/A	—	—
f)	Financial liabilities assessed at amortised costs	Non-current and current bank liabilities, accounts payable, part sum for current provisions according to individual statement in no. 3.14 (human resources department, other departments), part sum for other liabilities according to no. 3.18 (Liabilities from wages and salaries, other liabilities towards employees, other liabilities without liabilities deferrals)	25,966	7,384

The financial assets of the Group were subject to an impairment amounting to EUR 189 K on 31 December 2015 (previous year: EUR 373 K). EUR 189 K (previous year: EUR 201 K) of this amount were due to individual value adjustments on accounts receivable. Value adjustments based on general individual value corrections for trade accounts receivable were not made in 2015 (previous year: EUR 172 K).

The Group only has (with the exception of the interest rate caps – for an explanation, see above) the financial tools of loans and accounts receivable and financial liabilities, which have been valued at amortised costs. The following "Other income" and "Other expenses" are used for the IAS 39 assessment categories: impairments, appreciation (write-ups, reversal of impairment losses), realised disposal gains and subsequent entries from depreciated financial instruments.

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

Loans and accounts receivable

T.50

EUR K	Notes no.	2015	2014
Write-ups for amortised accounts receivable	4.3.	35	109
Change in valuation on account of losses in accounts receivable		0	1,978
Expenditure from the allocation to valuation adjustments		(22)	(147)
Reversal of general individual value corrections		172	—
Account balance		**185**	**1,940**
Financial liabilities, assessed at amortised costs		N/A	N/A

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

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

The maturity structure of trade accounts receivable

T.51

EUR	31.12.2015	31.12.2014
Not overdue	10,276,332.93	7,520,518.40
1 to 30 days overdue	2,002,701.38	1,354,444.84
31 to 90 days overdue	24,166.71	176,573.12
More than 90 days overdue	301,681.00	142,390.19
Total	**12,604,882.02**	**9,193,926.55**

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

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

The value adjustments on trade accounts receivable developed as follows during 2015:

Changes in value adjustments according to IFRS 7.16

T.52

EUR K	31.12.2015	31.12.2014
Situation at the start of the year	321	2,261
Value adjustments on accounts receivable	22	147
Change in valuation on account of losses in accounts receivable	0	(1,978)
Reversal of value	(35)	(109)
Reversal of general individual value corrections	(172)	—
Situation at the end of the year	**136**	**321**

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

The parent company had taken out the following loans on 31 December 2015:

Loans

T.53

EUR	Original amount	Value on 31.12.2015	Value on 31.12.14
Investment loan from Commerzbank Plauen	750,000.00	112,500.00	187,500.00
Investment loan from Commerzbank Plauen	450,000.00	258,750.00	281,250.00
ERP loan from Commerzbank Plauen	180,000.00	67,500.00	85,500.00
Loan from DZ Bank, Frankfurt	748,000.00	374,000.00	467,500.00
Framework credit agreement with DZ Bank	3,000,000.00	0.00	0.00
Loan with IKB	10,000,000.00	10,000,000.00	—
Loan with Sparkasse Vogtland	3,000,000.00	2,892,857.00	—
Total	**18,128,000.00**	**13,705,607.00**	**1,021,750.00**

The investment loans with the Commerzbank Plauen will be repaid on schedule with constant instalments by 30 June 2017 (annual repayment of EUR 75 K) and 30 March 2027 (annual repayment of EUR 22.5 K). The Commerzbank loan from ERP funds has a term until 30 September 2016 and is being repaid with an annual amount of EUR 18 K.

There was a general credit agreement for EUR 3,000 K with the DZ Bank from the 2014 financial year onwards. This general credit agreement was available to GK Software until 30 September 2015.

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

The interest payments for the two investment loans are secured by means of a maximum rate agreement (cap). The hedging mechanism has a term until 30 June 2017 and is secured with a capping rate of 1.0 percent. An interest rate ceiling mechanism was agreed with a maximum rate for the loan from the Commerzbank from ERP funds amounting to EUR 180 K. This security mechanism has a term that runs until 30 September 2016 with a cap rate of 4 percent.

