Annual Report 2012

GK SOFTWARE

Summary of Consolidated Results

	31.12.2012	31.12.2011	31.12.2010	Change
Sales (EUR K)	28,426	31,753	27,690	(10.5%)
Total operating revenue (EUR K)	29,046	33,242	28,338	(12.6%)
Operating performance (EUR K)	30,704	33,971	29,706	(9.6%)
EBIT (EUR K)	785	6,654	6,435	(88.2%)
EBIT margin (on sales)	2.8%	21.0%	23.2%	
EBIT margin (on total operating revenue)	2.6%	19.6%	21.7%	
EBT (EUR K)	819	6,569	6,307	(87.5%)
Annual net income (EUR K)	675	4,564	4,471	(85.2%)
Earnings per share (weighted) [1]	0.38	2.55	2.68	(85.1%)
Earnings per share (diluted) (EUR)[2]	0.38	2.55	2.68	(85.1%)
Equity ratio	64.0%	64.9%	54.3%	
Net debt (EUR K)	(6,789)	(8,617)	(7,457)	(21.2%)

Developments in terms of quarters

EUR K	Q1/2012	H1/2012	9M/2012	Total/2012
Sales	7,445	16,235	22,396	28,426
EBIT	1,376	2,995	2,489	785
Surplus funds	1,123	2,176	1,794	675

1 The calculations are based on the average number of shares (1,790,000) entitled to share in the profits on 31 December 2012.

2 A Group share action program had issued preemptive rights to 19,525 shares in all to Group employees by 31 December 2012.

Content

1. Quarter

Gaining the Valora **project** – to equip approx. 2,700 stores in Germany, Austria, Luxembourg and Switzerland

Clearance for sale of the new scales software called **Open Scale** for direct and partner business

Retail Technology Award Europe awarded to Parfümerie Douglas for its use of the mobile till on the iPod

2. Quarter

SAP clearance for the sale of three solutions produced by GK SOFTWARE AG in Europe and the MENA region

Mobile till on the iPod successfully used for the first time during the Olympic Games in Great Britain

New office in Cologne set up as an architecture and development base

Highlights 2012

3. Quarter

Order from Saudi Arabia – project gained together with SAP involving Al Muhaidib, a leading home improvement operator on the Arabian Peninsula

Launch of the **first mobile payment pilot** schemes at two leading retailers in Germany

GK SOFTWARE AG wins the **Sustained Excellence Award**

4. Quarter

Gaining the Hammer Heimtex **project**, the largest special provider of home textiles in Germany with approx. 170 stores

Presentation of the world's first SAP **HANA®-based POS software solutions** at the SAPPHIRE in Madrid

Takeover of AWEK GmbH, the largest independent provider of IT operating services for the retail sector in Germany

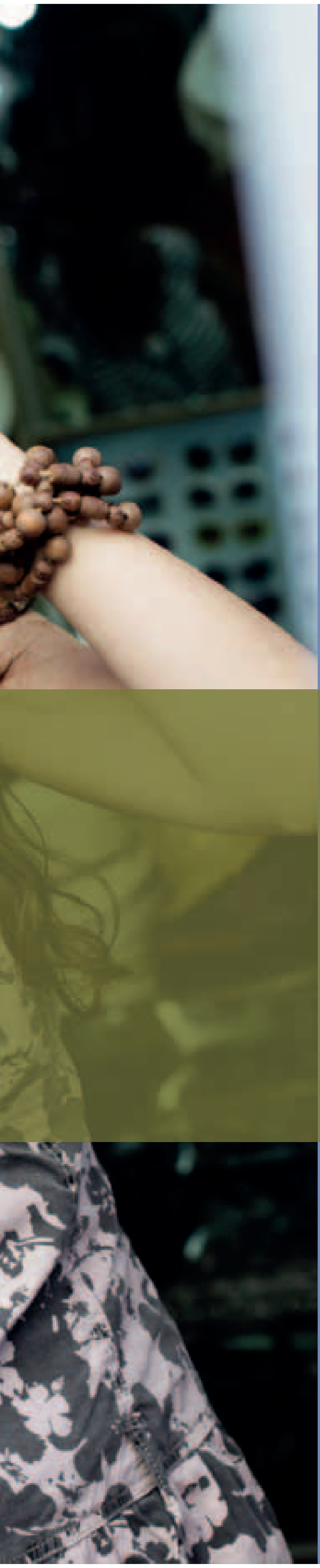
Partner for the retail trade

GK SOFTWARE AG supplies leading retailers on the international market with strategically important software solutions to handle crucial business processes in their stores.

GK SOFTWARE AG is a global technology and innovation leader in the growing market for retail IT solutions with its open GK/Retail Business Suite, which runs on any platform and is fully programmed in Java.

Partner for the Retail Trade

Comprehensive software Packages

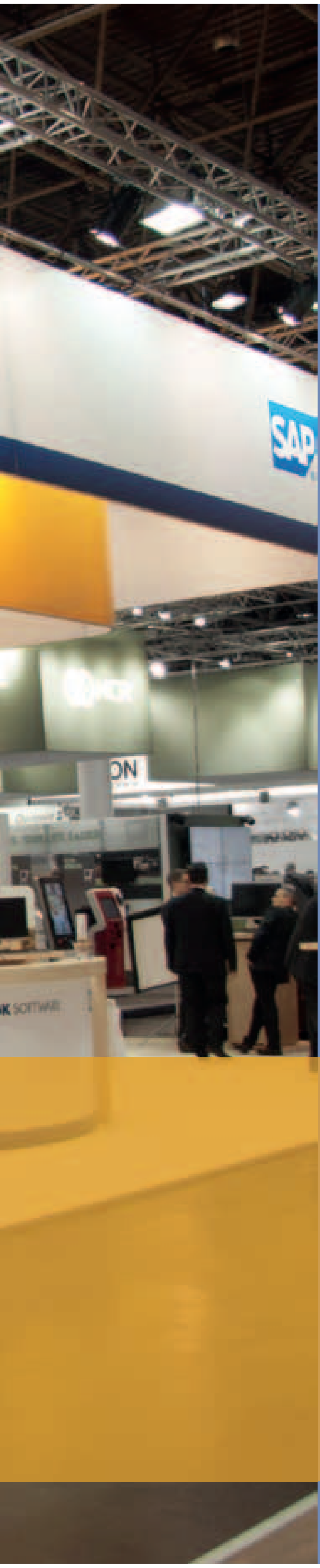


Comprehensive Software Packages

GK SOFTWARE solutions allow retailers to efficiently operate all the processes related to **customers** – e.g. cash transactions or customer loyalty – and related to goods – ranging from scheduling to incoming **goods** and even inventories.

The comprehensive range of products provides leading market solutions for the central **management** of stores scattered across international borders and **infrastructure** solutions to directly link stores to central retail systems.

Successful partnerships



Successful partnerships

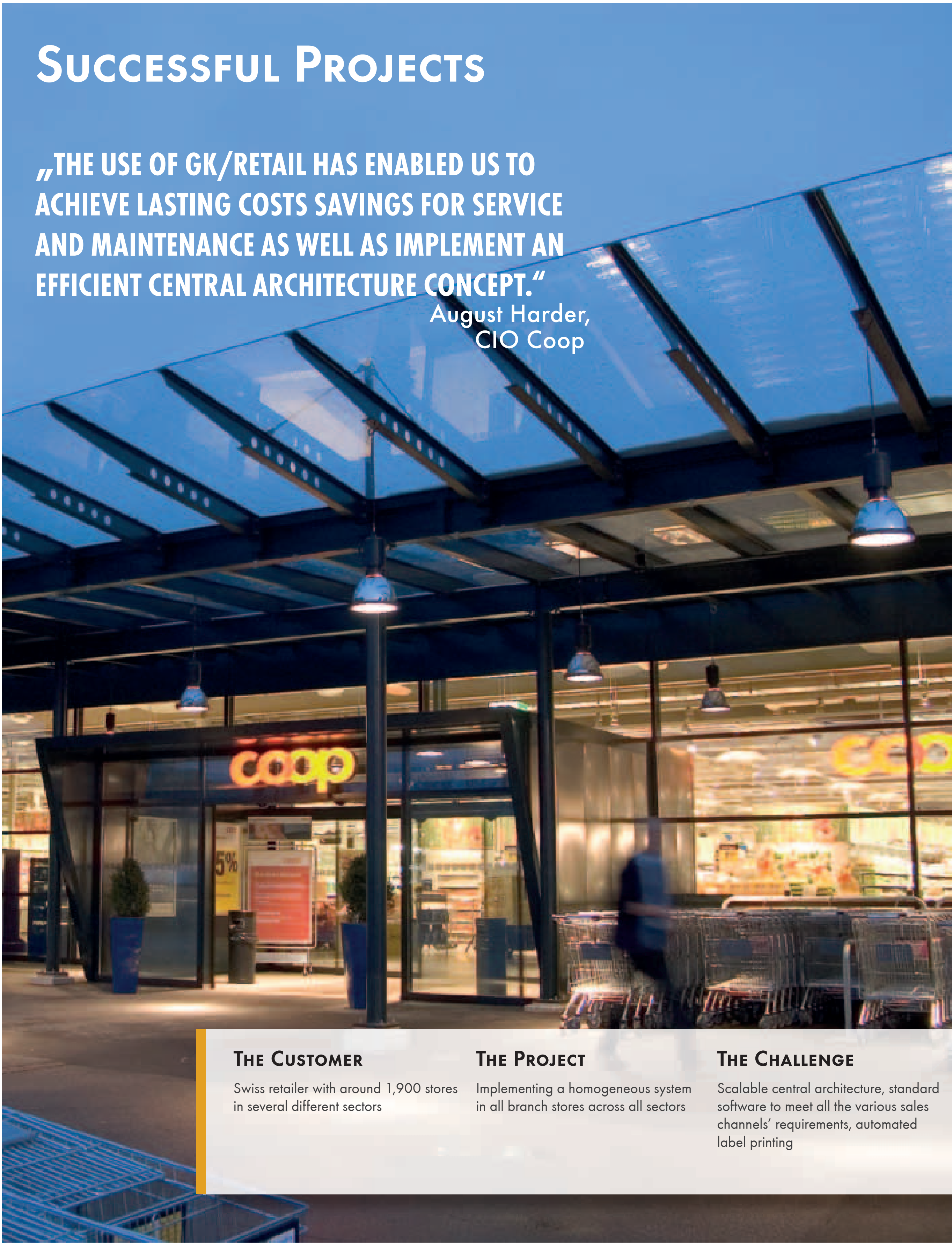
GK SOFTWARE AG works successfully with international partners, which sell the company's software products around the globe and introduce them at customer premises.

The partnership with SAP is crucially important and it directly sells five solutions produced by GK SOFTWARE AG. More than ten joint projects have been gained in just two years as part of the close cooperation arrangement.

Successful Projects

„THE USE OF GK/RETAIL HAS ENABLED US TO ACHIEVE LASTING COSTS SAVINGS FOR SERVICE AND MAINTENANCE AS WELL AS IMPLEMENT AN EFFICIENT CENTRAL ARCHITECTURE CONCEPT.“

August Harder,
CIO Coop



The Customer

Swiss retailer with around 1,900 stores in several different sectors

The Project

Implementing a homogeneous system in all branch stores across all sectors

The Challenge

Scalable central architecture, standard software to meet all the various sales channels' requirements, automated label printing

Satisfied Customers

The Customer

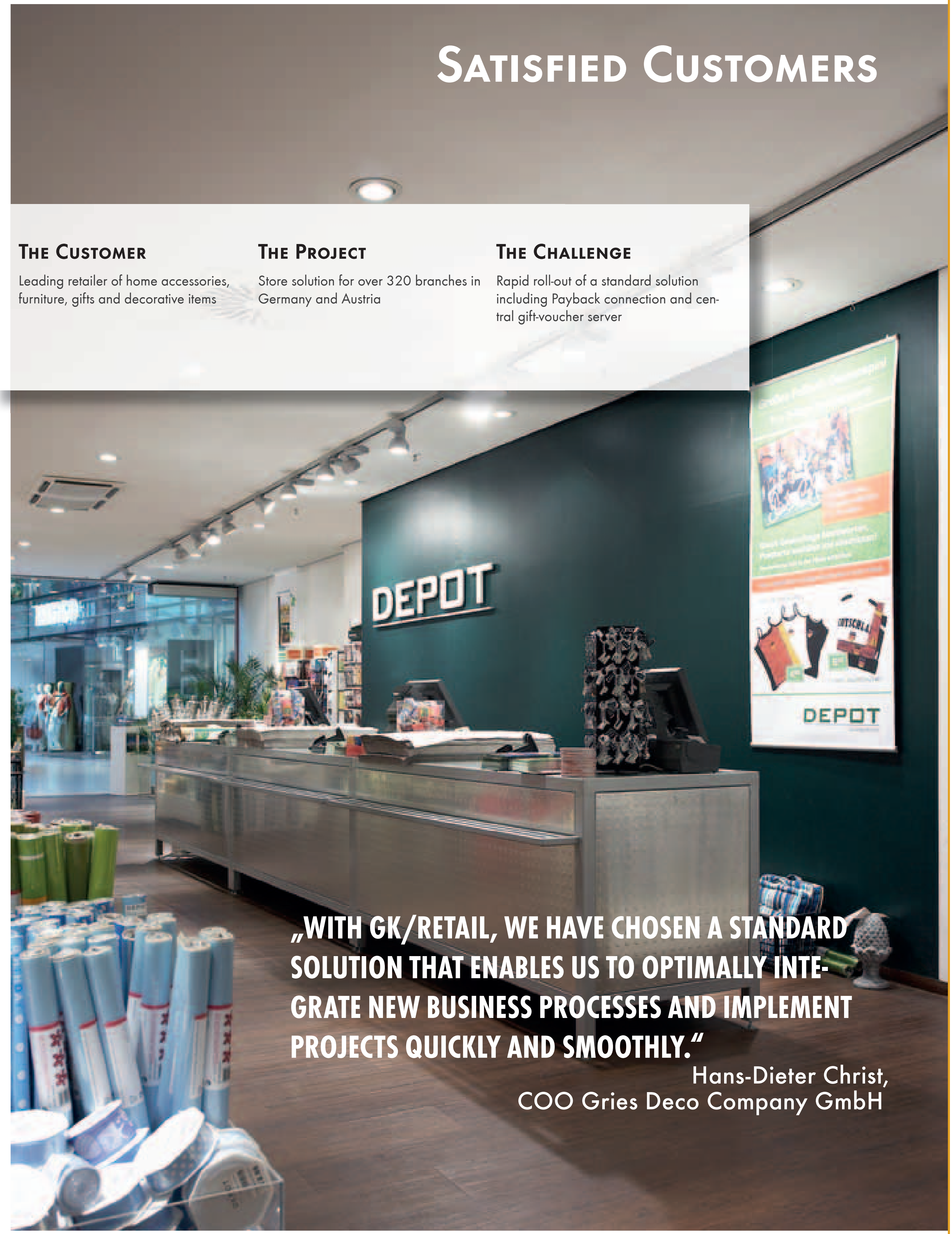
Leading retailer of home accessories, furniture, gifts and decorative items

The Project

Store solution for over 320 branches in Germany and Austria

The Challenge

Rapid roll-out of a standard solution including Payback connection and central gift-voucher server



„WITH GK/RETAIL, WE HAVE CHOSEN A STANDARD SOLUTION THAT ENABLES US TO OPTIMALLY INTEGRATE NEW BUSINESS PROCESSES AND IMPLEMENT PROJECTS QUICKLY AND SMOOTHLY.“

Hans-Dieter Christ,
COO Gries Deco Company GmbH

Stephan Kronmüller
Deputy CTO

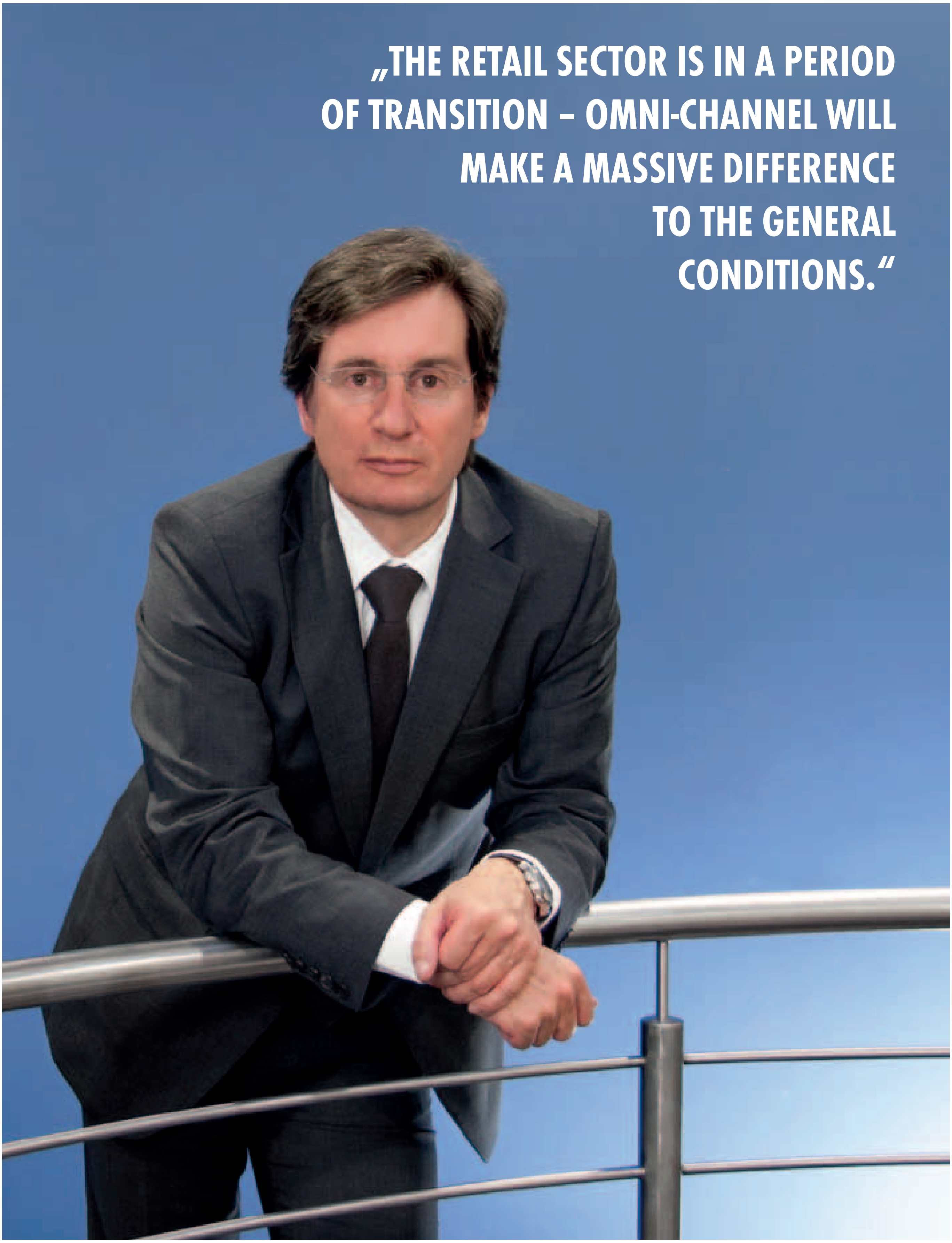
André Hergert
CFO

Rainer Gläß
CEO

Michael Jaszczyk
CTO

Oliver Kantner
COO

To the Shareholders



Rainer Gläß, CEO

Letter from the Management Board

Dear shareholders,

After eight successful years of growth, GK SOFTWARE has for the very first time experienced a year when it was not possible to achieve the results of the previous year. After sales almost tripled to EUR 31.75 million in the four years after the IPO until 2011, a tough market environment only enabled the company to achieve sales of EUR 28.43 million in fiscal 2012, which is the equivalent of a decline of about ten percent. The decline is partly due to the failure to attract new customers and partly due to delays in existing projects, which have meant that sales have been realized at a later time than planned.

As expected, all this has had an effect on earnings before interest and taxes: the figure for fiscal 2012 was just EUR 0.78 million, following a figure of EUR 6.65 million in the previous year. In line with this, the EBIT margin, related to sales, was 2.8 percent and therefore significantly below our expectations. As a result, annual net income totaled EUR 0.67 million. Despite the tough overall situation in our markets, we are not satisfied with what has been achieved, but assume that we have created the basis for continuing our growth process during the next few years.

The causes for the discontinuation in our growth path were varied. Despite the ongoing excellent business situation in the retail sector, only very few orders for projects of interest to us were placed in our core markets in 2012. In addition, major retailers are combining their store investments with new elements, in contrast with previous years. In the light of the ongoing increase in Internet trade, the ever greater use of mobile commerce and new issues like home delivery or recommendation marketing, more and more projects are designed in such a way that they can provide all-round solutions for omni-channel retailing. Because of a shortage of experience and rapidly changing possible future scenarios, we experienced an extension in sales cycles in 2012 and therefore a postponement of dates on which final decisions were made. We assume that this trend will continue until there is more clarity about the design of omni-channel retailing and initial best practice helps to overcome the uncertainties that exist. Another factor for the earnings situation in 2012 was that the international business, which we are expecting as a result of our partnership with SAP, did not yet play such a strong role. This is partly due to the general trends described above, which also have an international dimension, and also because sales at SAP are experienced at least just as long sales cycles as our direct sales, which normally last between at least 12 and 18 months. However, SAP was able to gain three important projects last year where GK SOFTWARE solutions are being used. This shows that the partnership is alive and well.

An important event for the company was the successful takeover of the AWEK Group in December. The AWEK Group is the largest independent provider of 1st and 2d level support services and nationwide field services for the retail sector in Germany. As a result, it ideally supplements our range of services for the retail trade. The AWEK Group is also a software supplier for major German retailers like Globus, the book wholesaler KNV and Strauss Innovation, which were not GK SOFTWARE customers in the past. The AWEK Group recorded sales of EUR 11.9 million in 2012. We are convinced that AWEK will make a positive contribution to the company's results following a restructuring phase during business year 2013.

The operating results achieved by GK SOFTWARE in fiscal 2012 were based on the scheduled completion of existing projects and gaining new customers. The sales basis was enlarged by the approval of two other company solutions for SAP sales in more regions (Open Scale, Label&Poster Print). As a result, SAP now sells five software solutions from GK SOFTWARE as part of its SAP Store Solutions by GK.

Despite the tough general market conditions with few orders placed for projects in fiscal 2012, we were able to gain new customer projects. At the start of the year, SAP was able to gain a new customer for „SAP Point-of-Sale by GK" in the shape of Valora. It will equip approx. 2,700 business sites in the German-speaking world and Luxembourg as part of this project. A leading home improvement store, Al Muhaidib, with 180 markets in Saudi Arabia and the GCC countries (Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates) opted for the „SAP Point-of-Sale by GK" and „SAP Offline Mobile Store by GK". This enabled us to gain our first joint customer in the MENA (Middle East & North Africa) growth region. In terms of direct sales, we were able to persuade Hammer Heimtex, the leading German operator of markets for home textiles, to purchase our point-of-sale software. In this project – one of the few orders placed in Germany in 2012 – we will supply the software for approx. 170 retail markets. The Dohle trading group decided to buy „SAP Offline Mobile Store by GK", „SAP Store Device Control by GK" and „SAP Label&Poster Print by GK" at the end of the year. This was the first sales success for our software for automatic label printing, which has been newly included in the SAP sales arrangement. The Dohle trading group uses the HIT brand to operate consumer markets and self-service department stores at about 100 sites in Germany.

