Interim Report

# H1 2013

GK SOFTWARE

# Summary of Consolidated Results

| | 30.6.2013 | 30.6.2012[2] | 31.12.2012 |
|---|---|---|---|
| Sales (K EUR) | 18,402 | 16,235 | 28,426 |
| Total operating revenue (K EUR) | 18,475 | 16,723 | 29,046 |
| Operating performance (K EUR) | 19,530 | 17,292 | 30,704 |
| | | | |
| EBIT (K EUR) | (1,028) | 2,998 | 785 |
| EBIT margin (on sales) | (5.6)% | 18.5% | 2.8% |
| EBIT margin (on total operating revenue) | (5.3)% | 17.3% | 2.6% |
| | | | |
| EBT (K EUR) | (1,041) | 2,985 | 819 |
| | | | |
| Annual net income (K EUR) | (1,136) | 2,175 | 675 |
| Earnings per share (weighted) (EUR)[1] | (0.63) | 1.21 | 0.38 |
| | | | |
| Equity ratio | 66.9% | 65.9% | 64.0% |
| Net debt (K EUR) | (7,655) | (11,391) | (6,789) |

1 In the first half year 2012 and in the first half year 2013 there where 1.790.000 shares were in circulation.

2 The IASB published amendments to IAS 19 “Employee Benefits” in June 2011, which were adopted by the EU in June 2012. In principle, the amendments to IAS 19 need to be applied retrospectively to annual accounts for business years, which start on or after 1 January 2013. The data for the first quarter of 2012 has been adapted in order to be able to compare the results. More detailed information on the process of adapting the previous year’s figures can be found in the explanations in the notes on the consolidated accounts at paragraph 1.6.

# Contents

**Stephan Kronmüller**
Deputy CTO

**André Hergert**
CFO

**Rainer Gläß**
CEO

**Michael Jaszczyk**
CTO

**Oliver Kantner**
COO

# To the Shareholders

# Letter from the Management Board

## Dear shareholders,

We are delighted to present you with the report from GK SOFTWARE[1] for the first six months of the 2013 business year. We have once again been able to expand our turnover in comparison with the previous year – from EUR 16.24 million to EUR 18.40 million (+13.3 percent). This growth was largely due to the contribution to turnover made by the AWEK Group, which we acquired at the end of 2012. The Group's total operating revenues rose by EUR 2.24 million or 12.9 percent to EUR 19.53 million (EUR 17.30 million in the previous year). The earnings before interest and taxes (EBIT) moved into negative territory at a figure of EUR (1.03) million (EUR 2.99 million in the previous year). In line with this, the EBIT margin related to sales amounted to (5.6) percent (18.5 percent in the previous year). So the results for the first half of the business year meet our expectations since we expected new deals from the outset for the second half of the year.

There are complex reasons why we were not yet able to break the hiatus in our growth path during the first six months of 2013. Despite the good business environment for the retail sector in our core markets during this period, few retailers made a final decision to opt for new software.

Our international business operations arising from our partnership with SAP did not produce the strong sales that we had expected. However, we were able to secure four joint projects during 2013. We will equip a Russian fashion chain (Modis) and the Dohle Trading Group, a German firm operating large-scale supermarkets and self-service department stores. SAP was also able to sell our software solutions to a leading manufacturer of household goods and to a non-food discount store group.

SAP provided the official approval for sales of our software solutions in North America in May this year. We are therefore expecting this to significantly expand our potential in the world's largest retail market in future.

GK SOFTWARE's project business was dominated by the ongoing development of customer projects and reaching important milestones during the first half of 2013. The number of installations rose by almost 7,000 during the first half of the year so that we now have approx. 173,000 productive systems in operation. Rollout starts in several projects helped this process. Five projects also moved into the productive pilot phase. Following the successful conclusion of the pilot installations, the rollout or the partial rollout (for international projects) will follow. Working with our partner, valuephone, we helped ensure that the largest European mobile payment project in the retail sector was launched at the beginning of May. Since this time, it has now been possible for customers to make payments at more than 10,000 GK till systems with their mobile phones. More than 100 markets in Berlin and Hamburg were cleared for mobile payments in another project with EDEKA. This provides us with the world's largest acceptance base for mobile payments and makes us one of the leading international forces in this forward-looking business, which forms a major element in the range of services covered by omni-channel retailing.

As far as software development is concerned, our agenda was dominated by the ongoing development of our standard software solutions in line with the road map, prototyping new solutions and the latest technological issues like SAP HANA.

In terms of our partner business, we were not only able to continue to deepen our relations with SAP, but also gain several important service and implementation partners like HP and RedIron. Several partners are currently being prepared to handle the introduction of our software solutions outside the Germany/Austria/Switzerland area.

Based on what is still a very well filled pipeline both in terms of our direct and partner sales, we still believe that it is possible that we will be able to return to our pathway of growth by the end of the year. We are currently involved in detailed discussions with customers based both in Germany and

1 The term GK SOFTWARE always refers to the Group in the following text. The term "the company" has a similar meaning. When the term GK SOFTWARE AG is used, this refers to the individual firm.

abroad and we believe that we are in a very good position to win ongoing tender processes with our range of solutions. The wide variety of issues related to onmi-channel retailing, which are currently occupying the attention of the retail sector, could continue to lead to delays in companies placing orders for projects in the worst case scenario.

We assume that, if our business develops in a favourable manner in 2013, we will be able to increase our turnover in comparison with the previous year and return to our old level of profitability in our core business field. This is subject to the proviso that decisions expected by customers are actually made during the last two quarters of the business year. But this forecast is subject to the proviso that no unusual events take place, which would have a negative impact on the overall economy or the retail sector.

We are delighted to know that you are supporting the growth process at GK SOFTWARE AG and we would like to thank you for the confidence that you have placed in us.

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

# GK SOFTWARE AG Shares

**Development of GK SOFTWARE shares in comparison to the TecDax**
from 19 June 2008 to 12 August 2013, 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 | 41.70% |
| Highest price in 2013 | EUR 37.00 (1 February 2013) |
| Lowest price in 2013 | EUR 27,38 (12 April 2013) |

## Summary/Share Performance

The GK SOFTWARE AG shares listed in the Prime Standard section of the Frankfurt Stock Exchange consistently drifted downwards during the first half of the year in 2013. The shares were worth EUR 28.75 at the end of the reporting period on 30 June 2013. This corresponds to market capitalisation of approx. EUR 51 million.

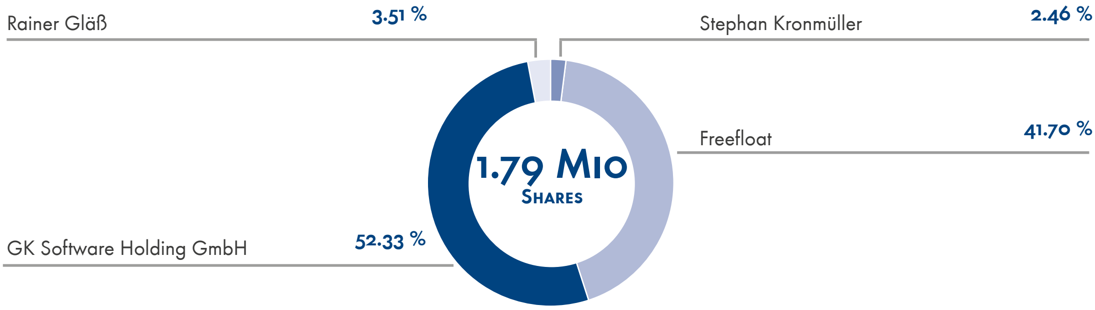
## Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which is enabling the company to develop in a sustainable manner in the long term. The company had the following shareholder structure on the reporting date on 30 June 2013: the founder and CEO Rainer Gläss directly owns 3.51 percent of the shares. Stephan Kronmüller, co-founder and former CTO, directly holds 2.46 percent of the shares. 52.33 percent are owned by GK Software Holding GmbH  fifty percent of these shares are indirectly assigned to the shareholders Rainer Gläss and Stephan Kronmüller. This left 41.70 percent of the shares in free float on 30 June 2013.

The company was informed about the following stockholdings in GK SOFTWARE AG, which exceed the threshold level of 3 percent:

- Andreas Bremke GmbH, Arnsberg, 3.99 percent (on 16 August 2011)

**Shareholder Structure**
of GK SOFTWARE AG on 30 June 2013




- Scherzer & Co. AG, Köln, 5.23 percent (on 6 March 2012)
- Deutsche Balaton Aktiengesellschaft, Heidelberg: 3.18 percent (on 19 March 2013).

## Directors Dealings

| | | | |
|---|---|---|---|
| Purchase: | 16.4.2013 | 3,000 shares | EUR 27.67 |
| Purchase: | 18.4.2013 | 7,000 shares | EUR 28.08 |

## Investor Relations

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

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

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

# Consolidated Interim Report

# Business Report

## Business and General Conditions at GK SOFTWARE

### Corporate Structures and Shareholdings

- Six business centres in Europe and sales branches in the USA and Russia
- Both company founders actively involved in the firm

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

The company's headquarters have been located in Schöneck/Vogtland since it was founded. This site is not only home to the administration department, but the product development, project management and "third-level support" departments are also based there. Schöneck is also the home base of SQ IT-Services GmbH, which was founded in 2009 to handle the takeover and integration of Solquest GmbH 1. Waldstrasse GmbH, which was set up to prepare for the launch of new business activities, is also located there and is a 100% subsidiary of GK SOFTWARE AG. GK SOFTWARE AG has a branch next to Checkpoint Charlie in Berlin it is primarily responsible for managing the marketing, sales and partner activities and is also home to the user help desk.

The Group's second-largest business location has been located in Plzen in the Czech Republic for more than ten years now. This 100% subsidiary, EUROSOFTWARE s.r.o., is responsible for software production and research & development operations. A large proportion of the programming and technological development of GK

**Group structure**
at GK SOFTWARE AG

SOFTWARE solutions takes place at the Plzen business centre.

GK SOFTWARE owns a 100% subsidiary in Switzerland, StoreWeaver GmbH based in Zürich. StoreWeaver GmbH has moved to Dübendorf near Zurich during the course of the 2013 business year. This company has a German branch in St. Ingbert in the federal state of Saarland. The teams in St. Ingbert are responsible for the ongoing conceptual development of the StoreWeaver EE product group and handling the relevant customer projects they also look after the customers of what was Solquest GmbH.

The Group gained two more business centres when it took over AWEK GmbH on 10 December 2012. Barsbüttel near Hamburg is home to the administration, hotline, dispatching, quality assurance, repair work and stores departments, while the software development section is based in Bielefeld. The AWEK service organisation also consists of mobile technicians distributed right across Germany.

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

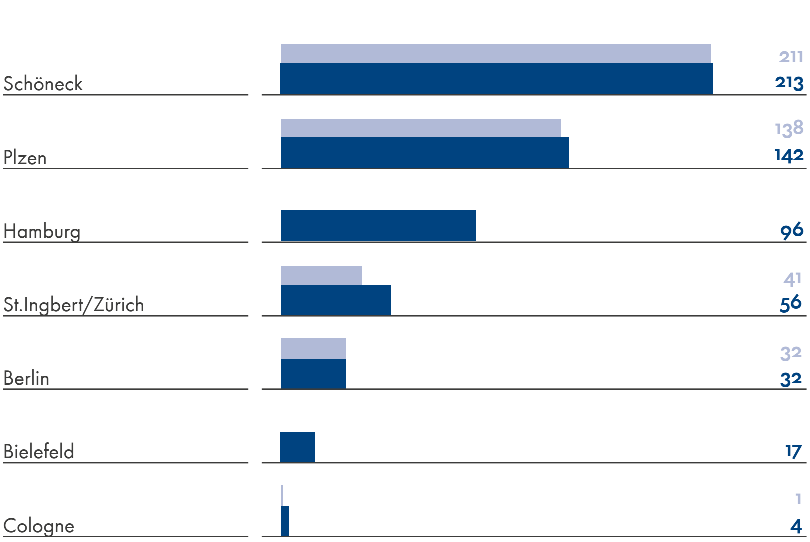
## Human ressouces

- Further growth in personnel
- Expansion of the St. Ingbert business centre

561 people in all were employed by the Group on the reporting date of 30 June 2013. This means 137 employees more than the figure on the same reporting date in the previous year (424). This reflects a growth rate of 32 percent. However, the lion's share of this growth is the result of the takeover of AWEK, where 113 people were employed on the reporting date. Disregarding AWEK, the growth in personnel was just 5.7 percent (24).

