GK SOFTWARE

January to March 2014

Interim Report

THE RETAIL APPLICATION COMPANY

Summary of Consolidated Results

	31.3.2014	31.3.2013	Change (2014/2013)
Sales (EUR K)	9,332	9,067	2.9%
Total operating revenue (EUR K)	9,386	9,188	2.2%
Operating performance (EUR K)	9,964	9,528	4.6%
EBIT (EUR K)	(1,082)	(402)	(169.2)%
EBIT margin (on sales)	(11.6)%	(4.4)%	—
EBIT margin (on total operating revenue)	(10.9)%	(4.2)%	—
EBT (EUR K)	(1,060)	(389)	(172.6)%
Annual net income (EUR K)	(1,449)	(475)	(205.0)%
Earnings per share (weighted)[1]	(0.77)	(0.27)	—
Earnings per share (diluted) (EUR)[2]	(0.77)	(0.27)	—
Equity ratio[3]	65.9%	62.4%	—
Net debt (EUR K)	(16,364)	(10,575)	42,9%

1 – The calculations are based on the average number of shares (1,890,000) entitled to share in the profits on 31 March 2014.

2 – A Group share action program had issued preemptive rights to 19,525 shares in all to Group employees by 31 December 2013.

3 – See paragraph 1.3 on page 22 for the adaptation of the previous year's figures in conjunction with determining the final purchase price for AWEK.

Contents

To the shareholders

Letter from the Management Board

Dear shareholders,

We would like to take this opportunity of presenting you with the revised financial statement for GK SOFTWARE [1] for the first three months of the 2014 business year. The reason for the revision was a change that was needed in the financial statement for the year 2013. This was required because of a reappraisal of an issue, which was made in conjunction with the company's auditors. In comparison with the statement for the first quarter that was originally published, the changes only involved the figures carried forward on the balance sheet, while the figures in the profit and loss statement were not affected at all. [2]

We were able to expand our turnover by 2.9 percent from EUR 9.07 million in the previous year to EUR 9.33 million during this period. The Group's total operating revenue rose by EUR 0.44 million or 4.6 percent to a figure of EUR 9.96 million (EUR 9.53 million in the previous year). Earnings before interest and taxes (EBIT) were, however, significantly down at EUR (1.08) million (EUR (0.40) million in the previous year). The reasons for this were largely the result of one-off expenditure related to material costs and personnel costs, which amounted to approx. EUR 0.40 million in all. This created a situation where the renewed increase in turnover primarily generated by the services and maintenance business was not reflected in the EBIT in comparison with the same reporting period in the previous year.

The first quarter in terms of sales was dominated by very intensive work on several major projects – some of them in close cooperation with SAP. Based on experience, we know that key decisions in our market tend to be made in the second half of the year. Our activities so far therefore laid the foundation for developments in the whole year. Joint trade fair appearances with SAP in New York and Düsseldorf – at the most important retail exhibitions in the world – helped us to ensure that the sales pipeline continues to be very full and we are working on possible projects on almost every continent around the globe. We will also use the major upcoming SAP event, the Sapphire in Orlando, to further exploit our joint potential. Several opportunities have also arisen in our domestic market during the last few months and we are dealing with them through our direct sales unit, not with SAP.

The project business at GK SOFTWARE was dominated by the scheduled onward development of customer projects, pilot installations, rollout starts and achieving important milestones during the first three months of the 2014 business year. This

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.

2 – You can find further information on the changes to the quarterly report on page 9 of the explanation of the business results. You can find detailed information about the changes made in the financial statement in comparison with the version originally published in the GK SOFTWARE AG financial statement for the 2013 business year – particularly in the section entitled "Changes to the 2013 Consolidated Accounts" on page 60 of the notes on the consolidated accounts.

development work led to an increase in services turnover and we are expecting ongoing positive developments here.

As far as software development was concerned during the first three months of the business year, our agenda focused on the further development of our standard software solutions in line with our roadmap, prototyping new solutions and current technology issues like SAP HANA. Our major focus continued to be the consistent orientation of our complete range of solutions towards the issue of omni-channel retailing. As a result, we expanded our product portfolio with innovative options such as cloud solutions, mobile tills and omni-channel issues and we have been able to successfully present this work to many interested parties and existing customers since the leading EuroSHOP exhibition, which took place in Düsseldorf in February. We believe that this reinforces our competitive position – which we were able to demonstrate clearly in gaining the major project with the Swiss retailer Migros last December. Coordinated developments with SAP and the SAP subsidiary "hybris" are another important area and they are aimed at achieving even closer dovetailing for our solutions on a standard technology platform.

At the end of last year, we started to change the company's structure in order to be able to respond to the challenges of our business in an even quicker and more efficient manner. The new Group Management Board, which has been advising the Management Board since November, has now successfully launched its work. Alongside this, we have reorganized the company in order to manage our internal processes better. This process has largely been completed and is now being successfully lived out in our daily work. As part of this, we were able to gain new second and third level managers, who are helping us to further increase the professionalism of our organization with their expertise.

Based on a well-filled pipeline, both in our direct and partner sales work, we continue to be confident that we will be able to grow even more in 2014. We are currently involved in detailed discussions with customers in Germany and abroad and believe that we have a very good chance of winning several tender processes with our range of software solutions.

We continue to stand by our forecast that we will be able to increase our turnover in comparison with the previous year if business goes well in 2014 and be able to return to the profitability levels for our GK/Retail business sector that were achieved between 2008 and 2011. However, this forecast is subject to the proviso that no extraordinary 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 and would like to thank you for placing your confidence in us.

Schöneck 30 May/28 July 2014

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

GK SOFTWARE AG Shares

Basic data

Basic data

T.01

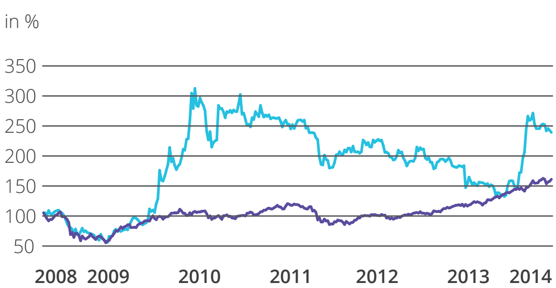
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK SOFTWARE AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1,890,000
Share capital	EUR 1,890,000
Free float	49.56 %
Highest price in 2014	EUR 51.84 (20 January 2014)
Lowest price in 2014	EUR 42.10 (8 May 2014)

Summary/Shares Performance

The value of the GK SOFTWARE AG shares, which are listed on the Prime Standard section at the Frankfurt Stock Exchange, fell slightly during the first three months of 2014. After starting the year at a value of EUR 50.50 and reaching a peak of EUR 51.84 for a while, the shares fell to EUR 42.10 at the end of the reporting period. This corresponded to market capitalization of approx. EUR 85.6 million on 31 March 2014.