We were also able to significantly expand the number of installations in 2012. The continuation of our mass roll-outs at major customers, the reduction in different national versions and the productive introduction of new projects were the reason for this. Overall, approx. 34,300 new systems (e.g. tills, mobile devices, servers) were equipped with our solutions last year. They included installations in Ukraine for the first time. As a result of the takeover of AWEK, the number of productive installations increased by 15,800, with the result that we are currently responsible for maintaining approx. 164,000 productive systems in 35 countries.

Business developments in existing projects were earmarked by two main factors in fiscal 2012. Our existing customers are continuing to switch to the latest major release 12 in large numbers and therefore demonstrate their confidence in the quality of our software products. Alongside this, nearly all our existing projects generated further sales, as our customers are continually adapting to new requirements in their business and some of them have opted for other solutions within our portfolio.

We developed new solutions as part of our research and development work in 2012, integrated the latest technologies in our portfolio and continued to develop our GK/Retail business suite at a functional and architectural level. One major issue here is the omni-channel integration, i.e. creating the conditions for a consistent sales approach for consumers along different sales channels, regardless of which device is used. Open Scale and Label&Poster Print have successfully obtained premium qualification within our partnership with SAP and have therefore been cleared for sale by SAP. We developed a solution known as GK/Retail Self Checkout for scanning and cash processes for consumers, regardless of which hardware is used, in 2012 and this has already been put into pilot operations at one large customer. Our mobile till has been ported to the iPad natively and is therefore available as another option.

Our solutions are the very first by a provider of store software to have been made suitable for HANA operations in conjunction with SAP so that customers can benefit from the advantages of in-memory databasing. We have also made important server components suitable for use in cloud environments and have therefore created the important technological basis for omni-channel retailing. Within this field, our POS solution was also certified by SAP for business-by-design and can therefore now be used in modern cloud scenarios.

We were able to sign an expanded service support agreement with HP at the beginning of 2013 as an important precondition for developing our international business; as a result, HP will make available extensive after-sales solutions services for „SAP Store Solutions by GK" so that customers around the globe have a qualified implementation and service partner, which will enable projects involving SAP Store Solutions by GK to be introduced in a fast and flexible manner.

The value of our shares declined somewhat during the reporting period and was not able to benefit from the general upward trend on the capital markets. The value of the GK SOFTWARE share at the end of 2012 was EUR 36.60 and was therefore 8.5 percent lower than at the beginning of the year.

Based on an excellent pipeline both in our direct and partner sales, we are confident that we will be able to return to our pathway of growth in 2013 again. We are currently involved in detailed discussions with customers both in Germany and abroad and believe that we are in a very good position to emerge as the winner of several tender procedures.

We therefore assume that, if business goes well in 2013, we will be able to continue to increase sales in comparison with the previous year and return to our former level of profitability. This forecast is naturally subject to the proviso that no extraordinary events take place, which would lead to a negative impact on the overall economy or the retail sector.

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

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

Corporate Governance Report

according to Section 289a of the German Commercial Code

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

Cooperation between the Management and Supervisory Boards

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

Transparency

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

The company will appoint a voting proxy for the 2013 annual shareholders' meeting too and this will allow shareholders to exercise their voting rights even if they cannot attend the meeting. All the public information, like obligatory announcements and press releases, the financial statements or the reports on the main shareholders' meeting will be made available on the company's website.

Risk Management

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

Statement of Compliance

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

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

The last annual declaration was submitted in April 2012 and relates to the version of the Code dated 26 May 2010 for the past. The future practices related to corporate governance at GK SOFTWARE will refer to the recommendations in the Code in the current version dated 15 May 2012.

The Management and Supervisory Boards at GK SOFTWARE AG declared on 12 April 2013 that the recommendations of the "Government Commission on German Corporate Governance Code" had been satisfied since the release of the last annual statement of compliance in April 2012 with the exceptions noted in the declaration in April 2012 and is being met with the following exceptions.

- **Code Number 2.3.4** The company will not provide any Internet webcast of the annual shareholders' meeting, as the Management and Supervisory Boards believe that this would not create a higher participation level at the annual shareholders' meeting.
- **Code Number 4.1.5** The candidates for management functions will be selected by the Management Board on the basis of their personal skills and abilities in the interests of the company. When making selections, the objective backgrounds of the candidates in terms of their age, background or sex are not taken into account.
- **Code Number 4.2.4** The company does not indicate the earnings of the members of the Management Board in the annual accounts by name. The total earnings of the members of the Management Board are disclosed. This departure based on the decision taken by a qualified majority of three quarters of the share capital represented at the annual shareholders' meeting at the meeting held on 17 June 2010 according to Section 286, Paragraph 5 HGB and Section 314, Paragraph 2, Sentence 2 HGB ruled that the individual earnings should not be published in the annual and consolidated accounts from 2010 until 2014.
- **Code Number 5.1.2** The Supervisory Board will exclusively take into account the personal suitability arising from the candidate's individual abilities and skills when appointing people to vacant positions on the Management Board, as this will lead to the best results for the company. Objective criteria like age, background or sex will not be included in any considerations. There is no age limit for members of the Management Board; in the view of GK SOFTWARE AG, the professional qualifications of the members of the Management Board play a more important role.
- **Code Number 5.3** In a departure from Number 5.3 of the Code, the Supervisory Board at GK SOFTWARE AG does not form any committees, as consistent, extensive information for all the members of the Supervisory Board can be guaranteed most efficiently in meetings where all the members of the Supervisory Board are present (the Supervisory Board consists of only three members). Any issues can be handled and answered appropriately by the whole body. So no auditing committee (Number 5.3.2) has been set up. The same applies to the nomination committee (Number 5.3.3) or other specialist committees (Number 5.3.4). The responsibilities normally assumed by the specially appointed committees are handled by the full committee, as the committee has the necessary qualifications to handle these.
- **Code Number 5.4.1** The composition of the Supervisory Board at GK SOFTWARE AG is not subject to the Supervisory Board, but the company's annual shareholders' meeting. The Supervisory Board seeks to engage in successful cooperation between its members and constructive cooperation with the Management Board. The proposals for candidates, whom the Supervisory Board submits to the annual shareholders' meeting, will take into account the geographical distribution and the degree of complexity of the business at GK SOFTWARE. Criteria like the age, background or sex of the candidates will not be taken into consideration. There is no provision for an obligatory age limit for the members of the Supervisory Board, as the older members of the Supervisory Board in particular enrich the body as a result of their wide experience, and their specialist qualifications are of greater importance.

- **Code 5.4.6** Payments for the members of the Supervisory Board are made exclusively according to fixed elements. No remuneration that is dependent on the company's success is granted to the members of the Supervisory Board, as the members of the Supervisory Board must be able to pursue their tasks as a supervisory body for the company without any possible conflict of interests.
- **Code 7.1.2** The consolidated accounts are not published within 90 days after the end of the fiscal year, but after four months in line with the current guidelines published by Deutsche Börse AG. The interim reports are not made available within 45 days, but after two months according to the current guidelines published by Deutsche Börse AG. GK SOFTWARE AG believes that the periods of time set by Deutsche Börse AG are adequate to provide shareholders with sufficient information.

Report by the Supervisory Board

Uwe Ludwig, Chairman of the Supervisory Board

Dear shareholders,

I would like to present to you the report prepared by the Supervisory Board at GK SOFTWARE AG for fiscal 2012; it reflects a far less successful year than in all the previous years since the IPO.

Composition of the Supervisory Board

According to the articles of incorporation, the Supervisory Board consists of three members. In fiscal 2012 they were:

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

Mr. Ludwig and Mr. Zinn have both been appointed until the end of the annual shareholders' meeting in 2016, while Mr. Thomas Bleier's appointment ends with the conclusion of the annual shareholders' meeting in 2014.

Meetings

The Supervisory Board met for normal sessions on 16 April 2012, 20 August 2012 and 26 November 2012. Decisions were also taken during a telephone conference on 6 June 2012. All the members of the Supervisiory Board took part in the normal meetings without the meeting from 20 August where one member was absent for health reasons. It ist GK's practice that representatives of the Management Board were present at the normal sessions too. The members of the Supervisory Board were also regulary in contact with each other outside the meetings – and the Chairman of the Supervisory Board in particularly also maintained contact with the Management Board. Decisions were made during meetings or by a circulation procedure. During its meetings the Supervisory Board received both verbal and written reports from the Management Board about the business and financial situation within the company and about the fundamental business policy.

Tasks of the Supervisory Board

The Supervisory Board at GK SOFTWARE AG fulfilled for the fiscal year 2012 the tasks incumbent upon it according to the law, the articles of incorporation, the recommendations of the "German Corporate Government Code" government commission and the Supervisory Board's rules of internal procedure and monitored company managers continually.

The ongoing development and adjustment of the risk management systems was a constant issue. The Supervisory Board also acquired information about the progress in introducing the security concept and the further establishment of formalized administrative processes and new controlling processes. The Supervisory Board welcomed the progress made and the fundamental overhaul of the planning processes, the internal accounting system, which have both been started, and the further

The Supervisory Board of GK SOFTWARE AG: from left to right Herbert Zinn, Heinrich Sprenger (Board Member 2001(2011),) Thomas Bleier, Uwe Ludwig (Chairman)

revising and combining of the existing key data systems.

The Supervisory Board continously focussed on the appropriateness of the salaries paid to members of the Management Board. Attention was paid like the previous years to the way that salaries related to the company's economic situation and conditions existing at other companies, the comparison between the total structure of salaries within GK SOFTWARE and the combination of fixed and variable parts of salaries. There was no need to make any adjustments.

The discrepancies from the economic goals that were encountered during fiscal 2012 have persuaded the Supervisory Board not to allow the variable parts of the salaries to be fully paid out to the members of the Management Board.

In order to monitor the company managers, the Supervisory Board was guided by the annual budget passed for 2012 and particularly asked the Management Board to report on the current business policy and corporate planning, profitability, the course of business and major individual steps taken by the company. The Supervisory Board called for additional reports and information following the complete surprise in the fourth quarter when sales and results slumped, after the goals that had been coordinated for the financial year suddenly seemed unrealistic. Because the envisaged takeover of a company, which is well suited to ongoing developments at GK SOFTWARE AG, did not take effect until the end of the year, it was only possible to achieve the desired effects from this to a minor extent. The Supervisory Board was verbally informed about the takeover in general and the operating effects on business for the remainder of 2012 at frequent intervals. Both during its meetings and outside them, the Supervisory Board was supplied with information from the Management Board during the whole year, but particularly in the critical situation at the end of 2012; the Supervisory Board discussed and checked this information critically.

Corporate Governance

The Supervisory Board and Management Board act in the full knowledge that good corporate governance forms an important basis for the company's success and is in the best interests of shareholders and equity markets. The Management Board and the Supervisory Board issued their annual declaration of compliance in line with Section 161 of the German Stock Corporation Act in April 2013. The wording of this is printed in this business report as part of the Corporate Governance report. The Management Board and the Supervisory Board have pledged to the relevant degree to follow the recommendations of the German Corporate Governance Code. No conflicts of interest arose in members of the Supervisory Board during fiscal 2012.

2012 Annual Accounts Audit

The GK SOFTWARE AG annual accounts compiled by the Management Board in line with the rules of the German Commercial Code and the IFRS Consolidated Accounts and each situation report have been audited by the auditing company, Deloitte & Touche GmbH, and were given an unqualified audit certificate. Taking into account these auditing reports, the Supervisory Board has examined the annual accounts compiled by the Management Board, the consolidated accounts, the dependency report, the situation report at GK SOFTWARE AG and the Group and checked the suggestion made by the Management Board for the use of the balance sheet profits. During its meeting on 22 April 2013, the Supervisory Board asked the Management Board to explain the 2012 annual and consolidated accounts and report on profitability, the company's equity, the current course of business and the company's situation. All the Supervisory Board members received the necessary documents duly prior to this meeting.

The auditor commented on the Management Board's verbal presentation of the accounts and explained the audit findings using the auditor's reports and answered every question on these reports. The auditor was able to satisfactorily answer all the questions. There are no doubts about the auditor's independence. During its meeting on 22 April 2013, the Supervisory Board approved the annual accounts for GK SOFTWARE AG and authorized the consolidated accounts at GK SOFTWARE. As a result, the annual accounts have been approved. The Supervisory Board also agreed to the Management Board's suggestion on how to use the balance sheet profits.

The Supervisory Board also prepared a report on relations to associated companies in line with Section 312 of the German Stock Corporation Act. The auditor checked this and provided a verbal report on the results of his audit during the balance sheet meeting on 22 April 2013. Checks made by the Supervisory Board did not give rise to any reasons for objections to be raised. He did not have any objections to the Management Board's final declaration in his report in line with Section 312 of the German Stock Corporation Act.

The Supervisory Board would like to thank the Management Board and every member of staff for their commitment to the company and the work that they have performed and wishes them all an immediately return to the path of success.

Schöneck, 22 April 2013

Uwe Ludwig
(Chairman of the Supervisory Board)

GK SOFTWARE AG Shares

Development of GK SOFTWARE shares in comparison to the TecDax
from 19 June 2008 until 31 December 2012, indexed, in percent

Basic data

Basic data	
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK SOFTWARE AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1,790,000
Share capital	EUR 1,790,000
Free float	42.49 %
Highest price in 2012	EUR 44.00 (9 Feb./3 April 2012)
Lowest price in 2012	EUR 33.50 (11 December 2012)

Summary/Shares Performance

GK SOFTWARE AG shares listed on the Prime Standard section of the Frankfurt Stock Exchange followed the general trends during the first half of fiscal 2012 and initially moved upwards and then fell back in line with the trend encountered on the major indices. The share price parted company with these trends in about the middle of the year and maintained its value, although it increased significantly again during the fall for a short period. The share was worth EUR 36.60 at the end of the reporting period. That corresponds to a market capitalization of approx. EUR 65.5 million at the end of fiscal 2012.

Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which is enabling the company to develop in the long term in a sustainable manner. The company had the following shareholder structure on the reporting date on 31 December 2012: The founder and CEO Rainer Gläß directly held 2.95 percent of the shares. Stephan Kronmüller, also a company founder and the former CTO on the Management Board, directly held 2.23 percent of the shares. 52.33 percent of the shares were owned by GK Software Holding GmbH, which was indirectly equally shared by the company partners Rainer Gläß and Stephan Kronmüller. This meant that 42.49 percent of the shares were in free float on 31 December 2012.

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

- Mr. Andreas Bremke 3.99 percent (on 16 August 2011)
- Scherzer & Co. AG, Cologne: 5.23 percent (on 6 March 2012)

Directors Dealings in 2011

Members of the Management Board or the Supervisory Board did not carry out any transactions with GK SOFTWARE AG shares during 2012.

Investor Relations

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

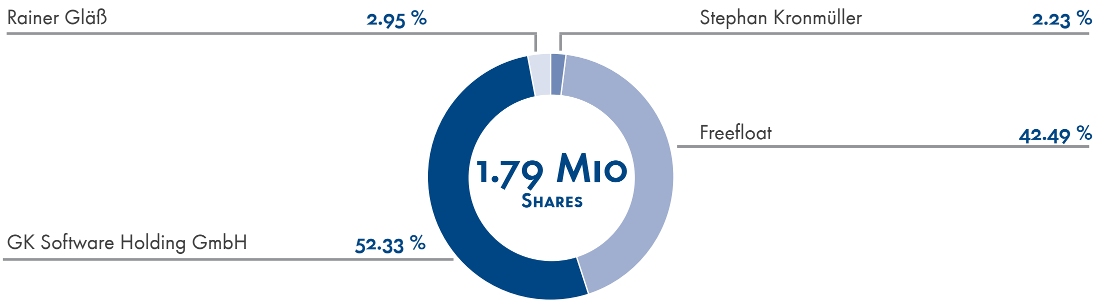
André Hergert, the CFO, is responsible for the investor relations business and he has his own department that reports to him. This guarantees that any enquiries from investors and potential investors are answered immediately.

GK SOFTWARE AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this means drawing up quarterly, half-yearly and annual business reports in German and English, publishing a financial calendar and promptly publishing ad-hoc reports and corporate news items. The accounting system has been adapted to the international IFRS accounting standards and this meets investors' needs for information. As in previous years, GK SOFTWARE AG is also planning to hold its annual analyst conference for 2013 during the Frankfurt Equity Capital Forum. Investor and press road shows also take place at regular intervals so that the company remains in permanent contact with the capital markets.

The Management Board also prepared a report about relationships to associated companies in line with Section 312 of the German Stock Corporation Act. The auditor checked this and gave a verbal report on the results of his findings to the meeting held on 22 April 2013. Checks made by the Supervisory Board did not lead to any grounds for objections. It did not have any objections to the Management Board's final conclusions in its report prepared according to Section 312 of the German Stock Corporation Act.

The Supervisory Board thanks the Management Board and all staff members for their commitment and the work they have done, wishing them the best of ongoing success for 2013.

Shareholder structure
at GK SOFTWARE AG on 31 Dec. 2012



Consolidated Annual Report

Business Report

Business and General Conditions at GK SOFTWARE

Corporate Structure and Holdings

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

GK SOFTWARE AG is one of the world's leading technology companies for retail software with a special focus on providing solutions for corporations with local stores. GK SOFTWARE AG and its predecessor company, G&K Datensysteme GmbH, which Rainer Gläß and Stephan Kronmüller founded in 1990 and which became GK SOFTWARE AG in 2001, have now been operating in the market place for 23 years. The company's IPO took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008.

The company's headquarters has been located in Schöneck/Vogtland since it was founded. The company has its product development department, project management and third-level support facilities at this base in addition to administration services. SQ IT-Services is also based at this location. It was founded in 2009 to handle the takeover and integration of Solquest GmbH. Schöneck is also home to 1. Waldstraße GmbH which was set up in preparation for the launch of new business activities and is also a 100 percent subsidiary of GK SOFTWARE AG.
GK SOFTWARE AG has a branch next to Checkpoint Charlie in Berlin and it is primarily responsible for managing the marketing, sales and partner activities; the company's user-help desk is also based there.

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

Group structure
of GK SOFTWARE AG

vided by GK SOFTWARE AG take place at the Plzen base.

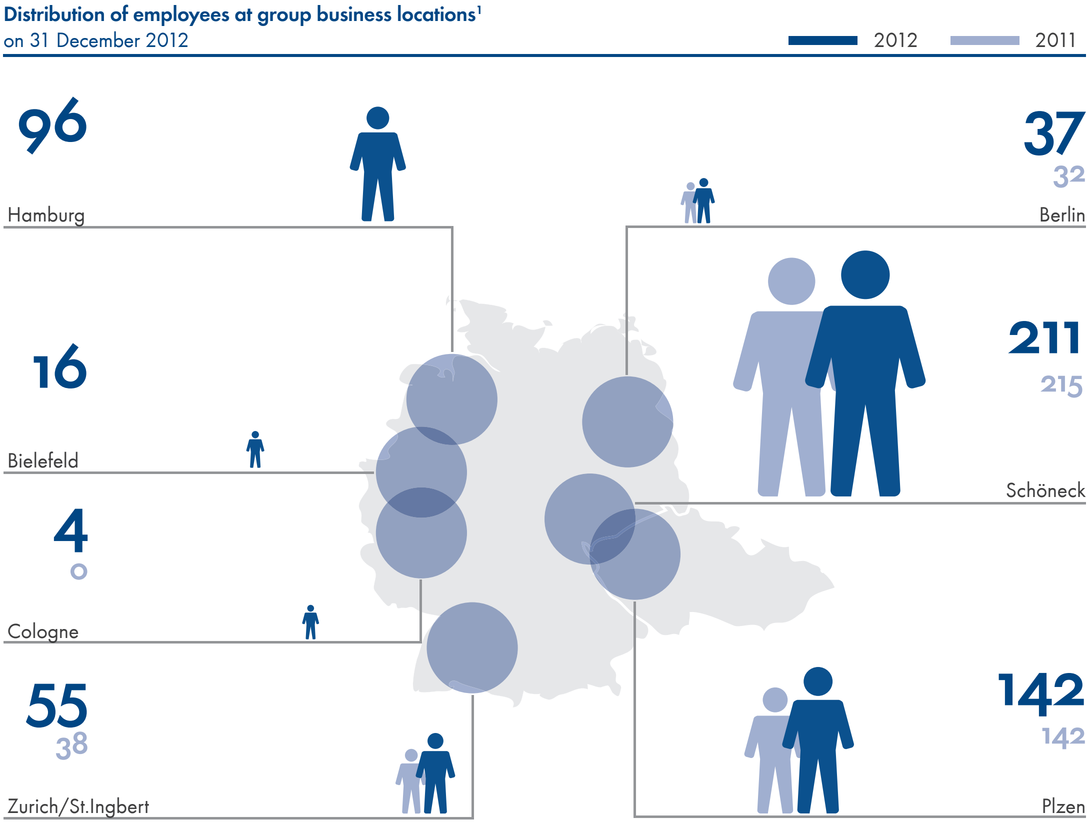
GK SOFTWARE AG has another 100 percent subsidiary in Switzerland. The StoreWeaver GmbH will move to Dübendorf near Zurich in business year 2013. This company has a German base in the state of Saarland in St. Ingbert. The teams in St. Ingbert are responsible for the onward development of the StoreWeaver EE product group and handling the relevant customer projects; and they also look after the customers of the former Solquest GmbH company.

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

GK SOFTWARE has its own sales organizations in the USA and in Russia.

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

Distribution of employees at group business locations[1]
on 31 December 2012



1 Without the members of the Management Board and Trainees. One other employee works at the branch in Moscow and is not shown here.

Products and Services

Customer

The customer-related business processes include the complete till operations, cash accounting, handling all kinds of gift cards and cou-pons and issuing or accepting bonus points as part of discount systems like Payback or Lufthansa Miles & More. The software package provided by GK SOFTWARE is different from those of its competitors, primarily because it is more technologically advanced, has a broad range of functions and can be used in international contexts.

Goods

The software solutions related to goods were extended to a considerable degree in 2012. They include store merchandise management business processes ranging from inventories to scheduling or stocks and even automatic label printing. GK SOFTWARE has the expertise to dovetail processes in stores with those of a leading central ERP system (like SAP) and make this available in full to mobile units. Solutions for modern advertising in retail stores on a wide variety of digital displays also form part of this.