A significant share of the Group's employees work at the Schöneck business site: 213 (211 on the reporting date in the previous year).

**Distribution of employees at the group's sites**
on 30 June 2013[1]




The Czech subsidiary EUROSOFTWARE s.r.o. in Plzen had 142 employees on the reporting date (138 on the reporting date in the previous year).

The Group's third-largest business centre is at St. Ingbert, where 56 people were employed on the reporting date (41 on the reporting date in the previous year).

32 people work at the Berlin branch, the same figure as in the previous year. Four people were employed at the business site in Cologne (1 in the previous year).

96 people were employed at AWEK in Hamburg on 30 June 2013 however, this figure includes many mobile service technicians, who are based at various points across Germany. 17 people were employed at the second AWEK business site in Bielefeld at the end of the reporting date, most of them working on software development.

One permanent member of staff works at OOO GK SOFTWARE RUS Russia and there is another at StoreWeaver GmbH in Zürich/Switzerland. The

1 One other employee work at the branch in Moscow and is not shown here.

sales office in the USA has one free-lance colleague.

The Management Board is not expecting any further growth in the number of employees in future.

Huge investments have been made in the training and development of employees in order to control and boost the growth in turnover at GK SOFTWARE in terms of personnel too. The successful one-year trainee programme has been continued to deliberately develop qualified members of staff. One member of staff was participating in this on the reporting date on 30 June 2013. On average, the programme is designed to accommodate between five and seven participants every year. Two trainees were employed at GK SOFTWARE AG on the reporting date. This number has now grown to four.

## The GK SOFTWARE Software Solutions

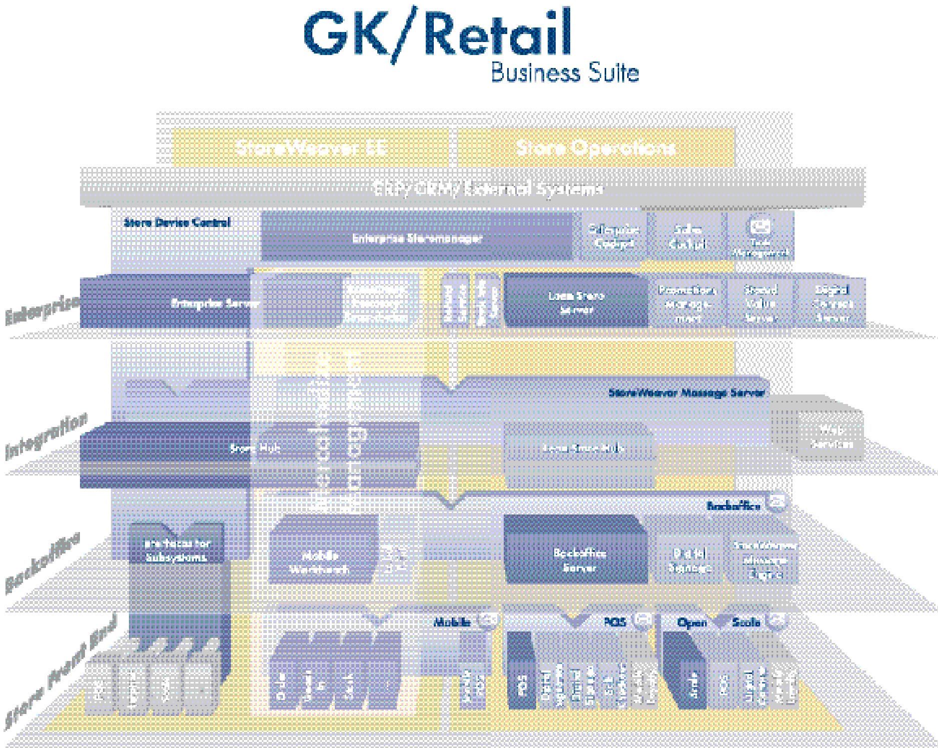
- GK SOFTWARE – The Retail Application Company
- New GK/Retail Self-Checkout software developed
- New management information KPI Dashboard on iPad

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 E**nhanced Retail Processes,** builds on this infrastructure. While the core processes are mapped end-to-end by GK SOFTWARE, software modules provided by partner companies can also be used with the enhanced processes, as is specifically practiced in the cooperation arrangement with SAP.

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

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

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




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

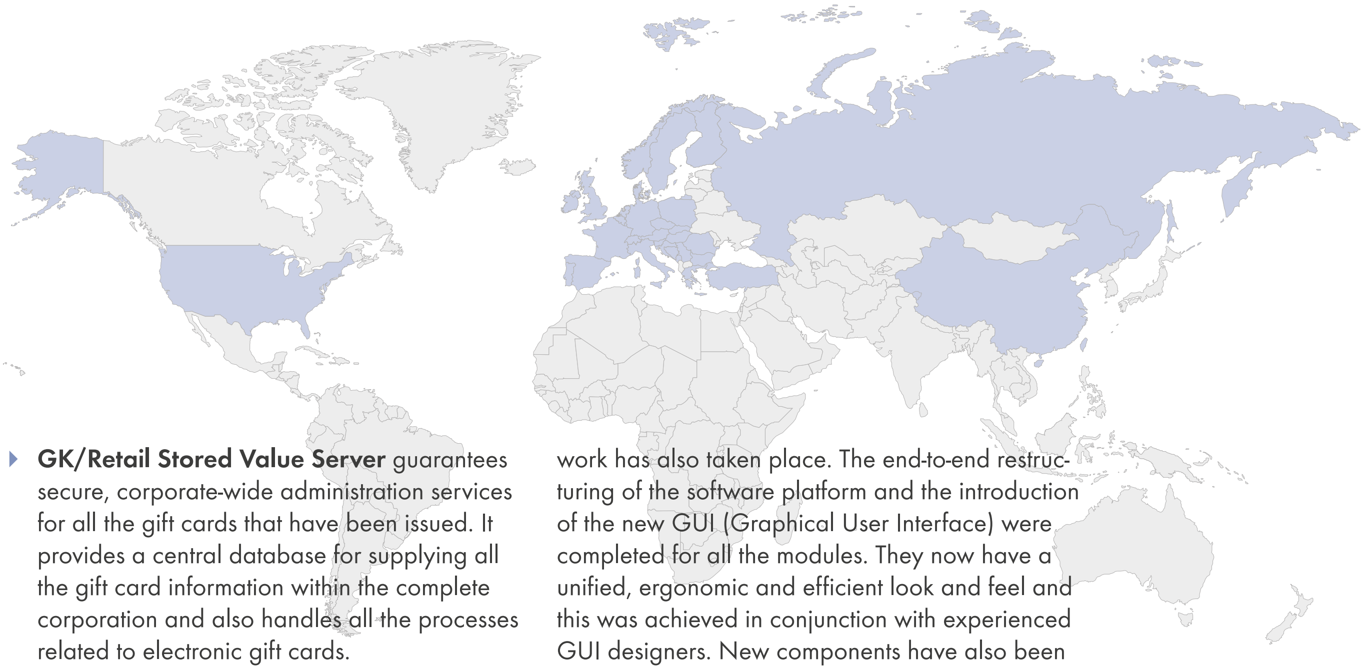
- **GK/Retail Store Device Control** provides the end-to-end link within the complete store peripheral equipment, for instance, tills, scales or automatic empties machines. The software handles the automatic distribution of data to all the systems in a store with a direct link to the leading SAP system.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

### 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

Two minor updates for GK/Retail 12 were released during the first half of 2013 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 2013 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.

## Customers and projects

- Gaining new customers
- Successful launch of pilot operations in existing projects

The customers of GK SOFTWARE continue to mainly come from the retail sector. The market segments mainly include food retailers, drug stores & household outlets, fashion & lifestyle, consumer electronics or DIY stores. The products and services are geared towards companies of various sizes.

***New customer projects in 2013:***
GK SOFTWARE AG was able to register four new customer projects during the first half of 2013.

- Modis (more than 70 large-scale textile stores in Russia)
- Dohle Trading Group (approx. 100 consumer markets in Germany)
- A leading manufacturer of household goods (more than 200 stores in several European countries)
- A household goods discount store (approx. 200 stores)

2013 was marked by the production launch of pilot operations in several projects as far as handling existing projects is concerned. At the same time, major customers continued to migrate to the major release 12. This has created the preconditions for ensuring that what are already long-term business relations with these customers will continue for an even longer period.

One piece of evidence of the vibrant partnership with SAP is that the two companies have now gained nine joint customer projects where GK software solutions have been sold by SAP some of them are being directly handled by GK SOFTWARE or through implementation partners.

## Market and Competitive Environment

- A patchy first six months
- Growth of about one percent expected in 2013

Major elements in business developments at GK SOFTWARE AG are affected by the economic situation in the retail sector in Germany and Europe – and increasingly in the USA too. In addition to the general need for investments by the retail sector and other factors, the economic situation therefore forms an important basis for any forecasts about the company's ongoing business opportunities. Following the successful year in 2012, the first six months of 2013 proved to be patchy for the German retail sector. Spring, which came very late this year, had a considerable effect on this and reduced the turnover of businesses that depend on seasonable goods. The first six months of the year were characterised by ups and downs, although there was slight growth overall. As a result, the German Retail Federation (HDE) is now forecasting moderate nominal growth of about one percent for the whole year.[1] The general economic conditions in GK SOFTWARE AG's home market continue to remain positive. A glance at neighbouring countries reveals similar trends. The retail sector grew slightly in nominal terms in Austria too – by 0.8 percent.[2] Turnover in Switzerland remained stable in nominal terms, but rose by 1.8 percent in real terms as a result of the effects of inflation, sales days and public holidays.[3]

It was not possible to distinguish any unified trend in the European Union either, as was the case in Germany. There were months with growth of more than one percent (January, May), but there were others where the figures remained static (February, May) and those with significant declines (April, June). So it is not possible to ascertain any ongoing upward trend in the European retail sector overall, even if longer term positive trends are clearly recognisable in some countries, e.g. France, Belgium, Great Britain or the Baltic States. But there is no sign yet that the crisis-ridden countries on the Iberian Peninsula, Greece or Ireland are about to overcome their serious economic problems.[4]

In the USA, however, a continual upwards trend has been noted in turnover in the retail sector since the middle of 2012 and this could provide greater vibrancy in the world's largest retail market.[5]

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

Regardless of the monthly fluctuations in turnover, there are two other positive indicators in Germany. According to the HandelSikx survey, 42 percent of retailers are expecting business developments to improve during the next 12 months, while one third of them assume that there will not be any change.[6] The data in Germany regarding consumers is also very positive – in contrast to other EU countries. Consumer sentiment is higher than it has been since the beginning of 2011 according to the Nielsen survey. Positive job prospects and a good financial situation are creating an increase in consumer confidence.