Share price development (indexed)

F.01

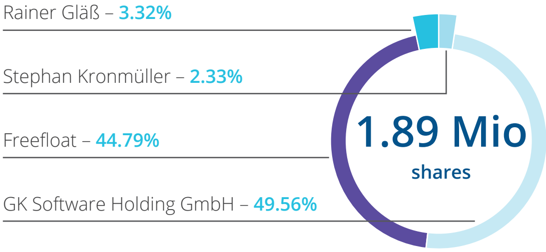


Shareholder Structure

The shareholder structure on 31 March 2014 was as follows: Rainer Gläss directly holds 3.32 percent and Stephan Kronmüller 2.33 percent of the shares. GK Software Holding GmbH, which holds 49.56 percent of the shares, is indirectly assigned to them; each of them holds one half of these shares. The free float accounts for 44.79 percent of the shares.

Shareholder structure on 31 March 2014

F.02



The company was informed about the following shareholdings in GK SOFTWARE AG, which exceeded the 3 percent threshold:

Threshold Value Exceedances

T.02

Constituted on	Shareholder	Share in %
16.8.2011	Andreas Bremke GmbH, Arnsberg	3.99
6.3.2012	Scherzer & Co. AG, Köln	5.23
19.6.2013	Deutsche Balaton Aktiengesellschaft, Heidelberg	3.18
27.12.2013	SAP AG, Walldorf	5.29

Directors Dealings 2014

There were none during the reporting period.

Brief Interim Group Management Report

Economic Report

Business and General Conditions for GK SOFTWARE

Market and Competitive Environment

The development of business at GK SOFTWARE AG is dictated by several factors and their effect on different economic areas. The most important determining factors are the general economic conditions and the current state and expected prospects for the retail sector. As GK SOFTWARE expands its business to more and more economic areas, the number of factors naturally increases too, as the situation in the individual markets is sometimes diametrically opposite, despite general global economic trends. At the same time, this does enable the company to some extent to separate the company's business operations from the developments in its original core markets in the medium term – particularly in Central Europe – without these markets losing their importance for GK SOFTWARE in the foreseeable future.

Despite the growing importance of its international business, the developments in the German-speaking counties continue to be highly significant for the direct business at GK SOFTWARE.

Turnover in the retail sector in Germany was nominally 1.7 percent higher than in the previous year (0.2 percent higher in real terms) in March.[1] According to the cautious forecast published by the German Retail Federation (HDE), the German retail sector will grow for the fifth year in succession and achieve record turnover of approx. EUR 440 billion – this would correspond to a growth rate of 1.5 percent.[2] The IFO business climate index for the retail sector also reflected a positive trend and was much more positive than in the previous 12 months, reaching a top figure in March.[3] The overall economic forecast for this year is positive too, as the Council of Economic Experts had forecast growth of 0.4 percent in gross domestic product for 2013 and has now raised its forecast for 2014 from 1.6 percent to 1.9 percent. The improved development of the economy since the start of the year and the more positive sentiments are the reasons for this.[4]

Interactive commerce (e-commerce and the mail order business) achieved turnover of EUR 11.1 billion in the first quarter of 2014, which corresponds to growth of 4.2 percent. 83.3 percent (EUR 9.3 billion) was generated through e-commerce. The Handelsdaten.de statistics portal assumes that the total turnover in the year will be EUR 48.8 million[5], which slightly exceeds the forecast provided by the behv (Federal Association of E-Commerce and Mail Order Business) of EUR 48 billion.[6] As a result, this trading segment could break through the ten percent threshold of total retail sales this year.

These developments are creating huge challenges for the stationary retail sector; other driving forces here are other issues like home delivery. Germany still has a lot of catching up to do, particularly in the latter segment. The market share of the food retail sector in the total online market is only 0.3 percent, while the figure is already 5 percent in Great Britain, although other sources mention even higher figures.[7] This figure is due to increase to 10 percent in Germany too by 2020.[8]

1 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/04/PD14_151_45212.html

2 – Presentation by the HDE: annual press conference on 31 January 2014, p. 11 http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/download/6450_57614cd02df87fd5d98dcc5489309d1a.html

3 – http://de.statista.com/statistik/daten/studie/155602/umfrage/ifo-geschaeftsklima-fuer-den-einzelhandel/

4 – http://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/download/pressemitteilungen/PM_Prognose_2014.pdf

5 – http://www.handelsdaten.de/statistik/daten/studie/76745/umfrage/umsatz-versandhandel-und-onlinehandel/

6 – http://www.bvh.info/presse/pressemitteilungen/details/datum/2013/november/artikel/umsatzzahlen-des-interaktiven-handels-im-3-quartal-2013-steigerung-gegenueber-dem-3-quartal-des-v/?cHash=7f48b0fd0f885c14ae923ee211d14012

7 – EY-Studie Cross Channel – Revolution im Lebensmittelhandel, p. 8

8 – Ibid., p. 10

Based on the stable turnover and the good prospects for 2015, retailers assume that the level of investments in their stores will remain constant or even increase. For example, the EHI Store Monitor for 2014 showed that there is an ongoing need for investments in this sector.[1] The degree to which this trend also affects IT investments is very important for business developments at GK SOFTWARE, because our experience during the past few years suggests that any increase in the readiness to invest on the part of the retail sector is not necessarily reflected in this sector. The strategy of many retailers has clearly been to extend their network of stores during times of growth or expand abroad. However, the signals from GK SOFTWARE's market environment clearly indicate that the logjam in investments during the last few years is now starting to break up.

New and replacement investments are generally subject to the premise that they must be able to cope with future issues. As the number of textbook examples of genuine omni-channel integration is still low and there are often uncertainties about which strategy to pursue, the time required for decision-making processes is longer. GK SOFTWARE has felt the effects of this development since 2012 in the form of delays in the sales cycles. Now that is has won the first large-scale omni-channel project with Migros, this will enable GK SOFTWARE to have a reference in the medium term and increase its competitive opportunities.

Overall, the need for investments in the retail sector remains high, as the study entitled "Till Systems in 2014" published by the EHI Retail Institute shows. The age of the software in use has continued to increase, for example, although 37 percent of the companies wish to replace it by 2016. The focus is primarily on issues like omni-channel retailing, new payment systems and the use of mobile devices.[2] Studies published by the EHI show that replacement investments are being increasingly overshadowed by these new issues.[3] For example, these matters are described as the greatest challenges on the customer and employee side and they are only exceeded in terms of their strategic importance by the introduction of new merchandise management solutions.[4]

1 – http://www.ehi.org/presse/lifeehi/detailanzeige/article/handel-erhoeht-ladenbauinvestitionen-1.html

2 – EHI Retail Institute, Kassensysteme 2014, Fakten, Hintergründe und Perspektiven, p. 16ff

3 – Ibid, p. 30f

Generally, the conditions for the course of business at GK SOFTWARE continue to be positive in 2014. This is all the more the case because the company is assuming through its partnership with SAP that it will be able to further expand its base of potential customers in the international arena. These trends are subject to the proviso that political or economic factors do not cause any major disruption in the global economy and would have a negative effect on the economy.

GK SOFTWARE continues to assume that the short or medium-term investments in new systems that are required and the introduction of new issues in the retail sector will offer potential turnover in Germany and the other markets that it is actively processing in future too. The company also expects that its partnership with SAP will lead to more success stories in the international market place and will reinforce the company's potential in the long term.