Products and Services

The solutions provided by GK SOFTWARE provide smooth operations in retail stores. They include a variety of processes related to customers, goods, the technical management of store structures and the availability of tech-nical infrastructure for large local IT landscapes. It is particularly important that the complete software package is contained in a reusable standard product and each new customer project can be based on this. This prevents project islands that deviate from the standard product and product developments can be passed on to existing customers in ongoing sales cycles

Management

The software solutions designed to manage the most complex store structures distributed across international frontiers are one significant unique selling point for GK SOFTWARE in its market environment. They enable the company's customers to centrally manage thousands of stores in very many countries using different languages, currencies or time zones. This is extraordinarily important for local structures as found in store systems in the retail sector, as each till, each printer or even each pair of scales is a critical system for business purposes.

Infrastructure

GK SOFTWARE not only supplies the leading front-end software for users in stores and enterprise headquarters in the retail sector. The company's software solutions are also setting standards for the sector in the field of technical infrastructure. GK SOFTWARE's Store-Weaver system provides an integration platform in order to seamlessly network its own and outside software solutions in a store and link them to central systems like ERP or CRM processes.

Human Resources

- Human resources growth due to the takeover of the AWEK-Group
- New branch in Cologne
- Trainee and further training programs for the members of staff

450 people were employed within the Group on the reporting date of 31 December 2012 (excluding the AWEK members of staff, members of the Management Board and trainees). As a result, 22 more people were employed compared to the reporting date in the previous year on the same basis (428). This represents a growth rate of 5.1 percent. Reinforcements were hired for 2d level management positions and more people were added to the project management and software development departments.

The takeover of AWEK in December 2012 means that the workforce has increased by another 112 people. As a result, the Group employed 562 people on the reporting date.

The majority of the Group's members of staff (211) are employed at corporate headquarters in Schöneck (215 in the previous year). The Berlin branch has now 37 members of staff working in the sales & marketing, project and partner management, development and first-level support (hotline) departments.

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

96 people were employed at AWEK in Hamburg at the end of the year, including many mobile service technicians, who are deployed at various places across Germany. 16 people were employed at the second business center in Bielefeld at the end of 2012; they work in the software development field.

53 people were working at the St. Ingbert business center at the end of the year (38 in the previous year). 2 people were working in Riehen (Schwitzerland) at this time.

The business center in Cologne was newly opened at the beginning of 2012 in order to benefit from the good human resources market environment in this region. There were already 4 people employed at this branch at the end of the reporting period. 1 person was employed at the branch in Russia and one freelancer in the USA at this time.

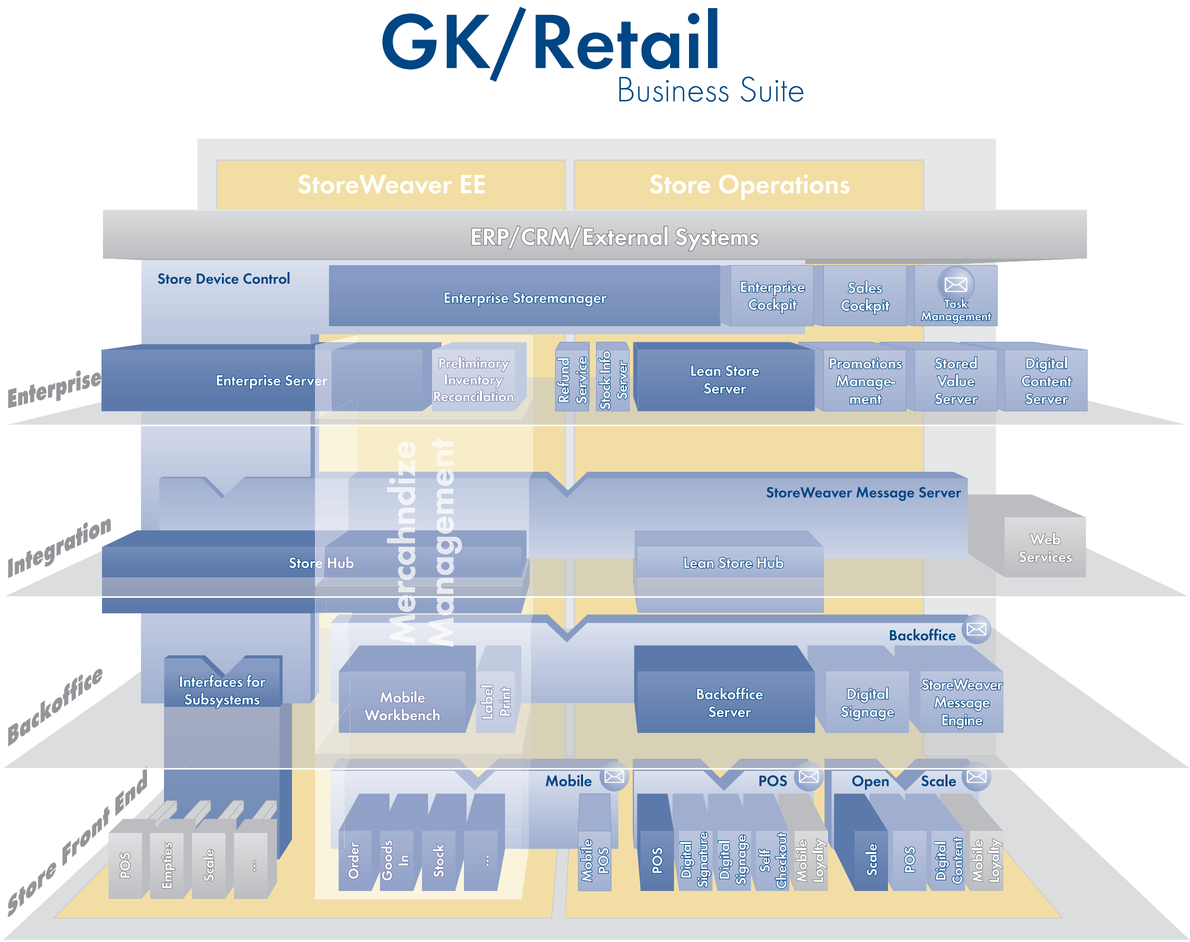
The Management Board expects the growth in employees to continue at a moderate pace in the future and the company will primarily continue to look for people with fairly high qualifications.

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost sales growth at GK SOFTWARE AG from a human resources point of view too. The successful one-year trainee program designed to deliberately establish qualified employees was continued and 1 member of staff is participating in this at the moment. 5 trainees are also currently employed at GK SOFTWARE AG.

The GK SOFTWARE Software Solutions

- GK SOFTWARE – The Retail Application Company
- New GK/Retail Self-Checkout software developed
- New management information KPI Dashboard on iPad

GK SOFTWARE views itself as a provider of retail applications, i.e. end-to-end and complete software solutions for the retail trade, which satisfy all the requirements without the need for any outside software. We have been satisfying this aspiration since 2013 with the new claim: "GK SOFTWARE – The Retail Application Company." Behind this claim stands an open architecture model, the four levels of which enable various types of software to



join forces for the different sales channels. Each application uses the same components and modules so that the development work is reduced and this also prevents any expensive parallel development work. The **Operations** layer, which provides the fundamental basis for each application, forms the **GK/Retail Infrastructure** together with the **Communications** layer, which guarantees the complete exchange of information and data. This means methods and procedures that have been tried and tested in more than 165,000 installations are available for each of the different GK applications and they safeguard the technical operations. The **Retail Business Logic,** which is formed by **Core Retail Processes** and **Enhanced Retail Processes,** builds on this infrastructure. While the core processes are mapped end-to-end by GK SOFTWARE, software modules provided by partner companies can also be used with the enhanced processes, as is specifically practiced in the cooperation arrangement with SAP.

The previously defined components of the various levels are linked to each other for the relevant fields of application and are packetized into finished applications, which are available for various channels – like the store, web store links or mobile retailing. Solutions for new channels or for integrating social media, for example, can be introduced on the identical architectural platform without the need to permanently redevelop the basis for the software each time. Using this flexible and forward-looking platform, GK SOFTWARE has an excellent starting position to handle current and future issues like omni-channel retailing, cloud computing or in-memory databasing.

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

GK SOFTWARE is currently selling Version 12 of the GK/Retail Business Suite. The GK/Retail Business Suite is arranged on two main pillars. One of them involves the StoreWeaver Enterprise

Michael Jaszczyk, CTO

Edition (EE). The other one covers the Store Operations.

StoreWeaver Enterprise Edition

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

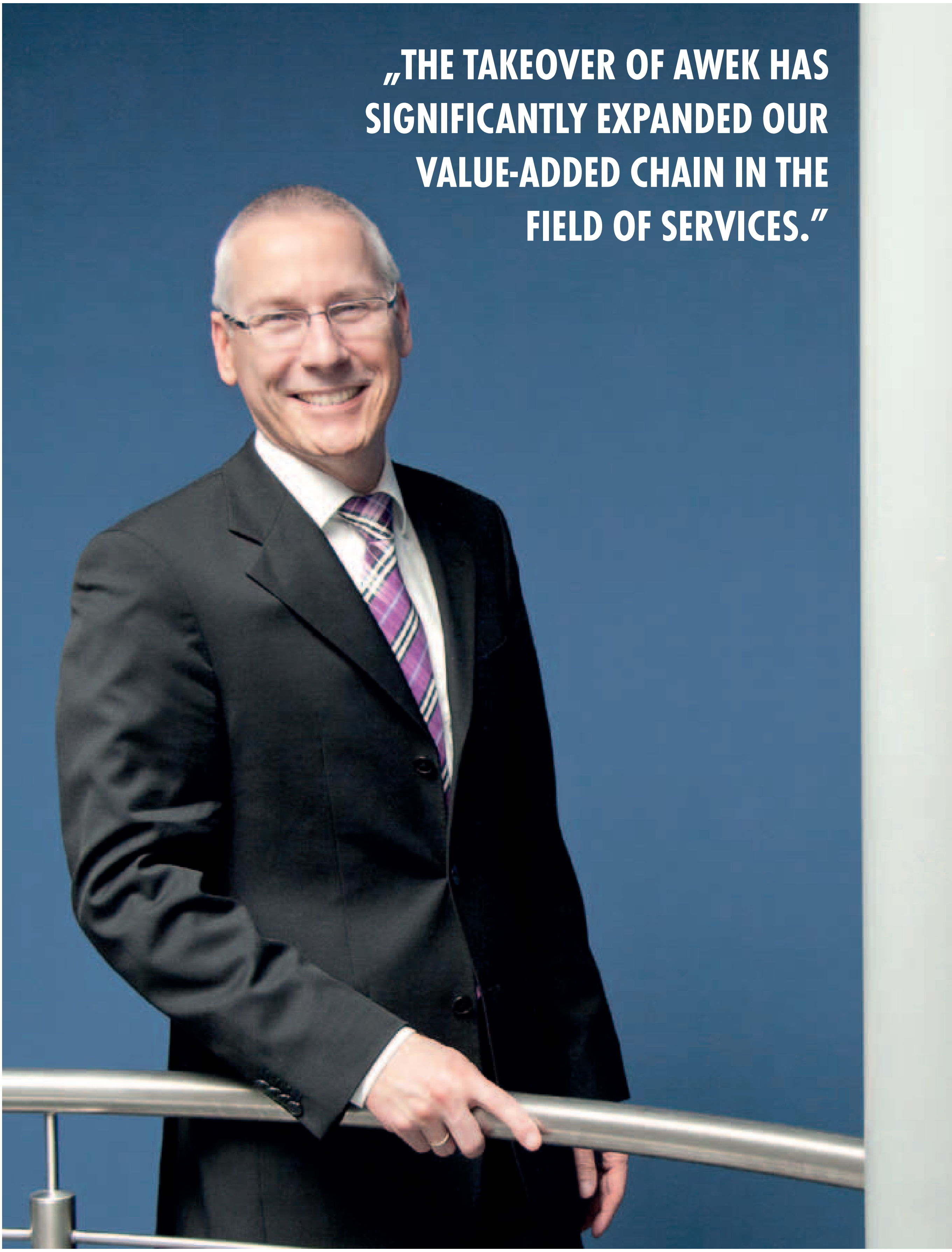
- **GK/Retail Store Device Control** provides the end-to-end link within the complete store peripheral equipment, for instance, tills, scales or automatic empties machines. The software handles the automatic distribution of data to all the systems in a store with a direct link to the leading SAP system. This guarantees that any changes to master data (e.g. prices) are available on the correct system within the store at the right time. At the same time, the software ensures that the central systems are supplied with what is known as transaction data (e.g. sales data). The link for the various subsystems in a store is provided through standardized peripheral heads, on to which solutions from different manufacturers can be docked. The Enterprise Storemanager guarantees the central management of the overall systems landscape. The Enterprise Cockpit handles the monitoring work across the systems. Both solutions can also be used outside the StoreWeaver Enterprise Edition in the field of Store Operations.
  The complete software component is sold by SAP under the name "SAP Store Device Control by GK".
- **GK/Retail Mobile Merchandise Management Processes** covers the store management processes, which can be made available directly to mobile terminals on the floor of the store or in the stock area. The processes, which can be provided online or offline, rely on a leading central system like SAP. They allow the stores to be linked end-to-end with enterprise headquarters in almost real time and manage all the necessary business processes like deliveries, merchandise planning, inventories or automatic label printing.
  This software component is sold by SAP under the name "SAP Offline Mobile Store by GK".

Store Operations

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

- **GK/Retail POS** is the market-leading solution for operating till systems. The application guarantees secure handling for all business processes at tills (POS = point of sale) and provides extensive back office functions for managing money, store administration or reporting purposes. A special edition of this software can also be used for self-checkout systems. SAP sells the software under the name "SAP Point of Sale by GK".
- **GK/Retail Mobile POS** is an innovative software solution for till use on devices using the iOS operating system (iPhones, iPods, iPads). The company software handles all the processes available on stationary tills and is already used by an important customer it in a productive environment. Mobile POS is available as specific individual developments for iPods/iPhones and iPads.
- **GK/Retail Self Checkout** is an enhancement of our POS software and was newly developed in 2012. It is fully based on our standard software and enables consumers to handle all the till processes themselves. Together with the associated iOS app, consumer advisers can immediately respond to demands during the till process, e.g. age identification when purchasing alcoholic drinks, and they can offer consumers help and support quickly, if required.

- **GK/Retail Open Scale** is a new software solution within the GK/Retail Business Suite. It is based on the same technical concepts as the other software solutions and is a self-contained application for all kinds of open PC scales. It enables the retail sector to use end-to-end IT structures and be free to select scales from any hardware supplier.This software has been certified for use by the PTB (Prüftechnische Bundesanstalt – Germany's National Metrology Institute).
- **GK/Retail Taskmanagement** ensures that information can be automatically distributed simultaneously and in a controlled fashion, e.g. regarding recalls of items, corporate-wide announcements or other information. The module, which has been specially designed for the needs of companies with many stores, allows a very fast and end-to-end flow of information and can also be used on mobile units.
- The **GK/Retail Lean Store Server** allows all the back office servers to be centralized. This means that an important part of the IT systems can be moved out of the stores to enterprise headquarters. This opens up considerable potential for store-based corporations, as they can use more powerful servers, for example, and servicing and maintenance costs can be significantly reduced. GK SOFTWARE AG is the world's leading company for the centralization of background systems for store-based corporations.
- **GK/Retail Enterprise Storemanager** is the market leading software, which provides administration and technical monitoring facilities for major store networks, which may operate in different countries. The software allows corporations to manage and monitor thousands of stores in many countries and is an important unique selling feature of the GK/Retail Business Suite.
- **GK/Retail Enterprise Cockpit** provides managers with a very fast summary of technical and specialist key performance indicators. This means that technical breakdowns in stores are recognized immediately and sales data (e.g. volumes of sales) can be evaluated in real time. This solution provides corporate-wide transparency with regard to the status of systems in stores and supplies central business management data.
- **GK/Retail Sales Cockpit** makes available web-based business management information related to the current day's business. This means that managers constantly have a comprehensive overview of the course of business in real time.
- **GK/Retail KPI Dashboard** is a native iPad app, with which important business parameters can be processed for different target groups in various aggregation stages. By using the KPI Dashboard, branch managers, district and regional managers or enterprise directors can immediately check the relevant data in their working area in real time and use it as the basis for their actions. The KPI Dashboard is designed for use with in-memory technologies and works in conjunction with SAP HANA, SAP's in-memory appliance, for example.
- **GK/Retail Enterprise Promotions Management** is a complete solution for designing, carrying out and managing corporate-wide promotions and special offers. It can be used, among other things, to manage discounts on customer card systems or the acceptance of many kinds of coupons at tills.
- **GK/Retail Stored Value Server** guarantees secure, corporate-wide administration services for all the gift cards that have been issued. It provides a central database for supplying all the gift card information within the complete corporation and also handles all the processes related to electronic gift cards.
- **GK/Retail Digital Content Management** is the central software solution for distributing multimedia content to various output devices within the complete corporation. This means that photos, slide shows or videos can be distributed to the relevant systems within the company. The system also allows pure text messages to be sent (e.g. for electronic shelf labels).



Oliver Kantner, COO

The SQRS Software Package

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

Product Development

Four minor updates for GK/Retail 12 were released during fiscal 2012 and they have expanded the standard product in line with the road map by providing solution components, functions and interfaces to subsystems.

More new modules have been developed in addition to the new Mobile POS and Open Scale software and fundamental technological revision work has also taken place. The end-to-end restructuring of the software platform and the introduction of the new GUI (Graphical User Interface) were completed for all the modules. They now have a unified, ergonomic and efficient look and feel and this was achieved in conjunction with experienced GUI designers. New components have also been introduced like a central customer repository for corporate-wide enquiries, new versions e.g. of the Sale Cockpit and other taxation law features in line with the roadmap. More specialist requirements from individual projects like bakery functions have been directly incorporated in the standard product in order to ensure that they are immediately available for other projects. Important conditions have been created by using many defined user exits – e.g. for importing and exporting data – so that third parties can also expand the GK SOFTWARE solutions by using special customized adaptations.

Services

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

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

Maintenance and services

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

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

Research and Development

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

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

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

The capitalized development costs amounted to EUR 2,046K in 2012 (EUR 2,363K in the previous year). The accrual was divided into the capitalized development costs amounting to EUR 748K (EUR 1,489K in the previous year) for work on GK/Retail an the SAP Release 3.0 and the remaining amount of EUR 806K as accruals from the own work capitalized entered in the statement under AWEK (EUR 615K in the previous year).

Customers and projects

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

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

Important new projects in 2012 – a summary:

- Tally Weijl (approx. 700 stores around the globe)
- Valora (approx. 2,700 business sites in Central Europe)
- Leading sports article producer (mobile till for the Olympic Games in London)
- Al Muhaidib (approx. 180 home improvement stores on the Arabian Peninsula)
- Hammer Heimtex (170 stores in Germany)
- Dohle (approx. 100 consumer markets in Germany) – after the end of the reporting period

In the field of existing projects, 2012 again saw mass rollouts in several major projects. As a result of these, approx. 34,300 new systems were put into productive use in many countries. The initial phase was completed in several projects as a result. Other existing main customers migrated to the current version of the software during the reporting period or started the changeover process. This creates the conditions for ensuring that existing long-term relations with these customers can continue to be reinforced.

One example of the vibrant nature of the company's partnership with SAP is that there are now six joint customer projects where GK solutions have been sold by SAP. The strategic relations between both companies for the sphere of stores were also reflected in their joint booth at the largest European retail trade fair, the EuroCIS in Düsseldorf, and other coordinated activities.

Market and Competitive Environment

- The retail sector set another record in 2012 – sales rose to EUR 428 billion
- E-commerce growing most strongly – already has a market share of approx. 8 percent
- Investment needs for retail IT remain high

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

As GK SOFTWARE expands its business to more and more economic regions, the number of factors increases as a matter of course, as the situation in the individual markets may develop in very different ways, despite some global economic trends. At the same time, this provides some isolation in the company's general operations from the developments in its original core markets – primar-

André Hergert, CFO

ily in Central Europe – at least in the medium term, without these markets losing their significance for GK SOFTWARE to a large extent in the foreseeable future.

Alongside the basic economic trends in the markets that it serves directly or through partners, general trends relevant to the retail sector – i.e. primarily the online trade, but also long-term issues like demographic developments, new ways of achieving customer loyalty or internationalization – are becoming more important all the time. They are already leading to new major focuses of interest for the retail trade; GK SOFTWARE is directly affected by them and has already responded in terms of the range of its products.

Regardless of the increasing importance of international business, the developments in the German-speaking world continue to be particularly important for GK SOFTWARE's direct business. 2012 was a very successful year for the retail trade in Germany, the largest market in this region. Sales rose in nominal terms by 1.5 percent in comparison to the previous year – and 2011 had set a new record with increases of 2.6 percent.[1] As a result, sales in the sector (excluding vehicles, gas stations, fuels and drugstores) totaled approx. EUR 428 billion. Sales in the retail sector therefore rose more strongly than the country's gross domestic product (GDP), which was only able to increase by 0.7 percent in nominal terms.[2] The fact that the retail sector contributed 16.2 percent to GDP in 2012 also demonstrates the significance of the sector for the overall economy in Germany.

2012 was once again a year that recorded a huge increase in e-commerce sales and the figure rose by 27.2 percent to approx. EUR 28 billion. Overall, interactive trade – primarily e-commerce and the mail order business – achieved sales of approx. EUR 39 billion and therefore exceeded the nine percent threshold in terms of the total retail sector sales for the very first time.[3] One factor is very important for stationary retailers: Women, who now account for 55 percent of online sales, particularly like making purchases at traders with a multi-channel strategy. That is to say, they prefer the retailers that they know from the stationary business when making their purchases online. Despite this, the purely online retailers achieved the strongest growth rates in sales last year with approx. 40 percent. The

1 http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/122264-einzelhandel-bleibt-stabilit%C3%A4tsanker-und-jobmotor-hde-fordert-entlastung-der-verbraucher-bei-den-energiekosten.html

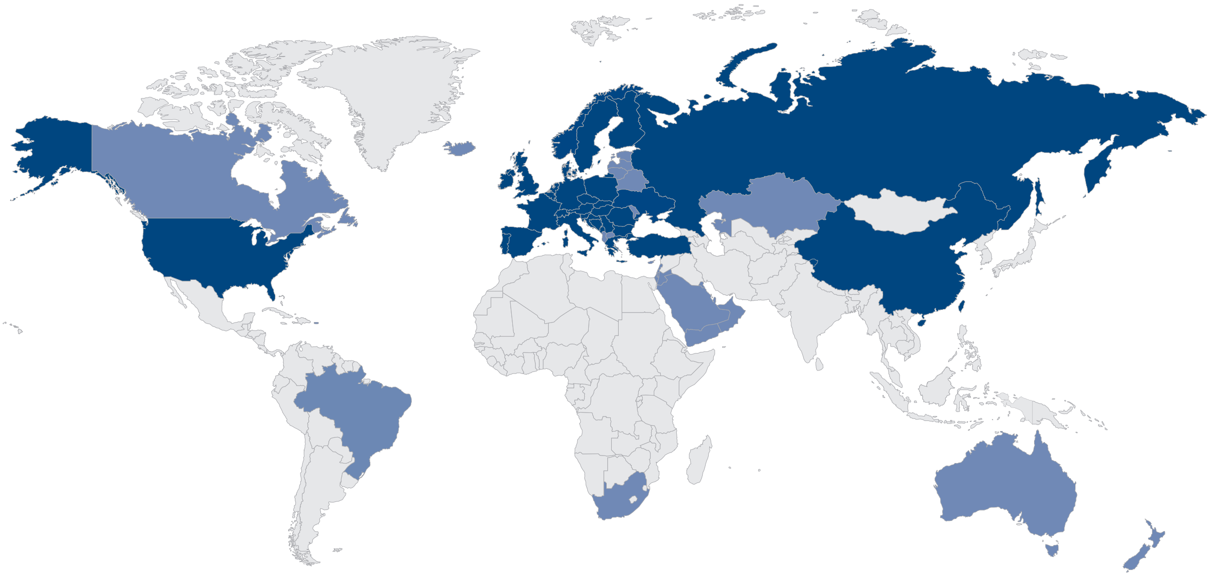
2 https://www.destatis.de/DE/PresseService/Presse/Pressekonferenzen/2013/BIP2012/Pressebroschuere_BIP2012.pdf?__blob=publicationFile, p. 7.