However, the figures for the EU as a whole are significantly lower.[7] But they are largely stable. The situation in the USA, China and Japan, on the other hand, is different. Improved future prospects are strengthening people's financial situation and customers' willingness to part with their cash.[8]

The prospects in the e-commerce sector continue to remain very positive. Growth levels are expected here in 2013 again, both on a global scale and in Germany, and they will significant surpass those encountered in the stationary retail business. Forecasts by e-marketers assume that the growth level in the USA (12.0 percent) and Germany (12.8 percent) will be very similar.[9] This means that Germany could exceed the EUR 40 billion threshold in terms of turnover. The existing

1 http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/122994-station%C3%A4rer-einzelhandel-stabile-gesch%C3%A4ftslage.html.
2 http://www.statistik.at/web_de/presse/072092.
3 http://www.handelszeitung.ch/konjunktur/schweiz/detailhandel-macht-etwas-mehr-umsatz.
4 http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teiis200&plugin=0.
5 http://ycharts.com/indicators/retail_sales.
6 http://www.einzelhandel.de/index.php?option=com_k2&view=item&id=122873.
7 http://www.derhandel.de/news/unternehmen/pages/Konsumverhalten-Deutsche-Konsumenten-in-Hochstimmung-9934.html.
8 Idem.
9 http://www.oanda.com/lang/de/currency/converter/.

potential is clearly visible from statements that indicate that the average sales per purchaser in Germany are forecast to be approx. EUR 920, while the figure for the USA is almost twice as high.[1] The challenges associated with this for the retail sector also affect the solutions provided by GK SOFTWARE AG, as the company's customers are having to convert and redesign their IT landscapes. Other new issues like home delivery are acting as additional driving forces. Germany has a lot of catching-up to do in the latter area in particular. The market share of the food sector in the online market here is just one percent, while it is already 19.1 percent in Great Britain, 17.1 percent in Switzerland or 11.8 percent in France.[2]

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

Overall, the need for investments on the part of the retail sector remains high, as indicated by the latest study by the EHI Retail Institute entitled "Till Systems in 2012 – Facts, Background Information and Prospects".[3] The age of the software in use has continued to rise  almost 25 percent of solutions are more than 10 years old.[4] A current study by the EHI shows that the replacement investments are being increasingly displaced by the new issues already mentioned.[5] Multi-channel integration and the use of mobile devices by both customers and employees are described as the greatest challenges at the moment and they are only surpassed in their strategic importance by the introduction of new merchandise management solutions.[6]

Overall, the conditions for business performance at GK SOFTWARE remain positive in 2013. This is all the more so because the company assumes through its partnership with SAP that it will be able to further expand its base for potential customers in the international arena. These trends are subject to the proviso that the global economic is not hugely disrupted by political or economic factors, which would have a negative effect on the economy.

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

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

1 Idem.
2 http://de.statista.com/statistik/daten/studie/163502/umfrage/marktanteil-des-lebensmittelhandels-am-online-gesamtmarkt-2010/.
3 EHI Retail Institute, Kassensysteme 2012, Köln 2012.
4 Idem, p. 30f
5 EHI Retail Institute, IT-Trends im Handel 2013. Investitionen, Projekte und Technologien, Köln, 2013.

6 Idem, p. 20f.

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

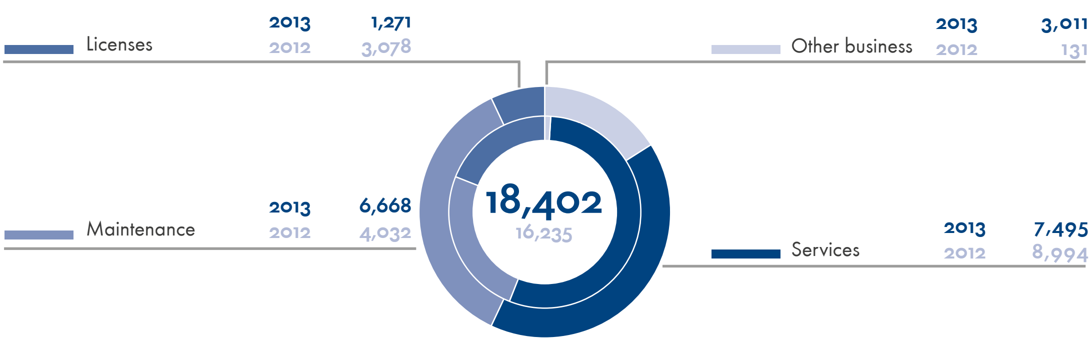
### Earnings Situation

- Turnover up by more than 13 percent
- EBIT margin on sales: (5.6) percent

GK SOFTWARE was not yet able to build on the extraordinary growth trend of previous years again in the second quarter of 2013. However, it was possible to increase turnover in comparison with the same period in the previous year, as in the first quarter. This amounted to EUR 18.40 million, following a figure of 16.24 million in the first half of 2012. This represented a growth rate of 13.3 percent. However, earnings before interest and taxes fell from EUR 3.00 million to EUR (1.03) million. This result provides an EBIT margin on sales of (5.6) percent, which has to be compared to the figure in the previous year of 18.5 percent. As a result, the Group's net profit or loss for the period amounted to EUR (1.14) million in the first half of 2013, compared to a figure of EUR 2.17 million in the same period in the previous year. If this figure is related to the number of shares in circulation in the first half of 2013, the result is EUR (0.63) per share. A value of EUR 1.21 per share was achieved in the previous year.

The increase in overall turnover by EUR 2.16 million is due to two contradictory developments. Firstly, the "IT Services" business unit, which was entered in the consolidated accounts for this part of the year for the first time and was created as a result of the acquisition of the AWEK Group, contributed turnover amounting to EUR 5.04 million – i.e. 27.4 percent of total sales. But the development in our core GK/Retail business unit was less gratifying. Comparing year on year, turnover in this business unit declined by EUR 2.66 million or 17.4 percent to a figure of EUR 12.65 million. This was caused both by declines in licensing revenues by EUR 1.81 million to a figure of EUR 1.27 million and by services revenues by EUR 1.51 million to a figure of EUR 7.30 million. Maintenance revenues developed in a positive manner they continued to grow in the GK/Retail business (+13.2 percent) and achieved an overall share of sales in this segment of almost 30 percent at EUR 3.7 million. Overall, the Group earned maintenance revenues of EUR 6.67 million, following a figure of EUR 4.03 million in the same period in the previous year. The AWEK Group contributed EUR 2.40 million to this amount. As was the case in the first quarter, the significance of other turnover increased it rose to EUR 2.97 million, following a figure of EUR 0.13 million in the previous year, and is largely due to the business operations of AWEK, which was acquired at the end of 2012, in the field of hardware staging.

**Development of sales distribution (half-year results)**
between 2012 and 2013 in K EUR



| K EUR | H1 2013 | | H1 2012 | | Change |
|---|---|---|---|---|---|
| Sales revenues | 18,402 | 94.2% | 16,235 | 93.9% | 2,167 |
| Changes in stock of unfinished goods | – | – | – | – | – |
| Own work capitalized | 73 | 0.4% | 487 | 2.8% | (414) |
| **Operating revenues** | **18,475** | **94.6%** | **16,722** | **96.7%** | **1,753** |
| Other operating revenues | 1,054 | 5.4% | 569 | 3.3% | 485 |
| **Total operating revenues** | **19,530** | **100.0%** | **17,291** | **100.0%** | **2,238** |

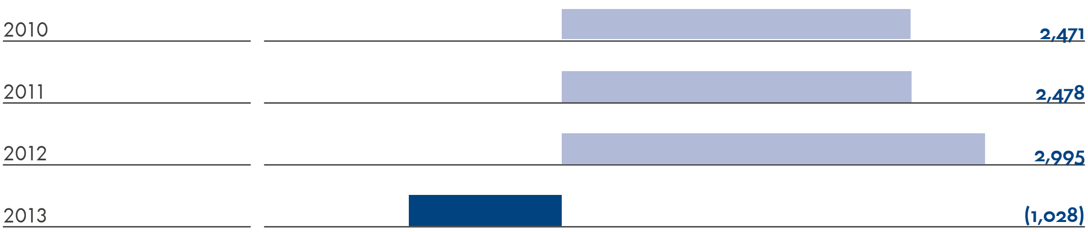
The development in turnover in the SQRS segment continues to be dictated by the expected reduction in a willingness to invest on the part of customers using this software solution. However, the services revenues in this segment remained constant at EUR 0.18 million.

The maintenance revenues, on the other hand, fell from EUR 0.74 million to EUR 0.54 million because customers using the SQRS solution are migrating to the GK/Retail solutions.

The operating performance rose by 10.5 percent on account of the increase in turnover (by 13.3 percent) and the simultaneous decline in own work capitalised (by EUR 0.41 million or 85.0 percent). Overall, the operating performance amounted to EUR 18.48 million, following a figure of EUR 16.72 million in the same period in the previous year. The further decline in own work capitalised is the result of the efforts made in product development work in the previous year it was largely possible to complete this work during the same period.

| K EUR | H1 2013 | | H1 2012 | | Change | | Business Year 2013 | |
|---|---|---|---|---|---|---|---|---|
| **Sales with** | | | | | | | | |
| GK/Retail | 12,648 | 68.7% | 15,311 | 94.3% | (2,663) | (17.4)% | 25,959 | 91.3% |
| SQRS | 717 | 3.9% | 924 | 5.7% | (207) | (22.4)% | 1,918 | 6.7% |
| IT–Services | 5,037 | 27.4% | – | – | 5,037 | – | 549 | 1.9% |
| **Total** | **18,402** | **100.0%** | **16,235** | 100.0% | **2,167** | **13.3%** | **28,426** | **100.0%** |
| **Licences** | 1,271 | 6.9% | 3,078 | 19.0% | (1,807) | (58.7)% | 3,838 | 13.5% |
| GK/Retail | 1,271 | 6.9% | 3,078 | 19.0% | (1,807) | (58.7)% | 3,838 | 13.5% |
| SQRS | – | – | – | – | – | – | – | – |
| IT–Services | – | – | – | – | – | – | – | – |
| **Maintenance** | 6,668 | 36.2% | 4,032 | 24.8% | 2,636 | 65.4% | 8,819 | 31.0% |
| GK/Retail | 3,727 | 20.3% | 3,292 | 20.3% | 435 | 13.2% | 7,332 | 25.8% |
| SQRS | 537 | 2.9% | 740 | 4.6% | (203) | (27.4)% | 1,487 | 5.2% |
| IT–Services | 2,404 | 13.1% | – | – | 2,404 | – | – | – |
| **Services** | 7,495 | 40.7% | 8,994 | 55.4% | (1,499) | (16.7)% | 14,469 | 50.9% |
| GK/Retail | 7,301 | 39.7% | 8,812 | 54.3% | (1,511) | (17.1)% | 14,043 | 49.4% |
| SQRS | 181 | 1.0% | 182 | 1.1% | (1) | (0.5)% | 426 | 1.5% |
| IT–Services | 13 | 0.1% | – | – | 13 | – | – | – |
| **Other business** | 2,968 | 16.1% | 131 | 0.8% | 2,837 | 2165.6% | 1,300 | 4.6% |
| GK/Retail | 349 | 1.9% | 129 | 0.8% | 220 | 170.5% | 746 | 2.6% |
| SQRS | (1) | 0.0% | 2 | 0.0% | (3) | (150.0)% | 5 | 0.0% |
| IT–Services | 2,620 | 14.2% | – | – | 2,620 | – | 549 | 1.9% |

**Development of the EBIT (half-year results)**
between 2010 and 2013 in K EUR




The total operating revenue grew significantly by 12.9 percent to EUR 19.53 million, following a figure of EUR 17.29 million, because of the increase in other operating revenues by EUR 0.48 million. The share of turnover in the total operating revenue was 94.2 percent, following a figure of 93.9 percent in the previous year, while the share of own work capitalised, which involves the further development of our software solutions, declined by 2.8 to 0.4 percent during the reporting period.

