GK SOFTWARE

Annual Report 2014

YEARS OF
INNOVATING RETAIL
1990 – 2015

Simply Retail.

Summary of Consolidated Results

	31.12.2014	31.12.2013	31.12.2012	Change (2014/2013)
Sales (EUR K)	44,634	42,458	28,426	5.1%
Operating performance (EUR K)	45,146	42,833	29,046	5.4%
Total operating revenues (EUR K)	47,334	45,285	30,704	4.5%
EBIT (EUR K)	(3,015)	1,045	1,233	(388.4)%
EBIT margin (on sales)	(6.8)%	2.5%	4.3%	
EBIT margin (on total operating revenue)	(6.4)%	2.3%	4.0%	
EBT (EUR K)	(2,987)	932	(1,277)	(420.4)%
Annual net income (EUR K)	(1,870)	601	1,051	(411.1)%
Earnings per share (weighted) (EUR)[1]	(0.99)	0.34	0.59	
Earnings per share (diluted) (EUR)[2]	(0.99)	0.33	0.59	
Equity ratio	68.4%	69.3%	63.9%	
Net debt (EUR K)	(9,041)	(11,453)	(6,907)	(21.1)%

Development by quarter

Sales, EBIT, profit

3M 2014 9,332 (1,082) (1,449)
H1 2014 20,213 (1,334) (2,107)
9M 2014 30,562 (2,226) (3,114)
Total 2014 44,634 (3,015) (1,870)

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**YEARS OF
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A

To the Shareholders

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Rainer Gläß

Chief Executive Officer

Letter from the Management Board

Dear shareholders

We would like to take this opportunity to present you with the annual report for 2014. We have once again been able to increase revenue as a result of our business activities. At EUR 44.63 million, there was an increase of around five percent compared to the previous year's figures of EUR 42.46 million. However, it has not been possible to continue the positive trend shown during the previous year in the domain of operational performance. EBIT showed a deficit of EUR (3.02) million after we had achieved a figure of EUR 1.05 million in the previous year. The loss amounted to EUR (0.99) per share. The principal reason for the result was the fact that the licence revenues during the 2014 financial year were one third below that of the previous year. In an environment with a large number of project opportunities, in spite of intensive work we were unable to complete important projects anticipated for 2014 and a significant project did not materialise due to the sale of the company concerned. The failure to achieve our targets was also due to internal postponements of projects which meant that services could not be invoiced to the planned extent. We

have responded to this challenge with a rigorous quality assurance program which is already in progress, in order to be better equipped in this area. In addition to this, in the anticipation of new projects we have expanded our workforce both in terms of quality and quantity with the result that staff costs are currently in advance of the revenue targets. Considering the current project opportunities with definite prospects of completion, we anticipate, however, that the investments made in additionally qualified personnel will be amortised during the 2015 financial year.

The 2014 financial year has shown that our internationalisation strategy with SAP has continued to develop more and more successfully. In this way we were able to win three projects in South Africa and two in North America. Even if this does not compensate for the weak market environment in our domestic market, these important successes show that we are making very good progress. The growth in the service business with GK/Retail, which we were able to expand by 25 percent, has also been encouraging. There has also been growth in the IT Services area, previously AWEK, which has been able to increase its revenue by almost five percent to approximately EUR 12 million.

After the end of the reporting period, we were able to make an important acquisition. With the acquisition of the highly profitable retail branch of the US company DBS Inc., which was completed in March 2015, we took an important step towards further developing our position in North America, the largest retail market in the world. The area of the company that we acquired is, on the one hand, geared towards project development and consultancy, and on the other hand towards creating complementary solutions for the GK Software[3] products. We have approximately 20 employees who are focused on implementing the store projects and who successfully implemented the former SAP POS (Travesty) many times. The acquisition also included a software solution geared towards linking the wide variety of hardware and software in order to perform electronic payment transactions in North America. The integration into the GK Software range of solutions, which will be possible relatively quickly, will significantly simplify and accelerate the implementation of projects in this market.

We still firmly believe that the stronger focus on multi-channel retailing, which we introduced in recent years, meets the needs of the market. In each of the markets we operate in, either alone or with SAP, retailers are looking for the appropriate answers to set the course for the future of their companies in competition with those who only trade online. At the beginning of 2015 at the trade shows in the USA and in Düsseldorf, we successfully presented our new range of solutions particularly for this sector to a wide audience and received excellent feedback. We therefore remain confident that our ongoing developments in the GK/Retail range of solutions have improved our chances in major international tendering processes. However, the fact still remains that not all guidelines in the multi-channel retail segment can be precisely understood by retailers or are not based on best practices with the result that we can also expect longer sales cycles in our sector in future.

The strategic partnership with SAP is still developing very well and makes an important contribution to the continued development of the Company. We were able to win the new projects in North America and South Africa together with SAP and we anticipate that our international expansion will also continue to be strongly sustained by the partnership. During the reporting period we were also able to win the first migration project for the old SAP POS solution. A clear migration path for this clientele provides us with further potential, particularly in the North American market. The

acquisition of the retail segment of DBS Inc. could also have an impact in this area as DBS played an important role in the implementation of the old SAP POS (previously Triversity) and maintains excellent, long-term contact with the respective customers.

In the GK/retail business we were able to win five new projects alongside an improved service business. At the same time, the project with Loblaw, one of the largest retail establishments in the world, opened up further opportunities for us as we had previously only sold a part of our range of solutions here. With three projects in South Africa, two large-scale projects and one smaller project, we made a clear entry into the market in this region in a short period of time. South Africa is one of the world's developed retail regions and through its multitude of links, particularly with North America, its influence radiates far beyond the countries of southern Africa. At the beginning of 2015 we established our own wholly-owned subsidiary with a small workforce for sales and project management in order to develop and maintain this market more successfully.

For the IT services area, we have fully completed the integration and are working intensively on strengthening the position of the corresponding services for this area among the existing GK/Retail customers.

Similarly to the previous year, during the reporting period, the installed base of our range of solutions has grown by more than 14,000 and now includes 199,351 productive systems (checkouts, portable devices, servers). This has enabled us to continue to strengthen our leading position in Germany (>22 percent) and also internationally. The position of GK Software is also reflected in the fact that we now have business links with 20 percent of the TOP50 largest retailers in the world. Alongside the new installations, the majority of our existing projects are continuing to generate further revenue due to our customers constantly adapting their solutions to new requirements in their businesses, developing markets in new countries, equipping new sales lines or deciding to use additional solutions from our portfolio.

The issue of multi-channel retailing and cloud applications continued to be the major focus of our research and development work in 2014 as we believe the greatest potential for the future lies here. We were therefore able to give the first presentations of new developments from our range of bespoke solutions for multi-channel scenarios to an audience of experts at the large trade shows in 2015. As we are confident that there will be consistent solutions in future which will provide important processes as a service for chain stores, web shops or portable devices, we have continued to develop our range of solutions correspondingly. Another important trend is the real-time link to all available data on customers, goods, availability, and open shopping baskets from different sales channels or social media trends. We have created an appropriate response to this for our customers through a special cloud-capable feature geared towards clienteling within our mobile checkouts. As thin clients for branches or load balancing for servers are linked to the cloud topic, we also focused development in this area during the previous financial year. In addition to this we also continued to develop our existing solutions and, for example, in the terms of mobile solutions, we incorporated an additional platform as standard with android. All work in research and development was closely coordinated with SAP so that we could integrate our strategic partner's new and ongoing developments, in areas such as HANA, CAR or Fiori at an early stage in our product development. In March 2015, through SAP, we were able to successfully conclude the fifth premium qualification for our solutions. With this, each current version of these was tested by SAP and released for sale.

In the area of the partner business, achieving the fully operational GK Academy has been extremely important. With a clearly structured partnership program, extensive training packages and a certification program for hardware, we are able to train the partners according to status so that they can implement their own projects using our solutions. This means that we have access to a well-positioned international network of partnerships which will provide us with even greater support in the implementation of high quality projects throughout the world in the future.

Based on a very well filled pipeline both in our direct and also partner sales business, we are confident that we will continue to grow in 2015 and beyond. We are currently holding in-depth discussions with customers from Germany and abroad and believe that we are very well placed to win several ongoing tender procedures with our range of software solutions. In addition to this we have already been able to secure the first two contracts in the USA.

In the medium-term, for a period of three to four years, we anticipate an increase in our revenue by one-and-a-half times in comparison to the 2014 financial year. In so doing, we aim to achieve a target margin of 15 percent for the entire business incorporating all segments. This forecast is naturally subject to the proviso that no extraordinary events take place that could have a negative impact on the general economy or the retail sector.

We are delighted that you are supporting the growth of GK Software AG and we would like to thank you for your sustained confidence in the Company.

The Management Board

Rainer Gläß
Chief Executive Officer

André Hergert
Head of Finance and Human Resources

Report by the Supervisory Board

Dear shareholders

The report by the Supervisory Board for the GK Software AG 2014 financial year, which I am able to submit to you here, relates to a year which has been significantly more difficult than had been anticipated during the previous year. Following the extremely successful years since the Company's IPO which brought continually favourable results, the year 2012 demonstrated to us that success is not a matter of course. By adopting a number of measures, we succeeded in returning to our winning ways during the 2013 financial year. To the 2014 Annual General Meeting, all indications were that matters would proceed in this way, which, unfortunately, was not confirmed over the following months.

Composition of the Supervisory Board

In accordance with the articles of incorporation, the Supervisory Board consists of three members. In the 2014 financial year these were:

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

Mr Ludwig and Mr Zinn have been appointed until the end of the Annual General Meeting in 2016, while Mr Thomas Bleier's appointment will terminate upon the conclusion of the 2019 Annual General Meeting.

Meetings

The Supervisory Board met for ordinary sessions on 24 February, 17 April, 28 August and on 1 December 2014. Various telephone conferences were held in 2014 when decisions were pending. All members of the Board were present at all the ordinary meetings and conferences. It is customary practice at GK Software AG that the representatives of the Management Board are always involved in the meetings. Outside of the meetings, the members of the Supervisory Board were also regularly in contact with each other as well as with the management and the members of the board. This was facilitated in particular by the Chairman of the Supervisory Board. Decisions

were made during meetings or by a circulation procedure. During its meetings, the Supervisory Board was briefed in detail about the economic and financial situation of the Company as well as the fundamental corporate policy by means of verbal and written reports from the Management Board. In addition to this, the Management Board regularly reported on the course of business by providing interim reports and promptly forwarded the minutes of the board meetings.

Functions of the Supervisory Board

In the 2014 financial year, the Supervisory Board for GK Software AG fulfilled the tasks incumbent upon it according to law, the articles of incorporation, the recommendations of the government commission's "German Corporate Government Code" and the Supervisory Board's revised rules of internal procedure and has continually monitored the Company management.

In the interests of streamlining the managerial structure, the appointment of the Management Board was an urgent issue after changes in the structure and process organisation of the Company. During this restructuring, the Management Board was reduced from four members to two and was placed in control of a Group Management Board. After an appropriate orientation phase, on the one hand this has enabled a very efficient manner of working against the backdrop of flexible management conditions, and on the other hand, it has averted the risk of having an over-heavy executive body for the next few years. A significant factor in this was that Mr Jaszczyk assumed responsibility for developing the Group's North American business and took charge of establishing the US subsidiary as CEO, although he will also continue to support us in his role as CTO.

In addition to the considerable support during this orientation process after the restructuring, the continued development and adaptation of the risk management systems is an important issue. As a result, the Supervisory Board called for reports on the progress of the implementation of the security concept which has now been extended, as well as on the further establishment of formalised administrative processes, new procedures in the controlling department and the work of the newly appointed data protection officer. The Supervisory Board has welcomed the progress achieved and the fundamental revision of the planning processes, which has been used for the first time as a new framework for the 2014 annual planning.

The Supervisory Board also fully focused on the appropriateness of the remuneration for members of the Management Board as part of the restructuring process. As in previous years, our attention was focused on the relationship between remuneration and the Company's economic situation as well as on the conditions prevalent at other companies, the comparison with the overall structure of remuneration within GK Software AG and the composition of fixed and variable salary components. After it had been established that, unlike in the previous year, there had been significant deviations from the economic targets set for the 2014 financial year, the Supervisory Board significantly reduced the variable salary components for all the Management Board and Board members with the exception of the CTO and did not approve the amount originally agreed.

In order to monitor the management team, the Supervisory Board was guided by the annual budget passed for 2014 and called for reports from the Management Board

particularly regarding the ongoing business policy and corporate planning, the profitability, the course of business and important individual measures adopted by the Company. The Supervisory Board also received a number of additional reports on the development of the business throughout the financial year and even more so after the Annual General Meeting, after there had been a failure to achieve the anticipated positive development of the business and the targets set for the financial year both in terms of turnover and profits. The takeover of AWEK, which took effect at the end of 2012, initially provided the expected reinforcement and the desired effects for the ongoing development of GK Software AG but was then only able to fulfil some of the expectations which had been placed on it in 2014. The Management Board supplied the Supervisory Board with information throughout the year both during and outside of meetings and the Supervisory Board discussed these reports and checked them with a critical eye although, unfortunately, they did not contain the anticipated reports of success.

Corporate Governance

The Supervisory Board and Management Board act in the full knowledge that good corporate governance forms an important basis for the Company's success and is therefore in the best interests of shareholders and equity markets. The Management Board and the Supervisory Board issued their annual declaration of compliance in line with Section 161 of the German Stock Corporation Act in April 2015. The wording of this is printed in this business report as part of the Corporate Governance report. The Management Board and the Supervisory Board have pledged to follow the recommendations of the German Corporate Governance Code as far as possible. No conflicts of interest arose amongst members of the Supervisory Board during the 2014 financial year.

2014 Annual Audit

The GK Software AG annual accounts compiled by the Management Board in line with the guidelines set by the German Commercial Code as well as the IFRS Consolidated Accounts and the respective management report have been audited by the auditing company, Deloitte & Touche GmbH, and were given an unqualified audit opinion. Taking into account these audit reports, the Supervisory Board has examined the annual accounts compiled by the Management Board, the consolidated accounts, the dependency report, the management report for GK Software AG and for the Group and the loss recorded by the Management Board for 2014. During its meeting on 13 May 2015, the Supervisory Board asked the Management Board to explain the 2014 annual and consolidated accounts with their minus figures and report on the profitability, the Company's equity, the interim course of business and the progression of Company's situation. All Supervisory Board members received the necessary documents prior to this meeting.

During the meeting the auditor commented on the Management Board's presentation, explained the audit findings using the auditor's reports and answered all questions on these reports. The auditor was able to answer all questions satisfactorily. There are no doubts about the auditor's independence. During its meeting on 13 May 2015, the Supervisory Board therefore approved the annual accounts for GK Software AG and authorised the consolidated accounts at GK Software. The

annual accounts have thus been approved. The Supervisory Board agreed with the Management Board's recommendation to record the loss, particularly in view of the fact that significant adjustments in value could then be undertaken.

The Management Board also prepared a report on relations to associated companies in line with Section 312 of the German Stock Corporation Act. The auditor has checked this and provided a verbal report on the results of the audit during the meeting on 13 May 2015. The review by the Supervisory Board did not give rise to any reasons for objections to be raised. It did not raise any objections to the Management Board's final declaration in its report in line with Section 312 of the German Stock Corporation Act.

The Supervisory Board would like to thank the Management Board, the board members and all the employees for their work in 2014. It wishes them all a fast and sustained return to success which will also bring confirmation of their efforts and their successful work.

Schöneck, 13 May 2015

Uwe Ludwig
Chairman of the Supervisory Board

Corporate Governance Report

According to Section 289a of the German Commercial Code

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

Cooperation between the Management Board and the Supervisory Board

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

Transparency

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

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

Risk Management

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

Declaration of Compliance

Section 161 of the German Stock Corporation Act obliges the Management Board and the Supervisory Board of GK Software AG to make an annual declaration that compliance has been or is being achieved with regard to the recommendations of the "Government Commission on German Corporate Governance Code" published by the German Minister of Justice in the official section of the electronic German Federal Gazette, or to state which

recommendations have not been or are not being complied with.

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

The last annual declaration was submitted in April 2014 and relates to the version of the Code dated 13 May 2013. The future corporate governance practices at GK Software AG in the following declaration refer to the recommendations in the Code in its current version dated 24 June 2014.

On 16 April 2015, the Management and Supervisory Boards at GK Software AG declared that since the release of the last annual declaration of compliance in April 2014 the recommendations of the “Government Commission on German Corporate Governance Code” had been met with the exceptions noted and continues to comply with the following exceptions.

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

Code number 4.1.5 The candidates for management functions will be selected by the Management Board on the basis of their personal skills and abilities in the interests of the Company. When making selections, the objective backgrounds of the candidates in terms of their age, background or gender are not taken into account.

Code number 4.2.4 The Company does not reveal the earnings of the members of the Management Board in the annual accounts by their names. The total earnings of the members of the Management Board are disclosed. This departure was based on the decision taken by a qualified majority of three quarters of the share capital represented at the Annual General Meeting at the meeting held on 17 June 2010 according to Section 286, paragraph 5 of the German Commercial Code (HGB) and Section 314, paragraph 2, sentence 2 HGB which ruled that the individual earnings should not be published in the annual and consolidated accounts from 2010 until 2014.