3 Source: http://www.bvh.info/bvh/aktuelles/details/artikel/interaktiver-handel(2012-)erneuter-umsatzrekord-e-commerce-anteil-uebserspringt-die(27-)milliarden-eu/?cHash=23119242fbbe9c1765d69f1ceeb9085a

Growth of German retail
between 2002 and 2012 in Billion EUR
(Source: Charts from the HDE annual press conference for 2013)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
406.9	401.2	410.0	413.7	416.2	411.2	415.7	402.8	410.9	421.5	427.9
(2.1%)	(1.4%)	+2.2%	+0.9%	+0.6%	(1.2%)	+1.1%	(3.1%)	+2.0%	+2.6%	+1.5%

One Standard Software Solution for all Countries



share of purchases, which were solely made using mobile devices, almost doubled (EUR 2 billion).[4]

These developments, which are continuing unchecked, provide huge challenges for the stationary retail sector, and they are also being powered by other issues like home delivery – about 50 percent of all food retailers see new prospects here.[5] New and replacement investments are often subject to the need for retailers to be equipped to face issues in the future. As the number of examples of genuine omni-channel integration is still low and there are often uncertainties about the strategy that should be pursued, this is currently leading to extended periods of time before purchase decisions are made. GK SOFTWARE also felt the effects of delays in the sales cycles last year.

4 http://www.bvh.info/index.php?eID=tx_nawsecuredl&u=0&file=uploads/media/130212_Pra%CC%88si-Auszug_fu%CC%88r_die_Pressemappe.pdf&t=1363174984&hash=3faa84f3116e662c5a9fef56171e04a1, p. 5.

5 Ernst & Young Retail Trade Barometer, October 2012, p. 19, http://www.ey.com/Publication/vwLUAssets/Praesentation_-_Handelsbarometer_-_Oktober_2012/$FILE/Praesentation%20Ernst-%20Young%20Handelsbarometer%20Oktober%202012.pdf.

The German Retail Federation (HDE) is expecting nominal growth of one percent to approx. EUR 432 billion in 2013 despite these trends.[6] But the experience of the last few years shows that the forecasts made by the HDE were always very conservative and were significantly exceeded by the actual sales recorded by the retail sector. The HDE believes that the general mood for consumption is intact and this forms the basis for continued moderate growth, the savings quota is constant, the jobs market will remain stable and personal incomes will continue to develop positively. However, the continuing increase in energy prices is viewed as a negative factor for consumer habits.[7] Much higher growth rates are expected for the e-commerce sector; the Federal Association of German Mail Order Companies (bvh) is forecasting growth of more than 21 percent here in 2013.[8]

6 Charts from the HDE annual press conference for 2013, p. 4.

7 Idem, p.10.

8 http://www.bvh.info/index.php?eID=tx_nawsecuredl&u=0&file=uploads/media/130212_Pra%CC%88si-Auszug_fu%CC%88r_die_Pressemappe.pdf&t=1363174984&hash=3faa84f3116e662c5a9fef56171e04a1, p. 19.

Surveys of retailers related to their business prospects support the forecast published by the HDE that 2013 will overall be a positive year. The survey of retailers entitled "HandelSkix" in February 2013 showed that three quarters of the retailers questioned were expecting their business to remain constant or improve during the next twelve months.[1] Ernst & Young delivered an even more positive picture in its survey where only 11 percent of retailers said that they were expecting their business prospects to deteriorate during the next six months.[2]

The studies published by the market research company GfK also support the HDE forecasts in terms of developments in the retail sector. The general mood among consumers is positive and the economic expectations – including those of industry, as the ifo business climate index shows – are improving. Overall, the GfK is expecting growth of 1.1 percent in the non-food and food retail sector.[3]

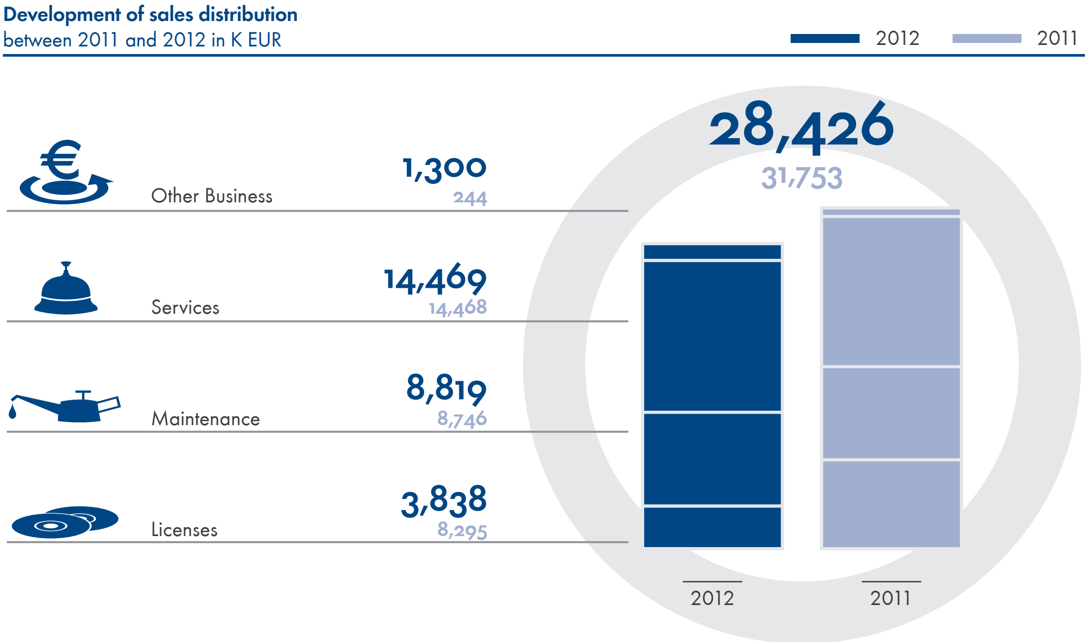
Based on the good sales during the past two years and the stable prospects for 2013, the retail sector's readiness to invest is on the rise. The Ernst & Young Retail Trade Barometer in October 2012 shows that 43 percent of the retailers questioned assume that total investments in 2013 will increase (20 percent in the previous year).[4] What is important for business developments at GK SOFTWARE here is to establish to what degree this trend also affects IT investments, as the experience of the last few years shows that an increase in the readiness to invest by the retail trade does not necessarily also cover this area. The survey by Ernst & Young shows one of the reasons why. Almost half of the retailers questioned are planning to expand their sales space and more than one third wish to increase the number of their sales channels.[5] The strategy of many retailers involves extending their network of stores during the growth phase and expanding abroad. This may lead to fresh opportunities for GK SOFTWARE; on the other hand, investment funds are then tied up for these fields.

Overall, the investment needs in the retail sector, as revealed by the current study by the EHI Retail Institute entitled "Till Systems 2012 – Facts, Background Information and Prospects," continue to be high.[6] The age of the software in use has continued to increase, as almost 25 percent of the solutions are now more than 10 years old.[7] A current study by the EHI shows that the replacement investments are increasingly being interfered with by the new subjects already addressed above.[8] Multi-channel integration and the use of mobile devices by consumers and employees are described as the greatest challenges at the moment and, in their strategic importance, they are only exceeded by the introduction of new merchandise management solutions.[9] More than half the retailers questioned by the EHI assume that their IT budgets will increase, while only 14 percent assume that they will decline. The total budgets account for figures between 0.96 and 1.3 percent of net sales.[10] If we focus on the stores, the replacement of till systems is rated as the most important strategic issue for 34 percent of the companies questioned. IT departments at retailers are focusing on issues in the field of new technologies with self-checkouts, mobile devices for internal processes and the interaction between consumer smartphones heading the list; GK SOFTWARE has an excellent market position to deal with these.[11]

Overall, the prospects for the business performance at GK SOFTWARE remain positive in 2013 too. And this is all the more true because the company assumes through its partnership with SAP that it can continue to expand its base of potential customers in the international arena. The prudent kick-starting of the economy in many countries in the euro zone[12] and the improved prospects for retail-

1 HANDELSkix, HDE-Handelskonjunkturindex, S. 8, http://www.handelskix.de/app/download/7060636175/HANDELSkix_Ergebnisse+Februar+2013.pdf?t=1362468257.
2 Ernst & Young-Handelsbarometer, Oktober 2012, p. 9.
3 http://www.gfk.com/de/news-und-events/presse/pressemitteilungen/seiten/konsum(2013-)deutschlands-konjunkturspritze.aspx
4 Ernst & Young-Handelsbarometer, Oktober 2012, p. 5.
5 Idem, p. 17.
6 EHI Retail Institute, Kassensysteme 2012, Köln 2012.
7 Idem, p. 30f
8 EHI Retail Institute, IT-Trends im Handel 2013. Investitionen, Projekte und Technologien, Köln, 2013.
9 Idem, p. 20f.
10 Idem, p. 33.
11 Idem, p. 43f.
12 http://de.statista.com/statistik/daten/studie/159507/umfrage/prognose-zur-entwicklung-des-bip-in-den-laendern-der-eurozone/

Development of sales distribution
between 2011 and 2012 in K EUR



ers in the USA may open up more opportunities. These trends are subject to the proviso that the global economy is not severely disrupted by political or economic factors, which could have a negative effect on the economic cycle.

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

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

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

Business developments with existing customers were not as strong as the previous year for GK SOFTWARE in fiscal 2012 and there was an almost complete absence of business with new customers, even if some interesting new customer relationships emerged in addition to the previous ones. Unfortunately, the development in business with existing customers was not able to compensate for this absence, with the result that sales declined by 10.5 percent or EUR 3.33 million to a figure of EUR 28.43 million after eight years of rapid growth. In order to be prepared for the expected larger number of sales success stories in 2013, the capacities, which had been increased during the course of 2011 in anticipation of further growth, were deliberately not reduced in 2012. As a result, the earnings before interest and taxes (EBIT) fell to EUR 0.78 million. This corresponds to an EBIT margin of 2.8 percent related to sales.

All the business units were affected by this decline in sales so that the sales in the GK/Retail sector fell by 12 percent to EUR 25.96 million. But we are delighted to be able to prove with a customer like Al Muhaidib in Saudi-Arabia how our software solutions can handle an international arena. The Hammer Heimtex project, which was gained in the company's home market, also proved once again the ongoing attractiveness of the GK solutions.

The decline in the SQRS business was planned, but was still significant. Sales of EUR 0.41 million less were recorded during the year in question, with the result that sales for fiscal 2012 amounted to EUR 1.92 million. As a result of the acquisition of the AWEK Group, another business unit has joined the others. The contribution to sales from this IT services business amounted to EUR 0.55 million for the period 10 – 31 December 2012.

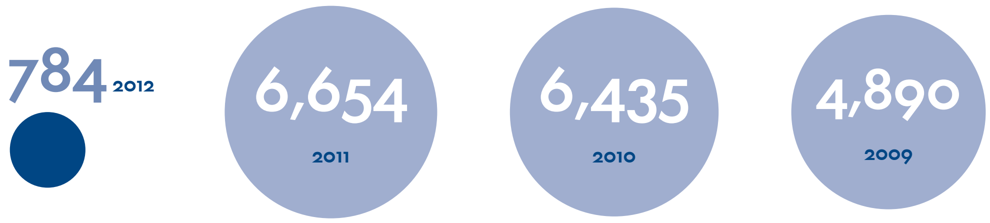
Earnings Situation

- Sales at EUR 28.4 million; Group profits of EUR 0.78 million
- EBIT margin on sales of 2.8 percent

The Group's total sales declined by EUR 3.33 million to EUR 28.43 million, following a figure of EUR 31.75 million in the previous year. Our GK/Retail core software solutions generated 91.3 percent of this figure; the figure of EUR 25.96 million was EUR 3.47 million below the previous year's. The volume of the SQRS business amounted to EUR 1.92 million and therefore accounted for 6.8 percent of total sales. The IT services business has been added to the portfolio through the takeover of the AWEK Group. This business contributed EUR 0.55 million or 1.9 per-

K EUR	2012		2011		Change	
Sales with						
GK/Retail	25,959	91.3%	29,426	92.7%	(3,467)	(11.8%)
SQRS	1,918	6.8%	2,327	7.3%	(409)	(17.6%)
IT-Services	549	1.9%	–	0.0%	549	–
Total	**28,426**	**100.0%**	**31,753**	100.0%	**(3,327)**	**(10.5%)**
Licences	3,838	13.5%	8,295	26.1%	(4,457)	(53.7%)
GK/Retail	3,838	13.5%	8,295	26.1%	(4,457)	(53.7%)
SQRS	–	0.0%	–	0.0%	–	–
IT-Services	–	0.0%	–	0.0%	–	–
Maintenance	8,819	31.0%	8,746	27.5%	73	0.8%
GK/Retail	7,332	25.8%	7,201	22.7%	131	1.8%
SQRS	1,487	5.2%	1,545	4.8%	(58)	(3.8%)
IT-Services	–	0.0%	–	0.0%	–	–
Services	14,469	50.9%	14,468	45.6%	1	0.0%
GK/Retail	14,043	49.4%	13,707	43.2%	336	2.5%
SQRS	426	1.5%	761	2.4%	(335)	(44.0%)
IT-Services	–	0.0%	–	0.0%	–	–
Other Business	1,300	4.6%	244	0.8%	1,056	432.8%
GK/Retail	746	2.7%	223	0.7%	523	234.5%
SQRS	5	0.0%	21	0.1%	(16)	(76.2%)
IT-Services	549	1.9%	–	0.0%	549	–

Development of the EBIT
between 2009 and 2012 in K EUR



cent of total sales from 11 December 2012 onwards.

A glance at the make-up of sales according to types of activities allows us to identify the stability in GK SOFTWARE's customer relations. The figure of EUR 14.47 million in 2012 maintained the sales of services at the same level as in the previous year. This was achieved by a slight increase in the GK/Retail business of EUR 0.34 million. The decline in sales in the SQRS business (a fall of EUR –0.34 million in sales) had been expected. The second most important type of sales involves maintenance revenues. They accounted for EUR 8.82 million or 31.0 percent of the total sales in the year under review, after a figure of EUR 8.75 million had been generated in the previous year. The revenues from licensing fell significantly. Revenues from licenses amounted to EUR 3.84 million following a figure of EUR 8.30 million in the previous year – a fall of EUR 4.46 million. This decline can be attributed to the inadequate level of new business. Under other items, where we have initially entered the sales from the newly acquired business linked to the AWEK Group, sales were EUR 1.06 million higher than in the previous year, where the IT services business accounted for EUR 0.55 million of this figure. The remaining sales revenues were mainly generated from revenues for purchasing hardware for customers.

Investments in the solutions provided by GK SOFTWARE continued in fiscal 2012. Overall, development work amounting to EUR 0.75 million was capitalized, after a figure of EUR 1.49 million was invested in products in the previous year. This decline reflects the increasing degree of maturity of the product. Other operating revenues rose by EUR 0.93 million to EUR 1.66 million during the year under review. The main reason for this was the reversal of uncertain liabilities amounting to EUR 0.95 million. Therefore the Group's total operating revenues amounted to EUR 30.70 million in the year under review, following a figure of EUR 33.97 million in the previous year (–9.6 percent).

Expenditure on purchased goods and services increased by EUR 0.04 million, particularly through the work of the AWEK Group. Overall, EUR 0.13 million of the total figure of EUR 0.67

K EUR	2012		2011		Change
Sales	28,426	92.6%	31,753	93.5%	(10.5%)
Changes inventories finished goods	(127)	(0.4%)	–	0.0%	-
Own work capitalized	747	2.4%	1,489	4.4%	(49.8%)
Operating revenues	**29,046**	**94.6%**	**33,242**	**97.9%**	**(12.6%)**
Other operating revenues	1,658	5.4%	729	2.1%	127.5%
Total operating revenues	**30,704**	**100.0%**	**33,971**	**100.0%**	**(9.6%)**

million for this item can be traced back to this business.

In order to be equipped for the expected capacity requirements, GK SOFTWARE has deliberately not reduced its capacities, but maintained them in fiscal 2012. Expenditure on human resources therefore remained constant. Overall 6.3 percent more was spent on salaries and social security insurance than in the previous year. This is due to maintaining capacities at an even level throughout the year and finds expression in the average number of employees of 458, following an average figure of 398 in the previous year.

Amortization/depreciation amounted to EUR 2.07 million, following a figure of EUR 1.95 million in the previous year. The increase by EUR 0.12 million is largely due to the increased scheduled need for amortization on own work capitalized by the investments made in 2012 and the intangible assets acquired as a result of the acquisition of the AWEK Group. Other operating expenditure rose by EUR 1.24 million. The reasons for these were primarily increased expenditure on special project costs of EUR 1.10 million, which were mainly caused by expected expenditure on warranties.

As a result, GK SOFTWARE was able to generate earnings before interest and taxes (EBIT) of EUR 0.78 million. This figure is EUR 5.87 million below the previous year's result. This amounts to earnings per share of EUR 0.38.

K EUR	2012		2011		Change
EBIT	785	2.8% [1]	6,654	21.0% [1]	(88.2%)
EBT	819	2.9% [1]	6,569	20.7% [1]	(87.5%)
Group result	675	2.4% [1]	4,564	14.4% [1]	(85.2%)

1 Related to sales

The financial results amounted to 0.03 million euros during the reporting year and were therefore 0.12 million euros higher than the previous year's figure of −0.085 million euros. Expenditure on interest, which was mainly due to funding for the buildings at GK SOFTWARE headquarters and the purchase of Solquest GmbH, were 0.08 million euros lower than the previous year's figure, while income from interest – mainly due to the larger amounts of cash and cash equivalents above the annual average figure – were 0.04 million euros higher than the previous year's figure.

This created results before income tax of 0.82 million euros – and therefore results that were 5.68 million euros lower than in the previous year. After taxes, the Group annual net income amounted to 0.67 million euros, following a figure of 4.56 million euros in the previous year.

Assets Situation

The Group balance sheet total amounted to EUR 44.06 million on the reporting date in the year under review and was therefore EUR 0.58 million above the comparable figure in the previous year (EUR 43.48 million). On the assets side, this increase was mainly due to the acquisition of the AWEK Group and its initial consolidation on 10 December 2012. As a result, the non-current assets increased by EUR 2.15 million and the current assets (without cash and cash equivalents) by EUR 2.03 million, while the cash and cash equivalents declined by almost the same amount (EUR 3.60 million). On the financing side, the major factor for the decline in equity was the dividend payment from the annual net earnings as at 31 December 2011, which exceeded the annual results of EUR 0.67 million. This effect was reduced by increasing the capital reserves by granting stock options. The non-current liabilities fell by EUR 1.61 million, although the pension provisions rose by EUR 1.52 million and the deferred tax assets and liabilities increased by EUR 0.08 million because of the acquisition of the AWEK Group. In contrast, the non-current bank liabilities were reduced by EUR 3.18 million as a result of scheduled repayments and the repayment of an existing loan. Current liabilities rose by 2.24 milion EUR. The reasons for this are mainly the new short-term loan taken out at DZ Bank AG amounting to EUR 2.0 million and the accrual of liabilities as a result of the acquisition of AWEK.

K EUR	2012		2011		Change
Non-current assets	16,274	36.9%	14,125	32.5%	15.2%
Current assets or cash and cash equivalents	17,519	39.8%	15,491	35.6%	13.1%
Cash and cash equivalents	10,265	23.3%	13,859	31.9%	(25.9%)
Assets	**44,058**	**100.0%**	**43,475**	**100.0%**	**1.3%**
Equity	28,187	64.0%	28,231	64.9%	(0.2%)
Non-current liabilities	5,007	11.4%	6,623	15.2%	(24.4%)
Current liabilities	10,864	24.6%	8,621	19.9%	26.0%
Liabilities	**44,058**	**100.0%**	**43,475**	**100.0%**	**1.3%**

This increase is due to the development of current provisions, which primarily rose by EUR 0.91 million because of the development of warranty provisions. At the same time, the trade accounts payable rose by EUR 0.51 million and the current bank liabilities by EUR 1.41 million. This impact is mainly due to the initial consolidation of the AWEK Group too. The decline in other liabilities by EUR 1.25 million had a positive effect on the figures.

The decline in current assets was primarily caused by the decline in trade accounts receivable by EUR 0.44 million and the fall in cash and cash equivalents by EUR 3.6 million. These are partly compensated for by the increase in claims for the reimbursement of income tax by EUR 1.06 million and other accounts receivable and assets by EUR 0.27 million. The reason for the increase in claims for the reimbursement of income tax is mainly the outstanding accounts in corporation tax plus the solidarity surcharge and advance payments of business tax. Accounts receivable totaling EUR 3.0 million with extended payment periods have been included under "Trade accounts receivable."

Holdings of cash and cash equivalents amounting to EUR 10.26 million exceed the interest-bearing liabilities amounting to EUR 3.48 million by EUR 6.78 million. The development of the provision of cash and cash equivalents is shown within the analysis of the financial situation.

The development of non-current assets was dominated by the acquisition of the AWEK Group. As a result of the preliminary identification of the acquired assets, customers relations worth EUR 0.80 million, technologies (software) amounting to EUR 0.82 million and goodwill amounting to EUR 0.24 million were identified in the area of intangible assets. The further increase is due to the capitalization of services related to the GK/Retail products amounting to EUR 0.75 million. Scheduled amortization of EUR 1.43 million was entered under the total intangible assets. Property, plant and equipment increased by EUR 0.45 million mainly because of the investment in a developed property in Schöneck. The increase in assets in terms of operating and business equipment is mainly due to the initial consolidation of the AWEK Group.

Financial Situation

The cash flow from operating business in the narrower sense – i.e. without any change to the net current assets – declined from a figure of EUR 8.76 million in the previous year to EUR 2.94 million, i.e. by EUR 5.82 million. The main forces behind this development were the decline in the annual results (EUR −3.89 million) and the lower income tax (EUR −1.86 million) that was entered on the expenditure side.