As the investments in our products were largely completed in 2012, the members of staff involved in this were moved to the project work department. The increase in personnel costs by 37.0 percent or EUR 3.45 million is mainly due to the personnel expenditure in the IT Services business unit, which amounted to EUR 2.91 million. Overall, expenditure on human resources now accounts for EUR 12.77 million.

Depreciation/amortisation amounted to EUR 1.20 million during the reporting period, after a figure of EUR 0.97 million was incurred in the previous year. The increase of EUR 0.23 million can basically be attributed to two factors. Firstly, the growth in the property, plant and equipment assets caused by the takeover of the IT services business unit led to a scheduled increase in depreciation of EUR 0.10 million. Secondly, the scheduled need for the amortisation for the intangible assets that were taken over rose by EUR 0.13 million. This mainly concerns the customer base that has been acquired and the rights of use acquired on outside software, such as office and development software.

Other operating expenditure amounted to EUR 5.04 million during the reporting period, following a figure of EUR 3.60 million in the previous year, and therefore rose by EUR 1.44 million. The other operating expenditure of the IT Services business unit, which was entered in the consolidated accounts for the first time in this reporting period, contributed significantly to this increase and alone accounted for a figure of EUR 0.92 million. Increases in sales and travel expenses of EUR 0.38 million also contributed to the rise in costs. They are mainly the result of the Group's sales activities, which have been spread over a much larger geographical area.

As a result, the Group achieved earnings before interest and taxes (EBIT) of EUR (1.03) million during the first half of 2013. This therefore created a shortfall of (134.3) percent over the previous year's EBIT (EUR 3.00 million). The financial results amounted to EUR (0.01) million during the first six months of 2013 (EUR (0.01) million in the previous year). Expenditure on interest was cut in comparison with the figure in the previous year from EUR 0.12 million to EUR 0.06 million during the reporting period. The interest earnings of EUR 0.05 million were below the previous year's figure (EUR 0.11 million) because of the generally low level of interest rates.

| K EUR | | H1 2012 | | H1 2011 | Change |
|---|---|---|---|---|---|
| **EBIT** | (1,028 ) | (5.6%) | 2,998 | 18.5% | (134.3%) |
| **EBT** | (1,141 ) | (5.7%) | 2,985 | 18.4% | (137.9%) |
| **Consolidated net income** | (1,136 ) | (6.2%) | 2,175 | 13.4% | (152.2%) |

Earnings before taxes (EBT) declined from EUR 2.98 million to a figure of EUR (1.04) million in comparison with the previous year. After tax, there was a shortfall for the period of EUR (1.14) million, following a figure of EUR 2.17 million in the previous year.

Based on the number of shares in circulation on the reporting date (1,790,000), this amounts to a loss per share of EUR (0.63) (the figures for the same period in the previous year were EUR 1.21 per share, based on the shares in circulation at the current time). The Group earnings statement indicates Group results of EUR 0.61 million. The reason for this is the new formulation of IAS 19, which requires a change in the disclosure of defined benefit pension plans on account of actuarial profits. It was possible to redeem existing pension obligations with a one-off payment as part of restructuring the balance sheet for the AWEK Group that was taken over. This led to a one-off profit of EUR 0.61 million.

## Assets Situation

The consolidated balance sheet amount fell by 6.4 percent on the reporting date on 30 June 2013 to EUR 41.26 million from a figure of EUR 44.06 million on the balance sheet reporting date of 31 December 2012.

The reason for this decline by EUR 2.80 million could be found in the increase in cash and cash equivalents by EUR 0.82 million and a simultaneous decline in other current net assets (by EUR (2.78) million) and a fall in non-current net assets, which was also detected (EUR (0.82) million). The relevant changes on the funding side consists of a decline in non-current liabilities by EUR 0.83 million, a decline in current liabilities by EUR 1.40 million and a decline in equity by EUR 0.57 million. The company's reserves of cash and cash equivalents amounting to EUR 11.08 million exceed the liabilities encumbered with interest payments amounting to EUR 3.42 million by EUR 7.66 million.

The development in non-current assets is the result of a decline in intangible assets by EUR 0.63 million due to scheduled amortisation, although the lion's share of the decline in the carrying amount (EUR 0.42 million) can be traced back to own work capitalised  this now accounts for EUR 1.63 million. The deferred tax assets therefore declined by EUR 0.11 million too.

The decline in current assets was primarily caused by the fall in trade accounts receivable in comparison with 31 December 2012 – this amounted to EUR 2.1 million – and by the decline in accounts receivable dependent on the progress

| K EUR | H1 2013 | | 31 December 2012 | | Change |
|---|---|---|---|---|---|
| Non-current assets | 15,452 | 37.4% | 16,274 | 36.9% | (5.1)% |
| Current assets or cash and cash equivalents | 14,737 | 35.7% | 17,519 | 39.8% | (15.9)% |
| Cash and cash equivalents | 11,076 | 26.8% | 10,265 | 23.3% | 7.9% |
| **Assets** | **41,264** | 100.0% | **44,058** | **100.0%** | **(6.3)%** |
| Equity | 27,625 | 66.9% | 28,187 | 64.0% | (2.0)% |
| Non-current liabilities | 4,181 | 10.1% | 5,007 | 11.4% | (16.5)% |
| Current liabilities | 9,459 | 22.9% | 10,864 | 24.7% | (12.9)% |
| **Liabilities** | **41,264** | 100.0% | **44,058** | **100.0%** | **(6.3)%** |

of completion of work totalling EUR 0.02 million. The reason for the decline was the settlement by customers of invoices issued on the balance sheet reporting date in 2012 and the completion of projects. Other accounts receivable and assets also fell by EUR 0.10 million.

Cash and cash equivalents rose by EUR 0.82 million from EUR 10.26 million to EUR 11.08 million in comparison with the end of 2012. The maintenance of liquidity is a high priority for the Management Board in order to be able to maintain the business capability of GK SOFTWARE and the other Group companies in the face of any opportunities or in crisis situations.

The balance sheet equity fell from EUR 28.19 million to EUR 27.62 million during the first half of 2013 on account of the negative results for the period.

### Financial Situation

The cash flow from business operations declined by EUR 3.51 million from EUR 4.75 million in the same period in the previous year to a figure of EUR 1.24 million during the first half of the year. The main reason for this can be found in the operating cash flow in the narrower sense (i.e. without any change to net assets)  this fell short of the comparative figure for the previous year by EUR 2.87 million and this decline can be explained by the results for the period, where were lower by EUR 3.31 million.

The changes in net current assets, which weighed on the cash flow to the tune of EUR 0.64 million during the reporting period, can be largely traced back to the decline in provisions by EUR 2,02 million and particularly because of the redemption of existing pension obligations for AWEK, as already described.

Investment activities weighed on the Group's cash flow to the tune of EUR 0.38 million, a significantly lower figure than in the same period in the previous year, when payments for investments amounting to EUR 1.08 were made. The main reason for this can be seen in the significant reduction in new investments in the Group's software products, which fell short of the previous year's figure by EUR 0.41 million.

Financing activities were also considerably lower than the figures in the same period in the previous year with outgoing payments of just EUR 0.06 million in 2013  outgoing payments in 2012 amounted to EUR 1.17 million  this difference was largely due to the decision taken at the annual shareholders' meeting in 2013 not to pay any dividend. Another significant feature was the restructuring of outside funding, which reduced repayments by EUR 0.23 million.

Overall, it has been possible to increase the cash and cash equivalents by EUR 0.81 million to a figure of EUR 11.08 million since 1 January 2013.

# Report on Key Events after the Reporting Period

No major events have taken place since the end of the reporting period.

# 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 Arabic world are also completely unclear. The actual ongoing developments in these and other 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 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 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 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 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 3.3., 3.6., 3.14. and 3.17. 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 the first half year 2013.

## Opportunities

There are growth opportunities for the consolidated group both in Germany and abroad. The issues targeted by the products of GK SOFTWARE are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be 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 products are already well represented on the international market and are being used at more than 173,000 POS units in 36,000 stores in 36 countries. GK SOFTWARE also has several major partners with excellent networks in the retail sector. The partnership with SAP here should make it easier to gain access to new customers in international markets like the USA and Asia.

The 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 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 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 wants to play an active role in this process with its attractive range of products and solid financial backing.

## Outlook

The 2012 business year and the course of events in the first six months in 2013 have proven that it is not possible to guarantee sales success despite excellent conditions and a very good position in the market place. Based on the information available so far, the Management Board continues to believe that the company could expand its business. As a result, the company's earnings situation would continue to improve. But this can only happen if we manage to persuade customers to place orders this year, both in our direct and partner sales spheres. However, this assessment is subject to the effects of developments, which the company cannot influence and which could have a considerable effect on this forecast, regardless of whether these developments are expected or come as a surprise.

The pathway followed during the last few years has confirmed to the Management Board that the strategy that has been pursued of placing the company's business on a broader geographical footing and simultaneously making greater inroads into the home market is a successful approach. We therefore intend to increase the share of sales with companies, which have their management centres outside Germany, and, at the same time, serve our home market in Germany in an even better and more extensive manner by expanding into new retail segments and intensifying our business relations in the sectors where we already have a business presence.

Based on the assessments about the development of the overall economy and the retail sector outlined earlier, an expansion of turnover in the Group's core business activities related to GK/Retail is still possible in 2013. It is our goal to reach the levels of profitability of previous years again. The acquisition of the AWEK Group will additionally expand the company's business, but the growth in sales will probably be lower than the turnover achieved by the AWEK Group during the 2012 business year. The Management Board is not expecting a positive contribution to the Group's results before taxes and interest in 2013 because of the expenditure needed to cope with restructuring and integration work.

This kind of development may still be negatively impacted by the situation in the eurozone area, where problems have still not been finally resolved. If disruption comes to the overall economy, it is possible that the retail sector's clear willingness to make investments will be inhibited again and this would have a negative impact on the results at GK SOFTWARE.