GK SOFTWARE is currently in a good position in several ongoing tender procedures both in Germany and abroad in its direct sales and partnership business and has major benefits over its rivals with its broad portfolio of products, the internationality of its solutions and its proven ability to handle projects quickly.

Customer Projects
GK SOFTWARE was not able to register any new customer projects during the first three months of 2014, but it assumes that the well-filled sales pipeline will create the conditions for changing this in the coming quarters. AWEK is also selling medium-sized enterprise software in segments, which GK/Retail does not address.

As far as introducing existing projects is concerned, productive pilot launches in several projects have so far dominated business operations in 2014. At the same time, the migration by existing customers to the major release 12 has continued.

4 – EHI Retail Institute, IT-Trends im Handel 2013. Investitionen, Projekte und Technologien, Köln, 2013.

This also creates the conditions for ensuring that relations with these customers, which are already long-term, will continue for a long time. We are using innovation workshops to actively address important existing customers in order to tap into further cross-selling potential.

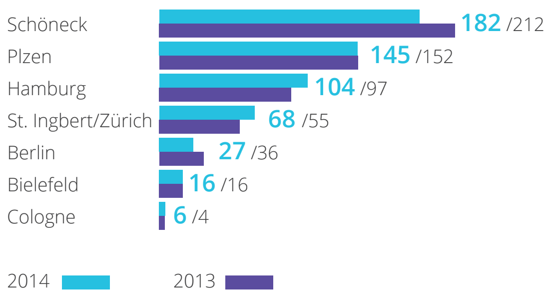
Evidence of the thriving partnership with SAP is reflected in the fact that there are now 13 joint customer projects where SAP has sold GK solutions and they are either being introduced directly by GK SOFTWARE or through implementation partners.

Human Resources

GK SOFTWARE currently employs 554 workers (on 31 March 2014; 573 in the previous year) – i.e. 19 fewer than at the end of the comparative period in the previous year. The number of employees therefore remained largely constant (-3.3 percent). The largest number of employees work at company headquarters in Schöneck (182 people – but the figure was 212 in the previous year). There are 27 employees at the branch in Berlin, mainly working in the sales & marketing, project management, partner management and hotline departments (36 on the reporting date in the previous year). 145 persons are currently employed at the Czech subsidiary EUROSOFTWARE s.r.o. (152 in the previous year). 68 people were working at St. Ingbert on 31 March 2014 (53 in the previous year). Six people were working at the Cologne business site on the reporting date. The company also employs four people in Switzerland and two in Russia. GK SOFTWARE also has three trainees in addition to the employees on permanent contracts. 104 people are employed in Hamburg at AWEK and 16 in Bielefeld.

Distribution of employees at group business locations[1]

F.03



1 – Four other persons are employed in Dübendorf/Switzerland und two in Moscow, and are not shown here.

The major focus in the field of personnel development is primarily on integrating and familiarizing the employees. Special familiarization plans, trainee and mentoring programmes have been developed for this purpose.

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

The report for the first quarter of 2014, which was originally published on 30 May 2014, had to be corrected because of the necessary amendments made to the financial statement for the year 2013. 1 As a result, the following figures on the balance sheet for the first quarter in 2014 have changed. The balance sheet total is now EUR 48.19 million in comparison with the figure of EUR 48.58 million in the original report. Equity has fallen to a figure of EUR 31.74 million in comparison with the figure of EUR 32.01 million in the report that was originally published. Changes have also been made to the current liabilities (EUR 12.17 million instead of the figure of EUR 12.28 million originally reported). The changes in the cash flow statement were reflected in a decline in other accounts receivable from EUR 0.6 million to EUR 0.1 million.

GK SOFTWARE was able to continue its growth path during the first quarter of the 2014 business year too. Overall, turnover rose to EUR 9.33 million, following a figure of EUR 9.07 million in the comparative period in the previous year. Earnings before taxes and interest, however, fell from EUR (0.40) million to EUR (1.08) million because of the many investments in structures. Stocks of cash and cash equivalents amounted to EUR 18.62 million on the reporting date and therefore exceeded the figure on 31 December 2013 by EUR 4.88 million. The equity ratio was 65.9 percent.

Earnings situation

The Group's turnover rose by 2.9 percent to EUR 9.33 million in comparison with the same period

1 – You can find detailed information on the changes to the financial statement for the year 2013 in this report on pages 33ff.

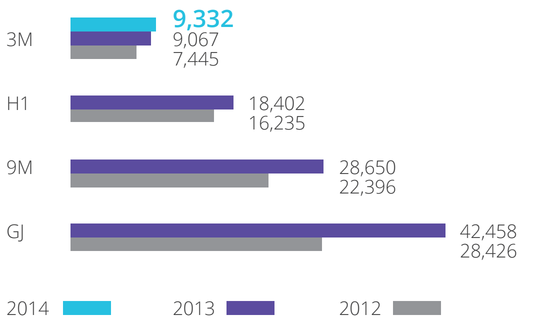
in the previous year. The development of our core GK/Retail business was particularly gratifying and it contributed 8.1 percent more to turnover at EUR 6.57 million than in the same period in the previous year. While turnover in the SQRS business unit declined by EUR 0.23 million to EUR 0.25 million in line with expectations, the IT Services business unit was able to maintain the previous year's figure at EUR 2.51 million.

If we look at the makeup of turnover according to types of services, the core growth came from the GK/Retail business unit, primarily from turnover for maintenance. This was worth EUR 2.01 million (+EUR 0.34 million or 20.2 percent higher) and from services, which exceeded the previous year's figure by EUR 0.32 million or 8.3 percent and stood at EUR 4.14 million. The driving force behind this growth was the new business won in the previous year, but also the success stories in penetrating the market further with existing customers. While licensing revenues in the business unit only slightly exceeded the figure for the previous year at 0.39 million (+EUR 0.04 million), other turnover declined by EUR 0.20 million to a figure of EUR 0.04 million. The main reason for this was the lower turnover for hardware ordered by customers.

In the SQRS business unit, the existing solutions have reached such a state of development that it is hardly possible to make any more adjustments to the systems. Turnover for services in this segment was barely recordable, although services generated EUR 0.15 million in the comparative period. Turnover for maintenance also declined, because SQRS customers switched to GK/Retail solutions. The maintenance revenues were still worth EUR 0.25 million in the first quarter of 2014 and were therefore EUR 0.08 million below the figure for the previous year.

Quartaly sales development compared to previous years in EUR K

F.04



Development of Total Output

T.03

	3M 2014		3M 2013		Change
	EUR K	in %	EUR K	in %	in %
Sales revenues	9,332	93.7	9,067	95.2	2.9
Own work capitalized	54	0.5	121	1.3	(55.0)
Operating revenues	9,386	94.2	9,188	96.4	2.2
Other operating revenues	578	5.8	339	3.6	70.2
Total operating revenues	**9,964**	**100.0**	9,528	100.0	4.6

The IT Services business unit did not quite meet expectations in terms of turnover, as it merely maintained the previous year's figure. Measures have been introduced to reinforce sales. The individual types of services here have been shifted because of changes to attribution in types of services, particularly between turnover for hardware (the main component of other turnover) and turnover for maintenance. Other turnover declined more markedly (by approx. EUR 0.9 million) than turnover for maintenance increased when compared to the same period in the previous year.