The changes in net current assets on the reporting date weighed on the operating cash flow in the narrower sense at EUR 1.91 million; this figure amounted to EUR 2.57 in the previous year. The main financial relief came as a result of the developments in accounts receivable, which declined by

EUR 2.41 million. Another factor was the increase in provisions, which rose by EUR 1.61 million. Less important factors were the decline in inventories by EUR 0.12 million and the increase in advance payments received by EUR 0.20 million. The decline in liabilities by EUR 2.42 million weighed on the cash flow.

As a result, there was an increase in cash and cash equivalents from operating business of EUR 4.85 million, following a figure of EUR 6.19 million in the previous year.

The balance of interest payments and the income tax needing to be paid weighed on the operating cash flow during the year under review at EUR 1.79 million, following a figure of EUR 1.44 in the previous year. Overall, there was a net accrual of funds from operating business of EUR 3.06 million, which meant that the previous year's figure of EUR 4.75 million was missed.

The Group's investment behavior was dominated by the acquisition of the AWEK Group during the year under review. The net outflow of funds for investment purposes amounted to EUR 3.99 million during the reporting year, after the figure had been EUR 2.69 million in the previous year.

The financing activities during the business year were dominated by the payment of a dividend amounting to EUR 0.90 million and the repayments of bank loans amounting to approx. EUR 3.81 million – and raising funds from new sources to the tune of EUR 2.04 million. Bank loans amounting to approx. EUR 1.77 million were repaid on the balance sheet. Overall, there was an outflow of funds amounting to EUR 2.67 million from the Group in terms of financing activities.

There was a total outflow of funds amounting to EUR 3.60 million during the business year with the result that the holdings of cash and cash equivalents fell to a figure of EUR 10.27 million on the reporting date.

Report on Key Events after the Balance Sheet Date

No major events took place after the end of fiscal 2012 that need to be mentioned at this point.

Report on Risks and Prospects at GK SOFTWARE

Risks

During its recent examination of the risks and opportunities facing the company, the Management Board did not discover any notable change to the statements made in previous years. But the analysis did identify two fairly new risk complexes and reference will be made to them in the form of comments below.

GK SOFTWARE deliberately takes entrepreneurial risks in order to be able to benefit from the opportunities presented by the market in an appropriate manner. A risk management system was introduced during the past few years to recognize, manage and minimize the risks at an early stage. Among other things, the Management Board meets once a month to identify possible risks and introduce countermeasures. The Supervisory Board is informed of the results of these discussions. The risk management system is being continually updated.

One major risk – which cannot be influenced by the Group – involves **business developments at customers** of GK SOFTWARE on account of the **development of the general economy** and consumer sentiment. The actual developments in fiscal 2012 and the prospects for fiscal 2013 have been dominated by a generally calm, but constant growth process in the global economy. However, the high level of uncertainty in the financial markets with regard to the sovereign debt crisis within the eurozone is not only dominating the headlines in the economic press. The effects of the crisis in the Gulf region are also completely unclear. The actual ongoing developments in these situations and the uncertainties associated with them will have an effect on economic developments in Europe to a degree that cannot yet be determined.

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

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

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

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

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

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

The consolidation taking place among our customers was clearly visible for the first time in the past business year on the part of competitors too. This concentration is clear from the acquisition of direct competitors of GK SOFTWARE AG by globally important manufacturers of hardware, which then become universal providers for the retail sector. This combination could cause possible customers to purchase all their services from these rival firms. Although the management board at GK SOFTWARE AG assumes that the market developments used in the past to purchase hardware and software separately will continue, a reversal of this trend and therefore a negative impact on GK SOFTWARE's sales opportunities cannot be completely ruled out.

The planned expansion is also associated with certain financial risks. These mainly arise from **preliminary payments made to acquire customers** – by consolidated companies.

This risk is increased by the extensions for sales cycles outlined above in the report on the business situation. The increase in sales expenditure associated with longer sales cycles plays a role in part. But the need to maintain the ability to deliver products when deals are signed is of special importance. This can lead to idle capacity costs of a significant magnitude.

In the course of any further expansion, the project business will have furthermore to be increasingly scaled and this should take place using partners. However, there are other risks when working with partners – not every process can be precisely controlled.

So GK SOFTWARE has set up a partner program with certification for integration partners and so-called project coaches and this is designed to guarantee the quality of project operations.

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

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

Following the takeover of the AWEK Group, it is assumed that the restructuring and the integration of AWEK will weigh on the Group's finances. If the integration and restructuring do not succeed or only succeed in part or if it is not possible to communicate the benefits of having a solution from one source to new and existing customers, loans extended to AWEK directly by GK SOFTWARE AG or through Group companies could be affected detrimentally. The Management Board assumes that the restructuring and the integration of AWEK will be achieved and will cost a medium six-figure amount.

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

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

The financial risks not only involve **loan default risks**, but also **liquidity** and **market risks**. The maximum loan default risk corresponds to the carrying amount of the financial assets. However, the Management Board does not expect any loan defaults, which are not covered by the (slight) write-downs entered in the accounts, on account of its experience and ongoing contacts with debtors (our customers). In the light of the group's liquidity situation with a large surplus of cash and cash equivalents over and above liabilities with banks and other interest-bearing liabilities, the Management Board has not identified any **liquidity risks**.

The following can be said with regard to identifiable market risks like **currency** or **interest risks**: The **currency risk** that the Group faces is very low because of the limited number of accounts receivable and accounts payable issued in foreign currencies – i.e. Czech crowns (CZK), Swiss francs (CHF) and Russian rubles (RUB). They are listed in sections 3.4., 3.7., 3.15. and 3.18. Because of the low level of exposure, no currency risks need to be reported and no hedging measures have been taken.

As far as **interest risks** are concerned, it must be said that all the financing instruments are all current, with the exception of the loans that have been taken out. So no interest risks need to be reported. The investment loans taken out before 1 January 2009 are guaranteed by means of hedging through interest rate capping tools to guarantee the interest conditions that have been agreed to. No guarantee of interest levels has been secured for the loans taken out during the course of fiscal 2009 because of the current capital market situation. However, the company will continue to monitor the situation and, if necessary, will adopt measures. No major risk is expected on account of the very conservative investment policy for existing cash and cash equivalents based on the principle of maintaining capital in order to manage all the financial assets and liabilities, as it is possible to respond to any changes in interest on credit quickly because the assets are only invested on a short-term basis. In the light of this, the Management Board has not identified any interest risks that need to be reported. There are no other risk categories – because of the type of financial instruments used. There is an assessment of the currency and interest risk in Section 8.1. of the notes on the consolidated accounts.

Financial instruments are only used to safeguard business according to the business purposes in the direct sense. Any use of these kinds of instruments for the purpose of achieving revenues in isolation from the company's real business is not made. The risk assessment relates to the company's headquarters as the reference point.

In addition to the risks already mentioned, there are other factors, which could also affect the sales and revenue situation. They include, for example, risks from current projects or warranty claims.

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

Opportunities

There are growth opportunities for the consolidated group both in Germany and abroad. The issues targeted by the products of GK SOFTWARE AG are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be a success in the international market place, the consolidated group is well placed with plenty of good references from the German retail sector and a technically well-developed product. GK SOFTWARE AG products are already well represented on the international market and are being used at more than 165,000 POS units in 30,300 stores in 36 countries. GK SOFTWARE AG also has several major partners with excellent networks in the retail sector. The partnership with SAP here should make it easier to gain access to new customers in international markets like the USA and Asia.

The consolidated group can make use of the experience that it has gained with its German customers, as the solutions have already been successfully introduced in 36 countries and therefore can be quickly transferred to foreign customers.

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

One of the major issues for the retail sector during the next few years will be to integrate their stationary business with other channels, e.g. web stores or mobile apps. Then there are the latest trends like home delivery, mobile payment or social networks, which need to be integrated on one platform. Other long-term issues like integrated and automated processes for optimizing stocks, scheduling and efficient customer management systems will continue to play an important role in reducing costs and increasing customer loyalty.

As a result, the retail trade will almost certainly invest in solutions that integrate all the business processes. Without standardization and simplification of the processes, retail companies' margins will come under pressure as well. Homogenized till systems and centralized data flows will therefore be very important to retailers in the future. GK SOFTWARE AG can clearly benefit from this investment behavior in the retail sector.

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

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

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

The internal checking system is being continually developed and monitored by the Supervisory

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

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

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

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

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

Outlook

Fiscal 2012 has proven that it is not possible to guarantee sales successes despite good assumptions and a good position in the market place. Nevertheless, the sales situation still looks good – despite all the necessary caution. Based on the information available so far, the Management Board expects the company's financial and earnings situation to improve as a result of the expected expansion of business in 2013 and no developments are expected in the financial situation, which could pose a threat to the existence of the company.

This assessment is, however, subject to the effects of developments, which the management board/ the group is unable to influence, whether they are expected or come as a surprise, and they could have more than a minor effect on this forecast.

The pathway pursued during the last few years has strengthened the conviction of the Management Board that the strategy followed so far of placing the business on a broader geographical footing and penetrating deeper into the domestic market at the same time is a successful approach. We therefore intend to continue to increase the share of sales made to companies, which have their management headquarters outside Germany, and at the same time serve our domestic market in Germany in a better and more comprehensive way by expanding into other retail segments not served so far and deepening business relations in sectors that have already been opened up.

If we follow the estimates shown at the beginning regarding the development of the overall economy and the retail sector, it is probable that the company will be able to expand its sales with GK/Retail in 2013.

This growth should be achieved again with the same profitability levels as in previous years. The acquisition of the AWEK Group will also expand the groups's business, but the growth in sales will probably be lower than the AWEK Group's sales in fiscal 2012. The Management Board is not expecting a positive contribution to the Group's earnings before taxes and interest in fiscal 2013 because of the restructuring and integration expenditure that is required.

This kind of development may be negatively impacted to a severe degree by any renewal of the lack of clarity in the euro zone. We would point to the consequences of the solution to the Cyprus crisis or other global events like the development of the situation on the Korean peninsula, for example.

If the overall economy gets into difficulties, it is possible that the retail sector will clearly reduce its willingness to make investments again and this could have a negative effect on results at GK SOFTWARE AG.

We continue to expect significant sales growth for the GK/Retail business in 2014. We are expecting profitability levels at the margin level of the previos years. Based on these expectations, we do not expect any erosion of the current excellent financial situation.

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

Other Information According to Section 315 of the German Commercial Code

Principles of the Company's Remuneration System

The members of the Management Board not only receive a fixed salary, but also a component that is dependent on results and they are coupled to qualitative targets and mainly relates to the development of the company. These qualitative goals are set by the Supervisory Board for the members of the Management Board every year. Furthermore, pension commitments have been made to one member of the Management Board. The members of the Management Board are entitled to participate in the company's share option program according to the general rules stipulated for these programs. 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. 6,000 share options in all were granted to members of the Management Board during fiscal 2012. Overall, the members of the Management Board held more than 9,000 options on the balance sheet reporting date.

The following applies to the complete Management Board – if the targets that are set are fully met, their total earnings are divided up into a 70 percent share for the fixed part and a 30 percent share for variable earnings. Severance payments may be granted to members of the Management Board when they leave the firm in recognition of their outstanding work. The Supervisory Board determines whether this takes place or not.

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

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

1. **Capital ratios**. The equity capital at GK SOFTWARE amounted to 1,790 K euros on 31 December 2012 and is divided up into 1,790,000 individual share certificates. Each individual share certificate represents one vote according to Section 4 of the articles of incorporation.
2. **Shareholders' rights and obligations**. The same rights and obligations are linked to each share. Shareholders are entitled to asset and administrative rights. The asset rights include the right to share in the profits and the buying option to purchase shares in any increase in share capital. The shareholders' participation in the company's profits is also defined by their share in the equity capital. Their administrative rights include the right to take part in the company's annual shareholders' meeting, speak there and ask questions or make applications and exercise voting rights.
3. **Equity shareholdings**. The following direct or indirect shareholdings that exceed 10 percent were known on the reporting date:
   a. Mr. Rainer Gläß directly or indirectly has 521,142 shares, of which 468,350 shares are indirectly held through GK Software Holding GmbH.
   b. Mr. Stephan Kronmüller directly or indirectly has 508,850 shares, of which 468,350 shares are indirectly held through GK Software Holding GmbH.
   c. GK Software Holding GmbH directly has 936,700 shares. Mr. Rainer Gläß and Mr. Stephan Kronmüller each own half of this company.
4. **Appointments to the Management Board or amending the articles of incorporation**. Appointing or dismissing members of the Management Board are issues that are governed by Sections 84 and 85 of the German Stock Corporation Act. Members of the Management Board are appointed by the Supervisory Board for a maximum period of five years and an extension of their time in office is permissible for a maximum period of five years each time. According to the articles of incorporation, the number of members of the Management Board is determined by the Supervisory Board, but the Management Board must consist of at least two persons. The Management Board at GK SOFTWARE AG currently has four members.
   The articles of incorporation can only be amended by the annual shareholders' meeting according to the rules of the German Stock Corporation Act. The Supervisory Board may decide on the version of the articles of incorporation – i.e. only make grammatical amendments to the articles of incorporation. Any decisions taken by the annual shareholder's meeting only require a simple majority of votes cast, if the law does not specify anything different

5. **The Management Board's powers to issue and repurchase shares.**
Contingency capital. According to Section 4a of the articles of incorporation, the Management Board is entitled to grant purchase options on up to 37,000 individual share certificates to members of the Management Board, company managers, where GK SOFTWARE AG already has a direct or indirect shareholding ("associated companies"), and managers at the company and their associated companies on one or more occasions until 14 May 2013, provided that the Supervisory Board approves of these measures.
A share option program came into force in 2010. A total of 12,300 stock options have been offered to employees at the company and associated firms and it was initially possible to redeem them on 30 June 2012 provided that certain conditions were met. Of these, 2,225 options were forfeited during fiscal 2011.Once the exercise period lapsed on 31 December 2012, another 10,075 of these options were forfeited because the exercise criteria were not met. This means that all the stock options issued in this program were forfeited.
Another 9,450 stock options were offered to members of the company and associated firms in fiscal 2011. They cannot be redeemed until 30 June 2015, if the redemption conditions are met.
16,175 stock options in all were offered to members of the company and associated firms in fiscal 2012 and they cannot be redeemed until 5 July 2016, if the redemption conditions are met.
Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares would be fully entitled to profit-sharing in the business year in which they accrue.
According to Section 4a Paragraph 4 of the articles of the company, the share capital has been conditionally increased by a further EUR 50,000, divided into 50,000 individual share certificates. The increase in share capital will only be carried out if holders of stock options, which were issued in the period up to 27 June 2017 on the basis of the resolution passed at the annual shareholders' meeting on 28 June 2012, make use of their subscription rights to company shares and the company, which has the right to issue new shares, grants existing shares that have not met the conditions for the subscription rights.
Members of the Management Board, managers of companies where GK SOFTWARE AG has an indirect or direct majority holding ("associated firms") and managers of the company and their associated firms are entitled to participate in the stock option program.
The issue of subscription rights is the responsibility of the Management Board, together with approval from the Supervisory Board.
Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares will be fully entitled to attract profits in the business year in which they are issued.
Approved capital. According to Section 4b of the articles of incorporation, the Management Board is empowered until 27 June 2017 to increase the company's equity capital on one or more occasions by up to 895,000.00 euros – by issuing up to 895,000 individual share certificates. Subscription rights must be granted to shareholders in principle; but the Management Board is entitled to exclude the subscrip-

tion rights to one or more increases in share capital as part of authorized capital in order to balance out fractional amounts, in the case of increases in share capital in return for property, plant and equipment, particularly when acquiring companies, if the increase in share capital takes place in exchange for cash deposits and the issue price does not fall far below the share market price for shares that have already been issued and if the ratio of new shares issued, where subscription rights are excluded in line with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act does not exceed 10 percent of the share capital.

6. **Change of control clauses.** The "SOFTWARE LICENSE AND RESELLER AGREEMENT" between SAP AG and GK SOFTWARE AG may be terminated by SAP AG for an important reason, if the majority of the shares in GK SOFTWARE AG are sold to someone, who is a direct competitor of SAP AG.
7. **Compensation agreements**. Compensation agreements with one member of the Management Board if an offer is made to take over the company. If there is a fundamental change in the make-up of the shareholders, the member of the Management Board is entitled to a financial settlement in line with the German Corporate Governance Code.

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)


2 500
2 500
2 500

Consolidated financial statements 2012

Consolidated Balance Sheet

on 31 December 2012

Assets

EUR	Notes No.	31.12.2012 (audited)	31.12.2011 (audited)
Non-Current Assets			
Property, Plant and Equipment	2.2.; 3.1.	4,884,102.79	4,123,710.73
Intangible Assets	2.3.; 2.14.; 3.2.	10,883,814.83	9,540,196.70
Financial Assets		1,660.00	300.00
Active Deferred Taxes	2.13.;4.9.	504,452.39	460,424.00
Total Non-Current Assets		**16,274,030.01**	**14,124,631.43**
Current Assets			
Inventories	2.4.; 3.3	1,018,607.23	0.00
Trade Accounts Receivable	2.5.; 3.4.	10,859,813.32	11,300,926.80
Accounts Receivable from Ongoing Work	3.5.	768,700.00	644,136.67
Income Tax Assets	2.5.; 3.7.	1,321,894.70	266,366.76
Other Accounts Receivable and Assets	2.5.; 3.7.	3,550,244.42	3,279,053.32
Cash and Cash Equivalents	2.6.; 3.8.	10,264,631.10	13,859,453.69
Total Current Assets		**27,783,890.77**	**29,349,937.24**
Balance Sheet Total		**44,057,920.78**	**43,474,568.67**

Liabilities

EUR	Notes No.	31.12.2012 (audited)	31.12.2011 (audited)
Equity Capital	3.9.		
Subscribed Capital		1,790,000.00	1,790,000.00
Capital Reserves	2.7.	14,352,940.73	14,177,069.73
Retained Earnings		31,095.02	31,095.02
Balance Sheet Profits		12,012,888.77	12,233,021.71
Total Equity Capital		**28,186,924.52**	**28,231,186.46**
Non-Current Liabilities			
Provisions for Pensions and Similar Obligations	2.8.; 3.10.	1,708,325.80	193,013.84
Non-Current Bank Liabilities	2.9.; 3.11.	1,230,750.00	4,408,500.00
Deferred Public Sector Subsidies	2.10.; 3.12.	957,586.04	991,700.25
Deferred Tax Liabilities	2.13.; 4.9.	1,110,389.90	1,029,658.66
Total Non-Current Liabilities		**5,007,051.74**	**6,622,872.75**
Current Liabilities			
Current Provisions	2.11.; 3.14.	2,562,347.94	915,737.93
Current Bank Liabilities	2.9.; 3.11.	2,244,605.84	834,000.00
Trade Accounts Payable	2.12.; 3.15.	842,927.23	328,930.35
Initial Payments Received	2.12.; 3.16.	1,056,989.66	857,006.53
Income Tax Liabilities	2.13.; 3.17.	376,202.24	651,004.89
Other Current Liabilities	2.12.; 3.18.	3,780,871.61	5,033,829.76
Total Current Liabilities		**10,863,944.52**	**8,620,509.46**
Balance Sheet Total		**44,057,920.78**	**43,474,568.67**

Consolidated Income Statement

for the fiscal year from 1 January to 31 December 2012

EUR	Notes No.	2012 (audited)	2011 (audited)
Ongoing Business Divisions			
Sales Revenues	2.14; 4.1.	28,425,826.84	31,753,349.73
Changes in Stocks of Unfinished Work		(127,306.31)	0.00
Own Work Capitalized	4.2.	747,679.34	1,488,785.20
Other Operating Revenues	4.3.	1,657,766.63	728,693.49
		30,703,966.50	**33,970,828.42**
Materials Expenditure	4.4.	(672,572.73)	(611,089.74)
Human Resources Expenditure	4.5.	(19,772,904.87)	(18,601,324.61)
Depreciation and Amortization	4.6.	(2,073,169.27)	(1,946,886.31)
Other Operating Expenditure	4.7.	(7,400,578.30)	(6,157,727.59)
		(29,919,225.17)	**(27,317,028.25)**
Operating Results		**784,741.33**	**6,653,800.17**
Financial Income		226,780.93	190,740.68
Financial Expenses		(192,276.67)	(275,745.11)
Financial Results	4.8.	**34,504.26**	**(85,004.43)**
Results before Income Taxes		**819,245.59**	**6,568,795.74**
Income Taxes	2.13.; 4.9.	(144,378.53)	(2,004,541.63)
Consolidated net income for the year/ Overall result		**674,867.06**	**4,564,254.11**
Profits Carried Forward		11,338,021.71	7,668,767.60
Consolidated Net Profits		**12,012,888.77**	**12,233,021.71**
Non-Diluted Earnings per Share (EUR/share)[1]	4.10.	**0.38**	**2.55**
Diluted Earnings per Share (EUR/share)	4.10.	**0.38**	**2.55**

1 Based on the 1,790,000 shares that had been issued by 31 December 2012, the undiluted earnings per share amounted to 1.01 euros in 2012.