On the basis of the information available at the moment, we still expect further growth in turnover for the GK/Retail business in 2014. As far as profitability is concerned, we are expecting to be able to achieve the margin level of previous years. Based on these expectations, we are not envisaging any negative impact on our excellent financial situation, either in the current or the next business year.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# Consolidated financial statements

# Consolidated Balance Sheet

on 30 June 2013

## Assets

| EUR | Notes No. | 30.6.2013 (not audited) | 31.12.2012 (audited) |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 3.1. | 4,808,438.32 | 4,884,102.79 |
| Intangible Assets | 3.2. | 10,252,033.79 | 10,883,814.83 |
| Financial Assets | | 1,660.00 | 1,660.00 |
| Active Deferred Taxes | 4.9. | 389,796.25 | 504,452.39 |
| **Total Non-Current Assets** | | **15,451,928.36** | **16,274,030.01** |
| **Current Assets** | | | |
| Inventories | | 1,285,743.10 | 1,018,607.23 |
| Trade Accounts Receivable | 3.3. | 8,762,099.36 | 10,859,813.32 |
| Accounts Receivable from Ongoing Work | 3.4. | 752,927.02 | 768,700.00 |
| Income Tax Assets | 3.6. | 471,143.37 | 1,321,894.70 |
| Other advanced payments | | 11,557.60 | 0.00 |
| Accounts Receivable from Associated Companies | 3.5. | 4,786.79 | 0.00 |
| Other Accounts Receivable and Assets | 3.6. | 3,448,512.45 | 3,550,244.42 |
| Cash and Cash Equivalents | 3.7. | 11,075,627.97 | 10,264,631.10 |
| **Total Current Assets** | | **25,812,397.66** | **27,783,890.77** |
| **Balance Sheet Total** | | **41,264,326.02** | **44,057,920.78** |

## Liabilities

| EUR | Notes No. | 30.6.2013 (not audited) | 31.12.2012 (audited) |
|---|---|---|---|
| **Equity Capital** | 3.8. | | |
| Subscribed Capital | | 1,790,000.00 | 1,790,000.00 |
| Capital Reserves | | 14,401,682.73 | 14,352,940.73 |
| Retained Earnings | | 31,095.02 | 31,095.02 |
| Other reserves | | 199,367.93 | (325,283.00) |
| Balance Sheet Profits | | 11,202,400.77 | 12,338,171.77 |
| **Total Equity Capital** | | **27,624,546.45** | **28,186,924.52** |
| **Non-Current Liabilities** | | | |
| Provisions for Pensions and Similar Obligations | 3.9. | 1,039,007.86 | 1,708,325.80 |
| Non-Current Bank Liabilities | 3.10. | 1,126,250.00 | 1,230,750.00 |
| Deferred Public Sector Subsidies | 3.11. | 919,639.33 | 957,586.04 |
| Deferred Tax Liabilities | 3.12.; 4.9. | 1,095,869.75 | 1,110,389.90 |
| Total Non-Current Liabilities | | **4,180,766.94** | **5,007,051.74** |
| **Current Liabilities** | | | |
| Current Provisions | 3.13. | 1,674,994.76 | 2,562,347.94 |
| Current Bank Liabilities | 3.10. | 2,294,014.54 | 2,244,605.84 |
| Trade Accounts Payable | 3.14. | 486,108.47 | 842,927.23 |
| Initial Payments Received | 3.15. | 707,817.70 | 1,056,989.66 |
| Income Tax Liabilities | 3.16. | 357,120.46 | 376,202.24 |
| Other Current Liabilities | 3.17. | 3,938,956.70 | 3,780,871.61 |
| **Total Current Liabilities** | | **9,459,012.63** | **10,863,944.52** |
| **Balance Sheet Total** | | **41,264,326.02** | **44,057,920.78** |

# Consolidated Income Statement

on 30 June 2013

| EUR K | Notes No. | 30.6.2013 (not audited) | 30.6.2012 (not audited) | 31.12.2012 (audited) |
|---|---|---|---|---|
| **Ongoing Business Divisions** | | | | |
| Sales Revenues | 4.1. | 18,402,128.62 | 16,235,289.84 | 28,425,826.84 |
| Changes in Stocks of Unfinished Work | | 0.00 | 0.00 | (127,306.31) |
| Own Work Capitalized | 4.2. | 73,138.80 | 487,360.01 | 747,679.34 |
| Other Operating Revenues | 4.3. | 1,054,294.17 | 569,032.01 | 1,657,766.63 |
| | | **19,529,561.59** | **17,291,681.86** | **30,703,966.50** |
| Materials Expenditure | 4.4. | (1,542,515.71) | (405,714.78) | (672,572.73) |
| Human Resources Expenditure | 4.5. | (12,771,017.48) | (9,322,023.50) [1] | (19,440,739.87) [1] |
| Depreciation and Amortization | 4.6. | (1,204,704.44) | (970,163.08) | (2,073,169.27) |
| Other Operating Expenditure | 4.7. | (5,039,529.37) | (3,595,806.58) | (7,400,578.30) |
| | | **20,557,767.00** | **14,293,707.94** [1] | **29,587,060.17** [1] |
| **Operating Results** | | **(1,028,205.41)** | **2,997,973.92** [1] | **1,116,906.33** [1] |
| Financial Income | 4.8. | (12,922.12) | (13,315.67) [1] | 27,622.26 [1] |
| **Net income for period** | | **(1,041,127.53)** | **2,984,658.25** [1] | **1,144,528.59** [1] |
| Profits carried forward | 4.9. | 94,643.47 | 809,952.49 | 144,378.53 |
| **Net income for period** | | **(1,135,771.00)** | **2,174,705.76** [1] | **1,000,150.06** [1] |
| Profits carried forward | | 12,338,171.77 | 12,233,021.71 | 11,388,021.71 |
| **Consolidated Net Profits** | | **11,202,400.77** | **13,512,727.47** [1] | **12,338,171.77** [1] |
| Number of shares issued (average figure) | | 1,790,000 | 1,790,000 | 1,790.000 |
| **Non-Diluted Earnings per Share (EUR/share)** | 4.10. | **(0.63)** | **1.21** [1] | **0.56** [1] |
| **Diluted Earnings per Share (EUR/share)** | 4.10. | **(0.63)** | **1.21** [1] | **0.56** [1] |

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

# Consolidated Results Accounts

on 30 June 2013

| EUR | 30.6.2013 (not audited) | 30.6.2012 (not audited) | 31.12.2012 (audited) |
|---|---|---|---|
| **Consolidated period net income** | **(1,135,771.00)** | **2,174,705.76** [1] | **1,000,150.06** [1] |
| **Items, which are not subsequently reclassified in the profit and loss statement** | | | |
| Actuarial profit/loss from defined benefit pension plans | 524,650.93 | (162,641.50) | (325,283.00) [1] |
| **Other earnings, after tax** | **524,650.93** | **(162,641.50)** | **(325,283.00)** [1] |
| **Total results** | **(611,120.07)** | **2,012,064.26** | **674,867.06** |
| **Allocation of total results to the owners of the parent company** | **(611,120.07)** | **2,012,064.26** | **674,867.06** |

# Statement of Changes in Equity

on 30 June 2013

| EUR | Subscribed capital | Capital reserves | Retained earnings | Other reserves[1] | Balance sheet profits[1] | Total[1] |
|---|---|---|---|---|---|---|
| **Figures on 1 January 2012** | **1,790,000.00** | **14,177,069.73** | **31,095.02** | **0.00** | **12,233,021.71** | **28,231,186.46** |
| Stock option program | 0.00 | 127,399.00 | 0.00 | 0.00 | 0.00 | 127,399.00 |
| Dividend payments | 0.00 | 0.00 | 0.00 | 0.00 | (895,000.00) | (895,000.00) |
| Impact of the first use of IAS 19 | 0.00 | 0.00 | 0.00 | (162,641.50) | 0.00 | (162,641.50) |
| Net income for the period | 0.00 | 0.00 | 0.00 | 0.00 | 2,174,705.76 | 2,174,705.76 |
| **Figures on 30 June 2012 (adjusted)** | **1,790,000.00** | **14,304,468.73** | **31,095.02** | **(162,641.50)** | **13,512,727.47** | **29,475,649.72** |
| Stock option program | 0.00 | 48,472.00 | 0.00 | 0.00 | 0.00 | 48,472.00 |
| Dividend payments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Impact of the first use of IAS 19 | 0.00 | 0.00 | 0.00 | (162,641.50) | 0.00 | (162,641.50) |
| Net income for the period | 0.00 | 0.00 | 0.00 | 0.00 | (1,174,555.70) | (1,174,555.70) |
| **Figures on 31 December 2012** | **1,790,000.00** | **14,352,940.73** | **31,095.02** | **(325,283.00)** | **12,338,171.77** | **28,186,924.52** |
| Stock option program | 0.00 | 48,742.00 | 0.00 | 0.00 | 0.00 | 48,742.00 |
| Allocation based on IAS 19 | 0.00 | 0.00 | 0.00 | 524,650.93 | 0.00 | 524,650.93 |
| Net income for the period | 0.00 | 0.00 | 0.00 | 0.00 | (1,135,771.00) | (1,135,771.00) |
| **Figures on 30 June 2013** | **1,790,000.00** | **14,401,682.73** | **31,095.02** | **199,367.93** | **11,202400.77** | **27,624,546.45** |

# Consolidated Cash Flow Statement

on 30 June 2013

## Cash Flows from Operating Business

| EUR K | Notes No. | 30.6.2013 (not audited) | 30.6.2012 (not audited)[1] |
|---|---|---|---|
| **Cash Flows from Operating Business** | | | |
| Consolidated results for the period | | (1,136) | 2,174 |
| Income taxes affecting results | | 95 | 810 |
| Stock option program (non-cash expenses) | | 49 | 127 |
| Interest expenditure affecting operating results | | 61 | 122 |
| Interest yields affecting operating results | | (49) | (109) |
| Profit/loss from the sale or disposal of property, plant and equipment | | 0 | 0 |
| Reversals of deferred public sector subsidies | | (38) | (33) |
| Write-Downs Recognized for Receivables | | 363 | 0 |
| Write-ups recognized for receivables | | (75) | (30) |
| Amortization/depreciation | | 1,205 | 970 |
| Allocation of other earnings | | 525 | (162) |
| Other Non-Cash Revenues and Expenditure | | 3 | (1) |
| | | **1,003** | **3,868** |
| **Changes in Net Current Assets** | | | |
| Changes in Trade Accounts Receivable and Other Receivables | | 1,897 | 1,479 |
| Changes in Inventories | | (267) | 0 |
| Changes in Trade Accounts Payable and Other Liabilities | | (352) | (893) |
| Changes in Initial Payments Received | | (349) | 755 |
| Changes in Provisions | | (1,557) | 789 |
| **Influx Provided by Operating Business** | | **375** | **5,998** |
| Interest Payments Received | | 62 | 46 |
| Interest Paid | | (30) | (116) |
| Income Taxes Paid | | 837 | (1,182) |
| **Net Flow Provided by Operating Business (Transfer)** | | **1,244** | **4,746** |

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

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

| EUR K | Notes No. | 30.6.2013 (not audited) | 30.6.2012 (not audited)[1] |
|---|---|---|---|
| **Transfer** (Net Cash Flow Provided by Operating Business) | | **1,244** | **4,746** |
| **Cash Flow from Investment Activities** | | | |
| Payments for Property, Plant and Equipment and Non-Current Assets | | (497) | (949) |
| Proceeds from disposals of fixed assets | | 0 | 0 |
| Investment Subsidies Used | | 0 | 2 |
| Disbursed Loans | | (18) | (129) |
| Proceeds from the repayment of loans | | 139 | 0 |
| **Net Cash Outflow for Investment Activities** | | **(376)** | **(1,076)** |
| **Cash Flow from Financing Activities** | | | |
| Dividend Payments | | 0 | (895) |
| Loans Taken Out | | 85 | 92 |
| Repayment Instalments for Loans | | (140) | (370) |
| **Net Income in Cash and Cash Equivalents from Financing Activities** | | **(55)** | **(1,173)** |
| **Net Income in Cash and Cash Equivalents** | | **813** | **2,497** |
| *of which: influx of cash and cash equivalents as a result of the acquisition of the company* | | 0 | 0 |
| Cash and Cash Equivalents at the Beginning of the Fiscal Year | 5. | 10,265 | 13,859 |
| Impact of Changes in Exchange Rates on Cash and Cash Equivalents | | (2) | (1) |
| **Cash and Cash Equivalents at the end of the accounting year** | 5. | **11,076** | **16,355** |
| Limited Available Funds | 3.7 | 10 | 10 |

# Notes on the Consolidated Accounts

on 30 June 2013

## 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 rate) 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.

Any standards that have been published, but have not yet come into force or interpretations have not yet been applied to the Group's interim financial statements. The managers assume that the effects on the annual accounts during the first year of use will not be substantial. The International Accounting Standards Board (IASB) published the amendments to IAS 19 "Employee Benefits" in June 2012 and they were adopted by the EU in June 2012. The amendments to IAS 19 must be applied retrospectively to annual accounts for business years that start on or after 1 January 2013. The main effects for GK SOFTWARE AG result from the fact that the actuarial profit and loss is no longer entered under the profit and loss statement, but directly under "Other income". The Group's profit and loss statement will in future remain exempt from any actuarial profit and loss, as these figures will now be entered under "Other income". The net interest rate will also be introduced. The net pension obligations will then be discounted with the discount interest rate that underlies the gross pension obligations. As the net pension obligations have been reduced by any plan assets, interest amounting to the discount interest rate is assumed as a result of this calculation of the plan assets.