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

Code number 5.1.2 The Supervisory Board will exclusively take into account the personal suitability arising from the candidates’ individual abilities and skills when making appointments for vacant positions on the Management Board, as this will lead to the best results for the Company. Objective criteria such as age, background or gender will not be included in any considerations. There is no age limit for members of the Management Board. GK Software AG feels that the professional qualifications of the members of the Management Board play the more important role.

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

Code number 5.4.1 The composition of the Supervisory Board at GK Software AG is not decided by the Supervisory Board, but by the Company’s Annual General Meeting. The Supervisory Board seeks to engage in successful cooperation between its members and constructive cooperation with the Management Board. The nominations for candidates submitted by the Supervisory Board to the Annual General Meeting will take into account the geographical distribution and the degree of complexity of the business at GK Software. Criteria such as the age, background or gender of the candidates will not be taken into consideration. There is no provision for an obligatory age limit for the members of the Supervisory Board, as the older members of the Supervisory Board particularly enrich the board as a result of their wide

experience and their specialist qualifications are of great importance.

Code 5.4.6 Payments for the members of the Supervisory Board are made exclusively according to fixed elements. No remuneration that is dependent on the Company's success is granted to the members of the Supervisory Board, as the members of the Supervisory Board must be able to pursue their tasks as a supervisory body for the Company without any possible conflict of interests.

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

GK Software AG Shares

Basic data

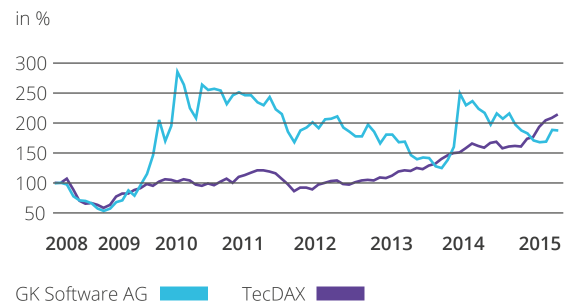
Basic data

T.01

Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19 June 2008
Type of shares	Ordinary no par bearer shares (no-par value share)
Trading centres	Frankfurt and XETRA
Market segment	Regulated market (prime standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1,890,000
Share capital	EUR 1,890,000
Free float	44.79%
Highest price in 2014	EUR 51.84 (20 January 2014)
Lowest price in 2014	EUR 33.00 (15 December 2014)

Share price development (indexed)

F.01



Summary/Share Performance

The GK Software AG shares listed on the Prime Standard section at the Frankfurt Stock Exchange showed a downward trend during the last financial year after the rate had been stimulated due to the 5.29 percent shareholding of SAP at the end of 2013. The shares were worth EUR 33.50 at the end of the reporting period. This corresponded to market capitalisation of EUR 63.3 million at the end of 2014.

Shareholder Structure

GK Software AG has an extremely stable shareholder base that enables the long-term and sustained development of the Company. As of the reporting date, 31 December 2014, the Company had the following shareholder structure: Rainer Gläß, the founder and CEO, directly holds 3.32 percent of the shares. Stephan Kronmüller, also a Company founder and the former Head of Technology and Development, directly holds 2.33 percent of shares. 49.56 percent of the shares are owned by GK Software Holding GmbH, which has been indirectly and equally apportioned to the Company partners Rainer Gläß and Stephan Kronmüller. This meant that 44.79 percent of the shares were in free float on 31 December 2014.

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

Shareholder structure on 31 December 2014

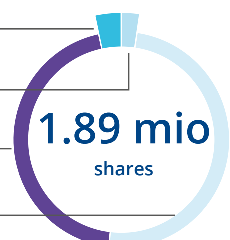
F.02

Rainer Gläß – 3.32%

Stephan Kronmüller – 2.33%

Freefloat – 44.79%

GK Software Holding GmbH – 49.56%



T.02 Threshold Value Exceedances

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

Directors Dealing 2014

None during the 2014 financial year.

Investor Relations

For its IPO during the summer of 2008 GK Software chose to have its shares listed on the most strictly regulated sector of the Deutsche Börse, the Prime Standard. The highest possible degree of transparency towards its investors and all the other participants in the capital markets has been one of the most important Company principles from the outset.

André Hergert, the CFO, is responsible for the investor relations, which has been assigned its own department. This guarantees that any enquiries from investors and potential investors are answered immediately.

GK Software AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this 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 also meets investors' requirements for information. As in previous years, GK Software AG is also planning to hold its annual analyst conference for 2015 during the Frankfurt Equity Capital Forum. Investor and press road shows also take place at regular intervals so that the Company remains in permanent contact with the capital markets.

The Management Board also prepared a report on relations to associated companies in line with Section 312 of the German Stock Corporation Act. The auditor checked this and gave a verbal report on the results of his findings at the meeting held on 13 May 2015. The review by the Supervisory Board did not give rise to any reasons for objections to be raised. It did not raise any objections to the Management Board's final declaration in its report in line with Section 312 of the German Stock Corporation Act.

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

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Economic Report

Business and General Conditions of GK Software

Corporate structure and holdings

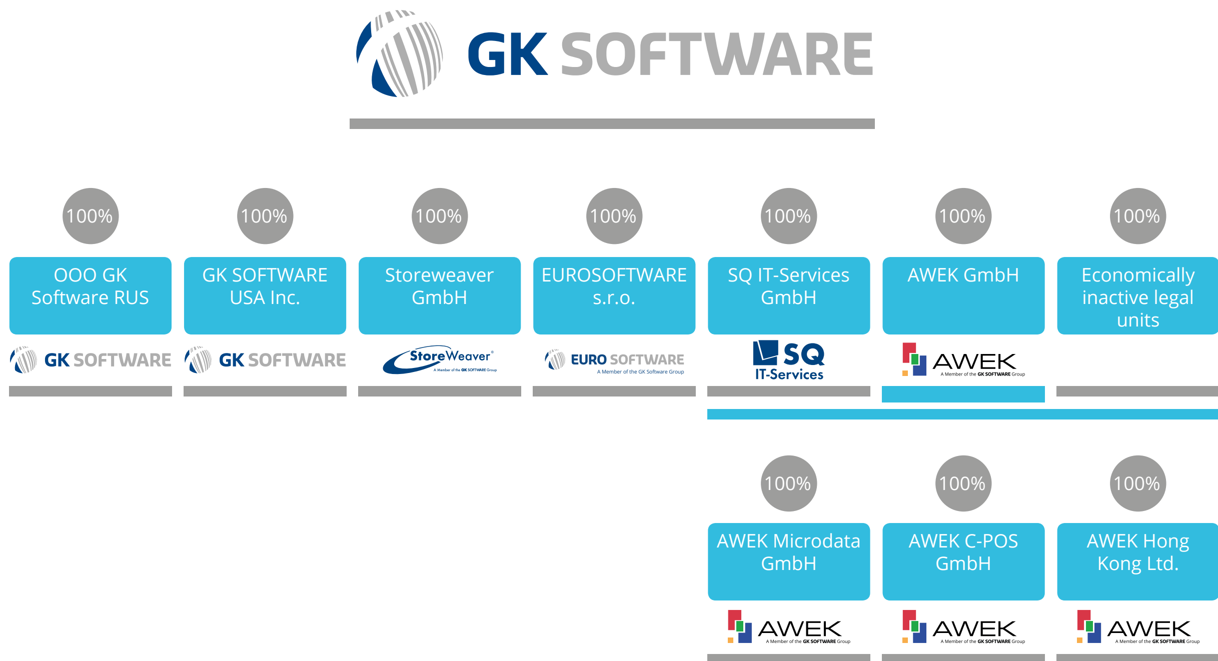
- **Eleven business locations in Germany, the Czech Republic, Switzerland, Russia, South Africa and in the USA**
- **Both Company founders are actively involved in the Company**

GK Software AG is one of the world's leading technology companies for retail software with a special focus on providing solutions for corporations with local stores. GK Software AG and its predecessor company, G&K Datasysteme GmbH, which Rainer Gläß and Stephan Kronmüller founded in 1990 and which became GK Software AG in 2001, have now been active on the market for 25 years. The Company's IPO took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008.

The company's headquarters has been located in Schöneck/Vogtland since it was founded. Alongside its management, the Company has its product development department, project management and third-level support facilities at this location. SQ IT-Services GmbH, which was founded in 2009 to handle the takeover and integration of Solquest GmbH, was also located in Schöneck. As of 1 January 2014, the company was dissolved without

Group structure of GK SOFTWARE AG on 31 December 2014

F.03



going into liquidation and merged with GK Software AG by means of a merger involving an acquisition (Section 2 no. 1 German Reorganisation Act). Schöneck is also home to 1. Waldstraße GmbH which was set up in preparation for the launch of new business activities and is also a subsidiary which is wholly owned by GK Software AG. GK Software AG has a branch next to Checkpoint Charlie in Berlin which is primarily responsible for managing the marketing, sales and partner activities, the Company's user-help desk is also based there.

The Group's second largest business location has been situated in Pilsen in the Czech Republic for more than ten years. The wholly owned subsidiary, EUROSOFTWARE s.r.o., is home to the software production and research & development departments. Major work on programming and further technological developments for the solutions provided by GK Software take place at the Pilsen location. An additional branch, located in Cologne, focuses on software development.

GK Software AG has another wholly owned subsidiary in Dübendorf in Switzerland. StoreWeaver GmbH has a German branch in St. Ingbert in Saarland. The teams in St. Ingbert are responsible for the onward development of the StoreWeaver EE product group and handling the relevant customer projects; and they also look after the customers of the former Solquest GmbH company.

The AWEK group, which belongs to the Group, operates two additional locations. The administration, hotline, dispatching, quality assurance, repairs and stores are located in Barsbüttel near Hamburg, while the software development department is based in Bielefeld. The service organization at AWEK also consists of mobile technicians who are spread across the different parts of Germany.

With GK Software RUS, GK Software has its own organisation responsible for sales and project implementation in Russia. GK Software USA Inc. was founded in the USA in December 2013 in order to support the expected expansion of our North American business locally with an organisation of our own. The CEO of the new company is Michael Jaszczyk, a former member of the Management Board who continues to work for the Com-

pany as CTO. The retail segment of DBS Inc. which was acquired in March 2015 will be integrated into GK Software USA, Inc. At the beginning of 2015, a wholly owned subsidiary trading under the name of GK Software Africa PTY Ltd. was also founded in South Africa to deal with the business in this region.

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

The Management Board of GK Software AG consists of Company founder Rainer Gläss (CEO, Chairman, Management, Marketing & Sales) and André Hergert (CFO, Finances and Personnel). The Management Board is supported by a Group Management Board which has consisted of the following members since 2013: Stephan Kronmüller, Achim Sieren (COO), Michael Jaszczyk (CTO), Harald Kehl (SVP Global Services) and Stefan Krueger (SVP Sales).

The three-man Supervisory Board at GK Software AG is led by the Chairman Uwe Ludwig. He has been a member of the Supervisory Board since 2001. Thomas Bleier was elected to the Supervisory Board in 2003, then during the 2014 Annual General Meeting was recently re-elected to serve a further five years, Herbert Zinn was elected in 2011.

Personnel

- **Increase in personnel continued**
- **Trainee and further training programs for the members of staff**

A total of 618 people were employed within the Group as of the reporting date of 31 December 2014 (excluding members of the Management Board and trainees). As a result, there were 68 more employees than on the previous year's reporting date (550).

With 193 staff members (prior year: 188), the majority of the Group's employees are employed at the Schöneck location. The Berlin branch has now 31 employees working in the sales & marketing, project and partner management, development and first-level support (hotline) departments (prior year: 28).

At the Czech subsidiary EUROSOFTWARE s.r.o. in Pilsen the number of employees increased to 158 (prior year: 141).

At the end of the year there were 107 employees at AWEK in Hamburg (prior year: 103). These included a large number of mobile service technicians who are deployed at various locations throughout Germany. At the end of 2013, there were a total of 16 employees at the second AWEK location in Bielefeld (prior year: 17), these predominantly work in software development. Overall, AWEK has 123 employees (prior year: 120).

92 people were working at the St. Ingbert business centre at the end of the year (prior year: 64). 4 people were working in Dübendorf (Switzerland) at this time (prior year: 3).

At the end of the year there were 11 employees working at the Cologne branch, compared to 4 employees in the previous year. As in the previous year, 2 people were employed at the Russian branch. In the USA and Canada there are 4 employees working for the group. In the 2015 financial year, they will be joined by the additional 21 employees of the DBS Data Business Systems Inc. retail segment, which was acquired in March 2015.

Distribution of employees at group business locations (from 4 employees) on 31 December 2014

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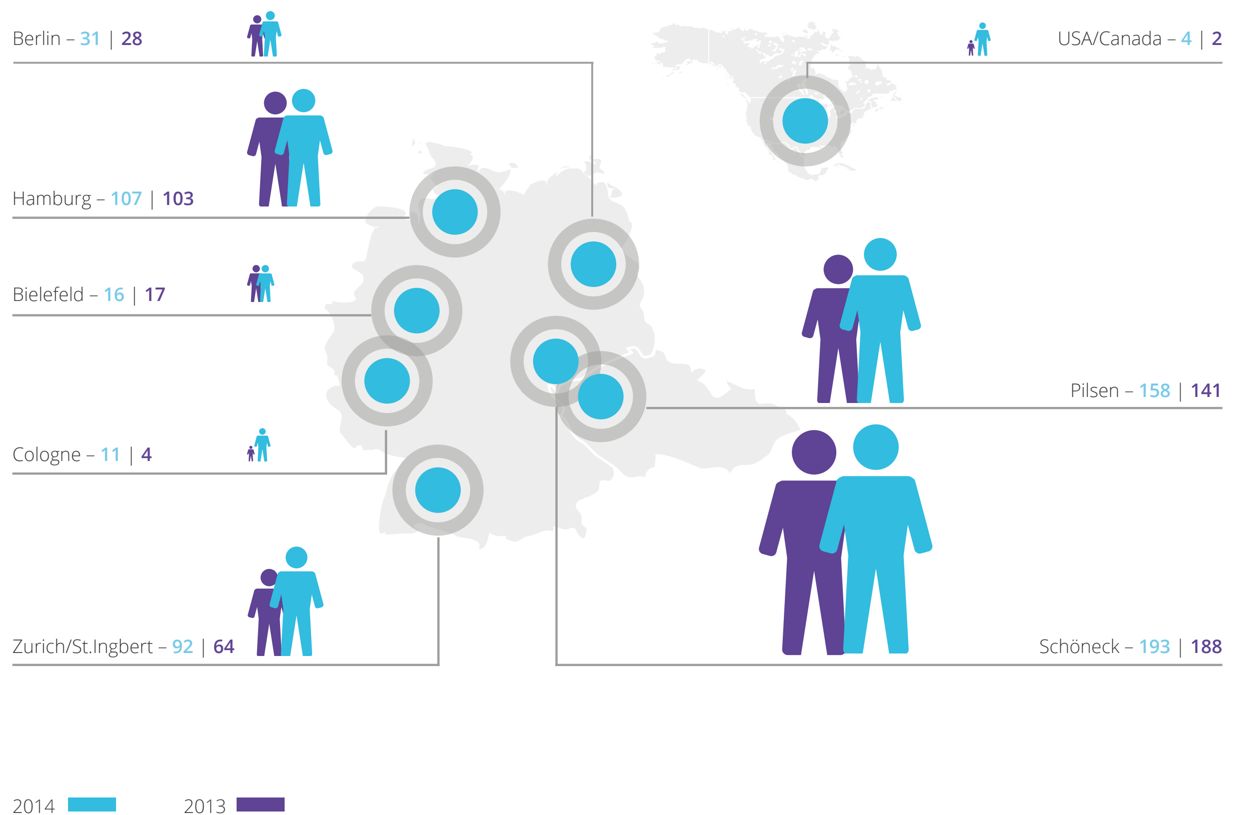

The Management Board expects the growth in employee numbers to continue rising at a moderate pace in the future and the Company will primarily continue to look for highly qualified employees.

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost sales growth at GK Software AG from a human resources point of view too. 3 trainees are also currently employed at GK Software AG

The GK Software solution portfolio

- GK Software — Simply Retail
- Omni-channel-solution portfolio

GK Software is a leading, international provider of retail applications, i.e. a provider of fully integrated and complete solutions for the retail trade which meet all requirements without the need for any additional third-party software. The current claim “simply retail” stands for solutions which reduce complexity and will enable retailers to concentrate on their processes without being massively tied by IT. This claim represents an open architecture model with four levels which enable different types of software to be customised for different sales channels. Each application uses the same components and modules so that the development work is reduced and expensive parallel development work can be avoided. 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 that tried and tested methods and procedures which safeguard the technical operations are available in more than 193,000 installations for each of the different GK applications. The Retail Business Logic, which is formed by Core Retail Processes and Enhanced Retail Processes, is built on this infrastructure. While the core processes are mapped end-to-end by GK Software, with the enhanced processes, software modules provided by partner companies can also be used, as is specifically practised in collaborative work with SAP.

The previously defined components of the various levels are linked to each other for the relevant fields of application and are merged 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 is very well positioned 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 their concrete forms for the market in the GK/Retail Business Suite. All the solutions are fully based on the GK/Retail infrastructure and selected core and enhanced processes as well as on Java and open standards. That means that they are consistently not dependant on hardware or operating system.