In the relationship between the different kinds of turnover, it is possible to recognize the relatively low influence of licensing revenues on total turnover, which is typical of the first quarter of the year. Following a figure of 3.9 percent in the same quarter in the previous year, these revenues accounted for 4.2 percent in the reporting period, while their share was 15.0 percent during the complete business year in 2013. Accordingly, the importance of maintenance turnover is increasing; it accounted for turnover worth EUR 4.13 million and was only just behind the most important category, that of services, which accounted for EUR 4.22 million. Maintenance work now contributes 44.3 percent

(33.2 percent in the same quarter in the previous year) and services 45.2 percent (43.8 percent in the same quarter in the previous year) to total turnover.

The company continued to make investments in its own software products during the first quarter of 2014 too. However, own work capitalized declined by EUR 0.07 million to a figure of EUR 0.05 million because of the degree of maturity of the products. In contrast, other operating revenues rose once again to EUR 0.58 million (following a figure of EUR 0.34 million in the same quarter in the previous year).

As a result, the total operating revenue increased to almost EUR 10 million (EUR 9.96 million) from a figure of EUR 9.53 million.

The costs of purchased services, raw, auxiliary and operating materials and purchased goods were overall EUR 0.12 million lower in the reporting period than in the comparative period in the previous year and amounted to EUR 0.72 million. The expenditure on raw, auxiliary and operating materials (mainly spare parts) and goods was EUR 0.33 million lower than in the same quarter in the previous year, while purchased services exceeded the figure for the same quarter in the previous year by EUR 0.21 million. The decline in purchased spare parts and goods was almost completely due to the IT Services business unit. It supplied one customer with extensive hardware systems in the previous year and this was no longer required in 2014. The rise in purchased services was due to the use of freelance employees on customer projects for both the IT Services business unit and GK/Retail.

Expenditure on personnel amounted to EUR 6.69 million, following a figure of EUR 6.23 million in the comparative period in 2013. The increase amounted to EUR 0.46 million or 7.4 percent. The GK/Retail business unit largely accounted for this; its personnel costs rose by EUR 0.45 million. The increase is not due to any expansion in capac-

Sales by Segments

T.04

	3M 2014		3M 2013		Change		FY 2013	
	EUR K	in %	EUR K	in %	EUR K	in %	EUR K	in %
Sales with								
GK/Retail	6,571	70.4	6,080	67.1	491	8.1	29,607	69.7
SQRS	249	2.7	483	5.3	(234)	(48.4)	1,389	3.3
IT-Services	2,512	26.9	2,504	27.6	8	0.3	11,462	27.0
Total	**9,332**	**100.0**	**9,067**	**100.0**	**265**	**2.9**	**42,458**	**100.0**
Licences	**395**	**4.2**	**356**	**3.9**	**39**	**11.0**	**6,372**	**15.0**
GK/Retail	392	4.2	356	3.9	36	10.1	6,178	14.6
SQRS	—	—	—	—	—	—	—	—
IT-Services	3	0.0	—	—	3	0.0	194	0.5
Maintenance	**4,131**	**44.3**	**3,007**	**33.2**	**1,124**	**37.4**	**15,924**	**37.5**
GK/Retail	2,006	21.5	1,669	18.4	337	20.2	8,122	19.1
SQRS	245	2.6	329	3.6	-84	-25.5	1,065	2.5
IT-Services	1,880	20.1	1,009	11.1	871	86.3	6,737	15.9
Services	**4,217**	**45.2**	**3,974**	**43.8**	**243**	**6.1**	**18,469**	**43.5**
GK/Retail	4,135	44.3	3,819	42.1	316	8.3	14,768	34.8
SQRS	4	0.0	155	1.7	(151)	(97.4)	324	0.8
IT-Services	78	0.8	—	—	78	0.0	3,377	8.0
Other Business	**589**	**6.3**	**1,730**	**19.1**	**(1,141)**	**(66.0)**	**1,693**	**4.0**
GK/Retail	38	0.4	236	2.6	(198)	(83.9)	539	1.3
SQRS	—	—	(1)	0.0	1	(100.0)	—	—
IT-Services	551	5.9	1,495	16.5	(944)	(63.1)	1,154	2.7

ity, but to the allocation of commitments involving holiday and overtime claims, which had led to a reduction in these commitments in the previous year. This accounts for EUR 0.38 million of the increase in personnel expenditure. The remaining EUR 0.07 million can be traced back to establishing capacity in Russia, the USA and Switzerland. Personnel expenditure in the IT Services business unit remained almost unchanged.

T.05 Financial Results

	31.3.2014		31.3.2013		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
EBIT	(1,083)	(11.6)	(402)	(4.4)	(680)	169.2
EBT	(1,061)	(11.4)	(389)	(4.3)	(672)	172.6
Group result	(1,449)	(15.5)	(475)	(5.2)	(974)	205.0

Depreciation/amortization declined from EUR 0.58 million to EUR 0.51 million according to schedule.

Other operating expenditure rose significantly by EUR 0.85 million from EUR 2.28 million to EUR 3.13 million. If we separate the cost structures of the GK/Retail and SQRS business units on the one hand and IT Services on the other, the increases can largely be explained as follows: great efforts were made, particularly for the GK/Retail and SQRS departments, to acquire qualified personnel. Different channels were used for this purpose for the first time. Although the approach was successful, this generated costs amounting to EUR 0.15 million. GK SOFTWARE also reinforced its sales activities and generated additional costs of EUR 0.11 million. Linked to this, travel expenses increased significantly by EUR 0.21 million. Other operating expenditure rose by EUR 0.09 million compared to the previous year in the IT Services business unit.

The development of work and costs led to earnings before taxes and interest of EUR (1.08) million, following a figure of EUR (0.40) million in the same quarter in the previous year. The financial results amounted to +EUR 0.02 million, following a figure of +EUR 0.01 million, and this was mainly due to the increase in stocks of cash and cash equivalents.

Income tax payments of EUR 0.39 million were due, following EUR 0.09 in the same quarter in the previous year, so that there was a deficit of EUR 1.45 million during the period, following a figure of EUR 0.48 million in the previous year.

Assets Situation

The balance sheet total increased by a further 0.8 percent or EUR 0.37 million to a figure of EUR 48.19 million compared to the balance sheet reporting date in 2013. On the assets side, the increase was due to a rise in cash and cash equivalents by EUR 4.88 million to a figure of EUR 18.62 million. The main reason for this was the realization of current assets like trade accounts receivable. On the liabilities side of the balance sheet, equity fell by EUR 1.41 million to EUR 31.74 million mainly because of the results for the period, while non-current liabilities increased by EUR 0.27 million to EUR 4.28 million and current liabilities by EUR 1.52 million to EUR 12.17 million.