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 2.892 K on the reporting date. 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 10.000 K on the reporting date.

Market risks: The Group is exposed to risks associated with exchange and interest rates as a result of its business activities. The exchange rate risks result from the business sites maintained in different currency areas and increasingly from customer relations that go beyond the eurozone. The interest rates are the result of selected types of funding to enhance the Group's financial latitude. The Group typically accepts additional conditions (so-called "covenants") in addition to the general loan conditions when funding projects with loans, which are provided by banks, and they relate to general financial figures or other conditions. Failure to meet these additional conditions normally entitles the bank concerned to make the loans in question due for payment in full immediately, regardless of whether the main loan obligations are being met and probably can continue to be met or not. The Group handles this risk by monitoring the covenants and communicating with the banks concerned in an appropriate manner.

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

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

Monetary assets and debts held in foreign currencies

T.54

	Assets		Debts	
EUR K	2015	2014	2015	2014
Czech crowns	988	575	482	417
Swiss francs	133	60	206	51
Russian roubles	98	90	0	3
US dollars	3,021	173	14,245	37
South African rand	750	—	45	—

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

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

T.55

	Exchange rate loss of (10)% for the euro		Exchange rate gain of 10% for the euro	
EUR K	2015	2014	2015	2014
Czech crowns				
Annual results	56	18	(46)	(14)
Equity	265	218	(217)	(178)
Swiss francs				
Annual results	(8)	1	7	(1)
Equity	(3)	(9)	1	7
Russian roubles				
Annual results	11	10	(9)	(8)
Equity	3	1	(2)	(1)
US dollars				
Annual results	(1,247)	15	1,020	(12)
Equity	5,409	(4)	(4,411)	3
South African rand				
Annual results	79	—	(64)	—
Equity	(31)	—	(25)	—

The Group's exchange rate risk sensitivity mainly increased due to the change in its exposure to US dollars in mathematical terms. However, the following description does not include the interest and currency swap taken out to safeguard the financial risks. After taking this effect into account, the currency risk did not increase significantly in comparison with the previous year.

According to the company's managers, the sensitivity analysis does not represent the actual exchange rate risk, as the risk at the end of the reporting period only reflected the risk to a certain extent because of fluctuations during the year. This was because of accounting fluctuations, particularly at the end of the first quarter of a financial year for work, which is assessed in Czech crowns, but is only accounted for once a year.

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

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

The interest risks are the result of 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 or the interest rates and exchange rates were agreed at a fixed rate for the term of the loans. During the current year, interest payments of EUR 275 K were made and interest expenditure of EUR 323 K was entered in the income statement. The interest rate on the loan with the DZ Bank is fixed for the complete term so that no interest risks arise from this contract. The same applies to the loans with the IKB nominated in euros for USD 10,000 K; the exchange rate and interest rate were fixed for the complete term. The interest for the investment loans with the Commerzbank worth 750K euros and 450K euros are fixed quarterly at a rate 1.8 percentage points above the Three-Month EURIBOR. The interest risk has been restricted by interest capping mechanisms set at 1.0 percent. The interest rate for the loan from Commerzbank

Plauen of 180K euros is also set quarterly at a rate of 1.5 percentage points above the three-month EURIBOR. The risk here has been restricted to 4.0% p.a. throughout the term by means of an interest rate cap. If there was an extreme change in the three-month EURIBOR rate by one percentage point, this would trigger a change in the interest expenses amounting to EUR 39 K during 2015 (determined using the factual interest expenses during 2015 with a changed interest rate). There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are being used.

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

Trade accounts receivable exist with all the Group's current customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability of any default by failing to meet 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 for individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible losses. 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 fair dealing basis – without any recognition of legal grounds – might be made. A flat-rate value adjustment on the complete item is also made to reflect the general default risk for trade accounts receivable. Interest revenues are not entered from these financial assets where value adjustments have been made.

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

The Group has securities for loans that have been extended and they are designed to reduce the default risk on financial assets. A security pledge was made in a security deposit account for a loan of EUR 0.8 K and this has been extended. The fair value for the deposit account was quoted as EUR 1 million. Salary pledges were deposited as securities for further loans amounting to EUR 2 million. The fair value of these pledges was EUR 3.2 million.