GK Software is currently marketing Version 12 of the GK/Retail Business Suite. The GK/Retail Business Suite is arranged into 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 reverse vending machines. The software ensures the automatic distribution of data to all the systems in a store with a direct link to the leading SAP system. This guarantees that changes to master data (e.g. prices) are available on the correct system within the store at the right time. At the same time, the software ensures that the central systems are supplied with what is known as transaction data (e.g. sales data). The link for the various subsystems in a store is provided through standardised peripheral heads, on to which solutions from different manufacturers can be docked. The Enterprise Storemanager guarantees the central management of the overall systems landscape. The Enterprise Cockpit handles the monitoring work across the systems. Both solutions can also be used outside the StoreWeaver Enterprise Edition in the field of Store Operations.
  The complete software component is marketed by SAP under the name “SAP Store Device Control by GK”.

- GK/Retail Mobile Merchandise Management Processes comprises the store management processes, which can be made available directly to mobile terminals on the shop floor or in the stock area. The processes, which can be used online or offline, are built 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 names “SAP Offline Mobile Store by GK” and „SAP Label and Poster Printing 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 of all business processes at tills (POS = point of sale) and provides extensive back office functions for managing money, store administration and 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 manages all processes available on stationary tills and is already used productively by an important customer. Mobile POS is available in specific individual variations for iPods/iPhones and iPads.

- **GK/Retail Self Checkout** is an enhancement of our POS software and was newly developed in 2012. It is fully based on our standard software and enables consumers to complete all the 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 scales solution within the GK/Retail Business Suite. It is based on the same technical concepts as the other software solutions and is a self-contained application for all kinds of open PC scales. It enables the retail sector to use end-to-end IT structures and be free to select scales from any hardware supplier. This software has been certified for use by the PTB (Physikalisch-Technische Bundesanstalt– Germany's national metrology institute).

- **GK/Retail Taskmanagement** ensures that information can be automatically distributed simultaneously and in a controlled fashion, e.g. regarding recalls of items, company-wide announcements and 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 centralisation of background systems for store-based companies.

- **GK/Retail Enterprise Storemanager** is the market-leading software providing administration and technical monitoring facilities for major store networks, including those operating across different countries. The software allows corporations to manage and monitor thousands of stores in many countries and is an important unique selling feature 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 recognised immediately and resolved as quickly as possible. This solution provides company-wide transparency with regard to the status of systems in stores.

- **GK/Retail Sales Cockpit** provides web-based business management information related to the current day's business. This means that managers constantly have a comprehensive overview of the course of business in real time.

- **GK/Retail 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 central management can 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 arranging, carrying out and managing corporate-wide promotions and special offers. It can be used, among other things, to manage discounts granted on customer card systems or the acceptance of many kinds of coupons at tills.

- **GK/Retail Stored Value Server** guarantees secure, company-wide administration services for all gift cards that have been issued. It provides a central database for supplying all the gift card information within the whole company and also handles all the processes related to electronic gift cards.

- **GK/Retail Digital Content Management** is the central software solution for distributing multimedia content to various output devices within the whole company. This means that photos, slide shows or videos can be distributed to the relevant systems within the company. The system also allows pure text messages to be sent (e.g. for electronic shelf labels).

The SQRS software package
When the Company acquired 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 with approximately 5,000 installations. The particular high-performance features of the software lie in the areas of SAP integration and 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
During the whole of 2014, scheduled minor releases for GK/Retail 12 as well as an SAP version for the premium qualification process were handed off and these have expanded both the standard and the SAP product by providing additional solution components, functions and interfaces for subsystems in line with the roadmap. The major focuses were the omni-channel, clienteling and the further development of a cloud version of the cash till solution which will enhance the standard product with a new option. In March, the fifth premium qualification was successfully completed by SAP. New products and functionalities were tested by SAP as part of this form of product testing and in each case the current version was released for sale. AWEK sells software for medium-sized companies which complements the GK Software range and which is primarily aimed at the fashion sector. It provides support for an earlier version of this software used by several customers in German-speaking countries.

Services
In addition to its products, GK Software AG also provides comprehensive services. The most important component in this area involves customising and adapting developments during the initial projects and subsequently introducing change requests, which are a permanent element in most projects. This includes, for example, adapting software that is already in productive use to broader customer requirements, such as integrating new bonus systems in the till environment.

Classic issues like consulting, project management or training courses also come under the heading of services. The group worked intensively in 2014 to create the conditions needed to train implementation partners, who can then handle the introduction of GK/Retail themselves. In the medium term, these partners will primarily perform the basic parametrisation work, while development work within the field of adaptations (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. This has made it possible to offer full services for the retail trade in addition to software maintenance, which is subject to charge. This means that GK Software can provide maintenance for third-party software and hardware made by a wide variety of manufacturers. About 40 mobile service technicians are available for this work and they can reach any store in Germany within set times. In addition to providing classic services, they can handle other options like rollout services or staging (the initial installation of systems).

In addition, as part of the classic software maintenance services, the Group can eliminate errors and faults for all software solutions that are in use in the customer's business.

Partner training

During the past financial year, the GK Partner Academy became fully operational for providing implementation partners with qualifications. In order to achieve the status of Advanced Partner as part of the partner program, an appropriate number of the partner's employees need to have passed the specified training programs and courses, which are subject to charge. During the past year, several hardware partners have also paid to have their equipment certified by the GK Academy.

Research and development

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

The ongoing developing of existing products and the development of new software solutions have been the corporate group´s major focus during the past few fiscal years and they will continue to be a strategic competitive factor in the future too. This is reflected in the continuing growth in the number of employees in this department. The main part of the research and development department is based at the EUROSOFTWARE s.r.o. subsidiary in Pilsen. Currently 14 software developers are dealing exclusively with the latest trends in the software market in order to develop new, ground-breaking products from these. In order to create independent scope for development alongside the direct product and project-related research and development activities, the Company set up the GK Future-Lab, which is being headed by Stephan Kronmüller. Here, highly qualified experts are testing new technologies, examining trends and new processes and thus creating the necessary conditions for GK Software to continue in its role as leading innovator for retail IT.

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

During the financial year, development costs amounting to EUR 512 K (prior year: EUR 376 K) for work on GK/Retail and the SAP release 4.0 and 5.0 were capitalised. Research costs amounting to EUR 140 K (prior year: EUR 93 K) were recorded as an expense. This corresponds to slightly more than one percent of revenue.

Customers and projects

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

GK Software's customers continue to come from the retail sector The market sectors in which the Company is active are primarily the food retail sector, chemists & household goods, fashion & lifestyle. DIY & furniture and technology & cars. The products and services are geared towards companies of various sizes. At present, GK Software supports 59 customers in numerous countries. With this, the Company maintains commercial relationships with 10 customers who are among the 50 largest retailers in the world.

New customer projects in 2014:

- Loblaw (approximately 2,300 locations in Canada)
- North American Liquor Stores (approximately 250 branches in the USA and Canada)
- Customer in South Africa (approximately 160 branches in 12 countries in southern Africa)
- JD Group (approximately 1,200 locations in 13 countries in southern Africa)
- City of Johannesburg (approximately 100 POS systems)

In terms of existing projects, 2014 was characterised by successful pilot schemes and subsequent roll-outs. We delivered and rolled-out more country-specific versions in several ongoing projects. The migration of existing customers to the latest software version continued so that the lion's share of our customers have either switched or the transfer progress is already at an advanced stage. This is creating the conditions for ensuring that we have been able to consolidate our relations with our customers, which have existed for many years. We have also been able to sign further contracts with existing customers and they cover, for example, extensions to licencing agreements or developments to software or local services.

The fact that there are now eighteen joint customer projects in which SAP has sold GK solutions is evidence of the active partnership with SAP. The strategic relationship between both companies for the store sector was also reflected in their joint activities at the NRF, the most important North American trade fair, at the EuroShop, the most important European retail trade fair, and many other coordinated activities.

Market and competitive environment

- **The German retail sector set another record in 2014 – revenue rose to EUR 459 billion**
- **Strong growth in E-commerce has continued – market share of nearly nine percent**
- **Investment needs for retail IT remain high**

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

With GK Software's expansion into more and more business areas, it goes without saying that the number of factors affecting its business have increased as the situation in some individual markets may move in different directions, in spite of global economic trends. At the same time, this provides some isolation in the Company's general operations from the developments in its original core markets – primarily in Central Europe – at least in the medium term, without these markets losing their significance for GK Software to a large extent in the foreseeable future.

The general trends in the retail world are important in addition to the basic economic trends in the markets that we are processing directly or through our partners. They principally include e-commerce and the introduction of omni-channel concepts. Long-term issues like demographic developments, new ways of establishing customer loyalty or internationalisation are also constantly growing in importance. They are already creating new strategic focuses in the retail sector which directly affect GK Software. As a result, the Com-

pany has already responded to them in its range of products.

Regardless of the growing importance of our international business, developments in German-speaking countries continue to play a very important role for GK Software's direct business. 2014 was a very successful year for the German retail sector, the largest market in Europe. After recent years were characterised by continuous growth, revenue actually rose by a further 1.4 percent.[4] Overall, the retail sector (excluding vehicles, petrol stations, fuels and chemists) recorded revenue of approx. EUR 459 billion during the financial year[5]. The increase in revenue was almost as strong as in the gross domestic product (GDP), which was able to grow in real terms by 1.5 percent[6]. The fact that the retail business accounted for 15.8 percent of GDP in 2014 also shows the significance of this sector for the overall economy in Germany[7].

In the past year, interactive commerce – mainly e-commerce and the mail order business not including services – was once again able to significantly increase its revenue by 22.9 percent to approx. EUR 49.1 billion. This corresponds to a new peak level of 10.7 percent of the total retail sector. Online retail alone grew by more than 25 percent to EUR 43.6 billion[8]. During the 2014 Christmas trade, it recorded a growth of over 15 percent compared with the previous year[9]. The Company expects this success story to continue in 2015. According to initial estimates, online turnover in the current year is at around EUR 51.6 billion[10]. This trend can be seen to a similar extent in the United Kingdom (13.5 percent of total revenue) and in the USA (11.6 percent of total revenue). In other countries, the share of online retail in total revenue is in part significantly lower (France = 6.9 percent, Italy = 2.1 percent, Canada = 4.3 percent)[11]. It is generally anticipated that online retail will continue to grow in all countries. For the traditional retail industry it is particularly important that providers who obtain their customers through a variety of channels are clear winners, because omni-channel traders have shown the strongest growth.[12] The online market places, principally Amazon, continue to remain unchallenged in this field and make up just short of half the total online sales with a combined figure of EUR 24.2 billion, although they have suffered losses compared to the previous year.[13]

These unabated developments are triggering huge challenges for the stationary retail sector, which are also being driven by other developments such as mobile couponing. Almost 46 percent of retailers already make use of these kinds of special offers or are planning to do so. 31 percent believe the outlook is very good for this form of discounting[14].

For 2015, the German Retail Federation (HDE: Handelsverband Deutschland) is expecting nominal growth of 1.5 percent to EUR 466.2 billion for the entire retail trade, as had been expected for 2014.[15] However, the experience of the past few years has shown that the forecasts published by the HDE have tended to be conservative and were often exceeded by the actual revenue achieved by the retail sector. The German Retail Federation views consumer confidence, the high level of employment, rising incomes, a steady savings rate and a low level of consumer price increases as a basis for the continued, moderate growth. The minimum wage, the pension package, geopolitical crises and the development of the eurozone have a negative effect on consumption and business opportunities in the retail sector.[16]

Surveys of retailers in terms of their business prospects support the HDE forecast that 2015 will be a positive year overall. The "e-KIX" retailers' survey from December 2014 shows that approximately 85 percent of the retailers questioned expected their business to remain constant or to improve over the twelve-month period[17]. An even more positive picture is provided by Ernst & Young and PWC whose surveys indicated that 91 percent of retailers were of the same opinion[18|19].

The analyses carried out by the marketing research company GfK also support the HDE forecasts with regard to the development of the retail trade. Consumer confidence is at its highest level for 13 years and economic expectations, including from industry, are increasing, as shown by the "ifo" business climate17 index. Overall, the GfK expects a nominal growth of 0.5 percent in the German food retail sector and 1.3 percent in the non-food sector, for the whole of the European Union an increase of 1 to 1.5 percent is expected in private consumption.[20]

The positive signs of development in the retail sector also create a relatively strong willingness to invest internationally. For example, a current LTL study shows that approximately 40 percent of UK retail chains plan to increase their investments compared with 2014, of which 61 percent of those surveyed stated that the renewal of IT systems was a focal point. This includes omni-channel applications such as click-and-collect, online offers and loyalty concepts.[21] In its Retail Investment Guide, IDC also confirms an increasing willingness to invest in IT which is primarily driven by omni-channel technologies, and is expected to amount to more than USD 100 billion worldwide in 2015.[22]

Overall, the need for investments in the retail sector remains high, as the current study by the EHI Retail Institute entitled “2015 IT trends in retail” shows. 88 percent of those companies surveyed by the EHI anticipate a constant and/or increasing IT budget. In addition to this, 34 percent feel that cloud services will become increasingly important in the retail industry and 52 percent rate omni-channel integration as doing well or being well on track in their own company.[23] This positive market trend is also reflected in the relationships between GK Software and potential customers. IT departments for retailers are also focusing on issues in the field of new technologies and processes with clienteling, app-enablement and the omni-channel commerce platform, GK Software is in an excellent position to handle these things.

Overall, the conditions for the business performance of GK Software remain positive in 2015. This is all the more so because after the project successes in North America and South Africa, the Company assumes it will be able to expand its base of potential customers internationally through the partnership with SAP. The upturn in the economy in many eurozone countries and the improved prospects for retailers in the USA can also open up more opportunities.

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

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

GK Software is currently in 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.

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

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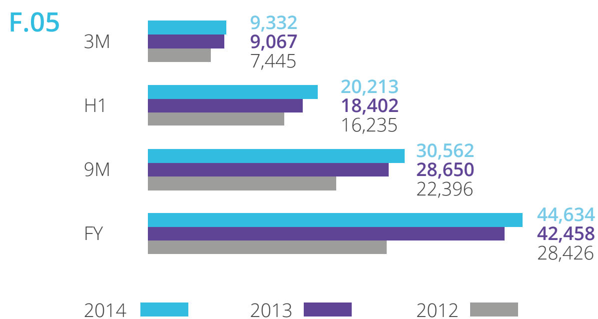

Total Output

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	31.12.2014		31.12.2013		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales revenues	44,634	94.3	42,458	93.8	2,176	5.1
Own work capitalised	512	1.1	375	0.8	136	36.2
Operating revenues	**45,146**	**95.4**	**42,833**	**94.6**	**2,312**	**5.4**
Other operating revenues	2,188	4.6	2,451	5.4	(263)	(10.8)
Total operating revenues	**47,334**	**100.0**	**45,284**	**100.0**	**2,050**	**4.5**

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

The 2014 financial year fell far short of expectations. This resulted in an increase in sales from EUR 42.46 million in the previous year to EUR 44.63 million in the reporting year, equating to an overall increase in sales of around five percent. However, this increase in sales was only made possible against the backdrop of substantially higher costs – not least due to significantly expanded marketing operations and the associated reorganisation of the operating areas, such that the result only amounted to EUR 0.04 million after depreciations, amortisations, interest and taxes. In the prior year, EBITDA was EUR 3.34 million. Here we had formulated significantly higher expectations. The result before taxes and interest in the reporting year was a loss of EUR (3.02) million following a profit of EUR 1.05 million in the previous year.

For the first time, the Group year-end result produced a negative value of EUR (1.87) million. Included is the first-time capitalization of deferred tax assets for tax loss amounting to EUR 1.76 million. The equity ratio reached a figure of 68.4 percent, following 69.3 percent in the previous year.

Earnings Situation

- **Revenue at EUR 44.63 million; operating income at EUR (3.01) million.**

The Group's total revenue rose by 5.1 percent from EUR 42.46 million in the previous year to EUR 44.63 million. Our core business segment, GK/Retail, shows excellent development. It grew by almost seven percent in comparison with the previous year and has been able to achieve a revenue now amounting to EUR 31.66 million, following a figure of EUR 29.61 million in the 2013 financial year. As expected, there was a continued decline in revenue in the SQRS business segment and this amounted to EUR 1.05 million during the reporting year, following a figure of EUR 1.39 million in the previous year. After EUR 11.46 million during the previous year, the "IT Services" business segment was again able to make a contribution of EUR 11.92 million, amounting to almost 27 percent of the total revenue.

If we examine the make-up of the revenue according to types of work, then the sources of the growth include the marked increase in income from maintenance in the IT services business segment and in the GK/Retail segment (less marked) as well as the increasing income from the services in the GK/Retail core business segment. The increase in income from maintenance in the IT services sector has risen by a total of EUR 0.87 million, the increase in income for GK and in the GK/Retail services sector was EUR 3.83 million.

The contribution made by the licence service fell by 31.1 percent compared to the previous year because the license revenues from the GK/Retail

sector which largely supports this form of service fell by 31.6 percent to EUR 4.22 million at present. In the same manner as in the previous year, there was no licence income in the SQRS sector and the revenues from licences in the IT services sector fell by EUR 0.03 million to EUR 0.17 million.

The strongest growth was in the “services” area during the 2014 financial year. Here, revenue increased by a total of EUR 4.04 million or more than a quarter to EUR 22.50 million. The greatest portion of this increase can be attributed to the GK/Retail business segment. Its income from services alone rose by EUR 3.83 million to EUR 18.60 million. An additional growth of EUR 0.41 million could be recorded for the IT services business segment with the result that an overall revenue of EUR 3.79 million arising from services could be recorded in this area in the financial year.