Non-current assets declined by EUR 0.27 million to a total figure of EUR 14.98 million due to scheduled depreciation/amortization. Intangible assets continue to make up the lion’s share of non-current assets at EUR 9.70 million. This figure includes goodwill totaling EUR 6.65 million arising from the acquisition of the operating business of Solquest GmbH and the acquisition of the AWEK Group. In our opinion, there were no signs of any need to check the intrinsic value of the goodwill beyond the regular annual check at the end of the business year. The value of the other items fell due to scheduled depreciation/amortization and this particularly reduced the stocks of software developed in-house by EUR 0.11 million to a figure of EUR 1.36 million.

T.06

Assets Situation

	31.3.2014		31.12.2013		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	14,976	31.1	15,248	31.9	(272)	(1.8)
Current assets or cash and cash equivalents	14,600	30.3	18,831	39.4	(4,231)	(22.5)
Cash and cash equivalents	18,617	38.6	13,742	28.7	4,874	35.5
Assets	**48,193**	**100.0**	**47,821**	**100.0**	**371**	**0.8**
Equity	31,743	65.9	33,156	69.3	(1,413)	(4.3)
Non-current liabilities	4,278	8.9	4,011	8.4	267	6.6
Current liabilities	12,172	25.3	10,654	22.3	1,518	14.3
Liabilities	**48,193**	**100.0**	**47,821**	**100.0**	**371**	**0.8**

Developments in terms of property, plant and equipment were also exclusively dominated by scheduled depreciation, although the accruals largely compensated for the depreciation of existing plant so that the figure of EUR 4.74 million, which declined slightly by EUR 0.05 million, largely remained unchanged in comparison with the carrying amount on 31 December 2013.

The current assets were primarily affected by the declines in trade receivables of EUR 5.17 million to EUR 7.92 million. This was due to the payment of invoices based on significantly higher turnover in December 2013 than the average months. At the same time, the first quarter of this business year was characterized by the increase in accounts receivable for ongoing work of EUR 1.05 million to a figure of EUR 1.71 million. The rendering of turnover according to the rules in IAS 18.20 was responsible for this (the degree of completion), because a number of fairly large project milestones were close to completion during the first quarter of 2014, but invoices could not yet be sent out.

As a result of these developments, the stocks of cash and cash equivalents rose by EUR 4.88 million to a figure of EUR 18.62 million. We will deal with the causes of this development when describing the financial situation.

The increase in non-current liabilities was primarily due to the rise in deferred tax assets and liabilities. They increased largely because of the rise in accounts receivable from ongoing work by EUR 0.33 million from EUR 1.08 million to a figure of EUR 1.41 million, although the non-current bank liabilities declined by EUR 0.05 million to EUR 0.97 million because of scheduled repayments.

The rise in current liabilities was due to accruals and deferrals in project business. Advance payments received from customers increased by EUR 0.53 million to a figure of EUR 1.33 million; but at the same time, other liabilities rose by EUR 1.80 million in comparison with the figures on 31 December 2013, mainly because of accruals and deferrals in relation to maintenance contracts. Liabilities for income taxes fell by EUR 0.15 million to EUR 0.70 million because of the payment of proper advanced payments and the lower need for warranty provisions, which enabled current provisions to decline by EUR 0.13 million to a figure of EUR 1.50 million.

Financial Situation

The losses in the period created an outflow of EUR 0.63 million for the operating cash flow in the narrower sense (i.e. mainly minus depreciation/amortization), although there was an inflow of EUR 0.15 million during the first quarter of the previous year. The changes in net assets amounting to EUR 5,74 million, which eased the operating cash flow figure, still created an inflow of cash and cash equivalents from operating activities of EUR 5.11 million, after this figure had amounted to just EUR 3.24 million in the same quarter in the previous year. The payments or refunds of income taxes and interest led to outflows amounting to EUR 0.03 million during the quarterly reporting period, after inflows of EUR 0.87 million had led to a net inflow of cash and cash equivalents from operating activities of EUR 4.14 million in the same quarter in the previous year. This inflow amounted to EUR 5.09 million during the first quarter of 2014.

The cash flow from investment activities saw outflows totalling EUR 0.18 million, after the figure had been EUR 0.47 million in the previous year. The reasons for the decline were in the lower payments for non-current assets (EUR 0.23 million, following a figure of EUR 0.37 million) and the repayment of other liabilities paid by the Group and amounting to EUR 0.01 million. Loans amounting to EUR 0.11 million were disbursed during the first quarter of the previous year.

The financing activities were dominated by the short-term uptake of loans by using credit cards and repaying them and the scheduled repayments of longer-term loans with banks. Overall, the outgoings totalled EUR 0.04 million. The comparative figure for the same period in the previous year amounted to EUR 0.01 million.

Overall, cash and cash equivalents increased by EUR 4.87 million to a figure of EUR 18.61 million as a result.

Report on key events after the reporting period

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

Report on Risks and Prospects at GK SOFTWARE

Opportunities and Risks for GK SOFTWARE

No major changes to GK SOFTWARE's risk situation have arisen during the course of the 2014 business year so far in terms of the remarks provided in the consolidated annual report for the 2013 business year, which might then have a serious effect on the development of the company in the current business year. As a result, the descriptions of the potential opportunities and risks for the future development of GK SOFTWARE in the consolidated annual report for the 2013 business year remain unchanged.

Outlook

The 2013 business year proved that the Group is capable of asserting itself, even in a tough market environment. However, despite the good conditions and an excellent position in the market place, this business year and the first quarter of 2014 also demonstrated that it is not possible to guarantee sales success. The company is currently looking at a number of excellent sales opportunities, but it is far from being able to view them as already having been won. Hard work will be necessary in order to be able to fully develop the existing potential. Based on the information available so far, the Management Board is continuous expecting the Group's financial and earnings situation to further improve as a result of the ongoing expansion of business in 2014 and it does not expect any developments in its financial situation, which could pose a threat to the company's existence. However, this development is subject to the developments, which may be expected or come as a surprise, which the Group is unable to influence; they could have a major effect on this forecast.

The company will continue to follow the pathway pursued during the past few years of continuing to place the company's business on a broader geographical footing and penetrate the domestic market to an even greater extent. We are therefore intending to further increase our share of turnover with companies, which have their management centers outside Germany, and also serve our German domestic market by expanding into other retail segments, which are new for us, and by enhancing our business relations in segments where we are already present to an even better and more extensive degree.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the Group's turnover will continue to expand significantly in 2014.

If this development proves realistic, the Management Board is expecting the GK/Retail business to continue to expand so that turnover in this segment will increase significantly. This growth should once again generate similar levels of profitability as in previous years – i.e. within a significant double-digit target range. However, we are also aware that our investments in the development of our North American business will have a major negative effect on our overall margin within this business unit. We are expecting a continuation of the declining trend in our SQRS business sector, as mirrored in the 2012 and 2013 business years. We do not expect any new orders for services. In terms of profitability, we expect to reach an EBIT margin with a high single-digit figure. We will be able to compensate for the cost risk of the decline in resource requirements here by diverting the resources to the GK/Retail business unit on account of the increase in demand there. We are expecting a major expansion of turnover in the IT Services business unit, but on average the EBIT margin will be significantly lower than in the other two business units, i.e. between 7.5 and 10 percent.