Consolidated Results Accounts

for the fiscal year 2012

EUR	2012 (audited)	2011 (audited)
Consolidated annual net income	**674,867.06**	**4,564,254.11**
Equity procurement costs	0.00	0.00
Tax effect of equity procurement costs	0.00	0.00
Other results	**0.00**	**0.00**
Total results	**674,867.06**	**4,564,254.11**
Allocation of total results to the owners of the parent company	**674,867.06**	**4,564,254.11**

Statement of Changes in Equity

on 31 December 2012

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Balance Sheet Profits	Total
Figures on 31 December 2010	**1,790,000.00**	**13,947,106.73**	**31,095.02**	**8,563,767.60**	**24,331,969.35**
Dividend Payments	0.00	0.00	0.00	(895,000.00)	(895,000.00)
Stock Option Program	0.00	229,963.00	0.00	0.00	229,963.00
Consolidated Net Income for the Year	0.00	0.00	0.00	4,564,254.11	4,564,254.11
Figures on 31 December 2011	**1,790,000.00**	**14,177,069.73**	**31,095.02**	**12,233,021.71**	**28,231,186.46**
Dividend Payments	0.00	0.00	0.00	(895,000.00)	(895,000.00)
Stock Option Program	0.00	175,871.00	0.00	0.00	175,871.00
Consolidated Net Income for the Year	0.00	0.00	0.00	674,867.06	674,867.06
Figures on 31 December 2012	**1,790,000.00**	**14,352,940.73**	**31,095.02**	**12,012,888.77**	**28,186,924.52**

Consolidated Cash Flow Statement

on 31 December 2012

Cash Flows from Operating Business

K EUR	Notes No.	31.12.2012 (audited)	31.12.2011 (audited)
Cash Flows from Operating Business			
Consolidated net profit		675	4,564
Stock Option Program (non-cash expenses)		176	230
Income Taxes Affecting Results		144	2,005
Interest Income/Expenses Affecting Results		(35)	85
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment		(8)	(3)
Reversals of Deferred Public Sector Subsidies		(78)	(62)
Write-Downs Recognized for Receivables		–	50
Write-Ups Recognized for Receivables		(6)	(54)
Amortization/Depreciation		2,073	1,947
Other Non-Cash Revenues and Expenditure		–	1
		2,941	**8,763**
Changes in Net Current Assets			
Changes in Trade Accounts Receivable and Other Receivables		2,409	2,015
Changes in Inventories		118	–
Changes in Trade Accounts Payable and Other Liabilities		(2,421)	855
Changes in Initial Payments Received		200	(5,630)
Changes in Provisions		1,605	187
Influx Provided by Operating Business		**4,852**	**6,190**
Interest Payments Received		92	99
Interest Paid		(181)	(266)
Income Taxes Paid		(1,699)	(1,276)
Net Flow Provided by Operating Business (Transfer)		**3,064**	**4,747**

Cash Flow provided by financing costs, credits and means of payment

K EUR	Notes No.	31.12.2012 (audited)	31.12.2011 (audited)
Transfer (Net Cash Flow Provided by Operating Business)		**3,064**	**4,747**
Cash Flow from Investment Activities			
Payments for Property, Plant and Equipment and Non-Current Assets		(2,056)	(2,447)
Proceeds from disposals of fixed assets		24	5
Investment Subsidies Used		44	0
Purchase of subsidiaries minus acquired net cash and cash equivalents		198	0
Disbursed Loans		(372)	(251)
Payments for pre-acquisition relations		(2,190)	0
Proceeds from the repayment of loans		364	–
Net Cash Outflow for Investment Activities		**(3,988)**	**(2,693)**
Cash Flow from Financing Activities			
Dividend Payments		(895)	(895)
Loans Taken Out		2,036	0
Repayment Installments for Loans		3,814	(741)
Net Income in Cash and Cash Equivalents from Financing Activities		**(2,673)**	**(1,636)**
Net Income in Cash and Cash Equivalents		**(3,597)**	**418**
of which: influx of cash and cash equivalents as a result of the acquisition of the company		198	0
Cash and Cash Equivalents at the Beginning of the Fiscal Year	5.	13,859	13,442
Impact of Changes in Exchange Rates on Cash and Cash Equivalents		3	(1)
Cash and Cash Equivalents at the end of the accounting year	5.	**10,265**	**13,859**
Limited Available Funds	3.7	10	34

Notes on the Consolidated Accounts

for the fiscal year 2012

1. Principles of Reporting

1.1. General Information

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

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

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

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

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

The consolidated group's major customers include:

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

1.2. Principles of Presentation

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

The standard Group rules on 31 December 2012 formed the basis for the consolidated accounts of the companies included in the Group and the annual accounts prepared for the comparative period ending on 31 December 2011.

All the accounting standards were used in fiscal 2012 that must be applied for financial years, which start on 1 January 2012. This particularly includes the following standards and interpretations, which were to be used for the first time:

- IFRS 1 (amendments in 2010) "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters:" the change involves the issue of how a company has to enter figures on the balance sheet according to IFRS after there was a period in which it was unable to do so according to IFRS, because the functional currency was subject to severe hyperinflation. The amendments need to be used for the first time for financial years, which start on or after 1 July 2011. The amendments were adopted by the EU in December 2012. They did not have any impact on the consolidated accounts.
- IFRS 7 (amendments in 2010) "Financial Instruments – Disclosures on the Transfer of Financial Assets": The amendment affects the obligatory disclosures required in connection with the transfer of financial assets in order to improve the reader's understanding of this kind of trans-

action and the effects arising from possible remaining risks. The amendments need to be used for the first time for financial years, which start on or after 1 July 2011. The amendments were adopted by the EU in November 2011. They did not have any impact on the consolidated accounts.

- IAS 12 (amendments in 2010) "Income Taxes – Deferred Taxes – Recovery of Underlying Assets:" This amendment only applies to real estate (investment properties) held as a financial investment and assessed as fair value. Deferred taxes for these may be entered on the balance sheet on the basis of the tax consequences of a sale in the future in principle, unless clear evidence can be provided that the carrying amount of the assets can be recovered fully by their use. The amendments need to be used for the first time for financial years, which start on or after 1 January 2012, and they were adopted by the EU in December 2012. They did not have any impact on the consolidated accounts. .

The following standards, which have already been published, but are not yet obligatory, were not used prematurely:

- IAS 1 (amendments in 2011) "Presentation of Items of Other Comprehensive Income": The amendment requires companies to present the items shown as other comprehensive income separately according to items, which are reclassified in the profit and loss statement in the following periods (what is known as recycling) and those that are not reclassified in the profit and loss statement. The amendments must be applied to the reporting years, which start on or after 1 July 2012, and they were adopted by the EU in June 2012. The presentation of items of other comprehensive income will be adapted appropriately when using the amendments in future periods. The main changes consist in the fact that the company has to separate the other comprehensive income according to parts that are reclassified and parts that are not. The amendments do not affect the content of the other comprehensive income.
- IAS 19 (rev. 2011) "Employee Benefits": This standard was adopted by the EU in June 2012. The amended standard must be used retrospectively for the first time for financial years, which start on or after 1 January 2013. As a result of the amendments, the actuarial profits and losses are directly entered under other comprehensive income. The current service costs to be calculated subsequently are entered in the period when the change of plan takes place. When determining the net expenditure or yield on interest, which consists of the interest expenditure and the expected yield from plan assets, a standard interest rate is taken as the basis for the net assets and the net liabilities. The interest rate is determined using the return from a high-value corporate loan. The main effects for the group result from the fact that the actuarial profit and loss is no longer entered in the profit and loss statement, but directly under other comprehensive income. The Group still has to determine the full implications of this amendment.
- IAS 27 (revised in 2011) "Separate Financial Statements": The consolidation rules previously contained in IAS 27 (2008) have been revised and now form part of IFRS 10 – "Consolidated Financial Statements". The aim of IAS 27 (revised in 2011) is to set standards, which need to be used when preparing the balance sheets for subsidiary, associated and joint ventures if one company decides to prepare separate financial statements. The standard must be used for the first time for financial years, which start on or after 1 January 2014, and it was adopted by the EU in December 2012. The first use of this will not have any effects on the consolidated accounts.
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures": As part of the new IFRS 11 standards published in May 2011, IAS

28 was renamed "Investments in Associates" and newly formulated. Joint ventures, which come under the definition of the new IFRS 11 standard entitled "Joint Arrangements," must be entered on the balance sheet according to the equity method in conjunction with the amended IAS 28. The fundamental approach for assessing whether a significant impact exists and the rules for using the equity method have not changed. The newly formulated standard must be used with reference to financial years, which start on or after 1 January 2014, and it was adopted by the EU in December 2012. The first use of this will not have any effects on the consolidated accounts.

- Amendments to IAS 32 "Financial Instruments: Presentation": The IASB published the amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" in December 2011. The conditions formulated in IAS 32 for offsetting procedures were retained in the rules and made more specific by additional guidelines for their use, which explain the meaning of the current legal right to offset in greater detail and contain criteria as examples, where a system designed for gross settlement can lead to offsetting. The amendments must be applied retrospectively for financial years, which start on or after 1 January 2014. The amendments were adopted by the EU in December 2012. The first use of this will not have any effects on the consolidated accounts as matters stand.
- Amendments to IFRS 7 "Financial Instruments: Disclosures": The IASB published the amendments entitled "Disclosures – Offsetting Financial Assets and Financial Liabilities" as part of IFRS 7 in December 2011. The changes envisage new qualitative and quantitative obligatory disclosures connected to particular offsetting agreements. The amendments must be applied retrospectively to financial years, which start on or after 1 January 2013. The amendments were adopted by the EU in December 2012. The first use of this will not have any effects on the consolidated accounts as matters stand.
- IFRS 9 "Financial Instruments": the IASB published new rules for classifying and assessing financial assets in November 2009. According to IFRS 9, financial assets must either be assessed at purchase costs or at their fair value. IFRS 9 must be applied to financial years, which start on or after 1 January 2015, taking into consideration the amendments in December 2011. The standard has not yet been adopted by the EU. The first use of this will not have any effects on the consolidated accounts.
- Supplement to IFRS 9 "Financial Instruments": The IASB published rules for balancing financial liabilities in November 2010. The changes supplement the "Financial Instruments" standard, which was issued in October 2009 with rules for entering financial liabilities on the balance sheet. If the fair value option is selected for financial liabilities, the part of the change of the fair value, which results from the change to the own credit risk, must be entered under equity and not in the profit and loss statement. The supplements must be used for financial years, which start on or after 1 January 2015, taking into account the amendments introduced in December 2011. The standard has not yet been adopted by the EU. The first use of this will not have any effects on the consolidated accounts as matters stand.
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures": The IASB published the amendments entitled "Mandatory Effective Date and Transition Disclosures" to IFRS 9 and IFRS 7 in December 2011. The previous mandatory use of IFRS 9 for periods, which start on or after 1 January 2013, was postponed to periods that start on or after 1 January 2015. In addition, rules of exception were adopted, where a company can make additional disclosures in the notes on the consolidated accounts when tran-

sitioning to IFRS 9 in place of adapting the previous year's disclosures. The additional disclosures in the notes on the consolidated accounts demanded by IFRS 9 were added as an amendment to IFRS 7. The changes in the two standards have not yet been adopted by the EU.

- IFRS 10 Consolidated Financial Statements": The standard creates a unified definition for the term control and therefore a standard basis for the existence of a parent-subsidiary relationship and the associated distance to consolidated companies. IFRS 10 replaces the previous guidelines related to control and consolidation, which are contained in IAS 27 and SIC 12. The standard must be applied for the first time to financial years, which start on or after 1 January 2014, and it was adopted by the EU in December 2012. The first use of this will probably not have any effects on the consolidated accounts.
- IFRS 11 "Joint Arrangements": The standard governs the balance sheet details for circumstances where a company exercises the joint management of a joint venture or a joint activity. IFRS 11 replaces IAS 31 and SIC 13, which were the appropriate rules for issues related to entering joint ventures on the balance sheet. The most significant amendment to IFRS 11 in comparison with IAS 31 is the abolition of quota consolidation for joint ventures, which must be entered on the balance sheet according to the equity method in the future. The standard must be applied for the first time for financial years, which start on or after 1 January 2014. The standard was adopted by the EU in December 2012. The first use will probably not have any effects on the consolidated accounts.
- IFRS 12 "Disclosure of Interests in Other Entities": The standard determines the necessary disclosures for companies, which draw up their balance sheets in line with the two new standards, IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". The standard must be applied for the first time for financial years, which start on or after 1 January 2014, and it was adopted by the EU in December 2012. The first use will not have any effects on the consolidated accounts.
- IFRS 13 "Fair Value Measurement": The standard deals with measuring fair value and associated disclosures in the notes on the consolidated accounts and pursues the goal of bringing greater convergence between the IFRS and the US Generally Accepted Accounting Principles (US GAAP). It provides assistance for measuring the fair value, if this is prescribed as a measure of value by other IFRS standards. The standard must be used for the first time for financial years, which start on or after 1 January 2013, and it was adopted by the EU in December 2012. The first use will probably not have any effects on the consolidated accounts.
- Various: "Improvements in the International Financial Reporting Standards 2011": The IASB published the "Annual Improvements in the International Financial Reporting Standards 2011" on 3 May 2012. The annual improvement process enables the organization to introduce less urgent, but necessary improvements to the IFRS. The amendments would in principle take effect for the financial years, which start on or after 1 January 2014. The amendments to IFRS 3 "Business Combinations" and the resulting amendments to IFRS 9 "Financial Instruments" would take effect for financial years, which start on or after 1 January 2015. The amendments have not yet been adopted by the EU. The IASB has published other announcements. The management board currently assumes that the use of the new and revised standards will not have any effects or any major effects on the consolidated accounts

1.3. Consolidated Companies

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

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

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

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

This acquisition has had an effect on some items in our consolidated accounts and could impair the comparability of our consolidated accounts in fiscal 2012 with those of the previous year. Other explanations on the corporate merger and its effects on the consolidated accounts can be found in section 6.

All the firms within the consolidated companies are exclusively 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 on the day on which GK SOFTWARE AG directly or indirectly enters a control relationship with regard to the Group company. The inclusion ends at the time when the control of the Group company is transferred to a company outside the Group. The quid pro quo transferred during a corporate merger is assessed at the fair value, which consists of the valid fair value of the transferred assets at the time of the exchange, the total of the liabilities taken over from the former owners of the acquired company and the equity instruments issued by the Group in exchange for the full consolidation of the acquired company. Any costs associated with the corporate merger must in principle be entered to affect net income when they are incurred.

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

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

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

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

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

1.6. Currency Conversion

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

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

2. Balance Sheet and Assessment Principles

2.1. Principles of accounting and assessment

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

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

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

We have entered the item "Income tax claims" separately on our consolidated balance sheet in order to create additional transparency for current assets. The comparable disclosures for the previous periods have been adapted accordingly in order to achieve some conformity with the current presentation.

2.2. Property, Plant and Equipment

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

The depreciation on buildings, including the buildings on outside real estate, is made in a linear fashion over a period of use of 15 – 40 years. The non-real estate fixed assets are depreciated in a linear fashion as a matter of principle; the period of use varies between three and fourteen years.

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

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

2.3. Intangible Assets

2.3.1. Intangible Assets Acquired in Return for Payment

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

2.3.2. Intangible Assets Developed In-House

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

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

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

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

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

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

2.3.3. Goodwill

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

Following the acquisition of the AWEK Group, an intangible asset entitled "goodwill" was created as that part of the purchase price, which cannot be attributed to assets that can be capitalized, in addition to the value of the purchase price. This too mainly concerns the expertise of the members of the group in matters related to operating an IT services organization.

We summarize assets, which cannot be checked individually, as part of the intrinsic value tests in the smallest group of assets, which generates an inflow of cash from ongoing use; this cash is largely independent of other assets or groups of assets. If assets do not generate any inflow of cash and this is largely independent of other assets or other groups of assets, we do not check the intrinsic value on the level of the individual asset, but on the level of the unit generating cash and cash equivalents, to which this asset belongs. Our goodwill on 31 December 2012 was allocated to the product-related "Storeweaver Enterprise Edition" unit generating cash and cash equivalents, on the one hand, and, on the other hand, to the "AWEK" unit generating cash and cash equivalents.

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

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

2.3.4. Customer Base

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

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

The amortization is entered according to plan as expenditure in a linear fashion along the expected period of use. The expected period of use and the amortization method are checked on each reporting date and all the changes to estimates are taken into account prospectively.

As soon as there are some signs that the carrying amount of the customer base exceeds the expected influx of funds, the customer base is revalued with this lower figure. Any impairment charges are entered under the item "Extraordinary amortization." The expected influx of funds is the lower of the two values from the fair value minus any sales expenditure and the value in use. The value in use is the cash flow reduced to its cash value minus any interest for the unit, which could generate cash and cash equivalents and to which the customer base is assigned.

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

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

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

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

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

2.4. Inventories

The following assets are entered as assets, if they:

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

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

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

Accounts receivable and other assets are valued at their nominal value. Any recognizable individual risks are taken into account by means of write-downs

2.6. Cash and Cash Equivalents

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

2.7. Stock Option Program

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

Options were first issued to employees, who are part of the management team within the Group (entitlement group II) and employees who have worked in an outstanding manner (entitlement group III) in July 2010. The company has been able to grant entitlement group II up to 11,000 subscription rights to an individual share certificate and up to 3,000 subscription rights to entitlement group III. Each subscription right grants the right to a no-par GK SOFTWARE AG individual share certificate made out to the holder. These shares are being newly issued from the conditional capital amounting to 37,000.00 euros, a decision authorized by the annual shareholders' meeting on 14 May 2008, if the subscription right is exercised in the future. The subscription right is not transferable and is subject to conditions of exercise, which are identical for employees in both entitlement groups.

The in 2010 granted subscription rights can be exercised for the first time after a waiting period of two years, if the beneficiary has a job at GK SOFTWARE AG or one of its subsidiaries, which has not been terminated, and the average price of the shares has been at least 50 euros on the XETRA trading floor within four weeks prior to any exercising of the rights. The right to exercise this option lapses after six months. The period for exercising the option ended on 31 December 2012. As the exercise criteria were not met, the 10,075 options still outstanding in this program have lapsed. Expenditure totaling 102,563 euros was incurred for this program during the financial year.

9,450 more stock options were offered to members of the company and associated firms during fiscal 2011. They cannot be redeemed until 30 June 2015 if the redemption conditions are met.

Subscription rights were granted in 2012 too. These subscription rights can only be exercised after a four-year waiting period. In all, 16,175 stock options were offered to members of the company and associated firms in fiscal 2012 and they cannot be redeemed until 5 July 2016, if the redemption conditions are met. Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares would be fully entitled to profit sharing in the financial year in which they accrue

Development of outstanding, exercised and expired or lost options	**Anzahl Optionen**
Options outstanding on 1 January 2011	12,300
Options granted during the course of fiscal 2011	9,450
Options lost during the reporting period	2,225
Options expiring during the reporting period	0
Outstanding options on 31 December 2011	19,525
Exercisable options on 31 December 2011	0
Options outstanding on 1 January 2012	19,525
Options granted during the course of fiscal 2012	16,175
Options lost during the reporting period	0
Options expiring during the reporting period	10,075
Outstanding options on 31 December 2012	25,625
Exercisable options on 31 December 2012	0

16,175 of the outstanding options on 31 December 2012 have an exercise price of 39.14 euros and had a probable average exercise period of 4¼ years on the balance sheet date. According to IFRS 2.11, the equivalent value of the granted options was determined by the fair value of the equity instruments on the issue date (6 July 2012), as the contractual partners are company employees or employees at associated firms. The fair value was determined using simulation in the Monte Carlo process. For the simulation process, it was presumed that the beneficiaries of the options would exercise their options as quickly as possible. On the valuation date, the price of the shares, which form the basis of the option, amounted to 39.50 euros. The retention period is 4 years, which makes 5 July 2016 the vesting date. The term of the option from the issue date is as far as 4½ years. The risk-free interest rate of 0.24 percent was derived from the WT3217 time series yield curve (Svensson method) for publicly listed Federal Treasury bonds / with a 4-year term / and issued by Deutsche Bundesbank on 6 July 2012. The volatility was calculated in line with an estimated average term of option rights of 4¼ years based on the company share price from 17 November 2008 until 6 July 2012 as historic volatility. This enabled the company to exclude as far as possible any excessive fluctuations directly after the IPO. The volatility established in this way amounted to 43.42 percent. An annual dividend of 0.50 euro per share has been assumed. 6,000 stock options has been granted to members of the management board.

Based on 10,000,000 simulations, the fair value of each option was 11.929 euros, which provides a figure of 192,952 euros for 16,175 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to 23,637 euros.

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

Based on 10,000,000 simulations, the fair value per option was 21,025 euros and this therefore involves a figure of 198,686 euros for the 9,450 options. This amount must be accounted for as expenditure on human resources depending on how much of the qualifying period has elapsed and must be added to capital reserves. The expenditure for the reporting year amounted to 49,671 euros. An annual dividend of 0.50 euros per share has been assumed

2.8. Provisions for Pensions and Similar Obligations

Provisions for pensions are entered on the balance sheet according to the projected unit credit method. Any future obligations are valued on the basis of actuarial assessments.

There are reinsurance policies, which are pledged to the beneficiaries. As the conditions for entering them as plan assets are met, their capitalized value is balanced out with the provision.

However, the company not only includes in the accounting any known contingent rights on the balance sheet date, but also any expected increase rates in salaries and pensions for the future and the inflation rate. The interest rate, which is used to discount the pension obligations, was determined on the basis of the profits, which it was possible to make for first industrial bonds with a fixed rate of interest on the balance sheet reporting date. The corridor method has not been used. In other matters, calculations are based on the biometric probability values in the 2005

Guideline Tables published by Prof. Dr. Klaus Heubeck.

2.9. Non-Current Liabilities

The non-current interest-bearing liabilities have been entered on the balance sheet as the amount that has to be repaid.

2.10. Public Sector Subsidies

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

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

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

2.11. Current Provisions

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

2.12. Other Current Liabilities

Current liabilities are entered as the amount for repayment or settlement.

2.13. Taxation

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

2.13.1. Current Taxes

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

2.13.2. Deferred Taxes

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

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

The carrying amount of the deferred tax claims is checked every year on the balance sheet date and is lowered, if it is no longer probable that sufficient taxable income will be available in order to realize the claim completely or in part.

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

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

2.13.3. Current and Deferred Taxes in the Period

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

2.14. Revenue Recognition

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

2.14.1. Providing of goods

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

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

2.14.2. Providing Services

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

Revenues from licenses:

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

Revenues from services (customizing) and revenues from adjustments outside the contractually agreed service (change request):

The revenue recognition in principle takes place at the time when the agreed service is handed over to or accepted by the customer. Services are valued according to IAS 18.20 in conjunction with IAS 18.26 in order to guarantee revenue recognition (IAS 18) that meets the requirements of

IFRS. In the case of service business, for which it was impossible to reliably assess the results – particularly those where the degree of completion was hard to determine – we only recorded this item in terms of expectations about the recovery of costs that were incurred (IAS 18.26). In the case of those projects where the results could be reliably assessed (IAS 18.20), revenues were entered in line with the degree of completion. Both the amount of revenues and the amount of costs incurred in the business and also the expected total costs of the business transaction can be reliably determined. It is also probable that the economic benefits will accrue for the company.

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

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

2.15. Management Estimates and Appraisals

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

2.15.1. 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

Management once again assessed the intrinsic value of the intangible assets developed in-house as a result of the group's development of software. Value adjustments have not been necessary. These intangible assets have been taken into account at a value of 2,046 K euros on the consolidated balance sheet dated 31 December 2011.

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

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 has entered an intangible asset worth 6,403 K euros as goodwill for the very first time. The intrinsic value of this goodwill was checked on 31 December 2012. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure might fall below the carrying amount of the goodwill. The calculation of the value in use requires an estimate of future cash flows from the unit generating cash and cash equivalents and a suitable discount rate for the cash value calculation.

Goodwill of 242K euros was entered on the balance sheet as a result of the corporate merger with AWEK as part of the provisional purchase price allocation on 10 December 2012 and as an accrual in the goodwill item on the consolidated balance sheet. The goodwill is fully attributed to the IT Services unit generating cash and cash equivalents. As of 31 December 2012 no impairment is necessary.

Intrinsic value of accounts receivable from ongoing work

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

Intrinsic value of customer base

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

Because GK SOFTWARE AG acquired the business shares of AWEK GmbH, the Group entered an intangible asset of 802K euros under customer base. The customer base is amortized as expenditure in a linear fashion over the expected period of use of five years and was entered with a value of 788K euros on the reporting date.