“Maintenance” services showed an equally positive development. Revenue now amounting to EUR 17.02 million could be entered in the books here, this represents an increase of 6.9 percent or EUR 1.10 million following a figure of EUR 15.92 million in the previous year. The gains for the IT services and in GK/Retail compensated for the scheduled decline in maintenance income in the SQRS business segment, which fell by EUR 0.13 million to EUR 0.93 million.

Other revenues accounted for 1.5 percent or EUR 0.67 million of total revenue (following a figure of EUR 1.69 million in the previous year). This revenue was largely generated from hardware for customers and its preparation for use in branches.

GK Software also continued to invest in the further development of its solutions during the 2014 business year. Overall, development work worth EUR 0.51 million was capitalised, after EUR 0.38 million had been invested in products in the previous year. This small gain can be attributed to the preparation of subsequent versions for individual modules of the GK/Retail suite of solutions. In 2011, EUR 1.49 million were capitalised, this ongoing decline is an expression of the increasing degree of maturity in the solution.

The GK Academy income which generated EUR 0.04 million through fees from partner training sessions and hardware certifications in the financial year is shown separately for the first time in this annual report. During the previous year, the GK Academy income, which was considerably lower, was still recorded under services in the GK/Retail business segment.

Other operating income, which amounted to EUR 2.19 million, was EUR 0.26 million lower than in the previous year. As a result, the Group’s total operating revenue during the business year amounted to EUR 47.33 million, following a figure of EUR 45.29 million in the previous year (an increase of +4.5 percent).

Expenditure on purchased goods and services rose by a total of EUR 1.07 million to EUR 5.15 million. The causes for this were the preparation and the testing of the partners’ capacities for implementation of the Group’s solutions. For this, GK Software employs external service providers in its own customer projects. The increase in these acquired services amounted to EUR 1.10 million.

In anticipation of an increasing number of orders to process, the management once again decided to adjust the company’s capacity for product development and project execution in order to be able to meet the expected requirements. As a result, the average number of employees over the year rose from 552 to a figure of 572. This resulted in an increase in personnel costs from EUR 25.60 million in the previous year to EUR 28.75 million in the reporting year. The increase amounted to EUR 3.14 million or just over 12 percent. Now at 63.6%, the ratio of payroll intensity to operating revenue is in line with the increase in personnel costs by 3.8 percentage points compared with the previous year (59.8 percent). This partially explains the considerable decline in earnings in this financial year. Management is aware that actively controlling the capacity that is available is a central task. Consideration is being given to measures to improve the quality and adapt the quantity of the capacity that is available.

Other operating expenditure rose by EUR 1.14 million. The considerable differences come from the GK/Retail business segment, as expected. The expenses rose by EUR 0.80 million in this area. This increase in costs was caused in particular by travel expenses and the costs of sales due to the considerably extensive sales territory; the increase

here amounted to EUR 0.76 million. The increase in recruitment costs as part of the planned reorganisation of the organisation is equally significant. The increase in these costs amounted to EUR 0.27 million. Additional increases in costs are to be recorded under non-recurring special expenses for projects, with an increase of EUR 0.26 million to EUR 0.57 million currently. Efforts to improve project work have been undertaken and introduced in order to avoid such expenses in the future.

These have resulted in an EBITDA that is only just still positive amounting to EUR 0.04 million. In the prior year, a figure of EUR 3.34 million could be recorded.

Depreciation/amortisation amounted to EUR 3.05 million during the year under review, following a figure of EUR 2.29 million in the previous year. This increase of EUR 0.76 million is due to the depreciation carried out on the goodwill gained from the acquisition of Solquest. Here the impairment test revealed a need for value adjustments of EUR 0.87 million.

T.04 Sales by Segments

	FY 2014		FY 2013		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales with						
GK/Retail	31,660	70.9	29,607	69.7	2,053	6.9
SQRS	1,053	2.4	1,389	3.3	(336)	(24.2)
IT Services	11,921	26.7	11,462	27.0	459	4.0
Total	**44,634**	**100.0**	**42,458**	**100.0**	**2,176**	**5.1**
Licences	**4,391**	**9.8**	**6,372**	**15.0**	**(1,981)**	**(31.1)**
GK/Retail	4,223	9.5	6,178	14.6	(1,955)	(31.6)
SQRS	—	—	—	—	—	—
IT Services	168	0.4	194	0.5	(26)	(13.4)
Maintenance	**17,022**	**38.1**	**15,924**	**37.5**	**1,098**	**6.9**
GK/Retail	8,478	19.0	8,122	19.1	356	4.4
SQRS	934	2.1	1,065	2.5	(131)	(12.3)
IT Services	7,610	17.0	6,737	15.9	873	13.0
Services	**22,504**	**50.4**	**18,469**	**43.5**	**4,035**	**21.8**
GK/Retail	18,599	41.7	14,768	34.8	3,831	25.9
SQRS	119	0.3	324	0.8	(205)	(63.3)
IT Services	3,786	8.5	3,377	8.0	409	12.1
Other Business	**673**	**1.5**	**1,693**	**4.0**	**(1,020)**	**(60.2)**
GK/Retail	316	0.7	539	1.3	(223)	(41.4)
SQRS	—	—	—	—	—	—
IT Services	357	0.8	1,154	2.7	(797)	(69.1)
GK Academy	**44**	**0.1**	**—**	**—**	**44**	**—**
GK/Retail	44	0.1	—	—	44	—
SQRS	—	—	—	—	—	—
IT Services	—	—	—	—	—	—

As a result, GK Software generated a negative result before interest and taxes (EBIT) amounting to EUR (3.02) million. This figure is EUR 4.06 million lower than the previous year's figure.

The financial result for the current year was EUR 0.03 million, following a figure of EUR (0.11) million during the previous year. Expenditure on interest fell by EUR (0.09) million to EUR 0.13 million, whilst the revenue from interest rose from EUR 0.11 million to EUR 0.15 million. The reason for the improvement in the financial result can be found in the amount of disposable cash and cash equivalents which is higher on average than during the previous year.

Financial Situation

T.05

	31.12.2014		31.12.2013		Change	
	EUR K	in % of sales	EUR K	in % of sales	EUR K	in %
EBIT	(3,015)	(6.8)	1,045	2.5	(4,060)	(388.4)
EBT	(2,987)	(6.7)	932	2.2	(3,919)	(420.4)
Group result	(1,870)	(4.2)	601	1.4	(2,471)	(411.1)

This creates earnings before income taxes of EUR (2.99) million, and thus a result which is EUR 3.92 million lower than in the previous year. After tax, there is a Group annual loss of EUR (1.87) million following a profit of EUR 0.60 million in the previous year. This corresponds to an undiluted loss of EUR (0.99) per share (prior year: EUR 0.34 profit). The results included the first-time capitalization of deferred tax assets for tax loss amounting to EUR 1.76 million.

Assets Situation

The consolidated balance sheet total amounted to EUR 44.67 million as of the reporting date and was therefore EUR 3.15 million lower than the comparative figure of EUR 47.82 million for the previous year.

The primary cause of this is the reduction in equity due to the Group loss for the financial year and the dividend paid out for the net profit under commercial law for the 2013 financial year. The non-current assets increased by EUR 0.72 million to EUR 15.97 million since the last balance sheet reporting date. At the same time, the current assets without cash and cash equivalents have decreased by EUR 0.30 million to EUR 18.53 million.

The equity ratio on 31 December 2014 amounted to 68.4 percent and the equity share capital amounted to EUR 30.56 million.

GK Software's debts fell by EUR 0.55 million during the reporting year and the non-current liabilities rose by EUR 0.85 million to EUR 4.87 million, while the current liabilities could be reduced by EUR 1.40 million to EUR 9.25 million.

Assets Situation

T.06

	31.12.2014 (audited)		31.12.2013 (audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	15,972	35.8	15,248	31.9	724	4.7
Current assets or cash and cash equivalents	18,528	41.5	18,831	39.4	(303)	(1.6)
Cash and cash equivalents	10,173	22.8	13,742	28.7	(3,569)	(26.0)
Assets	**44,673**	**100.0**	**47,821**	**100.0**	**(3,149)**	**(6.6)**
Equity	30,555	68.4	33,156	69.3	(2,601)	(7.8)
Non-current liabilities	4,865	10.9	4,011	8.4	854	21.3
Current liabilities	9,252	20.7	10,654	22.3	(1,402)	(13.2)
Liabilities	**44,673**	**100.0**	**47,821**	**100.0**	**(3,149)**	**(6.6)**

In greater detail, the changes can be explained as follows: The increase in the non-current assets is primarily a result of two offsetting developments. Whilst carrying amounts of fixed assets rose by EUR 0.18 million to EUR 4.97 million, the values of the intangible assets fell by a total of EUR 1.45 million. This decline is the result of the impairment test on the acquired goodwill, which led to a depreciation of EUR 0.87 million on the goodwill from the takeover of Solquest's operations, scheduled depreciation and amortisation of the acquired customer relationships and the backlog of orders arising through company acquisitions (totalling EUR 0.18 million), as well as the profit from the scheduled depreciations and amortisations of capitalised services rendered to own account through the resulting additions amounting to EUR 0.23 million. Further decreases are due to scheduled depreciations and amortisations of standard software amounting to EUR 0.16 million. This is contrasted by the development of deferred tax assets, which was EUR 2.00 million higher than the prior year figure of EUR 0.53 million, now amounting to EUR 2.53 million. This substantial increase is due to the first-time capitalisation of deferred tax assets from losses carried forward.

The current assets fell mainly due to the EUR 3.90 million drop in trade receivables to EUR 9.19 million. This significant decline is mainly due to the fall in sales in December 2014 compared to December 2013. Write-offs were also performed for trade receivables, which further reduced the statement of trade receivables. Write-offs relevant to the

statement amounted to EUR 1.04 million. There was also a fall in liquid assets.

Stocks of cash and cash equivalents amounting to EUR 10.17 million exceed the interest-bearing liabilities of EUR 1.13 million by EUR 9.04 million. The development of cash and cash equivalents is explained as part of the analysis of the financial situation.

The EUR 0.85 million decline in non-current liabilities to EUR 4.87 million can be attributed to two major factors. On the one hand, pension provisions rose from EUR 0.91 million to EUR 1.66 million, while on the other hand, deferred tax liabilities increased by EUR 0.30 million to EUR 1.38 million. In contrast, the non-current bank liabilities fell by EUR 0.21 million as scheduled, to EUR 0.81 million at present.

The current debts fell by EUR 1.40 million. This decrease is essentially due to the EUR 0.95 million drop in current bank liabilities. Trade payables rose slightly (EUR +0.21 million) while income tax liabilities (EUR (0.03) million) were marginally reduced. The other liabilities fell by EUR 0.36 million to a present figure of EUR 4.32 million.

Financial Situation

The cash flow from operating business in the narrower sense – i.e. without any change to net current assets – decreased from EUR 5.83 million in the previous year to EUR 0.64 million, i.e. by EUR 5.19 million. The causes for this are the year-end results which were far less favourable and which alone make up EUR 2.47 of the decline in this key number, and the additions to deferred tax assets amounting to EUR 2.00 million.

The changes to net current assets related to the reporting date had a positive impact of EUR 0.26 million on the operating cash flow in contrast to a debit amounting to EUR 5.2 million in the previous year. The considerable relief arises from the development of trade receivables before value adjustments were made, which were reduced by EUR 4.1 million. The EUR 0.75 million increase in provisions also had a positive effect. During the previous year, there was another recorded burden of EUR 1.73 million here.

The results therefore indicate an increase in cash and cash equivalents from operating activities of EUR 0.38 million, following a figure of EUR 0.59 million in the previous year.

The account balance of interest payments and income taxes to be paid or refunded resulted in a EUR 0.76 million burden on the operating cash flow during the current year, after a positive figure EUR 1.22 million had been recorded in the previous year. Overall, this created a net outflow of funds from operating activities amounting to EUR 0.39 million, following an inflow of EUR 1.83 million in the previous year.

The net outflow of cash and cash equivalents from investment activities rose to a present figure of EUR 1.57 million following a figure of EUR 0.95 million in the previous year.

The financing activity for the financial year was considerably affected by the planned repayment of loans. As a result of the repayments of loans, there was an outflow of EUR 2.33 million. At the same time, the Company took out loans using credit cards totalling EUR 1.17 million with a monthly repayment deadline; EUR 0.79 were repaid through the monthly settlements. In addition to this, during the 2014 financial year a dividend of EUR 0.45 million was paid due to the profit under commercial law of GK Software AG during the 2013 financial year. There was an outflow of funds totalling EUR 1.61 million due to financing activities during the financial year, with the result that stocks of cash and cash equivalents were reduced by EUR 3.57 million to EUR 10.17 million on the balance sheet reporting date.

Financial and non-financial performance indicators

Financial performance indicators It should be noted that the key figures based on financial data are inextricably linked. The development of these values therefore largely depends on the development of two key variables. These variables are sales and earnings. To normalise the effect of taxes, GK Software determines its earnings using adjusted earnings before taxes together with the financial result (adjusted EBIT) or adjusted earnings together with the financial result plus depreci-

ations (adjusted EBITDA) and the margins on operating revenues derived from these. In this respect, we refer you to the Report on Risks and Prospects for the development of these key figures.

Financial performance indicators

T.07

	2014	2013
Gross margin on sales	89.6%	91.3%
Payroll intensity	64.4%	60.3%
EBITDA margin on operating revenues	0.1%	7.8%
EBIT margin on operating revenues	(6.7)%	2.4%
Equity ratio	68.4%	69.3%
Investment intensity	35.8%	31.9%
Net debt (excess of liquid assets over interest-bearing liabilities) (EUR K)	9,041	11,453

The figures listed above are – inter alia – used to analyse developments that deviate from the plan. The aforementioned key figures help us to analyse developments that deviate from the plan. Payroll intensity, for example, is an important variable when analysing the development of our results of operations. Nevertheless this development depends crucially on the variable "sales", and worse results may reflect both an ineffective apparatus of production and a failure to meet the target for the key figure "sales". This can be read directly, however. These key figures are an important aid only insofar as analysing developments; they are not control variables in their own right.

Thus assuming the forecast for the core key figures turns out to be true, we can expect that the key figures mentioned here, used to control the earnings, financial and asset position, will develop positively and move up towards the values for 2013 again.

Non-financial performance indicators Of the non-financial performance indicators, Management mainly monitors the key figures that relate to sales activities. The two variables customer satisfaction and number of customer contacts are crucial here. These are not formally monitored, but recorded and measured by means of regular reports submitted to the responsible Management Board and Executive Board members concerning existing projects and sales activities with respect to potential new customers. This involves decisions on further action and procedures being made at case level. Overall we expect that customer satisfaction in general will continue to improve. The way in which customer service is organised, changed since March 2014 with the introduction of "Client Executives", should help to further strengthen extensive customer service and add an additional commercial and consulting component to what used to be just specialist and technical support.

Report on Key Events

After the end of the financial year

After the end of the financial year 2014, the Group was able to report a significant event with the takeover of the "Retail" business division of DBS Data Business Systems, Inc., Virgina, USA on 19 March 2015. DBS has successfully focussed on retail and hospitality for decades. The business division is based in Raleigh, North Carolina, USA and generated close to USD 6 million in revenue with a high level of profitability in the 2013/2014 financial year. It employs 21 staff and has an excellent reputation in the USA retail industry. The acquisition was incorporated into GK Software USA, Inc. which is a company wholly owned by GK Software.

Otherwise no event of particular importance occurred after the end of the financial year which had a significant impact on the Company's assets, financial position or results of operations.

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

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.

Risks

Risk management system

GK Software deliberately takes entrepreneurial risks in order to benefit from the opportunities presented by the market accordingly. A risk management system was introduced over the past few years to recognise, manage and minimise the risks at an early stage. Among other things, the Management Board meets once a month to identify possible risks and introduce countermeasures. In order to give all the business divisions the opportunity to outline their concerns, a Group Management Board was formed where the business units can continually report on their development and any risks and opportunities that arise. In composing the Group Management Board it is ensured the all segments of the business activities are represented in the same way as the internal areas of product development and research and development, thus facilitating appropriate consideration of the specific risks in the Group management. The Supervisory Board is informed of the results of these discussions. The risk management system is being continually updated.

The risk early warning system focuses on recognising risks; it attempts to pick up any possible risks that might pose a threat to the company's existence. The risk management scheme does not pick up any positive opportunities.

Due to the nature of the risk management system, the focus is on early recognition and reporting of emerging risks. For this purpose, informal discussions between members of the Group Management Board and employees who are responsible for the risk classes described below are encouraged, in order to eliminate avoidance strategies in communication as much as possible. This is because the management team is aware that the early recognition of risks requires open communication between upper management and those responsible, but that at the same time, people tend to avoid communicating unpleasant news, and managing risks by monitoring key figures alone is not possible. Nonetheless, the risk management system is being further developed regarding the expansion of economic key figures in particular, in order facilitate the verification of informal information.

The most serious risk among the following is the risk of damage to the company's reputation if an individual project goes wrong. The risks that influence customer behaviour, such as the effects on demand because of a perception that the company has performed inadequately or delays in investments because of new market conditions or regulatory measures follow this in terms of their significance. There may well be connections between the two types of risks mentioned: changes in market conditions or regulatory requirements could increase the complexity of projects making it more likely that problems will arise during projects.