As we are assuming that implementation partners will be more significantly involved in the development of our business in future than in the past, we believe that the personnel requirements at GK SOFTWARE will stabilize within the personnel cost increases experienced during the past business year.

We would like to explicitly repeat here that these estimates are subject to the absence of any external shock situations, which might occur, possibly as a result of an escalation of the events not that far away in the Russian Federation or if the euro crisis should flare up again. These kinds of problems that would affect the whole economy could lead to a curb on the readiness of the retail sector to make investments and this could logically have a negative effect on the turnover and income potential at GK SOFTWARE.

We are expecting significant growth in turnover for the GK/Retail business in 2015 with profitability levels similar to those in 2014. But even if we maintain the level achieved in the 2013 business year, we do not expect any general negative impact on the excellent financial situation that we enjoy at the moment.

Consolidated Balance Sheet

on 31 March 2014

Assets

T.07

EUR	31.3.2014 (not audited)	31.12.2013 (audited)
Property, plant and equipment	4,744,648.62	4,794,037.16
Intangible assets	9,697,935.87	9,922,121.87
Financial assets	1,660.00	1,660.00
Deferred taxes	531,928.92	529,861.75
Total non-current assets	**14,976,173.41**	**15,247,680.78**
Raw materials, supplies and consumables	1,178,667.37	1,034,421.29
Finished goods	20,965.61	8,389.14
Initial payments made	36,772.37	0.00
Trade accounts receivable	7,921,265.03	13,094,022.68
Accounts receivable from ongoing work	1,712,334.25	659,939.36
Income tax assets	36,241.58	217,923.96
Accounts receivable from associated companies	4,786.79	4,786.79
Other accounts receivable and assets[1]	3,689,073.49	3,811,920.33
Cash and cash equivalents	18,616,510.84	13,742,273.60
Total current assets[1]	**33,216,617.33**	**32,573,677.15**
Balance sheet total[1]	**48,192,790.74**	**47,821,357.93**

Liabilities

T.08

EUR	31.3.2014 (not audited)	31.12.2013 (audited)[1]
Subscribed capital	1,890,000.00	1,890,000.00
Capital reserves[1]	18,078,029.49	18,042,151.84
Retained earnings	31,095.02	31,095.02
Other reserves (OCI from introducing IAS 1 in 2011)	203,162.70	203,162.70
Profits carried forward	12,990,053.44	12,388,914.04
Net Loss for the period (prev. year: balance sheet profits)[1]	(1,449,300.75)	601,139.40
Total equity capital[1]	**31,743,039.90**	**33,156,463.00**
Provisions for pensions and similar obligations	912,049.00	912,049.00
Non-current bank liabilities	969,500.00	1,021,750.00
Deferred public sector subsidies	987,012.80	996,836.08
Deferred tax liabilities	1,409,012.45	1,080,292.79
Total non-current liabilities	**4,277,574.25**	**4,010,927.87**
Current provisions	1,499,617.05	1,628,329.38
Current bank liabilities	1,282,611.27	1,267,764.30
Trade accounts payable[1]	881,416.20	1,421,291.35
Initial payments received	1,326,534.69	804,700.50
Income tax liabilities[1]	702,404.23	848,066.78
Other current liabilities	6,479,593.15	4,683,814.75
Total current liabilities[1]	**12,172,176.59**	**10,653,967.06**
Balance sheet total[1]	**48,192,790.74**	**47,821,357.93**

1 – see information under paragraph 1.4.

Consolidated Income Statement and Other Results

on 31 March 2014

Consolidated Income Statement

T.09

EUR	31.3.2014 (not audited)	31.3.2013 (not audited)	31.12.2013 (adapted)
Ongoing business divisions			
Sales revenues	9,331,854.82	9,067,358.77	42,457,575.07
Own work capitalized	54,392.52	120,827.64	375,541.51
Other operating revenues	577,763.73	339,481.21	2,451,492.91
Sales revenues and other revenues	**9,964,011.07**	**9,527,667.62**	**45,284,609.49**
Materials expenditure	(717,582.86)	(840,421.65)	(4,082,260.48)
Human resources expenditure	(6,693,220.69)	(6,231,479.63)	(25,604,653.76)
Depreciation and amortization[2]	(505,553.98)	582,119.83	(2,294,598.70)
Other operating expenditure[1]	(3,130,281.65)	(2,275,804.92)	(12,257,664.18)
Total operating expenditure[1,2]	**11,046,639.18**	**9,929,826.03**	**(44,239,177.12)**
Operating results[1,2]	**(1,082,628.11)**	**(402,158.41)**	**1,045,432.37**
Financial income	29,232.30	24,717.39	110,259.43
Financial expenses	(7,217.23)	(11,605.92)	(223,467.41)
Financial results	**22,015.07**	**13,111.47**	**(113,207.98)**
Results before income taxes[1,2]	**(1,060,613.04)**	**(389,046.94)**	**932,224.39**
Income taxes[1,2]	388,687.71	86,205.68	(331,084.99)
Consolidated net income for the year[1,2]	**(1,449,300.75)**	**(475,252.62)**	**601,139.40**
Other results after income taxes			
Equity Procurement Costs incl. Tax Effect[1]	0.00	0.00	(114,775.89)
Actuarial gains / losses from defined benefit pension plans	0.00	0.00	433,690.76
Other results after tax 1	**0.00**	**0.00**	**318,914.87**
Overall result [1,2]	**(1,449,300.75)**	**(475,252.62)**	**920,054.27**
Thereof attributable to owners of parent company[2]	(1,449,300.75)	(475,252.62)	920,054.27
Non-diluted earnings per share (EUR/share) - from consolidated net income[1,2]	**(0.77)**	**(0.27)**	**0.34**
Diluted earnings per share (EUR/share) - from consolidated net income[1,2]	**(0.76)**	**(0.27)**	**0.33**

1 – see information under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.4.

Statement of Changes in Equity

on 31 March 2014

Statement of Changes in Equity

T.10

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Other Reserves[1]	Balance Sheet Profits	Total
Figures on 1. January 2013	**1,790,000.00**	**14,352,940.73**	**31,095.02**	**(230,528.06)**	**12,388,914.04**	**28,332,421.73**
stock option program	0.00	24,303.00	0.00	0.00	0.00	24,303.00
Net Income for the period[1]	0.00	0.00	0.00	0.00	(475,252.62)	(475,252.62)
Figures on 31 March 2013[1]	**1,790,000.00**	**14,377,243.73**	**31,095.02**	**(230,528.06)**	**11,913,661.42**	**27,881,472.11**
Capital increase	100,000.00	3,682,000.00	0.00	0.00	0.00	3,782,000.00
Offsetting the costs of acquiring equity with the capital reserves[2]	0.00	(114,775.89)	0.00	0.00	0.00	(114,775.89)
Stock option program	0.00	97,684.00	0.00	0.00	0.00	97,684
Accruals based on IAS 19	0.00	0.00	0.00	433,690.76	0.00	433,690.76
Consolidated net income for the year[2]	0.00	0.00	0.00	0.00	601,139.40	601,139.40
Figures on 31 December 2013[2]	**1,890,000.00**	**18,042,151.84**	**31,095.02**	**203,162.70**	**12,990,053.44**	**33,156,463.00**
Stock option program	0.00	35,877.65	0.00	0.00	0.00	35,877.65
Net Income for the period	0.00	0.00	0.00	0.00	(1,449,300.75)	(1,449,300.75)
Figures on 31 March 2014[2]	**1,890,000.00**	**18,078,029.49**	**31,095.02**	**203,162.70**	**11,540,752.69**	**31,743,039.90**

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.4.