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

3. Notes on the Consolidated Balance Sheet

3.1. Property, Plant and Equipment

EUR	Real estate and buildings	Technical equipment and machines	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs					
Figures on 1 January 2011	4,012,340.69	0.00	1,872,889.02	0.00	5,885,229.71
Accruals	102,395.57	0.00	599,760.13	0.00	702,155.70
Disposals	0.00	0.00	41,220.27	0.00	41,220.27
Figures on 31 December 2011	**4,114,736.26**	**0.00**	**2,431,428.88**	**0.00**	**6,546,165.14**
Accumulated depreciation					
Figures on 1 January 2011	557,380.32	0.00	1,278,288.84	0.00	1,835,669.16
Accruals	126,661.24	0.00	499,203.62	0.00	625,864.86
Disposals	0.00	0.00	39,079.61	0.00	39,079.61
Figures on 31 December 2011	**684,041.56**	**0.00**	**1,738,412.85**	**0.00**	**2,422,454.41**
Carrying amounts on 31 December 2011	**3,430,694.70**	**0.00**	**693,016.03**	**0.00**	**4,123,710.73**

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

Procurement obligations for other office and business equipment existed and amounted to approx. 48 K euros.

3.2. Intangible Assets

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Initial payments made	Total
Purchasing or production costs						
Figures on 1 January 2011	3,958,265.87	830,936.06	6,402,785.24	777,000.00	0.00	11,968,987.17
Accruals	1,488,785.20	253,998.30	0.00	0.00	2,300.00	1,745,083.50
Transfers	0.00	2,300.00	0.00	0.00	(2,300.00)	0.00
Figures on 31 December 2011	**5,447,051.07**	**1,087,234.36**	**6,402,785.24**	**777,000.00**	**0.00**	**13,714,070.67**
Accumulated amortization						
Figures on 1 January 2011	2,104,951.06	435,837.46	0.00	312,064.00	0.00	2,852,852.53
Accruals	979,064.80	206,788.65	0.00	135,168.00	0.00	1,321,021.45
Figures on 31 December 2011	**3,084,015.86**	**642,626.11**	**0.00**	**447,232.00**	**0.00**	**4,173,873.97**
Carrying amounts on 31 December 2011	**2,363,035.21**	**444,608.25**	**6,402,785.24**	**329,768.00**	**0.00**	**9,540,196.70**

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Initial payments made	Total
Purchasing or production costs						
Figures on 1 January 2012	5,447,051.07	1,087,234.36	6,402,785.24	777,000.00	0.00	13,714,070.67
Accruals	747,679.34	159,452.04	0.00	0.00	0.00	907,131.38
Accruals through corporate mergers	0.00	823,000.00	242,497.61	802,000.00	0.00	1,867,497.61
Figures on 31 December 2012	**6,194,730.41**	**2,069,686.40**	**6,645,282.85**	**1,579,000.00**	**0.00**	**16,488,699.66**
Accumulated amortization						
Figures on 1 January 2012	3,084,015.87	642,626.11	0.00	447,232.00	0.00	4,173,873.98
Accruals	1,064,980.03	246,936.15	0.00	119,094.67	0.00	1,431,010.85
Figures on 31 December 2012	**4,148,995.90**	**889,562.26**	**0.00**	**566,326.67**	**0.00**	**5,604,884.83**
Carrying amounts on 31 December 2012	**2,045,734.51**	**1,180,124.14**	**6,645,282.85**	**1,012,673.33**	**0.00**	**10,883,814.83**

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

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

Research costs of 806 K euros (615 K euros in fiscal 2011) were entered immediately as expenditure in fiscal 2012.

The cash generating unit that forms the basis of the goodwill that has been entered was determined by its utilization value, although the procurement costs must not be exceeded. The utilization value is entered as part of the purchase price, which cannot be allocated to assets that can be capitalized. The goodwill existing outside the acquisition of the AWEK Group was fully allocated to the "Storeweaver Enterprise Edition" unit that generates cash and cash equivalents. This unit was described in the consolidated accounts for fiscal 2010 as "LUNAR Project and project business for this partial solution." The carrying amount on 31 December 2012 was unchanged at 6,403 K euros.

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

The detailed planning covers the period until 2017. As use is possible and probable beyond this period – historical experience supports the principle of assuming a normal period of use for solutions provided by the unit generating the cash and cash equivalents of 10 - 15 years – the following period has also been taken into account. An even shrinkage rate of 1 percent has been assumed.

The cash flow determined in this way has been discounted with an interest rate of 7.8 percent, (fiscal 2011: 9.2 percent) which indicates the weighted costs of the capital prior to income taxes. Capital market data from a group of comparable companies has been used in order to determine the weighted capital costs.

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

There could be a need for devaluation if the EBIT forecasts underlying the planning figures miss the target by more than 30 percent in the long term or the capitalization interest rate, which forms the basis for determining the utilization value, rises by more than 3 percentage points. We assume that there are no realistic indications to suggest that the main assumptions with regard to the possibility of delivering projects in line with contractual conditions and being able to retain the employees required for this purpose within the Group will diverge significantly from the actual situation. It is not possible for the Group to enforce successful sales by partner companies – nor can it affect the useful life of the software solutions that it provides. We believe that no realistic change in the major assumptions outlined above could create a situation where the carrying amount of a unit would exceed the achievable sum that it could generate.

3.3. Inventories

EUR	31.12.2012	31.12.2011
Raw materials, consumables and supplies and goods purchased	999,052.62	0.00
Finished Goods	9,763.94	0.00
Advance payments on inventories	9,790.67	0.00
Total	**1,018,607.23**	**0.00**

Inventories worth 296K euros (0K euros in the previous year) were entered under material expenditure and in the change of inventories of finished products for the financial year.

3.4. Trade Accounts Receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. The total write-downs amount to 336 K euros in all (267 K euros in fiscal 2011). The write-downs have been entered under other operating expenditure.

Accounts receivable in CZK amounting to 8 K euros (3 K euros in the previous year) and amounting to 35 K euros (previous year: 0 K euros) in CHF existed on the balance sheet date.

3.5. Accounts Receivable from Ongoing Work

Customer orders, for which sales revenues have been realized according to IAS 18.20 or according to IAS 18.26 in conjunction with IAS 18.20, must be shown as assets, if the amount of costs incurred plus the profits shown minus the losses and partial billings shown still generate a positive figure. This item amounted to 768,700.00 euros (644 K euros in fiscal 2011) on the balance sheet date.

3.6. Accounts Receivable from Associated Companies

There were no outstanding accounts receivable from associated companies on the balance sheet date.

3.7. Other Accounts Receivable, Assets and Income Tax Assets

EUR	31.12.2012	31.12.2011
Loans paid to third parties	2,870,485.15	2,769,931.78
Tax receivables	1,321,894.70	266,366.76
Accounts receivable from members of the Management Board	72,643.81	39,475.32
Others	607,115.46	469,646.22
Those based on legal claims	*148,704.63*	*104,218.70*
Those based on asset deferrals	*340,253.32*	*220,050.28*
Total	**4,872,139.12**	**3,545,420.08**

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

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

Other accounts receivable amounting to 45 K euros existed in CZK on the balance sheet date (previous year: 108 K euros) and amounting to 3 K euros (previous year: 14 K euros) in CHF.

3.8. Cash and Cash Equivalents

Cash and cash equivalents are entered at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. A further 10 K euros was pledged as part of rent collateral with the bank providing the guarantee (previous year: 34 K euros). The Management Board is expecting these guarantees to be taken up.

3.9. Equity Capital

We refer you to the statement of changes in equity for more information on changes to the equity at GK SOFTWARE AG on the 2012 balance sheet date.

The company's share capital amounted to 1,790,000.00 euros on 1 January 2012 and was divided into 1,790,000 individual share certificates, after an increase in share capital of 125,000.00 euros (corresponding to 7.5 percent of the share capital that existed at the time of the increase – i.e. 1,665,000.00 euros) was carried out on 20 December 2010 based on capital totaling 625,000.00 euros, which was approved by a decision taken at the annual shareholders' meeting on 14 May 2008. The subscribed capital on 31 December 2012 amounted to 1,790,000.00 euros, which was divided into 1,790,000 individual share certificates with a mathematical holding in the share capital of 1 euro each.

EUR	31.12.2012	31.12.2011
Subscribed capital		
1,790,000 (1,790,000) fully paid up individual share certificates	1,790,000.00	1,790,000.00
Total	**1,790,000.00**	**1,790,000.00**

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

The following decisions were taken at the company's annual shareholders' meeting on 14 May 2008 and they could change the structure of the company's equity:

Establishment of authorized capital. The Management Board was empowered by a decision taken at the annual stockholders' meeting on 14 May 2008, with the agreement of the supervisory board, to increase the company's share capital from the period 15 May 2008 until 14 May 2013 on a single occasion or on several occasions, in order to reach a figure of 625,000.00 euros by issuing up to 625,000 new ordinary shares without any nominal value (individual share certificates) in return for cash deposits or contributions in kind (authorized capital).

The Management Board made use of this authorization in December 2010 and carried out an increase in capital by 125,000.00 euros by issuing 125,000 new no-par individual share certificates made out to the holder. The increase was entered in the German Register of Corporations on 23 December 2010.

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

Conditional capital. The Management Board was empowered at the annual stockholders' meeting on 14 May 2008 to grant purchasing options for up to 37,000 individual stock certificates on a single occasion or on several to members of the Management Board and managers of companies where GK

SOFTWARE AG has a direct or indirect majority holding ("associated firms") and managers of these firms and their associated companies as part of a stock option program until 14 May 2013. A stock option program has not yet been implemented. The company made use of this authorization for the first time in fiscal 2010 and issued 12,300 stock options to Group employees. The company once again issued 9,450 stock options to group employees during the fiscal 2011. In the reporting year 16,175 stock options has been granted again.According to the stipulations of the stock option program, all stock options from those granted in 2010 until the balance sheet day have now lapsed. There are therefore 25,625 outstanding stock options – and 11,375 stock options can still be granted based on the authorization that was provided.

The annual shareholders' meeting decided on 28 June 2012 to empower the Management Board (provided that the Supervisory Board agrees) to grant subscription rights for up to 50,000 individual share certificates to members of the Management Board, the managers of companies where GK SOFTWARE AG has a direct or indirect majority holding ("associated firms") and managers of companies and their associated firms until 27 June 2017. No use has been made of this authorization yet.

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.

Dividend payments amounting to 895,000.00 euros (representing 0.50 euro per share) were made in fiscal 2012 (2011: Dividend payments amounting to 895K euros).

3.10. Provisions for Pensions

GK Software AG and the subsidiaries AWEK GmbH and AWEK microdata GmbH have issued pensions commitments as part of benefit-oriented plans.

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

The calculations are based on the following assumptions:

	2012	2011
Pensionable age (m/f)	60–65/ 60–65	65/65
Actuarial interest rate / discount on 1 January 2010	5.00% p.a.	5.00% p.a.
Actuarial interest rate / discount on 31 December 2010 and for 2011	3.50% p.a.	5.00% p.a.
Salary development / rate of benefit increase	0.00% p.a.	0.00% p.a.
Rate of pension increase	1.50% p.a.	1.50% p.a.
Expected yield from the plan assets	4.30% p.a/ 3.50% p.a.	4.30% p.a.
Probability of fluctuation	none	none

The assets of the associated plan assets in question here are 100 percent insurance policies.

The calculations are based on the "2005 G Guideline Tables" published by Klaus Heubeck. The expected yields from the plan assets are exclusively achieved by insurance policies. The expected yields of the insurance company are used for the calculation work. The plan assets exclusively consist of re-insurance policies.

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:

EUR	2012	2011
Account balance on 1 January:	476,574	437,024
Accruals through corporate mergers	2,340,072	0
+ Interest expenditure	+23,825	+21,849
+ Working Period Costs	+22,066	+21,204
+ Working period costs to be additionally calculated	+94,018	0
– Actuarial Profits	0	(3,503)
+ Actuarial Losses	+231,644	0
Account balance on 31 December:	**3,188,199**	**476,574**

The development of the plan assets is shown as follows:

EUR	2012	2011
Plan assets on 1 January:	283,560	208,639
Accrual on account of the change in consolidated companies	1,090,085	0
+ Expected Yields from Plan Assets	+14,571	+10,674
+ Contributions	+110,619	+79,176
– Actuarial Losses	(18,962)	(14,929)
+ Actuarial Profits	0	0
Account balance o n 31 December:	**1,479,873**	**283,560**

It is therefore clear that there is a planned deficid amounting to 1,708,326 euros (2011: 193,014 euros).

The amounts that have been entered, which affect the commitment to pension payments during the year under review, are divided as follows:

EUR	2012	2011
Current Service Costs	22,066	21,204
Interest Costs	23,825	21,849
Expected Yields from Plan Assets	14,571	10,674
Actuarial Profits and Losses	18,962	14,929

All the amounts have been entered under "Expenditure for Old-Age Pensions."

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

EUR	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (–) Surplus (+)
2012	**3,188,199**	**1,479,873**	**(1,708,326)**
2011	476,574	283,560	(193,014)
2010	437,024	101,054	(335,970)
2009	131,606	86,544	(45,062)
2008	126,520	77,801	(48,719)

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

EUR	Liabilities of the plan	Assets of the plan
2012	**(6,386)**	**18,962**
2011	3,503	14,929
2010	(42,275)	(2,061)
2009	2,666	3,330
2008	9,433	3,065

We assume that contributions amounting to 246,097 euros will be paid into the plan during 2013. The actual revenues from the planned assets during the fiscal year amounted to (4,391) euros following a figure of 4,255 euros in the previous year.

3.11. Non-Current and current Bank Liabilities

Two investments loans (original amounts: 750 K euros and 450 K euros) were taken out with the Commerzbank AG Plauen in fiscal 2007. The company also took over a loan (225 K euros) from Gläß & Kronmüller OHG, Schöneck in the course of the merger in 2007. Security for the loans is provided through registered land charges on the business real estate, recorded in the land register for Schöneck, Plauen Local Court, page 1895. The loan, which was taken over during the course of the merger, was rescheduled during fiscal 2009. The two other loans were valued at a total of 664 K euros on the balance sheet date. In addition, the company has assigned its trade accounts receivable against third-party debtors to provide security with a blanket assignment, with the exception of the accounts receivable associated with the "LUNAR" project. Three other loans were taken out during fiscal 2009 as a result of the new extension building, the above mentioned rescheduling and the acquisition of Solquest (DZ Bank 748 K euros, KfW 180 K euros , KfW 5,000 K euros). These loans were valued at 776 K euros on 31 December 2012. In order to provide security for the loans from the DZ bank, land charges amounting to 1,085K euros have been entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895. The loans of 5,000K euros from the KfW bank were fully repaid during the financial year.

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

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

3.12. Public Sector Subsidies Charges to Subsequent Accounting Years

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

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

3.13. Deferred Taxes

Please refer to section 4.9.

3.14. Current Provisions

EUR	Human resources department	Production department	Other departments	Total
Figures on 1 January 2011	178,689.75	260,600.93	145,932.97	585,223.65
Amounts used	178,403.37	0.00	53,832.54	232,235.91
Amortization	286.38	7,875.00	2,700.00	10,861.38
Allocation	179,507.50	313,104.07	81,000.00	573,611.57
Figures on 31 December 2011	**179,507.50**	**565,830.00**	**170,400.43**	**915,737.93**
Figures on 1 January 2012	179,507.50	565,830.00	170,400.43	915,737.93
Accruals through corporate mergers	22,760.00	27,475.00	256,482.99	306,717.99
Amounts used	178,937.11	299,630.00	87,001.99	565,569.10
Amortization	570.39	28,564.00	16,859.76	45,994.15
Allocation	646,848.98	1,233,900.00	70,706.29	1,951,455.27
Figures on 31 December 2012	**669,608.98**	**1,499,011.00**	**393,727.96**	**2,562,347.94**

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

The calculations for warranty provisions are based on warranty costs in the past and estimates regarding future costs. In addition, provisions amounting to 1,100K euros have been newly formed for expected warranty expenditure for one project.

3.15. Trade Accounts Payable

Accounts receivable are due to settled within one year.

Accounts payable in foreign currencies amounting to 11 K euros (15 K euros in the previous year) existed in CZK on the balance sheet date and amounting to 0 K euros (previous year: 13 K euros) in CHF.

3.16. Initial Payments Received

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

3.17. Income Tax Liabilities

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

3.18. Other Current Liabilities

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

Other liabilities in foreign currencies amounting to 266 K euros (267 K euros in the previous year) existed in CZK on the balance sheet date and amounting to 25 K euros (previous year: 0 K euros) in CHF.

EUR	31.12.2012	31.12.2011
Tax liabilities	1,127,679.80	1,635,457.99
Liabilities from wages and salaries	2,140,999.07	3,042,943.15
Other liabilities towards members of staff	22,740.20	8,806.92
Others	489,452.54	346,621.70
Those based on liabilities deferrals	*28,213.90*	*0.00*
Total	**3,780,871.61**	**5,033,829.76**

3.19. Secured Liabilities

Two investment loans were taken out with the Commerzbank AG Plauen in fiscal 2007. The loans are secured by the registered land charges on the company's real estate (Carrying amount 3,557 K euros), recorded in the land register for Schöneck, Plauen Local Court, Page 1895. The company also assigned its accounts receivable from goods deliveries and services against third party debtors by means of a blanket assignment in order to provide collateral, with the exception of the accounts receivable in connection with the "LUNAR" project. The accounts receivable used to provide security here amounted to 0K euros on 31 December 2012 (543K euros in the previous year), as the relevant loan was repaid on 30 September 2012. Three other loans were taken out (DZ Bank, KfW) during fiscal 2009 as a result of the extension of the new building, the above mentioned rescheduling and the acquisition of Solquest. Land register debts were entered in the land register for Schöneck, Plauen Local Court, Pages 999, 1378 and 1895 as collateral for the DZ loan.

4. Notes on the Consolidated Income Statement

4.1. Sales Revenues

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

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

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

As regards the make-up of the significant categories of revenues, we would refer to section 7 entitled "Segment Reporting." Warranty provisions amounting to 1,234K euros were set aside during the financial year and therefore the figure entered for expected warranties amounted to 1,499K euros in all on the balance sheet reporting date.

Because of changes in the nature of the services provided by valuephone GmbH, the revenues resulting from the provision of services amounting to EUR 395K were entered under "Sales revenues" in fiscal 2012. In the previous year, the revenues generated from the business relations with valuephone GmbH (EUR 131K) were still entered under "Other operating revenues." This allocation of entries had to be amended as the nature of the work had changed from providing personnel to providing project services.

4.2. Own Work Capitalized

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

4.3. Other Operating Revenues

EUR	2012	2011
Reversals of uncertain other liabilities or provisions	956,777.87	10,861.38
Vehicle use	369,899.13	334,441.25
Earnings from reversals of deferred public grants	70,856.12	65,120.12
Employee contributions towards food allowances	53,488.10	49,737.36
Earnings from investment grants	25,932.86	6,707.88
Earnings from other periods	19,531.19	0.00
Reduction value adjustments	6,417.47	54,101.21
Others	154,863.89	207,724.29
Total	**1,657,766.63**	**728,693.49**

4.4. Materials Expenditure

EUR	2012	2011
Expenditure on raw materials, consumables and supplies	218,237.46	173,554.92
Expenditure on purchased services	454,335.27	437,534.82
Total	**672,572.73**	**611,089.74**

4.5. Human Resources Expenditure

EUR	2012	2011
Wages and salaries	16,353,284.75	16,028,735.26
Social security contributions	3,217,779.58	2,524,423.60
Expenditure on retirement benefits	201,840.54	48,165.75
Total	**19,772,904.87**	**18,601,324.61**

On average, 458 people were employed during fiscal 2012 (398 in the previous year). 562 people were employed on the balance sheet date of 31 December 2012.

4.6. Depreciation and Amortization

This item exclusively covers scheduled depreciation on property, plant and equipment and the amortization of intangible assets.

4.7. Other Operating Expenditure

This item largely covers legal and advisory costs, warrenty expenses, advertising and travel expenses, office and operating costs or administrative and sales expenditure.

4.8. Financial Results

EUR	2012	2011
Interest income	226,780.93	190,740.68
Interest expenditure	(192,276.67)	(275,745.11)
Account Balance	**34,504.26**	**(85,004.43)**

4.9. Income Taxes

EUR	2012	2011
Current tax liabilities	294,345.61	1,816,168.07
Deferred tax revenue (previous year: Deferres tax expenditure)	(149,967.08)	188,373.56
Total	**144,378.53**	**2,004,541.63**

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

The deferred taxes are included in the following items:

	31.12.2012		31.12.2011	
EUR	Assets	Liabilities	Assets	Liabilities
Fixed assets	0.00	1,456.50	0.00	1,456.50
Intangible assets	112,037.00	1,091,983.34	404,846.00	1,028,202.16
Provisions for guarantees	87.39	2,534.31	5,048.23	0.00
Provisions for pensions	384,462.90	0.00	49,044.14	0.00
Accounts Receivable from Ongoing Work	7,865.10	14,415.75	1,485.63	0.00
Total according to balance sheet	**504,452.39**	**1,110,389.90**	**460,424.00**	**1,029,658.66**

Deferred tax claims / liabilities result from:

EUR	31.12.2012 Initial balance	31.12.2012 Accruals through corporate mergers	31.12.2012 Income statement-related	31.12.2012 Final balance	31.12.2011 Initial balance	31.12.2011 Income statement-related	31.12.2011 Final balance
Fixed assets	(1,456.50)	–	0.00	(1,456.50)	(1,456.50)	0.00	(1,456.50)
Provisions for pensions	49,044.14	239,844.00	95,574.76	384,462.90	77,292.60	(28,248.46)	49,044.14
Provisions for guarantees	5,048.23	–	(7,495.15)	(2,446.92)	(3,033.28)	8,081.51	5,048.23
Intangible assets – in-house developed software	(686,264.16)	–	92,429.69	(593,834.47)	(537,782.60)	(148,481.56)	(686,264.16)
Acquired intangible assets as part of the corporate acquisition (acquired technologies)	–	(107,781.36)	529.84	(107,251.52)	–	–	–
Acquired intangible assets as part of the corporate acquisition (customer relations)	–	(226,605.10)	3,676.75	(222,928.35)	–	–	–
Intangible assets acquired through the Solquest purchase (customer relations)	85,227.00	–	26,810.00	112,037.00	70,904.71	14,322.29	85,227.00
Goodwill Solquest-purchase	(22,319.00)	–	(145,650.00)	(167,969.00)	123,331.00	(145,650.00)	(22,319.00)
Accounts receivable from ongoing work	1,485.63	(15,534.46)	7,498.18	(6,550.65)	(110,117.04)	111,602.67	1,485.63
Other provisions	–	(80,847.22)	80,847.22	0.00	–	–	–
Other Assets	–	4,254.21	(4,254.21)	0.00	–	–	–
Account Balance	**(569,234.66)**	**(186,669.93)**	**149,967.08**	**(605,937.51)**	**(380,861.11)**	**(188,373.55)**	**(569,234.66)**

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

Transfer of tax expenditure/K EUR	2012	2011
Pre-tax earnings	819	6,569
Anticipated tax expenditure 25% (2011: 29.1%)	205	1,912
Tax impact on non-deductible company spending	11	15
Tax impact on tax-free income	(8)	0
Tax benefits for R&D expenditure in CZ	(69)	(65)
Other tax effects	5	143
Actual tax expenditure	**144**	**2,005**
Effective tax rate	**17.6%**	**30.5%**

4.10. Earnings per Share

The earnings per share are determined as a quotient from the consolidated annual net income and the weighted average of the number of shares in circulation during the business year. The average number of issued shares during fiscal 2012 was 1,790,000 (1,790,000 in the previous year). The consolidated annual net income in 2012 amounted to 675 K euros (2011: 4,564 K euros). As a result, the earnings per share amounted to 0.38 euros in 2012 (2011: 2.55 euros).

