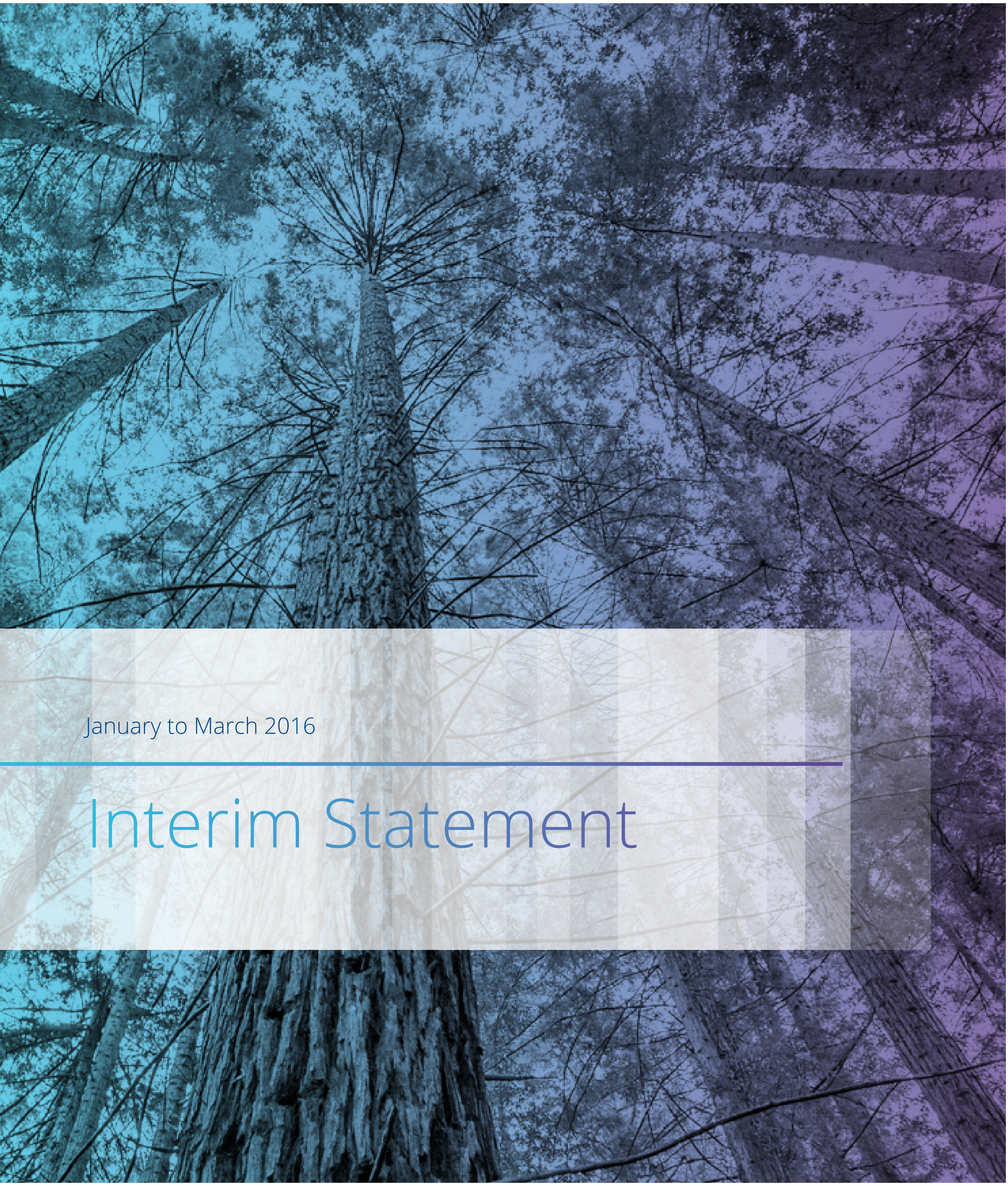

January to March 2016

Interim Statement

Simply Retail.