The risks presented in the following section can be summarised as follows:

Risks resulting from changes in the requirements of potential customers must first be summarised. These lead to increased sales cycles and therefore to a reduction in the number of realisable sales opportunities. At the same time, new requirements increase the complexity of projects, which increases the risk that project plans will fail. These risks increase the risk of damage to the Group's reputation because the lack of sales opportunities, above all caused by increased sales cycles, raises the significance of individual projects for the overall reputation of GK Software. Another

risk group is related to external risks such as macroeconomic developments, the development of regulatory framework conditions and shifting focusses in the customer and competitive environments. These risks cannot be controlled by the Group and can in part have the effect of enhancing the risks in the first group. A third group of risks relates to the development, usage and management of project capacities. The solution to the usage risk lies in increasing the flexibility of capacities; increased risks for project quality can result from this because more flexible capacity can only be accessed indirectly. Further risks are individual risks which result from large individual measures such as company acquisitions and their integration. Alongside these abovementioned operative risks are financial risks whose impact on projections is not currently estimated to be very significant.

We have summarised the individual risks, which are the result of integrating the AWEK Group or the acquisition of other companies, in a separate risk category; this eliminates any general order of assessment.

There is also a separate risk category related to the issue of tying employees to the company and gaining new ones.

Risks and overall picture of the risk situation

One major risk which cannot be influenced by the Group involves the business developments of GK Software's customers due to the development of the general economy and consumer sentiment. The actual developments in the 2014 financial year and the prospects for the 2015 financial year have been dominated by a generally calm, but constant growth process in many parts of the word. The impact of the crisis between the Ukraine and Russia is still completely unclear and this affects concrete markets in which GK Software operates. The threat that Greece will exit the eurozone and the resulting impact, as well as the uncertainties associated with this, could also have an effect on economic developments in Europe to a degree that cannot yet be determined.

The forecasts of associations and analysts do indicate that the retail sector will once again develop in a relatively calm way in the significantly calmer overall economic climate; but the psychological effects of any contradictory news in an environment which is difficult to predict, and the effects of this on the investment behaviour of customers of GK Software is hard to forecast – as in the previous year.

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

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

On the basis of its customer structure and the structure of its target market, the consolidated group business is repeatedly dominated by individual major projects with a relatively low number of customers, with the result that these business relations provide significant contributions to sales and results within a financial year. The Management Board anticipates 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 agreements for payments according to so-called 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, which could lead to an increase in demand from the retail sector. The retail sector in Germany is generally dominated by price wars. Retail companies therefore seek to pass on the resulting pressure on prices to their suppliers and contractual partners. This process is also felt for investments in IT equipment and may have an effect on manufacturers of software for the retail sector. However, as GK Software provides strategically significant solutions for retail groups, these risks are not classified as a threat to the company's existence.

The process of consolidation on the customer side is continuing, similar to that encountered at rival companies. This concentration is clear from the acquisition of direct competitors 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 anticipates that past market developments are leading to the separate purchase of hardware and software, a reversal of this trend and therefore a negative impact on GK Software's sales opportunities cannot be completely ruled out.

The planned revenue expansion is also associated with certain financial risks. For the Group entities these mainly arise from preliminary payments for customer acquisition. This risk is increased by the extensions of the 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 this. However the need to maintain the ability to deliver products when agreements are concluded is of particular importance. This can lead to idle capacity costs of a significant magnitude.

In the course of any further expansion, the project business must also be scaled progressively, which should take place via partners. There are however other risks here due to the lack of control over partners. GK Software has thus set up a partner program with the certification of integration partners and so-called project coaches which 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 and could lead to higher provisions for warranties and accommodating arrangements, not only for individual projects, but for all of them. The Management Board is however confident that it has steered development work for software in a direction that generally guarantees the quality standards used in the past. This quality risk in individual projects is managed by regular reporting by the responsible project manager to the responsible Group Management Board Members. A summary report of recognised risks is communicated to the Management Board in the standard monthly board meetings.

In view of the planned expansion of its business operations over the next few years, GK Software AG does not rule out broadening its product and distribution basis, which will include targeted acquisitions of companies, as with the retail segment of the US DBS Data Business Inc. in March 2015, for example. The consolidated group will exercise the maximum possible degree of prudence when preparing for and checking acquisitions. However, it is impossible to completely eliminate the risk that an acquisition may have negative effects on GK Software profits, for example, as part of the integration of the new components of a company.

The Management Board's expectations in terms of the AWEK group's complete integration into GK Software have been largely fulfilled. Market integration has also been achieved here through the development of a service product.

To ensure further growth, the consolidated companies need to attract additional, highly quali-

fied employees. At the same time, the fact that members of staff in key positions will leave the Group companies cannot be excluded. For this reason, it will be an ongoing challenge for the Group to retain current staff in the Company and at the same time attract new, motivated specialists. The Group is making efforts to be an interesting employer for its existing employees and to become an interesting employer in the jobs market by providing a combination of interesting tasks, international fields of operation and innovative products. The IPO and the Company's reputation as an innovative IT corporation have made the Group considerably more attractive to the job market. Establishing a share option program for managers and leading employees in the Group, which was completed during this financial year, is expected to increase this existing attractiveness once again. 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 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 through this is giving the greatest priority to maintaining capital, it is important to state the following further risks to business developments.

The financial risks not only involve loan default risks and liquidity, but also market risks. We understand a credit default risk to be the risk of a loss for the Group if one contractual party does not meet its contractual obligations. In principle, the Group only maintains business relations with those contractual parties where any deviation from the contractual obligations does not appear to be probable.

Trade receivables exist with the Group's current customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability of any default on account of the impossibility of meeting the obligations agreed with the Group is therefore slight. This situation is monitored closely by observing the customer's payment behaviour, the market environment and drawing on external sources like reports from the relevant specialist press. If this monitoring process gives rise to an assumption that the general economic situation of individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible loss. Value adjustments may occur if customers believe that work has not been complete or is inadequate. In these cases, the Group generally carries out individual value adjustments for precautionary reasons to the degree that there is some expectation that settlements could be made on a goodwill basis - without any recognition of legal grounds. A flat-rate value adjustment on the complete item is also made to reflect the general default risk for trade accounts receivable. Interest revenues are not recorded from these depreciated financial assets.

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

The Group is also exposed to credit risks, which are the result of financial guarantees granted to banks. The maximum risk of loss for the Group in this regard corresponds to the maximum sum the Group would have to pay if a claim was made against the guarantee.

The Group controls the liquidity risks by having appropriate cash and cash equivalents, credit lines and similar credit facilities available and by monitoring the deviations between forecast and actual cash flows. The maturity dates of financial obligations are monitored and the Group's fundamental ability to generate adequate finances from its operating business in order to be able to meet these obligations at any time. Based on the current structure of the obligations and the actual liquidity situation, the Management Board has not identified any liquidity risks.

Risk reporting in relation to the use of financial instruments

The Group is exposed to risks associated with exchange rates and interest rates as a result of its business activities. The exchange rate risks result

from the business sites maintained in different currency areas and increasingly from customer relations that go beyond the eurozone. The interest rates are the result of selected types of funding to enhance the Group's financial latitude.

In order to have some protection against these market risks, the Group uses derivative financial instruments like interest rate caps to provide certain security against increases in the interest rate that are charged. Because of the minor scope of this business, we have foregone any quantitative analysis of the risks associated with this business.

Exchange rate risks occur from the Group's exposure to Czech crowns, Swiss francs, Russian roubles and US dollars. The Group engages in payment obligations arising from work, renting and leasing contracts in all these currencies. The Group also purchases equipment and materials in all these currencies. On the balance sheet date the Group had only issued invoices for sales and services alongside the operational currency in Swiss francs, US dollars and Canadian dollars. To determine the risk of exposure to foreign currencies, the Group is carrying out a sensitivity analysis. The results of this analysis show an influence on the Group net result in terms of a ten percent increase and/or decrease in the value of the euro in comparison with these currencies to the amount of EUR 82 K (prior year: EUR 109 K) as a result of the exchange rate risks. After the balance sheet date, the movement of the euro against the Swiss franc and the US dollar has essentially been marked by even greater fluctuations than those portrayed in the sensitivity analysis. In the view of the management team, the sensitivity analysis does not, however, reflect the actual exchange rate risk, as the risk at the end of the reporting period only reflected the risk during the year to a certain extent. This was because of accounting fluctuations, particularly at the end of the first quarter of a financial year, for services which are valued in Czech crowns and US dollars, but which are only accounted for once a year.

The Group is exposed to interest risks, as the Group's companies take out financial resources at fixed and variable interest rates. The risk is controlled by the Group by maintaining an appropriate ratio by taking out a mixture of fixed and variable interest rates on funds. This takes place by using interest rate caps. The interest risk on the Group's financial assets and financial liabilities is fully described in the section on managing the liquidity risk in the notes on the consolidated accounts. The interest risks are the result of interest payments agreed within the loan contracts. There is no link with the exchange rate risk here, because all the loans are nominated in euros. During the current year, interest payments of EUR 35 K were made and interest expenditure of EUR 126 K was recognised in the income statement. The interest rate on the loan with the DZ Bank is fixed over the complete term so that no interest risks arise from this contract. The interest rate is set quarterly at a rate of 1.9 percentage points above the 3-month EURIBOR rate in the case of the investment loans taken out with the Commerzbank to the value of EUR 750 K and EUR 450 K. The interest risk has been restricted by an interest rate cap of 1.0 percent p.a. The loan from the Commerzbank in Plauen also attracts an interest rate that is set quarterly at 1.8 percentage points above the 3-month EURIBOR rate. The risk here has been restricted to 4.0% p.a. throughout the term by means of an interest rate cap. If the 3-month EURIBOR rate had changed by one percentage point, this would have meant a change in the interest charge of EUR 35 K in 2014 (determined using the actual interest charges in 2014 and a change in the interest rate). There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are used.

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

The Management Board believed that there was no risk that could be called a threat to GK Software's continued existence at the end of the 2014 financial year.

Opportunities

There are growth opportunities for the Group both in Germany and abroad. The issues targeted by the products of GK Software are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be a success in the international market, the Group is well placed with references from the German retail sector and beyond as well as a technically well-developed product. GK Software products are already well represented on the international market and are being used at more than 199,000 POS units in 37,700 stores in 38 countries. GK Software also has several major partners with excellent networks in the retail sector. The partnership with SAP here should make it easier to gain access to new customers in international markets like the USA and Asia. The Group can make use of the experience that it has gained with its German and international customers, as the solutions have already been successfully introduced in 38 countries and therefore can be quickly transferred to foreign customers.

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

One of the major issues for the retail sector during the next few years will be to integrate their stationary business with other channels, e.g. web stores or mobile apps. Then there are the latest trends like home delivery, mobile payment or social networks, which need to be integrated on one platform. Other long-term issues like integrated and automated processes for optimising 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. Homogenised till systems and centralised data flows will therefore be very important to retailers in the future. GK Software AG can clearly benefit from this investment behaviour in the retail sector.

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

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

The instruments used in an internal monitoring system and risk management system for accounting are aimed at maintaining assets and recognising risks in economic developments of the Company and the Group in good time. The internal checking system for the accounts is particularly focused on ensuring compliance with the relevant rules in accounting law.

The internal checking system is being continually developed and monitored by the Supervisory Board. The Management Board dictates the design and scope of the requirements placed on the internal checking system. It should be noted that no internal monitoring system can provide absolute certainty – regardless of its scope and type – but it must be designed in such a way that any major incorrect statements on the earnings, assets and financial situation of the Company or the Group can be prevented.

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

The constant increase in the speed of amendments to European international accounting laws and the additions - which often contradict and compete with national law and standards - are proving to be an additional burden on any presentation of accounts and involve a number of risks with regard to conforming with standards; this goes far beyond what was normal in the past. The Group is trying to keep the expenditure on this level of conformity within a reasonable framework in proportion to the information benefits for those who will actually read the balance sheet. This not only involves trying to train employees who are responsible for accounting practices through the involvement of external service providers, as described above, but also obtaining the necessary information about adjustments to accounting law in good time and including these in the accounting processes in the appropriate manner.

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

The Group accounts and the accounts of the individual companies are organised and handled in-house. GK Software completes the accounts for the German subsidiaries or branches of subsidiaries as a service. The financial statements for the foreign Group companies are handled locally. The local annual accounts are then consolidated with the parent company's accounts by making suitable adjustments. The wage and salary accounts for the German companies and branches of the foreign subsidiaries were handled by GK Software internally.

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

Outlook

Although the 2014 financial year proved to the extremely difficult for the Group, the Management Board of GK Software is confident that the Group is in a good position to maintain its ground and to return to previous strengths. From the point of view of the Group, the core task is to make it clear to potential customers that the opportunities greatly outweigh the challenges of the new rapidly changing commercial world and that the products from GK Software are suited for helping the retail trade to realise these advantages.

Based on the information available so far, we are expecting the Group's financial and earnings situation to improve once again as a result of the ongoing expansion of business in 2015 and it does not expect any developments in its financial situation, which could pose a threat to the company's existence. However, this assessment is subject to the impact of developments, regardless of whether they are expected or come as a surprise, which the Group is unable to influence and which could have a major effect on this forecast.

We remain committed to further pursuing our strategy of expanding the geographical scope of the Company through increasing our entry and further development in other geographical markets. The expansion into the North American market should increase the visibility for revenue by creating substitution options for shifting sales opportunities. At same time, the Company will continue to further penetrate the existing customer market. We want to ensure that in future, the ongoing expenses can be covered by the current sales revenues from project services, software maintenance and retail services, in order to eliminate the fluctuations in the earnings situation over recent years. This can however only be achieved over a long-term period which we have scheduled as three years.

In general terms it should be noted: GK Software AG plans to return to the known profit margins of over 15 percent (EBIT margin on revenue) for its core business. This is against the backdrop of the negative profit margin in the current financial year. With this, the expenses from expansion into new markets could hinder the development of this goal.

In addition, short-term delays to customer projects could have a considerable impact on the earnings situation of the Group. It is precisely uncertainty about the realisation of individual sales prospects that, in conjunction with the size of the Group, leads to a forecast for the EBIT fraught with considerable uncertainties, as individual sales opportunities could involve a significant share of sales revenues with particularly high results margins.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the GK/Retail's revenue will continue to grow slightly in 2015. In the medium term (three to five years) we anticipate that we will be able to increase revenue by one and a half compared with 2014 (EUR 31.66 million in the reporting year). This development must not necessarily be in any way linear. In the context of the 2014 financial year, we anticipate a further decline in sales revenues of EUR 1.05 million at present for the SQRS business segment. In the services business segment, revenue is expected to be slightly higher than the EUR 11.92 million revenue in the 2014 financial year.

We cannot provide a forecast for profitability for individual years. Nonetheless we anticipate that, in the medium term (three to four years) our old target margin level (EBIT margin on the sales) for results before tax and interest of over 15 percent will be achieved again (2014 the total EBIT margin on operating revenues was (6.7) percent). For 2015 it is however quite conceivable that the result will be slightly negative as the further development of the newly opened target markets is of high priority for the Group and could be linked to considerable costs.

We expect the operating revenues will develop more slowly than revenue. It should be emphasised that the operating revenues not only includes revenues but also own work capitalised, which amounted to over 1.1 percent of revenues in the reporting year. We anticipate that the absolute and relative importance of own work capitalised will continue to increase and therefore that the operating performance will grow more slowly than revenue in the forecast period. Parallel to EBIT, EBITDA will further develop for the existing business, nonetheless the low burden from the depreciation of own work capitalised will lead to a gradual acceleration in EBIT development compared with EBITDA. Individual needs for value adjustments on intangible assets could lead to additional burdens, even if this is not to be expected currently.

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.

As the priority remains the further growth of the Group, the Supervisory Board and the Management Board of GK Software will propose to only distribute the available finances as dividends following extraordinarily positive business developments.

Other Information

According to Section 315 of the German Commercial Code

Principles of the GK Software AG's Remuneration System

The members of the Management Board not only receive a fixed salary, but also a component that is dependent on results which is linked to qualitative targets and mainly relates to the development of the Company. These qualitative goals are assessed by the Supervisory Board for the members of the Management Board every year.

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

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

6,000 share options in all were granted to members of the Management Board during the 2014 financial year. Overall, the members of the Management Board were able to hold more than 20,500 options on the balance sheet reporting date. The following applies to the whole Management Board if the targets that are set are fully met, their total earnings are divided up into a 70 percent share for the fixed part and a 30 percent share for variable earnings. Fixed earnings of 71 percent and 29 percent of earnings determined in a variable manner were paid out or offered as bonuses during the course of 2014. It is possible to grant settlement payments to members of the Management Board leaving the Company for any extraordinary work within the scope of the German Corporate Governance Code. The Supervisory Board determines whether this takes place or not.

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

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

1. **Capital ratios.** On 31 December 2014 the equity capital of GK Software nominally amounted to EUR 1,890,000 and was divided into 1,890,000 no-par individual ordinary shares with a calculated share of the capital stock of one euro each. Each no-par value share is awarded one vote, in accordance with Section 4 of the articles of association.

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

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

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

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

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

   d. SAP AG, Walldorf, Germany, informed us on 17 December 2013, that their voting rights share subject to reporting requirements amounted to 58.3 percent (corresponding to 1,043,492 voting rights) on 17 December 2013, as a result of (financial/other) instruments in accordance with Section 25a of the German Securities Act (WpHG), based on the overall quantity of GK Software AG's voting rights amounting to 1,790,000.

   e. SAP AG, Walldorf, Germany, informed us on 2 January 2014 in accordance with Section 21 (1) of the German Securities Act, that their voting rights share in GK Software AG, Schöneck, Germany had exceeded the threshold of 3 to 5 percent of voting rights and on that day amounted to 5.59 percent (this corresponds to 100,000 voting rights).