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

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

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

T.56 Interest on liabilities

EUR	Weighted average interest rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Carrying amount
31 December 2014								
Interest-free	—	4,693,199.09	1,373,992.69	503,071.57	816,068.93	—	**7,386,332.28**	7,386,332.28
Variable interest rate	1.77	—	—	115,500.00	270,000.00	168,750.00	**554,250.00**	554,250.00
Fixed interest rate	2.05	—	—	93,500.00	374,000.00	—	**467,500.00**	467,500.00
Financial guarantees	—	—	—	18,582.00	37,420.32	—	**56,002.32**	56,002.32
31 December 2015								
Interest-free	—	6,186,879.01	6,203,762.36	4,004,546.59	740,615.04	—	**17,135,803.00**	17,135,803.00
Variable interest rate	1.5585	EUR 1,016,956.30	—	115,500.00	177,000.00	146,250.00	**1,455,706.30**	1,455,706.30
Fixed interest rate	2.30/4.10/2.19	—	—	2,022,072.00	9,994,788.00	1,249,997.00	**13,266,857.00**	13,266,857.00
Financial guarantees	—	—	—	14,584.14	37,420.32	—	**52,004.46**	52,004.46

The Group safeguards the amount of its variable interest obligations by interest rate caps. This business relates precisely to the financial instrument that is being secured. This incurred overall disbursements of EUR 8 K during the financial year. We expect a figure of EUR 243 K for the 2016 financial year and interest payments of EUR 497 K for the following years.

The Group can resort to credit lines amounting to EUR 5,000 K. EUR 4 million of these have not been used. The Group is expecting to be able to service its other obligations by operating cash flows and revenues received when financial assets are due for payment.

In greater detail, this involves the following:

T.57 Credit lines

EUR K	31.12.2015	31.12.2014
Non-collateralised current account lines	**4,000**	**8.500**
of which: taken up	1,017	—
of which: not taken up	2,983	8,500
Collateralised current account lines	**1,000**	**1,000**
of which: taken up	—	—
of which: not taken up	1,000	1,000

8.1.1. Assessments at fair value

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

The Group has an intangible asset in the form of the interest and currency swap taken out and worth USD 10,595 K, which needs to be entered on the balance sheet for the first time. The item was entered under "Other assets" with a fair value of EUR 184 K on the basis of the bank assessment that exists. A corresponding amount was entered in the total income statement.

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

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

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

T.58 Financial liabilities

EUR	31.12.2015	31.12.2014
Loans from banks		
Carrying amount	13,705,607.00	1,021,750.00
Fair value	11,955,671.20	889,278.75

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

8.2. Contingent liabilities

Contingent liabilities do 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.

A guarantee loan amounting to EUR 38 K (previous year: EUR 38 K) exists for contingent liabilities and it 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 which amount to EUR 11 K (previous year: EUR 10 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 for this purpose.

8.3. Operating leasing agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the 2015 financial year amounted to EUR 1,151 K (previous year: EUR 864 K).

There were payment obligations arising from operating leasing contracts amounting to EUR 1,124 K (previous year: EUR 1,032 K). EUR 630 K is due for repayment within one year (previous year: EUR 580 K) and EUR 494 K (previous year: EUR 452 K) within five years. There are no finance/leasing agreements

8.4. Subsidiaries

T.59 Subsidiaries of GK Software AG

Name of the subsidiary	Headquarters	Capital share in %	Share of voting rights in %	Main business
Eurosoftware s.r.o.	Plzen/Czech Republic	100.0	100.0	Software development, software programming
StoreWeaver GmbH	Dübendorf/Switzerland	100.0	100.0	Software development, software programming
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) Ltd.	Bryanston/South Africa	100.0	100.0	Software development, software programming

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

8.5. Details of associated persons and corporations

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

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

8.5.1. Parent company

The direct parent company is GK Software Holding GmbH, Schöneck. Commercial relationships existed as part of an agency agreement during 2015. EUR 1 K income from this has been included under “Other operating income”.