Summary of Consolidated Results

		31.3.2016	31.3.2015	Change (2016/2015)
Revenue	EUR K	**15,436**	12,984	18.9%
Operational performance	EUR K	**15,561**	13,140	18.4%
Total operating revenues	EUR K	**16,685**	13,666	22.1%
EBIT	EUR K	**(1,471)**	(878)	(67.6)%
EBIT margin (on sales)	in %	**(9.5)**	(6.8)	—
EBIT margin (on total operating revenue)	in %	**(8.8)**	(6.4)	—
EBITDA	EUR K	**(480)**	(196)	(144.8)%
EBT	EUR K	**(1,562)**	(879)	(77.7)%
Net Loss for the period	EUR K	**(1,554)**	(1,272)	(22.1)%
Earnings per share (weighted)	EUR	**(0.82)**	(0.67)	—
Earnings per share (diluted)	EUR	**(0.82)**	(0.67)	—
Equity ratio	in %	**41.8**	42.7	—
Net debt	EUR K	**5,070**	7,346	(31.0)%
Employees		**794**	670	18.5%

First quarter of 2016: turnover increases by 19 percent

Dear shareholders,

We are pleased to present you with the quarterly report for GK Software[1] for the first three months of the 2016 financial year. We are making use of the new legal possibilities with regard to simplifying the report and are deliberately restricting ourselves to the major developments and key performance indicators in terms of our assessment of the Company.

We have once again managed to significantly increase the Group's **turnover** in comparison with the previous year and achieved turnover of EUR 15.44 million; this figure is **18.9 percent** higher than the amount in the previous year. The total operating revenues rose even more significantly and exceeded the previous year's figure by 22.1 percent at EUR 16.69 million. As we were not yet able to report any significant licence business during the first quarter, the **EBITDA** at EUR (0.48) was below the previous year's figure, which was dominated by two projects that had already been gained. The licencing revenues planned for the first quarter came into effect with a slight delay at the time that this quarterly report was published.

The first quarter of 2016 was dominated by the following developments: we progressed to the **rollout** phase in several projects with existing customers. For example, we were able to successfully roll out the first **installations in South Africa, Namibia, Botswana and Zambia** in one project. An important milestone was reached with one customer in the sport/fashion sector with a **speed mass rollout** in twelve countries. The current version of our Omni-POS solution successfully gained **premium qualification** from SAP in terms of our product department and is therefore available for sale by SAP in the international arena.

We set up a new wholly-owned subsidiary for the Group in the Ukraine in the shape of Eurosoftware-UA LLC during February 2016. This **near-shore business site** will be expanded during the course of the year and will further strengthen our development capacity.

We are expecting further success stories both through our direct sales and also through our partner sales during the 2016 financial year and beyond. Our **sales pipeline** continues to be very well filled and we believe that we have an excellent position in several ongoing tender procedures.

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

Market environment

The general **situation for the retail sector** continues to remain good for 2016. The German Retail Federation (HDE: Handelsverband Deutschland), for example, is once again expecting nominal **growth of 2.0 percent** in 2016 to a figure of EUR 481.8 billion. The German Retail Federation views excellent consumer confidence, the high level of employment, rising incomes, a steady savings rate and a low level of consumer price increases as the basis for continued, moderate growth. The annual surveys of retailers in terms of their business prospects also support the HDE forecast that 2016 will be a positive year overall. The current "e-KIX" retailers' survey in March 2016, for example, showed that approximately 87 percent of the retailers questioned expected their business to remain constant or improve over the twelve-month period. Ernst & Young provided an even more positive picture; in its survey, almost fifty percent of retailers said that they were expecting business to be better during the first half of 2016 than in the same period in the previous year. Business prospects continue to be good at an international level too. Turnover is expected to increase in **Western Europe** by 0.9 percent; the National Retail Federation is even forecasting an increase in sales of 3.1 percent in **North America**.

Employees

GK Software currently employs 794 members of staff (the figure on 31 March 2016; the previous year's figure was 670); this therefore represents an increase of 124 over the number at the end of the reporting period in the previous year.