2 – see information under paragraph 1.2.

Consolidated Cash Flow Statement

on 31 March 2014

Cash Flows from Operating Business

T.11

EUR K	31.3.2014 (not audited)	31.3.2013 (not audited)[1]
Cash flows from operating business		
Consolidated results for the period[2]	(1,449)	(475)
Stock option program (non-cash expenses)	36	24
Income taxes affecting results[2]	389	86
Interest income/expenses affecting results	7	12
Interest yields entered and affecting net income	(29)	(25)
Reversals of deferred public sector subsidies	(10)	(20)
Write-downs recognized for receivables	20	—
Write-ups recognized for receivables	(95)	(35)
Amortization/depreciation[2]	506	582
Other non-cash revenues and expenditure	(1)	—
	(626)	**149**
Changes in net current acssets		
Changes in trade accounts receivable and other receivables[1]	4,340	2,306
Changes in inventories	(194)	(189)
Changes in trade accounts payable and other liabilities[1,2]	1,199	1,551
Changes in trade accounts receivable and other receivables	522	(64)
Changes in provisions	(129)	(515)
Inflow of funds from operating activities[2]	**5,111**	**3,238**
Interest payments received	7	32
Interest paid	(3)	(4)
Income taxes paid	(26)	874
Net flow provided by operating business (transfer)[2]	**5,089**	**4,140**

1 – see information under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.4.

Cash Flows from Investment Activities and Financing Activities, Credits and Means of Payment

T.12

EUR K	31.3.2014 (not audited)	31.3.2013 (not audited)[1]
Transfer (Net flow provided by operating business)[2]	**5,089**	4,140
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(232)	(366)
Disbursed loans	(8)	(106)
Proceeds from the repayment of loans	61	—
Net cash outflow for investment activities	**(179)**	**(472)**
Cash flow from financing activities		
Loans taken out	271	83
Repayment installments for loans	(309)	(88)
Net income (prev. year: net outflow) in cash and cash equivalents from financing activities	**(38)**	**(5)**
Net income (prev. year: net decrease) in cash and cash equivalents[1]	**4,872**	**3,663**
Cash and cash equivalents at the beginning of the fiscal year[1]	13,742	10,382
Impact of changes in exchange rates on cash and cash equivalents[1]	3	0
Cash and cash equivalents on the reporting date	**18,617**	**14,045**

EUR 10K were pledged as security as part of a leasing contract for business accommodation for the Berlin branch and Cologne branch of GK SOFTWARE AG.

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.4.

Notes on the Consolidated Accounts

on 31 March 2014

1. Principles of Reporting

1.1. General Information

The brief interim consolidated accounts for GK SOFTWARE AG have been prepared in line with the International Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that applied on the accounts reporting date. Any standards or interpretations, which have been published, but are not yet in force, have not been used for these interim consolidated accounts.

The International Accounting Standards Board did not publish any new accounting standards (IFRS), which need to be applied by the company in the current business year.

The consolidation, balance sheet and assessment methods used in these brief interim consolidated accounts are based on the same consolidation, balance sheet and assessment methods, which were also used in the consolidated accounts in fiscal 2013, unless any different procedure is mentioned here.

1.2. Adjustments to the consolidated accounts for 2013

After publication of the group accounts of the fiscal year 2013, which were made on 17 April 2014 and approved by the Supervisory Board on 28 April 2014, the preparation work for the report for the first quarter of 2014 revealed that a statement of expenditure for some advisory services from previous years had been incorrectly entered under the expenditure for the year 2014. The account totalled EUR 383 K plus value-added tax and had been entered at a figure of EUR 228 K under "Other operating expenditure" The remaining figure of EUR 155 K concerned capital procurement measures and should be entered under "Capital reserves" and "Other operating profits", including the effect on income tax needing to be taken into account. On the basis of the published consolidated annual net income of EUR 763 K, the failure to enter this item of expenditure had a major effect. In addition, the picture of the earnings, assets and financial situation, at least in terms of the earnings situation, which was provided by the annual group net income, did not match the actual circumstances.

Compared to the previously published consolidated annual group accounts, the entry of the incorrectly assigned statement has resulted in the following changes in the major key figures on the balance sheet and the profit and loss statement for the year 2013, that have effects to the profits carried forward the values carried forward in the balance sheet 2014.

The annual group net income now amounts to EUR 601 K following the previously published figure of EUR 763 K, which is due to an increase in "Other operating expenditure" of EUR 228 K and the reduction in the income taxes entered on the expenditure side by EUR 66 K. As a result of the reduction in the annual group net income and the inclusion of equity procurement costs amounting to EUR 155 K minus the effect on income taxes of EUR 45 K compared to the previously published figures, the Group's equity on 31 December 2013 amounted to EUR 33,156 K.

Through the increase in the trade accounts payable by EUR 455 K and the simultaneous reduction in the liabilities arising from income taxes by EUR 111 K and because of the equity figure, which has fallen by EUR 272 K, the balance sheet sum on 31 December 2013 changes from EUR 47,821 K to originally EUR 47,749 K.

The cash flow from operating business in the consolidated cash flow statement rose by EUR 109K, while the cash flow from financing activities decreased by EUR 109K.

1.3. Consolidated Companies

The interim consolidated accounts include GK SOFTWARE AG and all the active companies, where GK SOFTWARE AG has a majority holding of 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 (AWEK C-POS GmbH, AWEK microdata GmbH), but also four companies based abroad (EUROSOFTWARE s.r.o., Plzen/Czech Republic, OOO GK Software RUS, Moskow/Russia, GK Software USA inc., Cape Coral/USA and StoreWeaver GmbH, Dübendorf/Switzerland with a subsidiary in St. Ingbert/Germany). AWEK Hong Kong Ltd., where GK SOFTWARE AG has a majority holding of voting rights directly, was not included in the consolidated companies, as it had not yet started its business activities.

1.4. Adapting the previous year's figures

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

The consolidated accounts on 31 December 2012 were dominated by the provisional determination of the purchase price. The following summary reflects the final acquired assets and liabilities at the time of the acquisition. The changes to the carrying values and the related depreciation periods, differing from the original approach in the area of the intangible assets, will affect the results of the following periods.