Dilution effects were included in the calculations for the diluted results per share, neither in relation to the net income for the period nor the number of shares. This results from the company's share value, which, on average during the year, lay below the exercise threshold.

When calculating the diluted weighted average for the individual share certificates on 31 December 2012, 25,625 options (19,525 options in 2011) were not taken into account.

The diluted results per share therefore tally with the non-diluted results per share of 0.38 euros (2011: 2.55 euros).

4.11. Currency Conversions

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

EUR	2012	2011
Other operating expenses	162,435.93	297,662.87
Other operating income	31,368.11	45,437.33
Account Balance	**131,067.82**	**252,225.54**

4.12. Use of Profits

The Management Board intends to suggest to the annual stockholders' meeting for fiscal 2012 to carry forward the balance sheet profits amounting to EUR 4,617,687.54 and determined according to the commercial law stipulations to a new account.

5. Notes on the Cash Flow Statement

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

6. Acquisition of Subsidiaries

6.1. Acquired subsidiaries

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

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

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

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

6.2. Transferred compensation

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

A further sum amounting to 40K euros must be paid if the managing director of AWEK GmbH is still employed at one of the companies in the Group on 20 December 2013 without any period of notice having been served. This conditional payment to the managing director is a payment for his future services as part of the planning incorporation of AWEK Group and is therefore not compensation for the acquired identifiable net assets of the AWEK Group. This expenditure is therefore entered in the profit and loss statement under human resources expenditure in future.

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

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

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

The following summary reflects the acquired assets and liabilities at the time of the acquisition.

K EUR	Fair value
Current assets	**3,202**
Cash and cash equivalents	198
Trade accounts receivable and other accounts receivable	1,745
Inventories	1,259
Non-current assets	**2,136**
Property, plant and equipment	270
Finance assets	1
Acquired technologies (softwaredevelopment)	823
Customer relations	802
Active deferred taxes	240
Current liabilities	**(3,419)**
Trade accounts payable and other liabilities	(3,112)
Current provisions	(307)
Non-current liabilities	**(1,677)**
Provisions for pensions	(1,250)
Deferred tax liabilities	(427)
Total	**(242)**

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

The initial balance sheet figures for the acquisition of the AWEK Group were simply entered on a provisional basis at the end of the reporting period. The necessary calculations for the final classification of the purchase price had not yet been completed at the time of preparing the consolidated accounts.

6.4. The goodwill generated by the acquisition

K EUR	Carrying amount
Transferred compensation	0
Minus the fair value of the identifiable acquired net assets	(242)
Goodwill generated by the acquisition	**242**

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

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

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

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

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

The Group's annual net income includes a balance of −131K euros, which can be traced back to the business of the AWEK Group. The AWEK Group contributed a figure of 549K euros to the sales revenues. If the acquisition of the corporation had taken place on 1 January 2012, the share of the Group's annual sales generated by the acquired AWEK Group would have been 11,905K euros and the consolidated annual results would have contained a loss of 2,314K euros, which would have been due to the business of the AWEK Group. This "pro forma" development that is entered for this financial year is not a standard for future developments within the whole Group in the view of the Management Board, as the AWEK Group underwent a process of restructuring during fiscal 2012 and several one-off effects weighed on the profit and loss statement. The Management Board based its assumptions on the carrying amounts shown before the transaction when calculating depreciation/amortization for its "pro forma" remarks. Ramifications like cheaper financing costs through an improved rating were discounted and one-off expenditure for restructuring was not deducted either.

7. Segment Reporting

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

maintaining hardware and software. The isolation of this segment is provisional and exclusively contains the business operations of the AWEK Group during this financial year. It is assumed that this business segment will change during the process of integrating the AWEK Group.

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

	GK/Retail		SQRS		IT-Services		Eliminations		Group	
K EUR	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales with third parties	**25,959**	**29,426**	**1,918**	**2,327**	**549**	**–**	**–**	**–**	**28,426**	**31,753**
Licenses	3,838	8,295	–	–	–	–	–	–	3,838	8,295
Servicing work	7,332	7,201	1,487	1,545	–	–	–	–	8,819	8,746
Services	14,043	13,707	426	761	–	–	–	–	14,469	14,468
Other matters	766	251	5	21	552	–	–	–	1,323	272
Revenue reductions	(20)	(28)	–	–	(3)	–	–	–	(23)	(28)
Sales with another segment	**1,219**	**1,950**	**–**	**0**	**–**	**–**	**(1,219)**	**(1,950)**	**–**	**–**
EBIT segment	**586**	**6,686**	**318**	**(33)**	**(120)**	**–**	**–**	**0**	**784**	**6,653**
Assets	**37,873**	**43,347**	**2,263**	**2,139**	**5,130**	**–**	**(1,208)**	**(2,011)**	**44,058**	**43,475**
Cash and cash equivalents	**8,567**	**12,760**	**1,609**	**1,099**	**89**	**–**	**–**	**–**	**10,265**	**13,859**

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

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

The new IT services segment offers services for operating IT systems at store-based retailers. The services include user support and monitoring and

Depreciation/amortization of 1,892 K euros accumulated for the GK/Retail segment, 149 K euros for SQRS and 32 K euros for IT-Services. The company is standing by its decision to no longer sell the SQRS software solutions in the future, in order to streamline the Group's product portfolio.

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

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

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

8. Other Information

8.1. Financial Instruments

The financial instruments include original and derivative financial tools.

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

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

The derivative financial instruments were not assessed at their fair value. Bank assessments were used to determine the fair value figures. The market value of these interest capping mechanisms on a nominal volume of 785 K euros– derived from the mid-market price – amounted to a total figure of 4K euros on the balance sheet date. All the capping mechanisms had a positive market value. The cap premiums are entered under the “Other intangible assets” item and are amortized on a pro rata temporis basis and are entered as interest expenditure.

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

IFRS 7.8	Categories	Balance Sheet Items	Amount K EUR	Previous year Amount K EUR
a)	Financial Assets Assessed on the Balance Sheet at Fair Values	N/A	–	–
b)	Financial Investments to be Retained until Final Due Date	N/A	–	–
c)	Loans and Accounts Receivable	Trade accounts receivable, accounts receivable from ongoing work, part sum for other accounts receivable according to individual statement in no. 3.7. (with the exception of the income tax claims and the other statutory claims entered under "Other accounts receivable" and asset deferrals)	14,690	14,900
d)	Financial Assets Available for Sale	N/A	–	–
e)	Financial Liabilities Assessed on the Balance Sheet at Fair Values	N/A	–	–
f)	Financial Liabilities Assessed at amortized costs	Non-current and current bank liabilities, accounts payable, part sum for current provisions according to individual statement in no. 3.14 (human resources department, other departments), part sum for other liabilities according to no. 3.18 (Liabilities from wages and salaries, other liabilities towards employees, other liabilities without liabilities deferrals)	8,007	9,320

The financial assets of the Group are subject to a write-down of 336 K euros (267 K euros in the previous year) on 31 December 2012. Of this sum, 121 K euros (56 K euros in the previous year) applies to individual write-downs of accounts receivable. Write-downs of 215 K euros (211 K euros in the previous year) applied to the generalised individual write-downs on trade accounts receivable.

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

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

Loans and Accounts Receivable	K EUR	Previous year K EUR	Reference
Write-ups for Amortized Accounts Receivable	7	54	Notes No. 4.3
Expenditure from the Allocation of Write-ups	(2)	(267)	
Balance	**5**	**(213)**	
Financial Liabilities Valued at amortized cost	N/A	N/A	N/A

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

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

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

EUR	2012	2011
Not pastdue	6,417,475.50	10,491,042.40
1 to 30 days past due	1,100,898.82	242,083.73
31 to 90 days past due	33,694.87	154,702.05
more than 90 days past due	3,307,744.13	413,098.62
Total	**10,859,813.32**	**11,300,926.80**

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

The trade accounts receivable that are overdue by more than 30 days do not provide any reason for write-downs in their intrinsic value. 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 total amount of the value adjustments was in the order of 336 K euros.

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

The company had taken out the following loans by 31 December 2012:

Loan	Amount EUR	Value (EUR) 31.12.2011	Value (EUR) 31.12.2008
Investment loan with the Commerzbank Plauen:	750,000.00	337,500.00	412,500.00
Investment loan with the Commerzbank Plauen:	450,000.00	326,250.00	348,750.00
ERP loan from the Commerzbank Plauen:	180,000.00	121,500.00	139,500.00
Loan from the KfW, Frankfurt:	5,000,000.00	0.00	3,593,750.00
Loan from the DZ-Bank:	748,000.00	654,500.00	748,000.00
Framework credit agreement DZ-Bank	3,000,000.00	2,000,000.00	0.00
Total	**10,128,000.00**	**3,439,750.00**	**5,242,500.00**

The investment loans with the Commerzbank Plauen will be repaid on schedule with constant installments by 30 June 2017 (annual repayment of 75 K euros) and 30 March 2027 (annual repayment of 22,5 K euros). The KfW-Commerzbank loan from ERP funds has a term until 30 September 2016 and is being repaid with an annual amount of 18 K euros. The KfW loan of EUR 5,000K was completely repaid during the financial year. To replace this, a general loan agreement covering EUR 3,000K was concluded with the DZ bank. This general loan agreement is available to GK SOFTWARE AG until 30 October 2015. So far, EUR 2,000K of the agreed loan were taken up with a term until 18 June 2013.

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

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

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

Loan default risks. The maximum loan default risk, as shown above, corresponds to the carrying value of the financial assets. The Management Board, however, does not expect any loan defaults, which are not covered by the write-downs, because of its experience and ongoing contacts with debtors (customers).

Liquidity risks. In the final analysis, the responsibility for the liquidity risk management lies with the Management Board, which has established a concept to manage the current, medium-term and long-term financing and liquidity requirements. The Group manages liquidity risks by keeping appropriate reserves and credit lines with banks and by regularly monitoring the forecast and real flows of cash and cash equivalents and coordinating the maturity profiles of financial assets and liabilities. Current account credit lines worth 1,500K euros, but which had not been taken up, were available to GK SOFTWARE AG on the balance sheet reporting date. GK SOFTWARE AG also has access to more than 1,000K euros, which has not yet been used from the loan agreement with the DZ Bank AG. In the light of the Group's liquidity situation, the Management Board did not identify any liquidity risks. If we look at the major market risks, the currency risk and the interest risk for GK SOFTWARE, the following picture emerges:

Market risks:

- Currency risks: The Group only has a small amount of foreign currency accounts receivable and payable in CZK and CHF. They are specified under no. 3.4., 3.7., 3.15. and 3.18. We report on the currency risks associated with this as part of a simulation later in this document.
- Interest risks: With the exception of the loans that have been taken out, all the financial instruments are current. There are therefore no important interest risks that need to be reported. Interest of Three-Month EURIBOR +1.8 percentage points is payable on the investment loans taken out at the Commerzbank Plauen before 1 January 2009. For commercial reasons, the loans have been hedged using interest ceiling mechanisms, as reported above. No security has been provided for the loans taken out during fiscal 2009 on account of the current capital market situation. But the situation is being constantly monitored.

The assessment of the market risks provides the following picture: Currency risks could only result from exposure to the Czech crown and in Swiss franc and they are restricted to section 3.4. (Trade Accounts Receivable amounting to 8 K euros (CZK) and amounting to 35 K euros (CHF)), section 3.7. (Other Accounts Receivable and Assets amounting to 45 K euros in CZK and 3 K euros in CHF), section 3.15. (Trade Accounts Payable amounting to 11 K euros in CZK and 0 K euros in CHF) and section 3.18. (Other Current Liabilities amounting to 266 K euros in CZK and amounting to 25 K euros in CHF). This assessment was made on the balance sheet date at an exchange rate of CZK 25.1163 for one euro and 1.2086 CHF for one euro. A change in this exchange rate of the Czech crown by one percent changes the value of these assets and liabilities by nearly 8 K euros on the balance sheet. A change in the exchange rate between the Swiss franc and the euro of this kind of dimension (i.e. by 1 percent) would lead to a changed, balanced valuation statement of the assets and debts held in Swiss francs of approx. 1 K euro. This only affects the valuation of incoming and outgoing cash and cash equivalents, which take place in a foreign currency, as the assets and debts exist in the currency concerned and are also paid in it. In the light of this the company decided not to carry out an in-depth sensitivity analysis.

The interest risks are the result of the agreed interest payments in loan contracts. There is no link here with the currency risk, because the loans have been listed in euros. Interest payments amounting to 181 K euros were made during the current year and entered on the balance sheet. The rate for the DZ Bank is fixed throughout the whole term, so there are no interest risks linked to this loan. The interest for the investment loans with the Commerzbank worth 750 K euros and 450 K 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 180 K euros is also set quarterly at a rate of 1.5 percentage points above the Three-Month EURIBOR. An interest capping mechanism restricts the risk here to a term with 4 percent. If the Three-Month EURIBOR rate changed by one percentage point, this would result in a change in the interest payments of 23K euros in fiscal 2012 (determined using the actual interest burden in fiscal 2012 and changing the interest rate). There are no risks related to interest on credit on account of the current low rates of interest available on credit. Nevertheless, we are keeping a careful eye on developments in interest on credit. It is possible to adapt our investment strategy quickly because the assets are only invested on a short-term basis.

Based on the type of financial instruments used, there are no **other risks.**

8.2. Contingent Liabilities

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

One credit by way of bank guarantees amounting to 34K euros (2011: 34K euros) as far as contingent liabilities is concerned and this loan is granted by Volksbank Vogtland e.G. The guarantee is part of the normal collateral for leasing payments at the Berlin office and is secured by the pledging of cash deposits. The Management Board does not expect it to be necessary to make use of the guarantee.

8.3. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for fiscal 2012 amount to 587 K euros (2011: 526K euros).

Payment obligations from operating leasing contracts amounting to 1,525 K euros (2011: 861K euros)(804K euros(2011: 444K euros) are due for payment within one year and 721K euros (2011: 417K euros) within five years) exist. There are no finance/leasing agreements.

8.4. Subsidiaries

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

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

8.5. Details of Associated Persons and Corporations

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

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

Parent Company

The direct parent company is GK Software Holding GmbH, Schöneck. No business relations existing during fiscal 2012.

Management Board

The following people are members of the Management Board:

- Mr. Rainer Gläß, Schöneck, CEO, Dipl.-Ingenieur
- Mr. André Hergert, Hamburg, CFO, Dipl.-Kaufmann
- Mr. Michael Jaszczyk, Bornheim, CTO, data processing expert
- Mr. Oliver Kantner, Buchholz, COO, business management expert

The remuneration provided for the Management Board from short-term payable benefits arising from their working relationship totaled 1,425K euros. 990K euros are fixed earnings and 365K euros variable earnings and the non-monetary benefits amount to 70K euros. The variable earnings relate to the degree to which targets were met in the financial year and the previous year. The non-monetary benefits relate to company cars that were made available.

Forfeitable share awards are granted as long-term share-based remuneration. When they are exercised, the options are serviced by the issue of new non-par value company shares made out to the holder with a calculated share in the share capital of one euro from the authorized capital without any additional payment by individuals. As regards the shape of the share awards, the same general conditions apply to the Management Board as for leading members of staff; reference is made to this in Section III “Equity.” The Management Board held a total of 9,000 options on 31 December 2012. 3,000 of these were allocated to the stock option program from fiscal 2011 and 6,000 from fiscal 2012 with a fair value at the issuing time per option of EUR 21,025 and EUR 11,929 respectively.

EUR 448K was entered in the profit and loss statement as provision expenditure for benefits in the form of pension commitments for active and former members of the Management Board, some of whom had ended their period of service.

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

The company formed pension provisions amounting to 85K euros (41K euros in the previous year) to cover pension commitments to former members of the Management Board and their survivors. The settlement amount of this provision totals 211K euros (147K euros in the previous year) and the balanced pension plan reserve has a fair value of 136K euros (106K euros in the previous year).

The members of the Management Board and the Supervisory Board directly held the following shareholdings in GK SOFTWARE AG on 31 December 2012:

Mr. Rainer Gläß	52,792 shares	2.95%
Mr. Herbert Zinn	1,000 shares	0.06%
Mr. André Hergert	500 shares	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 2012.

Supervisory Board

The following people are members of the Supervisory Board:

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

The total earnings of the Supervisory Board at GK SOFTWARE AG in fiscal 2012 amounted to 40 K euros (40 K euros in the previous year).

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:

K EUR	31.12.2012	31.12.2011
Loans to associated companies, which are not part of the consolidated group	2,122	1,837
Other accounts receivable from the Management Board	73	39
Accounts receivable to associated companies, which are not part of the consolidated group	5	
Total	**2,200**	**1,876**

Two loans were granted to closely related companies. The one loan with a line of credit amounting to 2,500K euros has been granted for an indefinite period, but it can be terminated at the end of any year with a period of notice of three months; the interest payable amounts to 5% p.a. This was worth 2,118K euros on the balance sheet reporting date. It can be terminated with a period of notice of three months to the end of any year. Salary claims from Mr. Rainer Gläß and Mr. Stephan Kronmüller to GK SOFTWARE AG serve as collateral for the loans.

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

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

Expenditure on outside services with closely related companies amounting to 285K euros was also incurred.

Revenues with closely related companies in connection with making vehicles available and other services amounting to 13K euros and sales from the provision of project services amounting to 396K euros were also generated. The outstanding accounts receivable with this company amounted to EUR 3,000 on the balance sheet reporting date.

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

8.6. Auditor's Fee

Expenditure amounting to 68K euros for the auditing work for 2012 was incurred by the auditor; other certification work accounted for 2K euros and other services 19K euros. The consulting fee for tax accountancy work by the Group auditor amounted to 151 K euros.

8.7. Statement of Compliance

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

8.8. Information after the Annual Accounts Reporting Date

Information about circumstances, which were available at the annual accounts reporting date, was taken into account if the Management Board found out about this by 19 April 2013.

8.9. Day on which the accounts are cleared for publication

The current consolidated accounts were cleared by the Management Board for transfer to the Supervisory Board on 19 April 2013. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 19 April 2013

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, 19 April 2013

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

Audit Opinion

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

We have audited the consolidated accounts of GK SOFTWARE AG, Schöneck – which consist of the consolidated income statement, 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 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code") and supplementary provisions of the articles of incorporation/partnership agreement are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Dresden, 19 April 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Otter)	(Hoppe)
Auditor	Auditor

Imprint/Notes

Imprint

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Notes

Note to the Annual 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**.

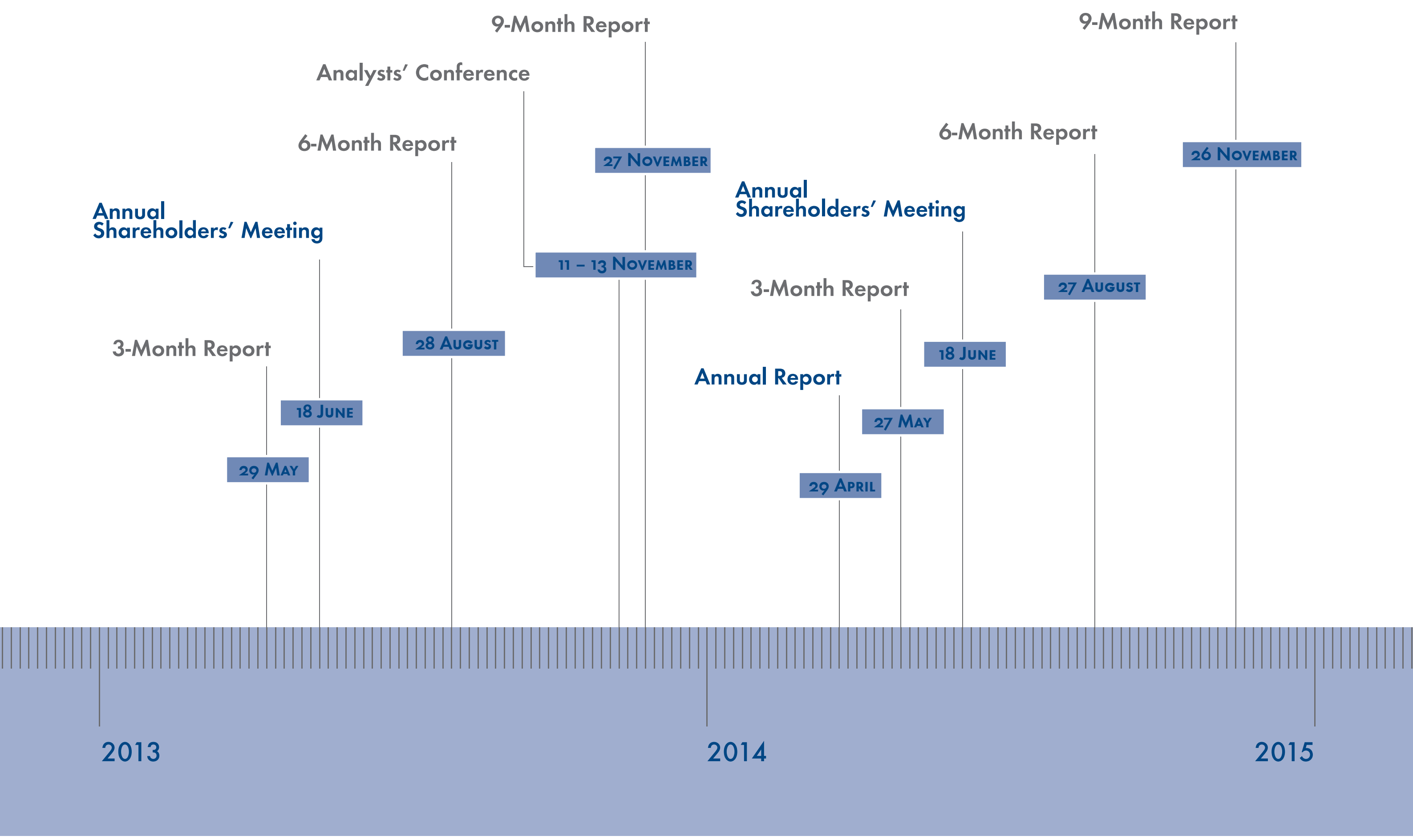
Note regarding the rounding of figures

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.

Financial Calendar



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