Segment results

If we examine the make-up of the revenues according to different types of work, it is clear that growth in the GK/Retail business segment was primarily created by maintenance work (+19 percent) and other business (+4.0 percent). As regards licences, there was a decline of 30.4 percent because of a lack of new projects, although we are expecting to catch up in this area during the second quarter; the service business remained largely constant (+6.8 percent or an increase of EUR 0.40 million).

The turnover in the IT Services segment increased by 20.7 percent to a figure of 3.1 million in comparison with the same period in the previous year. One major reason for this was the significant increase in hardware sales, staging and other business. Compared to the reporting period in the previous year, growth here amounted to EUR 1.07 million and it was largely due to significant sales and preparation of hardware in conjunction with service contracts during the first quarter. A restructuring of turnover between the different types of work also came into effect as part of a harmonisation process within the Group. By creating a more precise boundary between maintenance work and hardware supplies in this respect, there was a shift in turnover in favour of hardware sales, staging and other business in comparison with the same quarter in the previous year.

In terms of the **relationship between different types of turnover** with each other, it is possible to recognise the relatively strong impact of Other turnover on the total turnover during the first quarter, which was mainly due to the turnover on hardware within the IT Services segment. These revenues contributed 17.1 percent during the reporting period, compared to 1.9 percent during the same quarter in the previous year. As a result of the strong development in this type of turnover, the significance of the other types of work declined, while the licence turnover at EUR 1.16 million in particular remained below the figure for the previous year (EUR 1.67 million). The turnover for services (+4.2 percent or EUR 6.56 million) and the turnover for maintenance (+5.9 percent or EUR 5.02 million) were both able to make slight gains; maintenance work therefore accounted for 32.5 percent (36.5 percent in the quarter during the previous year) and services 42.5 percent (48.5 percent during the same quarter in the previous year) of total turnover.

The following overview shows the distribution of turnover in terms of products and fields of work:

Turnover by segments

T.01

	GK/Retail		SQRS		IT Services		Eliminations		Group	
EUR K	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Turnover with third parties	**12,128**	**10,334**	**235**	**257**	**3,073**	**2,393**	**0**	**0**	**15,436**	**12,984**
Licences	1,123	1,614	0	0	35	57	0	0	1,158	1,671
Maintenance	3,377	2,839	206	247	1,434	1,650	0	0	5,017	4,736
Services	6,206	5,811	29	9	328	478	0	0	6,563	6,298
GK Academy	66	37	0	0	0	0	0	0	66	37
Hardware sales, staging and other business	1,366	38	0	0	1,294	225	0	0	2,660	263
Revenue reductions	(10)	(5)	0	1	(18)	(17)	0	0	(28)	(21)
Turnover with other segments	**76**	**123**	**0**	**0**	**0**	**0**	**(76)**	**(123)**	**0**	**0**
EBIT segment	**(1,356)**	**(733)**	**103**	**75**	**(217)**	**(221)**	**0**	**0**	**(1,470)**	**(878)**
Assets	**64,360**	**55,151**	**2,504**	**2,206**	**9,947**	**6,752**	**(9,432)**	**(4,700)**	**67,388**	**59,409**
Debts	**38,877**	**27,517**	**469**	**511**	**7,876**	**6,075**	**(7,222)**	**(3,922)**	**39,998**	**30,183**
Cash and cash equivalents	**5,643**	**3,306**	**1,000**	**625**	**2,055**	**2,169**	**0**	**0**	**8,698**	**6,100**

The decision to no longer sell the **SQRS solutions** was maintained. The exchange of work between the segments is determined by servicing contracts, which are geared towards the normal segment revenues in their outside markets. Supply contracts are used as a basis to calculate the administrative services. The actual costs of the administrative services supplied are calculated according to the estimated time required in the light of experience.

Assets and financial situation

The Group’s **assets and financial situation** remained **stable** in comparison with the last published declaration in the financial statement for the year 2015; the Group’s cash and cash equivalents increased slightly. The Company’s **opportunities and risks** also remained unchanged.