8.5.2. 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 current due benefits amount to EUR 981 K in all. This included EUR 660 K in fixed earnings, EUR 240 K in variable earnings and monetary benefits amounting to EUR 81 K. The variable earnings relate to the degree to which targets were met in the financial year and the previous year.

Forfeitable share awards are granted as long-term share-based remuneration (share options). When they are exercised, the options are serviced by the issue of new non-par value company shares made out to the holder with a calculated share in the nominal capital of one euro from the authorized 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 leading members of staff. Reference is made to this in section 2.7 “Share option scheme”. The Management Board members held a total of 24,000 options on 31 December 2015. 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 at the time of issue. The share-based remuneration for the year 2015 therefore totalled EUR 46 K. 7,500 options are held by a former member of the Management Board.

The company created pension provisions amounting to EUR 526 K for former members of the Management Board and their surviving dependents (previous year: EUR 612 K). The sum required to cover this provision amounted to EUR 1,094 K (previous year: EUR 1,064 K) and the balanced covering assets had a fair value of EUR 568 K (previous year: EUR 453 K). Other non-current due benefits therefore amounted to EUR 526 K in all on the reporting date, EUR (86) million of which was transferred in 2015.

Therefore, the total remuneration for the Management Board, including options, amounted to EUR 941 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 financial years 2015 to 2019. As a result, no detailed information is available here.

The company created pension provisions amounting to EUR 255 K (previous year: EUR 283 K) for former members of the Management Board and their surviving dependents. The settlement value of this provision amounts to EUR 429 K (previous year: EUR 443 K) and the balanced covering assets had a fair value of EUR 237 K (previous year: 160 K).

Those who are or were members of the Management Board or the Supervisory Board for the company during the 2015 financial year directly held the following shareholdings in GK Software on 31 December 2015:

Shareholdings held by members of the Management Board and Supervisory Board

T.60

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

In addition to this, Mr Gläss and Mr Kronmüller each indirectly held 468,350 shares through GK Software Holding GmbH on 31 December 2015.

8.5.3. Supervisory Board

The following people are members of the Supervisory Board:

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

The total earnings of the Supervisory Board at GK Software AG amounted to EUR 40 K during the 2015 financial year (previous year: EUR 40 K).

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.61

EUR K	31.12.2015	31.12.2014
Loans to associated firms, which are not part of the consolidated group	1.999	1,928
Other claims for members of the management team in key positions (Management Board members)	35	121
Accounts receivable to other associated firms, which are not part of the consolidated group	294	133
Total	**2,328**	**2,182**

Two loans were granted to closely related firms. One loan amounting to EUR 2,000 K was 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 1,999 K on the balance sheet reporting date (previous year: EUR 1,928 K). Salary claims from Mr Rainer Gläss and Mr Stephan Kronmüller to GK Software serve as collateral for the loans.

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

Other accounts receivable with members of the Management Board amounting to EUR 35 K (previous year: EUR 121 K) cover 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 related firm. Lease expenses amounting to EUR 53 K (previous year: EUR 53 K) were incurred during the financial year.

Expenditure for external services with closely related firms amounting to EUR 248 K was also incurred (previous year: EUR 239 K). In addition to this, EUR 67 K (previous year: EUR 12 K) of income was generated from closely related firms in connection with providing vehicles and other services and expenses for additional services amounting to EUR 460 K (previous year: EUR 268 K). In addition, revenues from retirement benefits amounting to EUR 133 K (previous year: EUR 189 K) and expenditure from providing project services and amounting to EUR 152 K (previous year: EUR 454 K) were generated. The outstanding accounts receivable with this firm were worth EUR 289 K (previous year: EUR 133 K) on the balance sheet date.

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

8.6. Auditor’s fee

The Group’s auditor charged expenses amounting to EUR 120 K for auditing services and other services amounting to EUR 29 K in 2015. The calculated consulting fee for tax accountancy work provided by the Group’s auditor amounted to Euro 171 K.