GK SOFTWARE AG has adapted the previous year's figures by the consequences arising from the amendments to IAS 19. The International Accounting Standards Board (IASB) adopted the IAS 1 (amendments in 2011) "Presentation of Items of Other Comprehensive Income" in June 2011.

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 major changes for GK SOFTWARE AG result from the fact that other income has to be separated into different constituent parts: those that are not reclassified and those that still have to be reclassified. The changes do not affect the content of other income. The International Accounting Standards Board (IASB) did not publish any other new accounting standards (IFRS) that need to be applied in the current business year.

The annual accounts for GK SOFTWARE AG and its subsidiaries are included in the consolidated accounts, taking into the consideration the standard approach and assessment methods that apply to the Group.

The Group interim accounts have been prepared in euros. The classification of the balance sheet in line with IFRS has been performed according to the maturity of the individual balance sheet items. The profit and loss statement is prepared according to the total cost method of accounting.

GK SOFTWARE generally accounts for trade accounts receivable and accounts payable as current items on the balance sheet. Pension obligations are shown as non-current debts in line with their character.

Deferred tax claims or liabilities are shown as non-current.

### 1.3. Consolidated Companies

The interim consolidated accounts include GK SOFTWARE AG and all the active 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, Zürich/Switzerland and OOO GK Software RUS, Moscow/Russia. StoreWeaver GmbH, Zürich/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, Zürich/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 on 31 December 2012 by way of full consolidation from the time of the acquisition, on 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 interim consolidated accounts and could impair the comparability of our interim consolidated accounts in the first half of 2013 with those of the first half of the previous year.

All the firms within the consolidated companies are exclusively owned by GK SOFTWARE AG.

### 1.4. Principles of Consolidation

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

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

### 1.5. Currency Conversion

The interim 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 H1 interim consolidated 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.

### 1.6. Adapting the previous year's figures

The IASB published amendments to IAS 19 "Benefits to Employees" in June 2011 and they were adopted by the EU in June 2012. The amendments to IAS 19 must be retrospectively applied to annual accounts for business years, which start on or after 1 January 2013. GK SOFTWARE AG has adapted the figures reported for the previous year through the impact arising from the amendments to IAS 19.

The following table shows the effect of applying IAS 19 to the major items on the consolidated balance sheet on 30 June 2012 and on 31 December 2012.

| **EUR** | **31.12.2012** | **30.6.2012** |
|---|---|---|
| Other retained earnings from OCI | (325,283.00) | (162,641.50) |
| Net income for the period | 325,283.00 | (909.53) |
| **Changes in equity** | **0.00** | **163,551.03** |

The effects on the consolidated profit and loss statement for the period 1 January – 30 June 2012 and for the full year in 2012 are shown in the following table.

| **EUR** | **31.12.2012** | **30.6.2012** |
|---|---|---|
| Human resources expenditure | (332,165.00) | (2,531.47) |
| Net interest | 6,882.00 | (3,441.00) |

The undiluted and the diluted earnings per share increased in Q2 in 2012 by EUR 0.01 and decreased by EUR 0.18 on 31 December 2012.

By maintaining the accounting procedures in IAS 19 in their non-amended version, there would have been major effects on the consolidated profit and loss statement on 30 June 2013 in conjunction with the entry of actuarial profit and loss: the net actuarial profit and loss amounting to EUR 525K would have been entered immediately under the profit and loss account and not directly under "Other income". There would have been no other major consequences on the consolidated balance sheet and the consolidated profit and loss statement on 30 June 2013.

## 2. Balance Sheet and Assessment Principles

### 2.1. Principles of accounting and assessment

Generally speaking, the same principles of accounting and assessment have been used as in the consolidated accounts on 31 December 2012.

The interim 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.

### 2.2. Revenue Recognition

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

#### 2.2.1. Sale of goods

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

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

#### 2.2.2. Providing Services

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

***Revenues from licenses:***

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

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

The revenue recognition in principle takes place at the time when the agreed service is handed over to or accepted by the customer. As the times of acceptance could be too far apart because of new project structures, the work is assessed according to IAS 18.20 in conjunction with IAS 18.26 in order to guarantee revenue recognition according to IFRS (IAS 18). 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.

### 2.3. Management Estimates and Appraisals

In preparing the As the times of acceptance could be too far apart because of new project structures, the work is assessed according to IAS 18.20 in conjunction with IAS 18.26 in order to guarantee revenue recognition according to IFRS (IAS 18). 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 half year statements were prepared, the assumptions and estimates on which they were based were not subject to any major risks, so that management assumes that no major adjustment of the carrying amounts of the assets and liabilities indicated on the balance sheet will be necessary in the following fiscal year from the current point of view.

#### 2.3.1. Main Sources of Uncertainty Regarding Estimates

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

*Intrinsic value of intangible assets developed in-house*

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 EUR 1.635K on the consolidated balance sheet dated 30 June 2013.

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 have been recognized at their full rate despite the possibility of lower revenues. The situation is being carefully monitored and, should the market situation demand it, adjustments will be made in subsequent 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 EUR 6,403K 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 EUR 242K 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 was necessary.

No events took place during the reporting period, which would necessitate another review of the intrinsic value of the goodwill prior to the regular checks.

*Intrinsic value of accounts receivable from ongoing work*

The accounts receivable from ongoing work amounting to EUR 753K 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 EUR 777K under customer base for the very first time in 2009. The customer base is amortized in a linear fashion over the expected period of use of seven years as expenditure and was entered on the consolidated balance sheet with a value of EUR 185K 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 EUR 802K under customer base. The customer base is amortized as expenditure in a linear fashion over the expected period of use of five years and was entered with a value of EUR 708K 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 2013 | 4,630,864.05 | 0.00 | 3,758,045.63 | 71,906.92 | 8,460,816.60 |
| Accruals | 643.75 | 0.00 | 331,326.77 | 0.00 | 331,970.52 |
| Disposals | 0.00 | 0.00 | 56,687.80 | 0.00 | 56,687.80 |
| **Figures on 30 June 2013** | **4,631,507.80** | **0.00** | **4,032,684.60** | **71,906.92** | **8,736,099.32** |
| **Accumulated depreciation** | | | | | |
| Figures on 1 January 2013 | 819,795.05 | 0.00 | 2,756,918.76 | 0.00 | 3,576,713.81 |
| Accruals | 73,207.02 | 0.00 | 330,081.99 | 0.00 | 403,289.01 |
| Disposals | 0.00 | 0.00 | 52,341.82 | 0.00 | 52,341.82 |
| **Figures on 30 June 2013** | **893,002.07** | **0.00** | **3,034,658.93** | **0.00** | **3,927,661.00** |
| **Carrying amounts on 30 June 2013** | **3,738,505.73** | **0.00** | **998,025.67** | **71,906.92** | **4,808,438.32** |

Procurement obligations for other office and business equipment existed and amounted to approx. EUR 88K.

## 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 2013 | 6,194,730.41 | 2,069,686.40 | 6,645,282.85 | 1,579,000.00 | 0.00 | 16,488,699.66 |
| Accruals | 73,138.81 | 96,495.58 | 0.00 | 0.00 | 0.00 | 169,634.39 |
| **Figures on 30 June 2013** | **6,267,869.22** | **2,166,181.98** | **6,645,282.85** | **1,579,000.00** | **0.00** | **16,658,334.05** |
| **Accumulated amortization** | | | | | | |
| Figures on 1 January 2013 | 4,148,995.90 | 889,562.26 | 0.00 | 566,326.67 | 0.00 | 5,604,884.83 |
| Accruals | 483,968.75 | 198,206.68 | 0.00 | 119,240.00 | 0.00 | 801,415.43 |
| **Figures on 30 June 2013** | **4,632,964.65** | **1,087,768.94** | **0.00** | **685,566.67** | **0.00** | **6,406,300.26** |
| **Carrying amounts on 30 June 2013** | **1,634,904.57** | **1,078,413.04** | **6,645,282.85** | **893,433.33** | **0.00** | **10,252,033.79** |

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.

The goodwill concerns the acquisition of the operating business of Solquest GmbH. The achievable amount was determined using the value in use. Detailed turnover and cost planning for the unit generating the cash and cash equivalents is carried out once a year to assess the intrinsic value of the carrying amount of the goodwill and the cash flow resulting from this is calculated. If there are any signs that the discounted cash flow does not match the carrying amount, the sales and cost planning is performed during the course of the year as well. There were no indications of this on the balance sheet reporting date of 30 June 2013.

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

### 3.3. Trade Accounts Receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. The total write-downs in the first half of 2013 amount to EUR 363K in all (EUR 336K in 2012 ). The write-downs have been entered under other operating expenditure

Accounts receivable in CZK amounting to EUR 2K (EUR 8K in the previous year)and EUR 34K (previous year: EUR 35K ) in CHF existed on the balance sheet date on 30 June 2013.

### 3.4. Accounts Receivable from Ongoing Work

Customer orders, for which sales revenues have been realized according to IAS 18.20 or according to IAS 18.26 in conjunction with IAS 18.20, must be shown as assets, 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 EUR 752,927.02 (EUR 769 K in 2012) on the balance sheet date on 30 June 2013.

### 3.5. Accounts Receivable from Associated Companies

There were accounts receivable related to associated companies amounting to EUR 5K (EUR 0 K in the previous year) on the reporting date of 30 June 2013; they related to AWEK Hong Kong Ltd.

### 3.6. Other Accounts Receivable, Assets and Income Tax Assets

| EUR | H1 2013 | 31.12.2012 |
|---|---|---|
| Loans paid to third parties | 2,748,919.29 | 2,870,485.15 |
| Tax receivables | 471,143.37 | 1,321,894.70 |
| Accounts receivable from members of the Management Board | 67,984.23 | 72,643.81 |
| Others | 631,608.93 | 607,115.46 |
| *Those based on legal claims* | *101,576.04* | *148,704.63* |
| *Those based on asset deferrals* | *451,247.56* | *340,253.32* |
| **Total** | **3,919,655.82** | **4,872,139.12** |

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

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

Other accounts receivable amounting to EUR 26K existed in CZK on the balance sheet date (previous year: EUR 45K ), EUR 2K (previous year: EUR 3K ) in CHF and EUR 6K (previous year: EUR 0K ) in RUB.

### 3.7. Cash and Cash Equivalents

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

### 3.8. Equity Capital

We refer you to the statement of changes in equity for more information on changes to the equity at GK SOFTWARE AG on the 30 June 2013 balance sheet date.

The company's share capital amounted to EUR 1,790,000.00 on 1 January 2013 and was divided into 1,790,000 individual share certificates, after an increase in share capital of EUR 125,000.00 (corresponding to 7.5 percent of the share capital that existed at the time of the increase – i.e. EUR 1,665,000.00) was carried out on 20 December 2010 based on capital totaling EUR 625,000.00, which was approved by a decision taken at the annual shareholders' meeting on 14 May 2008. The subscribed capital on 30 June 2013 amounted to EUR 1,790,000.00, which was divided into 1,790,000 individual share certificates with a mathematical holding in the share capital of EUR 1 each.

No shares were owned by GK SOFTWARE AG on the balance sheet date on 30 June 2013.

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 EUR 625,000.00 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 EUR 125,000.00 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 2010 and issued 12,300 stock options to Group employees. The company once again issued 9,450 stock options to group employees during 2011. In the reporting year 16,175 stock options were 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 authorisation 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.