Financial forecast and outlook

The Management Board at GK Software is standing by its **forecast** without making any changes, as expressed in the financial statement for the year 2015, assuming that the general economic and political conditions remain as they are.

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

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

Schöneck, 25 May 2016

The Management Board

Rainer Gläss
CEO

André Hergert
Chief Financial Officer

Consolidated balance sheet on 31 March 2016

Assets

T.02

EUR	31.3.2016 (not audited)	31.12.2015 (audited)
Property, plant and equipment	5,964,097.41	5,752,753.87
Intangible assets	24,288,195.08	25,189,562.48
Financial assets	1,660.00	1,660.00
Deferred tax assets	3,756,956.64	3,523,573.57
Total non-current assets	**34,010,909.13**	**34,467,549.92**
Goods	482,464.63	482,464.63
Raw materials and supplies	1,391,214.55	1,172,383.58
Initial payments made	811.54	56,941.54
Trade accounts receivable	9,220,568.01	12,604,882.02
Trade accounts receivable from ongoing work	5,645,033.68	6,494,637.81
Income tax claims	260,003.97	218,534.41
Accounts receivable with associated firms	11,857.30	11,857.30
Other accounts receivable and assets	5,796,130.15	4,874,184.15
Cash and cash equivalents	8,746,545.22	7,376,753.60
Total current assets	**31,554,629.05**	**33,292,639.04**
Balance sheet total	**65,565,538.18**	**67,760,188.96**

Liabilities

T.03

EUR	31.3.2016 (not audited)	31.12.2015 (audited)
Subscribed capital	1,890,000.00	1,890,000.00
Capital reserves	18,414,160.07	18,364,587.77
Retained earnings	31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 2011, IAS 21)	(575,244.24)	(491,252.91)
Profit carried forward	9,172,219.74	10,672,457.83
Shortfall for period	(1,553,651.85)	(1,500,238.09)
Total equity	**27,378,578.74**	**28,966,649.62**
Provisions for pensions	1,430,308.25	1,459,930.00
Non-current bank liabilities	10,929,647.05	11,568,035.00
Deferred government grants	956,741.53	966,943.09
Deferred tax liabilities	2,049,492.35	1,887,700.11
Total non-current liabilities	**15,366,189.18**	**15,882,608.20**
Current provisions	2,646,976.20	2,620,599.84
Current bank liabilities	2,887,330.46	3,154,528.30
Liabilities from trade payables	1,292,450.90	2,091,159.67
Initial payments received	3,777,219.64	4,004,546.59
Income tax liabilities	517,850.12	740,615.04
Other current liabilities	11,698,942.94	10,299,481.70
Total current liabilities	**22,820,770.26**	**22,910,931.14**
Balance sheet total	**65,565,538.18**	**67,760,188.96**

Consolidated profit and loss statement and other results from 1 January to 31 March 2016