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

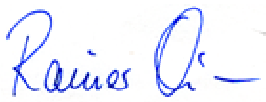
5. **The Management Board's powers to issue and repurchase shares.**
   Contingency capital. According to Section 4a (1) and (2) of the articles of incorporation, the Management Board was entitled to grant purchase options on up to 37,000 individual share certificates to members of the Management Board, managers of companies in which GK Software already has a direct or indirect shareholding ("associated companies"), and managers at the Company and its associated companies on one or more occasions until 14 May 2013, provided that the Supervisory Board approves of these measures. This authorisation has expired.
   Another 9,450 stock options were offered to members of the Company and associated companies in the 2011 financial year. They cannot be redeemed until 30 June 2015, if the redemption conditions are met.
   16,175 stock options in all were offered to employees of the Company and associated

companies in the 2012 financial year, they can be redeemed from 5 July 2016, if the redemption conditions are met. 3,875 share options, which were granted in 2011 and 2012, were forfeited during the course of the 2013 financial year.
During the 2013 financial year, a total of 15,250 share options were issued to employees of the Company and associated companies, which can be redeemed for the first time on 10 May 2017, provided that the vesting conditions have been met.
Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares will be fully entitled to attract profits in the business year in which they are issued. The authorisation remaining after repeated partial utilisation to issue share options from conditional capital expired when the period of authorisation ended on 14 May 2013.
According to Section 4a (4) of the articles of incorporation, the share capital has been conditionally increased by a further EUR 50,000 (conditional capital II), divided into 50,000 individual share certificates. The increase in share capital will only be carried out if holders of stock options, which were issued in the period up to 27 June 2017 on the basis of the resolution passed at the annual shareholders' meeting on 28 June 2012, make use of their subscription rights to Company shares and the Company, which has the right to issue new shares, grants existing shares that have not met the conditions for the subscription rights. Members of the Management Board, managers of companies in which GK Software has an indirect or direct majority holding ("associated firms") and managers of the Company and its associated companies are entitled to participate in the stock option program.
The issue of subscription rights is the responsibility of the Management Board, together with approval from the Supervisory Board.
Share options were issued to members of the group participating in this scheme for the first time during the course of the 2013 business year. 10,675 share options, which cannot be exercised until 26 August 2017 provided that the necessary conditions have been met, were issued to eligible persons. An additional 14,000 share options were issued to eligible persons, with the right to exercise these options for the first time on 10 November 2017. Share options were also issued to members of the Group participating in this scheme during the course of the 2014 financial year. 3,500 share options were issued to members of the group participating in the scheme on 28 August 2014. These can be exercised from 28 November 2018, if the requirements are met. An additional 21,825 share options, which can be exercised from 1 February 2019 provided that the necessary conditions have been met, were issued to eligible persons on 1 December 2014. With this, the conditional capital II was fully realised.
Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares would be fully entitled to attract profits in the year in which they are created.
Approved capital. Until 27 August 2019, the Management Board is authorised to increase the Company's equity capital on one or more occasions and by up to EUR 945,000 by issuing up to 945,000 ordinary shares in accordance with Section 4b of the articles of association. In principle, the subscription privilege must be granted to shareholders. However, the Management Board has the right to exclude the subscription right to one or several increases in capital as part of authorised capital in order to balance out fractional amounts, or in the case of increases in capital in return for assets in kind particularly when acquiring companies, or if the increase in capital takes place in exchange for cash deposits and the issue price does not fall far below the stock exchange price for shares that have already been issued and the ratio of new shares issued does not exceed 10 percent of the share capital and if the new shares have been offered for sale to Company employees or transferred to them with the exclusion of the subscription privilege according to section 186 paragraph 3 sentence 4 of the German Stock Corporation Act. These new shares may also be offered to or transferred to people employed by the Group or by an associated company within the meaning of Section 15 of the German Stock Corporation Act.

6. **Change of control clauses.** The “SOFTWARE LICENCE AND RESELLER AGREEMENT” between SAP AG and GK Software may be terminated by SAP AG for an important reason, if the majority of the shares in GK Software AG are sold to someone who is a direct competitor of SAP AG.

7. **Compensation agreements.** Compensation agreements with one member of the Management Board if an offer is made to take over the company. If there is a fundamental change in the make-up of the shareholders, the member of the Management Board is entitled to a financial settlement in line with the German Corporate Governance Code.

The Management Board



Rainer Gläß
CEO

André Hergert
CFO

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Consolidated Balance Sheet

as of 31 December 2014

Assets

T.08

EUR	Notes No.	31.12.2014 (audited)	31.12.2013 (audited)
Property, Plant and Equipment	2.1.; 3.1.	4,969,827.38	4,794,037.16
Intangible assets	2.2.; 2.13.; 3.2.	8,473,749.85	9,922,121.87
Financial assets		1,660.00	1,660.00
Active deferred taxes	2.11.; 4.9.	2,526,269.83	529,861.75
Total non-current assets		**15,971,507.06**	**15,247,680.78**
Raw materials and supplies	2.3.; 3.3.	1,159,437.47	1,034,421.29
Finished goods	2.3.; 3.3.	0.00	8,389.14
Initial payments made	3.3.	24,981.23	0,00
Trade receivables	2.3.;3.4	9,193,926.55	13,094,022.68
Income tax assets	2.5.; 3.5.	3,181,396.36	659,939.36
Income tax assets	3.7.	369,573.22	217,923.96
Accounts receivable from associated companies	3.6.	36,211.23	4,786.79
Other accounts receivable and assets	2.4.; 3.7.	4,562,595.79	3,811,920.33
Cash and cash equivalents	2.5.; 3.8.	10,172,931.90	13,742,273.60
Total current assets		**28,701,053.75**	**32,573,677.15**
Balance sheet total		**44,672,560.81**	**47,821,357.93**

Liabilities

T.09

EUR	Notes No.	31.12.2014 (audited)	31.12.2013 (audited)
Subscribed capital		1,890,000.00	1,890,000.00
Capital reserves	2.6.	18,197,887.67	18,042,151.84
Retained earnings		31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 2011)		(236,194.75)	203,162.70
Accumulated profit		12,542,553.44	12,388,914.04
Net Loss for the period (previous year: balance sheet profits)		(1,870,095.61)	601,139.40
Total Equity	**3.9.**	**30,555,245.77**	**33,156,463.00**
Provisions for pensions	2.7.; 3.10.	1,664,451.00	912,049.00
Non-current bank liabilities	2.8.; 3.11.	812,750.00	1,021,750.00
Deferred government grants	2.9.; 3.12.	1,008,439.48	996,836.08
Deferred tax liabilities	2.11.; 4.9.	1,379,763.95	1,080,292.79
Total non-current liabilities		**4,865,404.43**	**4,010,927.87**
Current provisions	2.10.; 3.14.	1,656,578.33	1,628,329.38
Current bank liabilities	2.8.; 3.11.	318,783.28	1,267,764.30
Liabilities from trade payables	2.8.; 3.15.	1,633,957.62	1,421,291.35
Initial payments received	2.8.; 3.16.	503,071.57	804,700.50
Income tax liabilities	2.11.; 3.17.	816,068.93	848,066.78
Other current liabilities	2.8.; 3.18.	4,323,450.88	4,683,814.75
Total current liabilities	**2.8.; 3.18.**	**9,251,910.61**	**10,653,967.06**
Balance sheet total		**44,672,560.81**	**47,821,357.93**

Consolidated Income Statement and other results

for the financial year from 1 January to 31 December 2014

Consolidated income statement

T.10

EUR	Notes No.	31.12.2014 (audited)	31.12.2013 (adjusted)
Ongoing Business Divisions			
Sales Revenues	2.12.; 4.1.	44,633,997.10	42,457,575.07
Own Work Capitalized	4.2.	511,545.52	375,541.51
Other Operating Revenues	4.3.	2,187,859.68	2,451,492.91
Sales revenues and other revenues		**47,333,402.30**	**45,284,609.49**
Materials Expenditure	4.4.	(5,151,058.67)	(4,082,260.48)
Human Resources Expenditure	4.5.	(28,748,609.09)	(25,604,653.76)
Depreciation and Amortization	4.6.	(3,051,762.33)	(2,294,598.70)
Other Operating Expenditure	4.7.	(13,397,229.22)	(12,257,664.18)
Total operating expenses		**(50,348,659.31)**	**(44,239,177.12)**
Operating result		**(3,015,257.01)**	**1,045,432.37**
Financial income	4.8.	154,152.05	110,259.43
Financial expenses	4.8.	(125,916.37)	(223,467.41)
Financial result		**28,235.68**	**(113,207.98)**
Income tax results		**(2,987,021.33)**	**932,224.39**
Income taxes	2.11.; 4.9.	1,116,925.72	331,084.99
Consolidated loss for the period (previous year: profit)		**(1,870,095.61)**	**601,139.40**
Other results after income taxes			
Equity procurement costs incl. tax effects		—	(114,775.89)
Actuarial gains/ losses from defined benefit pension plans	2.7.; 3.10.	(439,357.45)	433,690.76
Other results after tax		**(439,357.45)**	**318,914.87**
Overall result		**(2,309,453.06)**	**920,054.27**
Thereof attributable to the owners of the parent company		(2,309,453.06)	920,054.27
Earnings per share (EUR/share) from consolidated profit - non-diluted		**(0.99)**	**0.34**
Earnings per share (EUR/share) from consolidated profit - diluted		**(0.99)**	**0.33**

Group statement of changes in equity

as of 31 December 2014

Group statement of changes in equity

T.11

EUR	Subscribed capital	Capital reserve	Retained earnings	Other reserves	Consolidated balance sheet profit	Total
Figures on 31 December 2012	**1,790,000.00**	**14,352,940.73**	**31,095.02**	**(230,528.06)**	**12,388,914.04**	**28,332,421.73**
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	0.00	(114,775.89)	0.00	0.00	0.00	**(114,775.89)**
Stock Option Program	0.00	121,987.00	0.00	0.00	0.00	**121,987.00**
Accruals based on IAS 19	0.00	0.00	0.00	433,690.76	0.00	**433,690.76**
Stock Option Program	0.00	0.00	0.00	0.00	601,139.40	**601,139.40**
Figures on 31 December 2013	**1,890,000.00**	**18,042,151.84**	**31,095.02**	**203,162.70**	**12,990,053.44**	**33,156,463.00**
Stock option programme	0.00	155,735.83	0.00	0.00	0.00	**155,735.83**
Allocation based on IAS 19	0.00	0.00	0.00	(439,357.45)	0.00	**(439,357.45)**
Dividend payments	0.00	0.00	0.00	0.00	(447,500.00)	**(447,500.00)**
Consolidated loss for the period	0.00	0.00	0.00	0.00	(1,870,095.61)	**(1,870,095.61)**
Figures on 31 December 2014	**1,890,000.00**	**18,197,887.67**	**31,095.02**	**(236,194.75)**	**10,672,457.83**	**30,555,245.77**

Consolidated cash flow statement

as of 31 December 2014

Cash flows from operating business

T.12

EUR K	Notes No.	31.12.2014 (audited)	31.12.2013 (audited)
Cash flows from operating business			
Consolidated net result		(1,870)	601
Share option programme (non-cash expenditure)		156	122
Income taxes affecting results		(1,117)	332
Interest income/expenses affecting results		(28)	113
Profit/loss from the sale or disposal of property, plant and equipment		(2)	0
Reversals of deferred public sector subsidies		(99)	(39)
Write-downs recognised for receivables		1,207	1,993
Write-ups recognised for receivables		(215)	(16)
Depreciation and amortization		3.051	2,295
Actuarial gains / losses		(439)	434
Other cash revenues and expenditure		0	(1)
Cash Flows from Operating Business		**644**	**5,834**
Changes in the current assets			
Changes in Inventories		(142)	(24)
Changes in trade receivables and other receivables		(414)	(4,334)
Changes in Trade Accounts Payable and Other Liabilities		(155)	1,145
Changes in initial payments received		(302)	(252)
Tax effect from equity capital procurement costs		—	(45)
Changes in Provisions		752	(1,730)
Inflow of funds from operating activities		**383**	**594**
Interest payments received	5.	21	74
Interest paid	5.	(35)	(61)
Income taxes paid (previous year: income taxes received)	5.	(763)	1,222
Net inflow of funds from operating activities			
Carryover		**(394)**	**1,829**

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

T.13

EUR K		31.12.2014 (audited)	31.12.2013 (audited)
Carryover			
Net inflow of funds from operating activities		**(394)**	**1,829**
Cash flow from investment activities			
Payments for property, plant and equipment and non-current assets		(1,790)	(1,203)
Proceeds from disposals of fixed assets		13	0
Investment subsidies used	3.12.	258	79
Payments from the granting of loans		(51)	(34)
Proceeds from the repayment of loans		1	207
Net cash outflow for investment activities		**(1,569)**	**(951)**
Cash Flow from Financing Activities			
Revenues by issuing equity instruments of the Group		0	3,668
Dividend payments	5.	(448)	—
Loans Taken Out		1,173	893
Repayment instalments for loans		(2,331)	(2,078)
Net inflow (previous year: net outflow) in cash from financing activities		**(1,606)**	**2,483**
Net outflow (previous year. Net income) of cash and cash equivalents		**(3,569)**	**3,361**
Cash and cash equivalents at the beginning of the fiscal year	3.; 7.	13,742	10,382
Impact of changes in exchange rates		0	(1)
Cash and cash equivalents at the end of the accounting year	**3.; 7.**	**10,173**	**13,742**
Limited available funds	3.; 7.	11	10

Notes on the Consolidated Accounts

for the 2014 financial year

1. Principles of reporting

1.1. General Information

GK Software AG (hereinafter called GK Software) 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.

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

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 apply within the European Union (EU) and also the supplementary requirements according to Section 315a, Paragraph 1 of the German Commercial Code (HGB).

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

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

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

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

The IFRS covers the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the

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

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

Amendments to IAS 27 Separate Financial Statements

As part of parting company with to IFRS 10 Consolidated Financial Statements, the rules for the control principle and the demands for preparing consolidated financial statements were transferred from IAS 27 and then dealt with by IFRS 10 (see comments on IFRS 10). As a result, IAS 27 now contains the regulations for accounts for subsidiaries, joint companies and associated companies in IFRS separate financial statements.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures

As part of parting company with IFRS 11 Joint Arrangements, changes have been made to IAS 28. IAS 28 covers – as it did in the past – the use of the equity method. However, the scope of application has been significantly expanded as a result of parting company with IFRS 11, as it is now necessary to not only assess holdings in associates using the equity method, but joint ventures too (see IFRS 11). The use of proportionate consolidation for joint ventures has therefore been abandoned. In addition to this, potential voting rights and other derivative financial instruments also have to be taken into account when determining whether one company exercises a significant influence over another. Another, further amendment affects the accounting according to IFRS 5, if only one part of a share in an associated company or a joint venture is intended for sale. IFRS 5 must be used in part, if only one share or part of a share in an associate (or a joint venture) satisfies the "held for sale" criteria. These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendments to IAS 32 Financial Instruments: Presentation

This supplement to lAS 32 clarifies which procedures are used for balancing financial instruments. The supplement explains the meaning of the current legal right to offsetting and provides guidance on which procedures can be viewed with a gross balance as a net balance within the meaning of the standard. Together with these clarifications, the regulations on disclosures to be provided in the notes had already been extended in IFRS 7 during the previous year.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

Amendments to IAS 36 Impairment of Assets

The amendments serve to clarify that the disclosure of the recoverable amount, if this is based on the fair value minus any costs of disposal, simply applies to the assets or units generating cash and cash equivalents, for which an impairment was entered during the reporting period.

If the recoverable amount corresponds to the fair value minus the costs of disposal in the case of any impairment, the following details must also be made available:

- The assessment methods used and any changes to the assessment methods during stages 2 and 3 of the assessments.
- The level (stage) of the fair value hierarchy according to IFRS 13, which was used to determine the fair value.
- In the case of stage 2 and stage 3 assessments: key assumptions when assessing the fair value including the mandatory disclosure of the discount rate used when employing a cash value method.

These amendments do not give rise to any changes in the presentation of the assets, financial position and earnings for the GK Group.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

The IASB approved an amendment to IAS 39 Financial Instruments: Recognition and Measurement, with regard to the novation of derivatives and continuation of balancing hedged instruments which was adopted into European law in December 2013. As a result of this amendment, the novation of a hedging instrument to a central counterparty does not lead to any dissolution of the hedging relationship under the following conditions:

- A novation is prescribed on the basis of existing or newly introduced legal or legal supervisory requirements.
- As a result of the novation, the central counterparty or a company (or several companies), which is/are acting as the counterparty, become(s) the contractual partner for all the parties in the derivative contract.
- No changes may be made to the contractual conditions of the original derivative, apart from the changes that are a necessary consequence of the novation.