**Authorisation to acquire company shares.** the Management Board was authorised by a decision taken at the annual shareholders' meeting on 18 June 2013 to purchase the company's own shares amounting to up to 10 percent of the company's share capital (EUR 1,790,000.00), which existed at the time that the decision was made, until 17 June 2018 – provided that the Supervisory Board agrees. The acquired shares together with the other shares, which are owned by the company or can be assigned to it according to Sections 71a ff. of the German Public Companies Act, may not exceed 10 percent of the share capital at any time. This authorisation may not be used for the purposes of trading in the company's own shares.

The revenue reserves item contains the adjustment to the legal provisions. The "Other reserves" item includes actuarial profit and loss amounts (from defined benefit pension obligations and plan assets), which are directly entered under "Other income.

No dividend payments were made in the first half of 2013 (2012: dividend payments amounting to EUR 895K).

### 3.9. 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. Provision has been made for the senior members of staff involved for the time after they have retired. This concerns final salary plans based on individual pension agreements. Contributions to a private pension plan are made to cover part of the plans.

TThe promises of benefits involve 4 employees, 2 of them actively working for the company and 2 former employees.

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:

| | H1 2013 | 2013 |
|---|---|---|
| Pensionable age (m/f) | 60–65/ 60–65 | 60–65/ 60–65 |
| Actuarial interest rate / discount on 1 January | 3.50%p.a. | 5.00% p.a. |
| Actuarial interest rate / discount on 30 June | 3.20% p.a. | 3.50% p.a. |
| Salary development / rate of benefit increase | 0.00% p.a. | 0.00% p.a. |
| Rate of pension increase | 1.50% p.a. | 1.50% p.a. |
| Expected yield from the plan assets | 4.30% p.a/ 3.50% p.a. | 4.30% p.a/ 3.50% 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 plan assets exclusively consist of re-insurance policies.

The following figures relate to expenditure on pension provisions:

| EUR K | H1 2013 | 31.12.2012 (adjusted) |
|---|---|---|
| Current expenditure on period of service | 18.6 | 22 |
| Net interest expenditure | 34.8 | 9.2 |
| Past service costs | | 94 |
| **Expenditure on pension benefits** | **53.4** | **125.4** |
| Actual revenues from plan assets | 28.2 | 4.4 |

The net expenditure on interest consists of the expenditure on interest amounting to EUR 54.6K (EUR 23.8K in the previous year) minus the expected revenues from plan assets amounting EUR 19.8K (EUR 14.6K in the previous year). The interest share from the allocation of the pension provision and the revenues from the plan assets are entered in the financial results and the service costs are entered in the expenditure on personnel as "Expenditure for pension scheme".

The actuarial profit and loss amounting to EUR 524.6K is entered under "Other income" and accrued from the following circumstances in the first half of 2013:

A lump-sum settlement amounting to EUR 150,415.07 was paid to one entitled person as part of a settlement agreement for a pension promise. This payment settles all the claims arising from this pension arrangement. Actuarial profits amounting to EUR 614.9K accrued as a result of the lump-sum settlement. An actuarial loss amounting to EUR 106.1K and actuarial profit amounting to EUR 15.8K were also mainly caused by changes in the financial assumptions.

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 | H1 2013 | 2012 |
|---|---|---|
| Account balance on 1 January: | 3,188,199 | 476,574 |
| Accruals through corporate mergers | – | 2,340,072 |
| + Interest expenditure | +54,603 | +23,825 |
| + Working Period Costs | +18,556 | +22,066 |
| + Working period costs to be additionally calculated | – | +94,018 |
| – Payment of lump-sum settlement | (150,415) | – |
| – Benefits paid | (54,327) | – |
| – Actuarial Profits | (614,916) | – |
| + Actuarial Losses | +98,624 | +231,644 |
| **Account balance on 31 December:** | **2,540,324** | **3,188,199** |

The development of the plan assets is shown as follows:

| EUR | H1 2013 | 2012 |
|---|---|---|
| Plan assets on 1 January: | 1,479,873 | 283,560 |
| Accrual on account of the change in consolidated companies | – | 1,090.085 |
| + Expected Yields from Plan Assets | 19,861 | +14,571 |
| + Contributions | 55,310 | +110,619 |
| – Benefits paid | (62,087) | – |
| – Actuarial Losses | (7,470) | (18,962) |
| + Actuarial Profits | +15,829 | – |
| **Account balance on 31 December:** | **1,501,316** | **1,479,873** |

It is therefore clear that there is a planned deficit amounting to EUR 1,039,008 (2012: EUR 1,708,326.

We are assuming that contribution amounting to EUR 110,620 will be paid into the plan during the whole of 2013.

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 | Shortfall (–) Surplus (+) |
|---|---|---|---|
| **H1 2013** | **2,540,324** | **1,501,316** | **1,039,008** |
| 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) |

### 3.10. Non-Current and current Bank Liabilities

Two investments loans (original amounts: EUR 750K and EUR 450K) were taken out with the Commerzbank AG Plauen in2007. The company also took over a loan (EUR 225K) from Gläß & Kronmüller OHG, Schöneck in the course of the merger in 2007. Security for the loans is provided through registered land charges on the business real estate, recorded in the land register for Schöneck, Plauen Local Court, page 1895. The loan, which was taken over during the course of the merger, was rescheduled during 2009. The two other loans were valued at a total of EUR 615K 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 2009 as a result of the new extension building, the above mentioned rescheduling and the acquisition of Solquest (DZ Bank EUR 748K, KfW EUR 180K, KfW EUR 5,000K). These loans were valued at EUR 720K on 30 June 2013. In order to provide security for the loans from the DZ bank, land charges amounting to EUR 1,085K have been entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895. The loans of EUR 5,000K from the KfW bank were fully repaid during the 2012 financial year.

These loans, which amounted to EUR 1,335K on the reporting date, must be repaid with scheduled payments totalling EUR 105K by 31 December 2013. This share of repayment is entered under "Current bank liabilities."

The Current bank liabilities also include a global credit agreement with DZ Bank. This was worth EUR 2,000K on the balance sheet reporting date and a credit card limit, which has been used to the tune of EUR 85K.

### 3.11. Public Sector Subsidies Charges to Subsequent Accounting Years

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

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

### 3.12. Deferred Taxes

Please refer to section 4.9.

### 3.13. Current Provisions

| EUR | Human resources department | Production department | Other departments | Total |
|---|---|---|---|---|
| Figures on 1 January 2013 | 669,608.98 | 1,499,011.00 | 393,727.96 | 2,562,347.94 |
| Amounts used | 645,146.95 | 27,200.00 | 210,522.15 | 882,869.10 |
| Amortization | 637.03 | 363,000.00 | 42,802.07 | 406,439.10 |
| Allocation | 322,980.42 | 0.00 | 78,974.60 | 401,955.02 |
| **Figures on 30 June 2013** | **346,805.42** | **1,108,811.00** | **219,378.34** | **1,674,994.76** |

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 EUR 837K have been newly formed for expected warranty expenditure for one project. With funds totalling EUR 363K, the risk of having to having to make use of this has receded and the provision has been reduced accordingly.

### 3.14. Trade Accounts Payable

Accounts receivable are due to settled within one year.

Accounts payable in foreign currencies amounting to EUR 0 K (EUR 11K in the previous year) existed in CZK on the balance sheet date on 30 June 2013, EUR 0K (previous year: EUR 0K ) and in CHF and EUR 1K in RUS (previous year: EUR 0K )

### 3.15. 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 on June 2013.

### 3.16. 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.

### 3.17. Other Current Liabilities

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

Other liabilities in foreign currencies amounting to EUR 269K (EUR 266 K in the previous year) existed in CZK on the balance sheet date on 30 June 2013, EUR 25K (previous year: EUR 25K ) in CHF and EUR 1K in RUS (previous year: EUR 0K ).

| EUR | H1 2013 | 2012 |
|---|---|---|
| Tax liabilities | 336,892.00 | 1,127,679.80 |
| Liabilities from wages and salaries | 2,303,962.67 | 2,140,999.07 |
| Other liabilities towards members of staff | 4,877.79 | 22,740.20 |
| Others | 1,293,224.24 | 489,452.54 |
| *Those based on liabilities deferrals* | *661,970.84* | *28,213.90* |
| **Total** | **3,938,956.70** | **3,780,871.61** |

### 3.18. Secured Liabilities

Two investment loans were taken out with the Commerzbank AG Plauen in 2007. The loans are secured by the registered land charges on the company's real estate (Carrying amount EUR 615K), 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 EUR 0K on 30 June 2013 (EUR 0K in the previous year), as the relevant loan was repaid on 30 September 2012. Three other loans were taken out (DZ Bank, KfW) during 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 EUR 174K recorded during the first half of the business year for sales that were calculated according to IAS 18.20 in conjunction with IAS 11 (customised software). There have no sales been realized during the reporting period 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. 3.4).

As regards the make-up of the significant categories of revenues, we would refer to section 6 entitled "Segment Reporting." Warranty provisions amounting to EUR 1,109K were set aside.

### 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 | H1 2013 | H1 2012 |
|---|---|---|
| Reversals of uncertain other liabilities or provisions | 407,938.45 | 161,677.00 |
| Vehicle use | 296,140.29 | 177,871.32 |
| Earnings from reversals of deferred public grants | 34,592.77 | 29,728.75 |
| Employee contributions towards food allowances | 25,431.74 | 28,223.49 |
| Earnings from investment grants | 3,353.94 | 3,353.94 |
| Earnings from other periods | 1,007.84 | – |
| Reduction value adjustments | 112,600.00 | 30,300.00 |
| Others | 173,229.14 | 137,877.51 |
| **Total** | **1,054,294.17** | **569,032.01** |

### 4.4. Materials Expenditure

| EUR | H1 2013 | H1 2012 |
|---|---|---|
| Expenditure on raw materials, consumables and supplies | 1,085,673.27 | 95,917.84 |
| Expenditure on purchased services | 456,842.44 | 309,796.04 |
| **Total** | **1,542,515.71** | **405,714.78** |

## 4.5. Human Resources Expenditure

| EUR | H1 2013 | H1 2012 |
|---|---|---|
| Wages and salaries | 10,649,479.15 | 7,818,303,23[1] |
| Social security contributions | 2,084,196.20 | 1,479,854.14 |
| Expenditure on retirement benefits | 37,342.13 | 23,866.13 |
| **Total** | **12,771,017.48** | **9,322,023,50[1]** |

On average, 556 people were employed during the first half of 2013. 423 people were employed on the balance sheet date of 30 June 2012 on average. 561 people were employed on the balance sheet date on 30 June 2013.