Consolidated profit and loss statement

T.04

EUR	31.3.2016 (not audited)	31.3.2015 (not audited)	31.12.2015 (audited)
Ongoing business operations			
Turnover revenues	15,435,633.45	12,984,238.86	62,602,328.60
Own work capitalised	125,023.50	155,643.51	524,894.01
Other operating revenues	1,124,765.23	526,012.84	1,725,836.17
Sales revenues and other revenues	**16,685,422.18**	**13,665,895.21**	**64,853,058.78**
Materials expenditure	(2,018,331.61)	(1,368,690.37)	(8,266,126.59)
Personnel expenditure	(11,316,363.45)	(8,761,416.91)	(39,667,852.88)
Depreciation and amortisation	(991,722.76)	(681,927.03)	(3,452,870.12)
Other operating expenditure	(3,830,464.64)	(3,731,734.28)	(14,741,782.53)
Total operating expenses	**(18,156,882.46)**	**(14,543,768.59)**	**(66,128,632.12)**
Operating results	**(1,471,460.28)**	**(877,873.38)**	**(1,275,573.34)**
Financial income	44,275.04	34,193.15	215,971.32
Financial expenditure	(134,697.89)	(35,497.28)	(323,439.90)
Financial results	**(90,422.85)**	**(1,304.13)**	**(107,468.58)**
Income tax results	**(1,561,883.13)**	**(879,177.51)**	**(1,383,041.92)**
Income taxes	8,231.28	(393,140.15)	(117,196.17)
Consolidated shortfall for the period	**(1,553,651.85)**	**(1,272,317.66)**	**(1,500,238.09)**
Other results after income taxes			
Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions			
Differences in exchange rates from recalculating foreign business operations	(83,991.33)	(94,135.92)	(196,021.46)
Items, which will not be reclassified in the consolidated profit and loss statement in future			
Actuarial gains/losses from defined benefit pension plans	0.00	0.00	(59,036.70)
Overall results	**(1,637,643.18)**	**(1,366,453.58)**	**(1,755,296.25)**
of which attributable to the owners of the parent company	(1,637,643.18)	(1,366,453.58)	(1,755,296.25)
Earnings per share (EUR/share) from the consolidated shortfall - undiluted	**(0.82)**	**(0.67)**	**(0.79)**
Earnings per share (EUR/share) from the consolidated shortfall - diluted	**(0.82)**	**(0.67)**	**(0.79)**

Consolidated cash flow statement on 31 March 2016

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

T.05

EUR K	31.3.2016 (not audited)	31.3.2015 (not audited)
Cash flows from operating business		
Shortfall for period	(1.554)	(1,272)
Share option scheme (non-cash expenditure)	50	39
Income taxes affecting results	(8)	393
Interest income/expenses affecting results	91	1
Profit/loss from the sale or disposal of property, plant and equipment	(1)	(2)
Reversals of deferred public sector subsidies	(10)	10
Write-downs recognised for receivables	46	5
Write-ups recognised for receivables	—	—
Depreciation and amortisation	992	682
Actuarial gains/losses, foreign currencies	—	(94)
Net foreign currency losses	(84)	—
Net profits from financial instruments assessed at their fair value	(610)	—
Other cash revenues and expenditure	1	1
Cash flows from operating business	**(1,087)**	**(237)**
Changes in current assets		
Changes in trade receivables and other receivables	3.886	(2,319)
Changes in inventories	(163)	(111)
Changes in trade accounts payable and other liabilities	503	1,850
Changes in initial payments received	(227)	575
Changes in provisions	(11)	292
Inflow of funds from operating activities	**2,901**	**50**
Interest paid	(20)	(24)
Income taxes paid	(328)	(271)
Net inflow (previous year: net outflow of funds) from operating activities	**2,553**	**(245)**
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(231)	21
Proceeds from disposals of fixed assets	1	2
Investment subsidies used	—	(21)
Disbursement as part of the company acquisition	—	(16,805)
Acquisition of subsidiaries	(71)	—
Interest payments received	30	9
Disbursed loans	(8)	(95)
Proceeds from the repayment of loans	2	0
Net cash outflow for investment activities	**(277)**	**(16.889)**
Cash flow from financing activities		
Loans taken out	467	13,505
Repayment instalments for loans	(479)	(444)
Net inflow (previous year: net outflow) in cash from financing activities	**(12)**	**13,061**
Net outflow of cash and cash equivalents	**2,264**	**(4,073)**
Cash and cash equivalents at the beginning of the financial year	7,377	10,173
Cash and cash equivalents	9,641	6,100
Movement in current account lines	(894)	—
Cash and cash equivalents at the end of the financial year	**8,747**	**6,100**
Limited available funds	1,037	11

Financial Calendar

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

30 August 2016
Interim report as of 30 June 2016

21 - 23 November 2016
Analyst Conference in Frankfurt/M

29 November 2016
Interim statement as of 30 September 2016

27 April 2017
Annual report 2016

30 May 2017
Interim statement as of 31 March 2017

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

30 August 2017
Interim report as of 30 June 2017

November 2017
Analyst Conference in Frankfurt/M

29 November 2017
Interim statement as of 30 September 2017

Imprint/Notes

Imprint

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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.