According to the previous rules in IAS 39, any balancing of the hedging relationship, for which an OTC derivative was designated as the hedging instrument, had to be ended if a clearing obligation and the use of a central counterparty as the new contractual party led to the OTC derivative being deleted from the accounts.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the rules in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new standard defines the term "control" in a new and more detailed manner than in the past. If one company controls a different company, the parent company must consolidate the subsidiary. IFRS 10 provides a standardised basis for the consolidation concept and defines which companies are to be included in the consolidation process. According to this, control exists if the potential parent company has the decision-making authority over the potential subsidiary on the basis of voting rights or other rights, if it participates in positive or negative variable returns from the subsidiary and if it is able to influence these returns through its decision-making authority. The methods of consolidation, on the other hand, remain unchanged.

The GK Group has carried out a thorough analysis of all the holdings on the basis of the new concept of control in IFRS 10. This did not create any significant effects on defining which companies are to be included in the consolidation process and therefore dies not lead to any major changes in the presentation of the assets, financial and earnings situation in the GK Group.

IFRS 11 Joint Arrangements

IFRS 11 establishes new rules for accounting for jointly managed activities (joint arrangements). According to the definition contained in IFRS 11, the issue here involves contractual arrangements, where two or several parties are exercising joint management. Instead of the three different forms in the past (see IAS 31 Interests in Joint Ventures: joint operations, jointly managed assets and jointly managed companies), a distinction is now only made between two different types of joint arrangements:

- A joint operation exists if the jointly controlling parties have direct rights to the assets and obligations for the liabilities, which are, in turn, entered on the consolidated balance sheet on a pro rata basis.
- In a joint venture, on the other hand, the jointly controlling parties only have rights to the net assets. This right is indicated in the consolidated accounts by using the equity method; as a result, the right of choice to include the proportional figures in the consolidated accounts is no longer available.

According to this concept, it is necessary to decide whether a joint operation or a joint venture is present.

The GK Group has carried out a thorough analysis of all its holdings. According to this, it does not have any joint arrangements in the sense of IFRS 11. Therefore, these new regulations do not have

any effect on the presentation of the assets, financial or earnings situation of the GK Group.

IFRS 12 Disclosure of Interests in Other Entities
This standard defines the necessary disclosure obligations in relation to holdings in other companies. The necessary disclosures in the notes on the consolidated accounts have therefore become more extensive in comparison to the details required in the past in line with IAS 27, IAS 28 and IAS 31. One major change in contrast with the disclosures demanded in the past involves the fact that companies must disclose the assumptions and discretionary decisions taken by management, which are made as part of assessing the process of control.

These amendments did not give rise to any changes in the presentation of the assets, financial situation and the earnings.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transitional Provisions
The amendments published in June 2012 affect the transitional provisions and introduce other exceptions to the obligation to make full retroactive application. In addition, the assessment process to determine whether control exists should not be made at the start of the comparative period, but now at the time when this is initially exercised. Beyond this, these amendments contain some clarification and additional simplification in the crossover to IFRS 10, IFRS 11 and IFRS 12. For example, adjusted comparative information is only required for the previous comparative period. In addition, there is now no obligation to disclose the comparative information for periods, which are prior to the first use of IFRS 12, in connection with the details in the notes on the accounts for non-consolidated structured entities.

These amendments did not give rise to any changes in the presentation of the assets, financial situation and the earnings.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
The amendments contain a definition of the term "investment entities" and remove these kinds of companies from the scope of application of IFRS 10 Consolidated Financial Statements. According to them, the companies controlling investments entities should not generally consolidate the latter in their IFRS consolidated financial statement. For these equity holdings, the current balancing and assessment standards for financial assets apply rather than a full consolidation and these are assessed at fair value through profit or loss.

The amendments do not have any effect on a consolidated financial statement that includes investment entities, if the parent company itself is not an investment entity. In this respect, they do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

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

The following new and amended standards and interpretations have been published within this reporting period, but have not yet come into force. GK Software declined to make any voluntary, premature use of them. These are applied to the GK Group at the required time. If not otherwise specified, the GK Group is currently checking the possible effects of the following standards and interpretations for its consolidated accounts.

IFRS 9 Financial Instruments
The regulations, which until now, had been found under IAS 39 Financial Instruments regarding recognition, assessment and derecognition as well as the hedge accounting, have been fully replaced by IFRS 9. The executive board anticipates that the future use of financial assets and liabilities could be affected. A reliable assessment of the impact caused by its adoption can only be provided if a detailed analysis has been conducted according to IFRS 14 Regulatory Deferred Accounts.

As a result of this standard, any companies using IFRS for the first time are allowed to continue to record deferral accounts, if they had already entered these in their financial statements in the past according to the accounting principles used until that time.

These amendments do not give rise to any changes in the presentation of the assets, financial and earnings situation for the GK Group.

IFRS 15 Revenue from Contracts with Customers
According to IFRS 15, it will be mandatory to enter the amount of revenue that companies have generated and the time when this occurred. This standard must be used with the exception of the following contracts: Leasing relationships, which come under IAS 17 Leases; financial instruments and other contractual rights or obligations, which come under IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Consolidated and Separate Financial Statements or IAS 28 Investments in Associates or Joint Ventures; and insurance contracts within the scope of IFRS 4 Insurance Contracts.

In this sense, the possible scope is limited within the GK Group. We are currently examining affairs on the basis of the existing state of discussions to see what possible effects this might have on the presentation of the assets, financial and earnings situation of the GK Group.

Amendments to IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets – Clarification of Permissible Depreciation/Amortisation Methods
In publishing the amendments to IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets in May 2014, the IASB circulated its clarification of acceptable depreciation/amortisation methods. The amendments concern additional guidelines in relation to permissible depreciation/amortisation methods for property, plant and equipment (IAS 16) and intangible assets (IAS 38). The amendment in IAS 16 forbids a company from registering depreciation on the basis of expected revenues. (Sales) revenues reflect the generation of the expected economic benefit arising from the business activity and not the use of the expected economic benefit of a tangible asset. As a result, any methods geared towards future expectations of revenues are not permissible according to IAS 16. In IAS 38, a relevant amendment was included as a refutable presumption. A revenue-based amortisation or depreciation method is not appropriate on a regular basis.

The GK Group does not expect any effects on the presentation of its assets, financial and earnings situation from this clarification of the permissible depreciation/amortisation methods, as it does not make any use of depreciation/amortisation based on turnover.

1.3. Consolidated companies

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

The consolidated companies not only include the parent company, 1 Waldstraße GmbH, Schöneck and AWEK GmbH, Barsbüttel, with its two German subsidiaries named below, but also four companies based abroad (EUROSOFTWARE s.r.o., Pilsen/Czech Republic, StoreWeaver GmbH, Dübendorf/Switzerland, OOO GK Software RUS, Moscow/Russia and GK Software USA Inc., Cape Coral/USA). StoreWeaver GmbH, Dübendorf/Switzerland was 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. SQ IT-Services GmbH, Schöneck was merged with GK Software on 1 January 2014. 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, Dübendorf/Switzerland on 30 September 2011. With notary deeds dated 10 December 2012, GK Software acquired all the business shares in AWEK GmbH (hereinafter referred to as "AWEK"), which has its headquarters in Barsbüttel near Hamburg. AWEK GmbH, which exercises the holding tasks for the AWEK Group, is the sole shareholder of the companies AWEK, C-POS GmbH, AWEK microdata GmbH and AWEK Hong Kong Ltd. The AWEK Group was first included in the GK Software consolidated accounts by way of full consolidation from the time of the acquisition on 10 December 2012. AWEK Hong Kong Ltd. was not included in the consolidated companies, as it had not yet started its business activities in the financial year.

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

All the firms within the consolidated companies are either directly or indirectly solely owned by GK Software AG.

1.4. Principles of consolidation

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

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

1.5. Corporate mergers

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

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

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

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

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

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

1.6. Currency Conversions

The consolidated accounts have been presented in euros, the functional currency and the currency that the group uses in presentations. Each company within the group establishes its own functional currency. The items included in the annual accounts for each company are assessed using this functional currency.

Foreign currency transactions are initially converted at the spot rate that is valid on the day of the business transaction in the functional currency. Monetary assets and monetary 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.

The assets and liabilities of Group companies whose functional currency is not euros are converted into euros from the respective national currency using the exchange rates on the date of the annual accounts. The exchange rates correspond to the average monthly bid and offer prices. The profit and loss statements of foreign Group companies who functional currency is not euros are converted, like the corresponding results for the year, at the average rates for the reporting period.

2. Balance Sheet and Assessment Principles

2.1. Property, plant and equipment

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

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

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

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

2.2. Intangible assets

2.2.1. Intangible assets acquired in return for payment

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

2.2.2. Intangible Assets Developed In-House

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

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

- The technical feasibility of the completion of the intangible asset value exists in order to make it available for use or for sale.

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

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

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

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

2.2.3. Goodwill

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

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

GK Software summarizes assets, which cannot be checked individually, as part of the intrinsic value tests in the smallest group of assets, which generates an inflow of cash from ongoing use; this cash is largely independent of other assets or groups of assets. If assets do not generate any inflow of cash and this is largely independent of other assets or other groups of assets, GK Software does not check the intrinsic value on the level of the individual asset, but on the level of the unit generating cash and cash equivalents, to which this asset belongs. On 31 December 2014 our goodwill was allocated, on the one hand, to the product-related cash-generating unit, “Storeweaver Enterprise Edition” and, on the other hand, to the “IT Services” cash-generating unit.

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

2.2.4. Customer base

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

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

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

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

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

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

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

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

2.3. Inventories

The following assets are entered as assets, if they:

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

The inventories are assessed based on their purchase or production costs or a lower net sales value. The purchase or production costs contain

all the costs of purchase, processing and workmanship and any other costs that occur in order to transport the inventories to their current location in their current state (IAS 2.10). As a result, the shares embrace both the individual costs and the attributable overheads (primarily amortisations).

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

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

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

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

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

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

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

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

2.5. Cash and cash equivalents

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

2.6. Stock option programme

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

Options were first issued to employees who are part of the management team within the Group (entitlement group II), and to employees who have worked in an outstanding manner (entitlement group III) on 1 July 2010. The company has been able to grant entitlement group II up to a total of 11,000 subscription rights to an individual share certificate and up to a total of 3,000 subscription rights to entitlement group III. Each subscription right guarantees the right to a no-par ordinary bearer share certificate issued by GK Software. These shares will be newly issued from the EUR 37,000 contingent capital authorised at the Annual General Meeting on 14 May 2008, if the subscription right is exercised. The subscription right is not transferable and is subject to conditions of exercise, which are identical for employees in both entitlement groups.

Another 9,450 stock options were offered to members of the Company and associated companies in the 2011 financial year. They cannot be redeemed until 30 June 2015, if the redemption conditions are met.

Subscription rights were also granted in 2012 too. These subscription rights can only be exercised after a four-year waiting period. During the 2012 financial year a total of 16,175 stock options were offered to employees of the Company and associated companies which can be redeemed from 5 July 2016, provided the redemption conditions have been met. During the course of the 2013 business year, 3,875 of these options in all lapsed, as the exercise conditions were missed during their term. 15,250 new options were issued as part of this programme. This means that the authorisation for conditional capital I has been fully used and has lapsed during the passing of time so that any new options from this conditional capital can no longer be granted. Each of the options granted in the years 2011, 2012 and 2013 give the holder the right to exchange the option for one new, no-par company share made out to the holder. The shares will be fully entitled to attract profits in the business year in which they are issued.

Another 25,325 stock options were offered to members of the Company and associated companies during the 2014 financial year. Of these, 3,500 options cannot be redeemed until 28 November 2018 and 21,825 options cannot be redeemed until 28 February 2019, if the redemption conditions have been met.

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

T.14

	Number of options
Options outstanding on 1 January 2013	25,625
Options granted during the course of fiscal 2013	39,925
Options lost during the reporting period	3,875
Options expiring during the reporting period	0
Options exercised during the reporting period	0
Options outstanding on 31 December 2013	61,675
Exercisable options on 31 December 2013	0
Options outstanding on 1 January 2014	61,675
Options granted during the course of fiscal 2014	25,325
Options lost during the reporting period	0
Options exercised during the reporting period	0
Options expiring during the reporting period	0
Options outstanding on 31 December 2014	87,000
Exercisable options on 31 December 2014	0

16,175 of the outstanding options on 31 December 2014 have an exercise price of EUR 39.14 and a probable average exercise period of 1 year 7 months on the balance sheet date. According to IFRS 2.11, the equivalent value of the granted options was determined by the fair value of the equity instruments on the issue date (6 July 2012), as the contractual partners are company employees or employees at associated firms. The fair value was determined using simulation in the Monte Carlo process. For the simulation process, it was presumed that the beneficiaries of the options

would exercise their options as quickly as possible. On the valuation date, the price of the shares, which form the basis of the option, amounted to 39.50 euros. The retention period is 4 years, which makes 5 July 2016 the vesting date. The term of the option from the issue date is as far as 4½ years. The risk-free interest rate of 0.24 percent was derived from the WT3217 time series yield curve (Svensson method) for publicly listed Federal Treasury bonds / with a 4-year term / and issued by Deutsche Bundesbank on 6 July 2012. The volatility was calculated in line with an estimated average term of option rights of 4¼ years based on the company share price from 17 November 2008 until 6 July 2012 as historic volatility. This enabled the company to exclude as far as possible any excessive fluctuations directly after the IPO. The volatility established in this way amounted to 43.42 percent. An annual dividend of 0.50 euro per share has been assumed. 6,000 stock options has been granted to members of the management board.

Based on 10,000,000 simulations, the fair value of each option was 11.929 euros, which provides a figure of 192,952 euros for 16,175 options. This figure must be entered as human resources expenditure on a pro rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 41,139.

A further 5,575 outstanding options have an exercise price of EUR 20 and a probable average exercise period of 1/2 a year on the balance sheet date. According to IFRS 2.11, the equivalent value of the options granted above the fair value of the equity instruments was set on the issue date (1 July 2011), as the contractual partners are employees of the company or work at firms associated with it. The fair value has been determined using a simulation in the Monte Carlo process. The simulation assumes that those entitled to options will exercise their options as quickly as possible. The stock exchange price for the shares, on which the option is based, amounted to 45.19 euros on the valuation date. The qualifying period is 4 years and the day on which the option becomes non-forfeitable is therefore 30 June 2015. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 2.12 percent has been taken from the daily rates from the German Central Bank on 1 July 2011 with a remaining term of 4 years based on the WT3217 time series interest structure graph (Svensson Method) for listed German government securities. The volatility has been calculated in line with an estimated average term of the option rights of 2 ¼ years based on the company's share price between 17 November 2008 and 30 December 2011 as historical volatility. This method enables the company to rule out any excessive fluctuations immediately after the IPO. The volatility determined in this way amounted to 45.63 percent. 3,000 stock options were granted to members of the Management Board.

Based on 10,000,000 simulations, the fair value of each option was EUR 21.025, which provides a figure of EUR 198,686 for 5,575 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 47,043. A dividend of EUR 0.50 per share has also been assumed here.

A further 15,250 outstanding options have an exercise price of EUR 26.12 and a probable average exercise period of 2 years and 8 months on the balance sheet date. According to IFRS 2.11, the equivalent value of the granted options was determined through the fair value of the equity instruments on the issue date (10 May 2013), as the contract partners are company employees or work at firms associated with it. The fair value was determined using the Monte Carlo method simulation. The simulation assumes that those entitled to the options will exercise them as quickly as possible. The stock market price of the shares, on which the option was based, was 28.25 euros on the assessment date. The vesting period is 4 years and the vesting date is therefore 9 May 2017. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 0.24 percent stemmed from the WT 3217 Interest Structure Curve time series (Svensson method) for stock market listed government securities with a 4-year remaining term/daily values published by the German Bundesbank on 10 May 2013. The volatility was calculated as historical volatility in line with an estimated average term of 4 ¼ years for the option rights based on the company's share price performance from 11 February 2009 until 10 May 2013. This enabled the company to exclude as

far as possible any excessive fluctuations directly after the IPO. The volatility determined in this way amounted to 39.49 percent.

Based on 10,000,000 simulations, the fair value per share option amounted to EUR 6.231, making a total of EUR 95,023 for the 15,250 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 23,690. A dividend of EUR 0.50 per share has also been assumed here.

In addition to this a further 10,675 options with an exercise price of EUR 25.42 were issued on 27 August 2013 and a probable average exercise period of 2 years 11 months on the balance sheet date. According to IFRS 2.11, the equivalent value of the options granted was determined using the fair value of the equity instruments on the issue date (27 August 2013), as the contract partners are company employees or work at firms associated with it. The fair value was determined using simulation in the Monte Carlo process. The simulation assumes that those entitled to options will exercise their options as quickly as possible. The stock market price of the shares, on which the option was based, was EUR 25.60 on the assessment date. The vesting period is 4 years and the vesting date is therefore 26 August 2017. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 0.63 percent stemmed from the WT 3217 Interest Structure Curve time series (Svensson method) for stock market listed government securities with a 4-year remaining term/daily values published by the German Bundesbank on 27 August 2013. The volatility was calculated as historical volatility in line with an estimated average term of the option rights of 4 ¼ years based on the company's share price performance from 27 May 2009 until 27 August 2013. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility determined in this way amounted to 36.56 percent.

Based on 10,000,000 simulations, the fair value per share option amounted to 6,167 euros, making a total of 65,833 euros for the 10,675 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 16,583. A dividend of EUR 0.50 per share has also been assumed here.