T.13 Assets and depts acquired from AWEK GmbH

EUR K	Fair value of final PPA	Fair value of provisional PPA
Current assets	**3,202**	**3,202**
Cash and cash equivalents	198	198
Trade accounts receivable and other accounts receivable	1,745	1,745
Inventories	1,259	1,259
Non-current assets	**2,315**	**2,135**
Property, plant and equipment	270	270
Finance assets	1	1
Acquired technologies (softwaredevelopment)	806	823
Customer relations	458	802
Orders on hand	394	—
Active deferred taxes	386	240
Current liabilities	**(3,419)**	**(3,419)**
Trade accounts payable and other liabilities	(3,112)	(3,112)
Current provisions	(307)	(307)
Non-current liabilities	**(1,854)**	**(1,677)**
Provisions for pensions	(1,250)	(1,250)
Deferred tax liabilities	(604)	(427)
Amount Balance (=Goodwill)	**(244)**	**(242)**

1.5. Sales Revenue

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

Sales amounting to EUR 1,002K were entered during the reporting period, which are recognized in line with IAS 18.20 in conjunction with IAS 11 (customized software). Sales amounting to EUR 148K were achieved during the reporting period for sales, which are recognized according to IAS 18.27.

Overall, all the customer orders contained in the figures have a balance on the assets side and are reported as one amount in the item entitled "Accounts receivable from work in progress."

We would refer you to Section 1.7. "Segment reporting" for a summary of the main categories of revenues. Guarantee provisions amounting to EUR 581K have been formed for these revenues.

1.6. Earnings per Share

Earnings per share are calculated as the earning from the group's reporting period's net income divided by the weighted average number of shares in circulation. The number of shares in circulation was on average 1,890,000 in the reporting period (1,790,000 on 31 March 2013). The consolidated loss for the period in the reporting period amounted to EUR 1,449K. Hence earnings per share were EUR (0.77) (EUR (0.27) on 31 March 2013[1]).

The calculation for the diluted earnings per share takes into account the number of shares where the share price on average lay above the exercise thresholds[1] during the year.

When calculating the diluted weighted average value of the ordinary shares on 31 March 2014, 25,625 options were disregarded.

In the case of 24,675 shares, the company's share price on average lay above the exercise thresholds. They were taken into account when calculating the diluted, weighted average prices for the ordinary shares on 31 March 2014. The diluted results per share was 0.76 euros.

1.7. Segment Reporting

The market supply of the group is expanded since the acquisition of the AWEK. In addition to the GK/Retail and SQRS products and related services the group now also offers general IT services for the retail industry. The structure of the sales can be subdivided in both business areas according to the sale of licenses, maintenance and introductory and adaptation services. Hardware for store IT operations continues to be sold on a small scale – this hardware is manufactured by third parties.

The following summary represents the subdivision of sales according to products and business departments:

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.4.

Sales by Division

T.14

EUR K	GK/Retail Q1 2014	GK/Retail Q1 2013	GK/Retail FY 2013	SQRS Q1 2014	SQRS Q1 2013	SQRS FY 2013	IT-Services Q1 2014	IT-Services Q1 2013	IT-Services FY 2013	Eliminations Q1 2014	Eliminations Q1 2013	Eliminations FY 2013	Group Q1 2014	Group Q1 2013	Group FY 2013
Sales with third parties	**6,571**	**6,080**	**29,607**	**249**	**483**	**1,389**	**2,512**	**2,504**	**11,462**	**—**	**—**	**—**	**9,332**	**9,067**	**42,458**
Licenses	392	356	6,178	—	—	—	3	—	194	—	—	—	395	356	6,372
Servicing work	2,006	1,669	8,122	245	329	1,065	1,880	1,009	6,737	—	—	—	4,131	3,007	15,924
Services	4,135	3,819	14,768	4	155	324	78	—	3,377	—	—	—	4,217	3,974	18,469
Other matters	41	243	564	—	(1)	—	571	1,516	1,208	—	—	—	612	1,758	1,772
Revenue reductions	(3)	(7)	(25)	—	—	—	(20)	(21)	(54)	—	—	—	(23)	(28)	(79)
Sales with another segment	**155**	**216**	**782**	**—**	**—**	**62**	**123**	**—**	**255**	**(278)**	**(216)**	**(1,099)**	**—**	**—**	**—**
EBIT segment[1,2]	**(1,246)**	**(524)**	**360**	**42**	**183**	**149**	**121**	**(61)**	**536**	**—**	**—**	**—**	**(1,083)**	**(402)**	**1,045**
Assets[1,2]		**37,400**	**42,761**	**2,331**	**2,715**	**1,979**	**6,344**	**5,774**	**5,970**	**(2,326)**	**(1,203)**	**(2,888)**	**48,192**	**44,686**	**47,822**
Cash and cash equivalents	**15,144**	**11,052**	**11,686**	**1,885**	**2,012**	**1,522**	**1,588**	**981**	**534**	**—**	**—**	**—**	**18,617**	**14,045**	**13,742**

The decision discontinue the SQRS software solutions in the future has been maintained. The exchange of work between the segments is governed by service agreements, which are dictated by the normal revenues for segments in their outside markets. Administrative work is calculated on the basis of service provision agreements in line with the estimated time required based on experience in the past, using the cost price of the administrative work that is provided.

Sales with customers, which have their headquarters outside Germany, amounted to EUR 1,760K during the reporting period. Sales of EUR 1,248K were achieved with customers, whose share of the sales exceeds 10 percent of the total sales during the reporting period.

1.8. Details on associated persons and companies

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

1 – Information on the adaptation of the previous year's figures of the first three months of the group can be found in the explanations under paragraph 1.4.

2 – see information under paragraph 1.2.

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

The direct parent company is GK Software Holding GmbH, Schöneck. There were no business relations existing in the first three months of 2014.

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 balance sheet day. This was worth EUR 1,850K 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 1K.

In addition, there are tenancy arrangements with another closely related company. The expenditure on tenancy incurred during the first three months of the financial year amounted to EUR 13K.

Expenditure on outside services with closely related companies amounting to EUR 67K was also incurred. Revenues with closely related companies in connection with making vehicles available and other services amounting to EUR 46K and expenses for other services amounting to EUR 64K were also generated. Additional expenses from the provision of project services amounting to EUR 123K were incurred. The outstanding accounts receivable with this company amounted to EUR 0K on the balance sheet day.

All the business transactions with associated companies concern associated companies according to the category in IAS 24.19.

1.1. Major Events

There are no major events to report after 31 March 2014.

1.2. Approval of the Brief Interim Accounts

The brief interim accounts were approved by the management board at a meeting held on 30 May 2014/28 July and were released for publication.

Schöneck, 30 May/28 July 2014

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

Financial Calendar

27 August 2014
Interim report as of 30 June 2014

28 August 2014
Annual Shareholders' Meeting 2014
in Schöneck/V.

24 – 26 November 2014
Analysts' Conference in Frankfurt/M

27 November 2014
Interim report as of 30 September 2014

29 April 2015
Annual report

28 May 2015
Interim report as of 31 March 2015

18 June 2015
Annual Shareholders' Meeting 2015
in Schöneck/V.

27 August 2015
Interim report as of 30 June 2015

November 2015
Analysts' Conference in Frankfurt/M

26 November 2015
Interim report as of 30 September 2015

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Dipl.-Kfm. André Hergert, CFO

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Notes

Note to the Report

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

Note regarding the rounding of figures

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

Disclaimer

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