8.7. Declaration of compliance

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

8.8. Information after the annual accounts reporting date

Information about circumstances, which was available on the reporting date for the annual accounts, was taken into account if the Management Board had already learned about this by 28 April 2016.

The following major events took place after the end of the 2015 financial year and need be mentioned at this point.

The Management Board with the agreement of the Supervisory Board decided on 1 February 2016 to buy back some of its own shares, within the authorisation granted it by the annual shareholders’ meeting on 18 June 2013. The programme started on 3 February 2016 and will initially run until 30 June 2016.

The shares may be used for any purposes cited in the authorisation that forms the basis for the action. They particularly include using the shares as the payment for the acquisition of companies and using them within the share option scheme.

The scheme covers the acquisition of company shares with a total value of up to EUR 200 K (discounting ancillary costs for the acquisition) and the acquisition was to take place through the stock market and be handled by a bank mandated by the Company in line with Articles 4-6 of Order (EC) no. 2273/2003 of the Commission dated 22 December 2003 and the stipulations in the German Companies Act and the Securities Trading Act. The Management Board would point out according to Article 4 Paragraph 3 of the Order that the threshold value of 25% of the average daily turnover in shares may be exceeded according to Article 5 Paragraph 2 of the Order as part of implementing the buy-back programme.

The Lebensmittelzeitung retail newspaper reported in March 2016 that ALDI Nord had decided to use the GK Software checkout and store solution sold by SAP and that the implementation would be handled by an SAP partner.

Otherwise no event of particular importance occurred after the end of the financial year which could have a significant impact on the Group's assets, financial or earnings situation.

8.9. Day on which the accounts are cleared for publication

The Management Board cleared the Group accounts for forwarding to the Supervisory Board on 28 April 2016. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 28 April 2016

The Management Board

Assurance by the legal representatives

We guarantee to the best of our knowledge that the consolidated accounts present a realistic view of the actual circumstances in the assets, financial and earnings situation at GK Software AG in line with the relevant accounting principles and that the consolidated annual report reveals the course of business including the business results and the situation within the consolidated group in such a way that it communicates a view, which reflects the actual circumstances, and describes the main opportunities and risks for probable developments at the company.

Schöneck, 28 April 2016

The Management Board

Rainer Gläss
CEO

André Hergert
CFO

Auditor’s certificate

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

We have audited the consolidated accounts of GK Software AG, Schöneck – which consist of the consolidated income statement and other results, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes on the consolidated accounts – in addition to the consolidated annual report for the business year from 1 January until 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law in line with Section 315a Para. 1 of the German Commercial Code and supplementary provisions of the articles of association are the responsibility of the Company’s Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and the generally accepted German standards for auditing financial statements set by the Institute of Auditors. These standards require that we plan and perform the audit in such a way that any false statements and contraventions materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements are detected with reasonable certainty, taking into account the applicable financial reporting framework. A knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible false statements are taken into account when determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the annual financial statements of those entities included in the consolidation group, determining the entities to be included in the consolidation, accounting and consolidation principles used, significant estimates made by the Management Board and evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our view, the consolidated accounts at GK Software AG, Schöneck, comply with IFRS, as adopted by the EU, based on the findings of our audit and in line with the commercial rules needing to be applied in line with Section 315a Para. 1 of the German Commercial Code and the supplementary provisions of the articles of association and they provide a true and fair picture of the assets, financial and earnings situation of the Group, taking into account these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks for future developments.

Dresden, 28 April 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Karmann)	(Kahlert)
Auditor	Auditor

Financial Calendar

26 May 2016
Interim report as of 31 March 2016

16 June 2016
Annual Shareholders' Meeting 2016
in Schöneck/V.

30 August 2016
Interim report as of 30 June 2016

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

Imprint/Notes

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Publisher:
GK Software AG
Waldstraße 7
08261 Schöneck

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

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

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

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

Amtsgericht Chemnitz HRB 19157

USt.-ID. DE 141 093 347

Contact Investor Relations

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

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

rschiller@gk-software.com

Notes

Note to the Report

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

Note regarding the rounding of figures

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

Disclaimer

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