## 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 | H1 2013 | H1 2012 |
|---|---|---|
| Interest income | 48,540.22 | 109,132.33[1] |
| Interest expenditure | (61,462.34) | (122,448.00)[1] |
| **Account Balance** | **(12,922.12)** | **(13,315.67)[1]** |

## 4.9. Income Taxes

| EUR | H1 2013 | H1 2012 |
|---|---|---|
| Current tax liabilities | (5,492.52) | 757,286.75 |
| Deferred tax revenue | 100,135.99 | 52,665.74 |
| **Total** | **94,643.47** | **809,952.49** |

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:

| | H1 2013 | | 2012 | |
|---|---|---|---|---|
| EUR | Assets | Liabilities | Assets | Liabilities |
| Fixed assets | 0.00 | 1,456.50 | 0.00 | 1,456.50 |
| Intangible assets | 115,864.85 | 1,028,961.46 | 112,037.00 | 1,091,983.34 |
| Provisions for guarantees | 0.00 | 0.00 | 87.39 | 2,534.31 |
| Provisions for pensions | 272,999.24 | 0.00 | 384,462.90 | 0.00 |
| Accounts Receivable from Ongoing Work | 932.16 | 65,451.79 | 7,865.10 | 14,415.75 |
| **Total according to balance sheet** | **389,796.25** | **1,095,869.75** | **504,452.39** | **1,110,389.90** |

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

Deferred tax claims / liabilities result from:

| | H1 2013 | | | 2012 | | | |
|---|---|---|---|---|---|---|---|
| EUR | Initial balance | Accruals through corporate mergers | Final balance | Initial balance | Accruals through corporate mergers | Income statement-related | Final balance |
| Anlagevermögen | (1,456.50) | 0.00 | (1,456.50) | (1,456.50) | – | 0.00 | (1,456.50) |
| Pensionsrückstellungen | 384,462.90 | (111,463.66) | 272,999.24 | 49,044.14 | 239,844.00 | 95,574.76 | 384,462.90 |
| Gewährleistungsrückstellung | (2,446.92) | 2,446.92 | 0.00 | 5,048.23 | – | (7,495.15) | (2,446.92) |
| Immaterielle Vermögenswerte selbsterstellte Software | (593,834.47) | 117,586.77 | (476,247.70) | (686,264.16) | – | 92,429.69 | (593,834.47) |
| Erworbene immaterielle Vermögenswerte im Rahmen des Unternehmenserwerbs (Erworbene Technologien) | (107,251.52) | (6,588.40) | (113,839.92) | – | (107,781.36) | 529.84 | (107,251.52) |
| Erworbene immaterielle Vermögenswerte im Rahmen des Unternehmenserwerbs (Kundenbeziehungen) | (222,928.35) | 22,760.51 | (200,167.84) | – | (226,605.10) | 3,676.75 | (222,928.35) |
| Erworbene immaterielle Vermögenswerte aufgrund des Solquest-Erwerbs (Kundenbeziehungen) | 112,037.00 | 3,827.85 | 115,864.85 | 85,227.00 | – | 26,810.00 | 112,037.00 |
| Firmenwert Solquest-Erwerb | (167,969.00) | (70,737.00) | (238,706.00) | (22,319.00) | – | (145,650.00) | (167,969.00) |
| Forderungen aus Leistungsfortschritt | (6,550.65) | (57,968.98) | (64,519.63) | 1,485.63 | (15,534.46) | 7,498.18 | (6,550.65) |
| Sonstige Rückstellungen | – | – | – | – | (80,847.22) | 80,847.22 | 0.00 |
| Sonstige Vermögenswerte | – | – | – | – | 4,254.21 | (4,254.21) | 0.00 |
| **Saldo** | **(605,937.51)** | **(100,135.99)** | **(706,073.50)** | **(569,234.66)** | **(186,669.93)** | **149,967.08** | **(605,937.51)** |

### 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 shares in circulation during the first half of 2013 was 1,790,000 (1,790,000 in the previous year). The consolidated period net debt on 30 June 2013 amounted to EUR (1,136K) (H1 2012: EUR 2,175K ). As a result, the earnings per share amounted to EUR (0.63) in 2013 (2012: EUR 1,21[1]).

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 30 June 2013, 25,625 options (21,750 options in H1 2012) were not taken into account.

The diluted results per share therefore tally with the non-diluted results per share of EUR (0.63) (H1 2012: EUR 1,21[1]).

### 4.11. Use of Profits

The annual shareholders' meeting in 2013 agreed to the suggestion made by the Supervisory Board and the Management Board to carry forward the 2012 balance sheet profits at GK SOFTWARE AG amounting to EUR 4,617,687.54 to a new account in line with the commercial law regulations.

## 5. Notes on the Cash Flow Statement

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

## 6. Segment Reporting

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

The key 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 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 | | |
|---|---|---|---|---|---|---|
| EUR K | H1 2013 | H1 2012 | FY 2012 | H1 2013 | H1 2012 | FY 2012 |
| **Sales with third parties** | **12,648** | **15,311** | **25,959** | **717** | **924** | **1,918** |
| Licenses | 1,271 | 3,078 | 3,838 | – | – | – |
| Servicing work | 3,727 | 3,292 | 7,332 | 537 | 740 | 1,487 |
| Services | 7,301 | 8,812 | 14,043 | 181 | 182 | 426 |
| Other matters | 362 | 138 | 766 | (1) | 2 | 5 |
| Revenue reductions | (13) | 9 | (20) | – | – | – |
| **Sales with another segment** | **443** | **672** | **1,219** | **62** | **–** | **–** |
| **EBIT segment** | **(1,175)** | **2,935** | **586** | **167** | **60** | **318** |
| **Assets** | **36,901** | **43,063** | **37,873** | **2,484** | **2,457** | **2,263** |
| **Cash and cash equivalents** | **9,030** | **14,752** | **8,567** | **1,876** | **1,603** | **1,609** |

Depreciation/amortization of EUR 945K accumulated for the GK/Retail segment, EUR 55K for SQRS and EUR 205K 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 EUR 4,064K with customers that have their headquarters outside Germany. The share of sales from the SQRS business area amounted to EUR 69K and from the IT-Services EUR 36K. In addition, there were sales with customers, which have their headquarters in Germany, but which asked the company to render accounts to the relevant national companies receiving the services. These sales amounted to EUR 187K , 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. EUR 3,909K or 21.2 percent of the total sales in the first half of 2013. These sales related to the GK/Retail segment with one customer.

| IT-Services | | | Eliminations | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| H1 2013 | H1 2012 | FY 2012 | H1 2013 | FY 2012 | GJ 2012 | H1 2013 | H1 2012 | FY 2012 | EUR K |
| **5,037** | **–** | **549** | **–** | **–** | **–** | **18,402** | **16,235** | **28,426** | **Sales with third parties** |
| – | – | – | – | – | – | 1,271 | 3,078 | 3,838 | Licenses |
| 2,404 | – | – | – | – | – | 6,668 | 4,032 | 8,819 | Servicing work |
| 13 | – | – | – | – | – | 7,495 | 8,994 | 14,469 | Services |
| 2,650 | – | 552 | – | – | – | 3,011 | 140 | 1,323 | Other matters |
| (30) | – | (3) | – | – | – | (43) | (9) | (23) | Revenue reductions |
| **60** | **–** | **–** | **(565)** | **(672)** | **(1,219)** | **–** | **–** | **–** | **Sales with another segment** |
| **(22)** | **–** | **(120)** | **–** | **–** | **–** | **(1,030)** | **2,995** | **784** | **EBIT segment** |
| **4,942** | **–** | **5,130** | **(3,061)** | **(791)** | **(1,208)** | **41,266** | **44,729** | **44,058** | **Assets** |
| **170** | **–** | **89** | **–** | **–** | **–** | **11,076** | **16,355** | **10,265** | **Cash and cash equivalents** |

# 7. Other Information

## 7.1. Contingent Liabilities

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

One credit by way of bank guarantees amounting to EUR 34K (H1 2012: EUR 34K) as far as contingent liabilities is concerned and this loan is granted by Volksbank Vogtland e.G. The guarantee is part of the normal collateral for leasing payments at the Berlin office and is secured by the pledging of cash deposits. The Management Board does not expect it to be necessary to make use of the guarantee.

## 7.2. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure amounted to EUR 470K on 30 June 2013 (H1 2012: EUR 279K ).

Payment obligations from operating leasing contracts amounting to EUR 1,475K (H1 2012: EUR 850K )(EUR 778K (H1 2012: EUR 473K ) are due for payment within one year and EUR 697K (H1 2012: EUR 377K ) within five years) exist. There are no finance/leasing agreements.

## 7.3. 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 | Zürich/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 | Moscow/ Russian Federation | 100.0 | 100.0 | Software development, software programming |
| AWEK GmbH | Barsbüttel | 100.0 | 100.0 | IT services |
| AWEK microdata GmbH | Bielefeld | 100.0 | 100.0 | Software development, software programming |
| AWEK 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.

## 7.4. Details of Associated Persons and Corporations

All the transactions with associated persons and companies were handled under normal market conditions. 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 the first half of 2013.

**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 EUR 706K on 30 June 2013.

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" in the consolidated financial statements 2012. 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 2011 and 6,000 from the 2012 with a fair value at the issuing time per option of EUR 21.025 and EUR 11.929 respectively.

During the first half of 2013 EUR 26K were 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 the 2010 – 2014 business years inclusive. As a result, no detailed information is available here.

The company formed pension provisions amounting to EUR 100K (EUR 85K in the previous year) to cover pension commitments to former members of the Management Board and their survivors. The settlement amount of this provision totals EUR 237K (EUR 221K in the previous year) and the balanced pension plan reserve has a fair value of EUR 137K (EUR 136K in the previous year).

The members of the Management Board and the Supervisory Board directly held the following shareholdings in GK SOFTWARE AG on 30 June 2013:

| | | |
|---|---|---|
| Mr. Rainer Gläß | 62,792 shares | 3.51% |
| 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 30 June 2013.

**Supervisory Board**
The following people are members of the Supervisory Board:

- Mr Uwe Ludwig, Neumorschen, management consultant, Chairman of the Supervisory Board

- Mr Herbert Zinn, Ebersburg, trade and commerce expert
- Mr Thomas Bleier, Oelsnitz, businessman

The total earnings of the Supervisory Board at GK SOFTWARE AG in the first half of 2013 amounted to EUR 0K (2012: EUR 40K).

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:*

| EUR K | H1 2013 | 2012 |
|---|---|---|
| Loans to associated companies, which are not part of the consolidated group | 1,979 | 2,122 |
| Other accounts receivable from the Management Board | 68 | 73 |
| Accounts receivable to associated companies, which are not part of the consolidated group | 0 | 5 |
| **Total** | **2,047** | **2,200** |

Two loans were granted to closely related companies. The one loan with a line of credit amounting to EUR 2,000K has been granted for an indefinite period, but it can be terminated at the end of any year with a period of notice of three months. The interest payable amounts to 4% p.a. on 30 June 2013. This was worth EUR 1,979K 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 percent. The current balance is EUR 3K.

In addition, there are tenancy arrangements with another closely related company. The expenditure on tenancy incurred during the first half of the financial year amounted to EUR 26K.

Expenditure on outside services with closely related companies amounting to EUR 162K was also incurred.

Revenues with closely related companies in connection with making vehicles available and other services amounting to EUR 7K and sales from the provision of project services amounting to EUR 200K were also generated. There were no other accounts receivable on 30 June 2013 in addition to those listed above.

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

### 7.5. Auditor's Fee

Expenditure amounting to EUR 137K for the auditing work on 30 June 2013 was incurred by the auditor and other services EUR 1K. The consulting fee for tax accountancy work by the Group auditor amounted to EUR 24K.

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

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

### 7.7. Statement of Compliance

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

### 7.8. Day on which the accounts are cleared for publication

The consolidated interim accounts were approved by management on 27 August 2013 and were released for publication.

Schöneck, 27 August 2013

The Management Board

## Assurance by the legal representatives

We guarantee to the best of our knowledge that the interim 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, 27 August 2013

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

# Imprint/Notes

## Imprint

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Dipl.-Volkswirt Uwe Ludwig

### Management board:

Dipl.-Ing. Rainer Gläß, CEO
Michael Jaszczyk, CTO
Dipl.-Kfm. Oliver Kantner, COO
Dipl.-Kfm. André Hergert, CFO

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## Notes

**Note to the Report**

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

**Note regarding the rounding of figures**

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

**Disclaimer**

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

## Financial Calendar

| | |
|---|---|
| Analysts' Conference | 11 – 13 November 2013 |
| 9M Interim Report for 2013 | 27 November 2013 |
| Annual Report 2013 | 29 April 2014 |
| 3M Interim Report for 2014 | 27 Mai 2014 |
| Annual Shareholders' Meeting in 2014 | 18 Juni 2014 |
| H1 Interim Report for 2014 | 27 August 2014 |
| 9M Interim Report for 2014 | 26 November 2014 |

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