Another 14,000 share options with an exercise price of EUR 25.02 were issued again on 11 November 2013 and they had a probable average exercise period of 3 years 1 month on the issue date. According to IFRS 2.11, the equivalent value of the options granted was determined using the fair value of the equity instruments on the issue date (11 November 2013), as the contract partners are company employees or work at firms associated with it. The fair value was determined using simulation in the Monte Carlo process. The simulation assumes that those entitled to options will exercise their options as quickly as possible. The stock market price of the shares, on which the option was based, was EUR 27.90 on the assessment date. The vesting period is 4 years and the vesting date is therefore 10 November 2017. The term of the option from the issue date is up to 4 ½ years. The risk-free interest rate of 0.44 percent stemmed from the WT 3217 Interest Structure Curve time series (Svensson method) for stock market listed government securities with a 4-year remaining term/daily values published by the German Bundesbank on 11 November 2013. The volatility was calculated as historical volatility in line with an estimated average term of the option rights of 4 ¼ years based on the company's share price performance from 11 August 2009 until 11 November 2013. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility determined in this way amounted to 32.17 percent.

Based on 10,000,000 simulations, the fair value per share option amounted to 6,240 euros, making a total of 87,360 euros for the 14,000 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 21,748. A dividend of EUR 0.50 per share has also been assumed here. A total of 11,500 options [26] were granted to members of the Management Board.

A further 3,500 options with an exercise price of EUR 41.78 were issued on 28 August 2014 and on the issue date they had a probable average exercise period of 4 ¼ years. According to IFRS 2.11, the nominal value of the options granted was set above the fair value of the equity instruments on the issue date (28 August 2014), as the contractual partners are employees of the company or work at companies associated with it. The fair value was determined using simulation in the Monte Carlo process. The simulation assumes that those entitled to options will exercise their options as quickly as possible. On the valuation date, the market price of the shares, which form the basis of the option, amounted to EUR 43.99. The retention period is 4 years and the vesting date is therefore 28 August 2018. The term of the option from the issue date is up to 4¼ years. The risk-free interest rate of 0.10 percent stemmed from the WT 3217 Yield Curve time series (Svensson method) for listed German government securities with a 4-year remaining term/ daily values published by the German Bundesbank on 28 August 2014. The volatility was calculated as historical volatility in line with an estimated average term of 4 ¼ years for the option rights based on the company's share price performance from 11 August 2009 until 28 August 2014. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility established in this way amounted to 30.01 percent.

Based on 10,000,000 simulations, there was a fair value amounting to EUR 9.179 per share option, and therefore a total of EUR 32,127 for the 3,500 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 765. A dividend of EUR 0.50 per share has also been assumed here.

Another 21,825 share options with an exercise price of EUR 37.77 were issued again on 1 December 2014 and these had a probable average exercise period of 4 ¼ years on the issue date. According to IFRS 2.11, the nominal value of the options granted was set above the fair value of the equity instruments on the issue date (1 December 2014), as the contractual partners are employees of the company or work at firms associated with it. The fair value was determined using simulation in the Monte Carlo process. The simulation assumes that those entitled to options will exercise their options as quickly as possible. On the valuation date, the price of the shares which form the basis of the option, amounted to EUR 35.80. The retention period is 4 years and the vesting date is therefore 1 December 2018. The term of the option from the issue date is up to 4¼ years. The risk-free interest rate of 0.02 percent stemmed from the WT 3217 Yield Curve time series (Svensson method) for listed German government securities with a 4-year remaining term/ daily values published by the German Bundesbank on 1 December 2014. The volatility was calculated as historical volatility in line with an estimated average term of 4 ¼ years for the option rights and based on the company's share price performance from 11 August 2009 until 1 December 2014. This enabled the company to rule out any excessive fluctuations directly after the stock market listing as far as possible. The volatility established in this way amounted to 29.50 percent.

Based on 10,000,000 simulations, there was a fair value amounting to EUR 6.420 per share option, and therefore a total of EUR 156,167 for the 21,825 options. This figure must be entered as human resources expenditure on a pro-rata basis for the elapsed retention period and assigned to the capital reserves. The expenditure for the year under review amounted to EUR 4,768. A dividend of EUR 0.50 per share has also been assumed here. A total of 6,000 options were granted to members of the Management Board.

Overall, personnel expenditure of EUR 155,735.83 was entered for the share options that were issued during the financial year. The weighted average terms for the options amounted to 2 ½ years.

2.7. Provisions for pensions

The costs for providing benefits in the case of defined benefit pension plans are determined using the projected unit credit method, where an actuarial assessment is carried out on each balance sheet date. Any new assessments, consisting of actuarial gains and losses, changes, which are the result of the use of the asset upper threshold, and the revenues from the plan assets (without any interest on the net debt) are entered

directly under other income and therefore form a direct part of the balance sheet. The new assessments entered under other income form part of the other provisions and are no longer reclassified in the profit and loss statement. Any past service costs are entered as expenditure, when the change of plan takes place.

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

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

The Group reports the first two elements in the profit and loss statement under the personnel expenditure item and financial expenditure or financial revenues (unbalanced). Any gains or losses from plan reductions are entered on the balance sheet as past service costs.

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

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

2.8. Financial Liabilities

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

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

2.9. Public sector subsidies

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

Public sector subsidies, the most important condition for which is the sale, construction or other kind of purchase of non-current assets, are entered on the balance sheet as accruals and deferrals and are entered on a systematic and rea-

sonable basis so that they affect the income statement over the term of the relevant asset.

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

2.10. Current provisions

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

2.11. Income taxes

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

2.11.1. Current Taxes

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

2.11.2. Deferred Taxes

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

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

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

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

in order to settle the liability or realize the asset value.

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

2.11.3. Current and deferred taxes in the period

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

2.12. 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.

2.12.1. Providing of goods

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

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

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

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

reporting date as a share of the contract amount prior to the next measurement date.

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

2.13. Management Estimates and Appraisals

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

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

Intrinsic value of intangible assets developed in-house
THe management board once again assessed the intrinsic value of the intangible assets developed in-house as a result of the group's development of software. Value adjustments have not been necessary. These intangible assets have been taken into account in the consolidated balance sheet as of 31 December 2014 with a value of EUR 1,241 K (previous year EUR 1,474 K).

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

Intrinsic value of goodwills
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 recoverability of this goodwill was checked on 31 December 2014. The review showed that a EUR 870 K value adjustment had become necessary as indications showed that the expected and achievable accruals from the cash-generating unit assigned to this goodwill figure could fall short of the carrying amount of the goodwill. The calculation of the value in use

requires the estimate of future cash flows from the cash-generating unit and a suitable discount rate for the cash value calculation. Although the expected and achievable cash inflows exceeded the carrying amount of the goodwill, the management decided to apply a flat-rate haircut to the future forecasts due to the analysis of the past expectations and the actual amount of inflows achieved. A revaluation became necessary with regard to this planned reduction.

Goodwill of EUR 244 K was entered on the balance sheet as a result of the corporate merger with AWEK as part of the final purchase price allocation on 10 December 2012 and as an accrual in the goodwill item on the consolidated balance sheet. The goodwill is fully attributed to the IT Services unit generating cash and cash equivalents. The recoverability of this goodwill was checked on 31 December 2014. 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 use value requires an estimate of future cash flows from the unit generating the cash and cash equivalents and an estimate of a suitable discount rate for calculating the cash value.

Intrinsic value of accounts receivable from ongoing work

The accounts receivable from ongoing work amounting to EUR 3,181 K (previous year: EUR 660 K) and entered on the balance sheet in line with IAS 18.27 are subject to continuing project monitoring in terms of their recoverability. 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 bases

As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the group entered an intangible asset worth EUR 777 K under customer base for the very first time in 2009. The customer base is amortised as expenditure in a linear fashion over the expected period of use of seven years and was recognised on the consolidated balance sheet with a value of EUR 89 K (previous year: EUR 146 K) on the balance sheet reporting date. There was no information indicating the need to make a valuation adjustment beyond this.

The Group entered an intangible asset of EUR 458 K as the customer base due to the business shares in AWEK GmbH acquired by GK Software. The customer base is amortised as expenditure in a linear fashion over the expected period of use of ten years and recognised with a value of EUR 363 K (previous year: EUR 408 K) on the balance sheet reporting date.

Intrinsic value of orders on hand

Furthermore, the purchase of the business shares in AWEK GmbH by GK Software enabled the Group to enter intangible assets worth EUR 394 K as the value of orders on hand. The orders on hand are amortised in a linear fashion over the expected period of use of five years and are recognised as expenditure. The figure recognised on the balance sheet date amounted to EUR 230 K (previous year: EUR 308 K).

Impairment of active deferred taxes

The impairment of active deferred taxes from loss carryforward relies on the assessment that the Group companies concerned will in future once again generate profits which allow for the utilisation of tax loss carryforwards. This is done by planning the economic development of the individual companies in the Group.

Recognition and measurement of provisions

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

services of external advisers such as actuaries or legal consultants.

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

3. Notes on the Consolidated Balance Sheet

3.1. Property, Plant and Equipment

Property, plant and equipment 2013

T.15

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
As of 1 January 2013	4,630,864.05	3,758,045.63	71,906.92	**8,460,816.60**
Accruals	10,359.52	613,483.05	78,734.02	**702,576.59**
Transfers	0.00	61,906.92	(61,906.92)	**0.00**
Disposals	0.00	79,020.88	0.00	**79,020.88**
As of 31 December 2013	**4,641,223.57**	**4,354,414.72**	**88,734.02**	**9,084,372.31**
Accumulated depreciation				
As of 1 January 2013	819,795.05	2,756,918.76	0.00	**3,576,713.81**
Accruals	146,577.84	640,120.32	0.00	**786,698.16**
Disposals	0.00	73,076.82	0.00	**73,076.82**
As of 31 December 2013	**966,372.89**	**3,323,962.26**	**0.00**	**4,290,335.15**
Carrying amounts on 31 December 2013	**3,674,850.68**	**1,030,452.46**	**88,734.02**	**4,794,037.16**

Tangible assets 2014

T.16

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

Procurement obligations for office and business equipment amounted to approx EUR 70 K (previous year: approximately EUR 270 K).

3.2. Intangible assets

Intangible assets 2013

T.17

EUR	Capitalised development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Orders on hand	Total
Purchasing or production costs						
As of 1 January 2013	6,194,730.41	2,052,925.18	6,646,963.24	1,235,038.00	393,530.00	**16,523,186.83**
Accruals	375,541.52	131,192.01	0.00	0.00	0.00	**506,733.53**
Disposals	0.00	522.89	0.00	0.00	0.00	**522.89**
As of 31 December 2013	**6,570,271.93**	**2,183,594.30**	**6,646,963.24**	**1,235,038.00**	**393,530.00**	**17,029,397.47**
Accumulated depreciation						
As of 1 January 2013	4,148,995.90	887,043.35	0.00	556,776.98	6,558.83	**5,599,375.06**
Accruals	946,954.31	358,356.43	0.00	123,883.80	78,706.00	**1,507,900.54**
As of 31 December 2013	**5,095,950.21**	**1,245,399.78**	**0.00**	**680,660.78**	**85,264.83**	**7,107,275.60**
Carrying amounts on 31 December 2013	**1,474,321.72**	**938,194.52**	**6,646,963.24**	**554,377.22**	**308,265.17**	**9,922,121.87**

Intangible assets for 2014

T.18

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

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

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

Research costs of EUR 140 K (EUR 93 K during the 2013 financial year) were recorded as expenses during the 2014 financial year.

The unit generating the cash and cash equivalents that form the basis for this capitalised goodwill was assessed with the value in use, however no more than the purchasing costs, determined as part of the purchase price, which cannot be attributed to assets that can be capitalised. The goodwill existing outside the acquisition of the AWEK Group was fully allocated to the "Storeweaver Enterprise Edition" (allocated to the GK/Retail segment) unit that generates cash and cash equivalents. This unit was described in the consolidated accounts for 2010 as "LUNAR project and project business for this partial solution". The carrying amount on 31 December 2014 was EUR 5,533 K following EUR 6,403 K during the previous year. The revaluation was necessary as the expected future inflow of cash and cash equivalents actually resulted in the fact that the use value of the cash-generating unit exceeds the carrying amount of the net assets of the unit.

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

The detailed planning covers the period until 2019. As use is possible and probable beyond this period — historical experience supports the principle of assuming a normal period of use for solutions provided by the unit generating the cash and cash equivalents of 10 - 15 years — the following period has also been taken into account. An even shrinkage rate of 1 percent has been assumed.

The flows of payments determined in this way were discounted with an interest rate of 6.70 percent (8.55 percent in the 2013 financial year) and this specifies the weighted costs of the capital before income taxes. Capital market data from a group of comparable companies has been used in order to determine the weighted capital costs.

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

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

The unit generating the cash and cash equivalents that form the basis for this capitalised goodwill was assessed with the value in use, however no more than the purchasing costs, determined as part of the purchase price, which cannot be attributed to assets that can be capitalised. The goodwill existing outside the purchase of the AWEK company has been fully attributed to the IT Services unit generating the cash and cash equivalents. The companies acquired within the AWEK Group are summarised in this unit. The carrying amount amounted to EUR 244 K on 31 December 2014.

In order to determine the value in use of a unit that generates cash and cash equivalents, an assessment has been made of the future net cash

and cash equivalent accruals. The estimates took place within the planning horizon and within the principles that are normal for Group planning. Because of the business model for the unit generating the cash and cash equivalents, which differs from the rest of the Group, specific parameters were used for this unit, which are based on the experience and the analysis of the actual development of the using generating the cash and cash equivalents in the past. The planning principles generally include planning the balance sheet and the profit and loss statement and planning for the expected flows of cash and cash equivalents derived from these.

The detailed planning covers the period until 2019. As use is possible and probable beyond this period – the unit has been offering its services and products for more than twenty years now – the following period was also taken into account. An even shrinkage rate of 1 percent has been assumed.

The flows of payments determined in this way were discounted with an interest rate of 6.70 percent (8.55 percent in the 2013 financial year) and this specifies the weighted costs of the capital before income taxes. Capital market data from a group of comparable companies has been used in order to determine the weighted capital costs.

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

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

3.3. Inventories

Inventories

T.19

EUR	31.12.2014	31.12.2013
Raw materials and supplies	1,159,437.47	1,034,421.29
Goods	0.00	8,389.14
Advance payments on inventories	24,981.23	0.00
Total	**1,184,418.70**	**1,042,810.43**

During the financial year, inventories worth EUR 2,806 K (previous year: EUR 2,839 K) were recognised as material expenditure.

3.4. Trade Accounts Receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. The total value adjustments amount to EUR 147 K (2013 financial year: EUR 1,993 K). The value adjustments have been entered under other operating expenditure. As of the reporting date value adjustments amounting to a total of EUR 321 K (previous year: EUR 2,261 K [26]) were made.

The decline in trade receivables is also due to the derecognition of certain receivables considered to be irrecoverable.

There were foreign currency receivables in Czech crowns amounting to EUR 6 K (previous year: EUR 4 K) on the balance sheet date.

3.5. Income tax assets

Customer orders, for which sales revenues have been realised according to IAS 18.20 or according to IAS 18.26 in conjunction with IAS 18.20, must be shown as assets. This item amounted to EUR 3,181,396.36 (previous year: EUR 660 K) on the balance sheet date.

3.6. Accounts receivable from associated companies

On the balance sheet date, there are accounts receivable owed by associated companies amounting to EUR 6 K (previous year: EUR 5 K), owed by AWEK Hong Kong Ltd amounting to EUR 30 K (previous year: EUR 0 K), and owed by GK Software Holding GmbH, the main shareholder in the parent company. AWEK Hong Kong Ltd. was not included in the consolidated companies, as it had not yet started its business activities in the financial year.

3.7. Other accounts receivable, assets and income tax assets

T.20 Other accounts receivable, assets and income tax assets

EUR	31.12.2014	31.12.2013
Loans paid to third parties	2,746,703.38	2,697,367.66
Income tax assets	369,573.22	217,923.96
Accounts receivable from members of the Management Board	120,737.77	100,308.00
Others	1,695,154.64	1,014,244.67
Thereof from legal claims	698,374.71	163,002.85
Thereof from asset deferrals	613,492.19	600,403.35
Total	**4,932,169.01**	**4,029,844.29**

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

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

On the balance sheet date, there were other receivables in Czech crowns amounting to EUR 106 K (previous year: EUR 84 K), EUR 3 K in Swiss francs (previous year: EUR 1 K) and EUR 4 K in Russian roubles (previous year: EUR 8 K).

3.8. Cash and cash equivalents

Cash and cash equivalents are entered at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. Bank deposits amounting EUR 11K (previous year: EUR 10K) were pledged as part of rent collateral with the bank providing the guarantee. The Management Board is expecting this guarantee to be taken up.

3.9. Equity

We refer you to the statement of changes in equity for the Group for more information on changes to the equity of GK Software on the 2014 balance sheet date.

The Company's share capital amounted to EUR 1,890,000.00 on 31 December 2014 and was divided into 1,890,000 individual share certificates.

T.21 Equity

EUR	31.12.2014	31.12.2013
Subscribed capital		
Fully paid up no-par-value shares	1,890,000.00	1,790,000.00
100,000 individual share certificates issued as a capital increase	—	100,000.00
Total	**1,890,000.00**	**1,890,000.00**

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

Approved capital. Following a decision by ordinary general meeting on 28 June 2012, the Management Board is authorised, with the Supervisory Board's approval, to increase the ordinary stock

of the Company during the period from 28 June 2012 until 27 June 2017, on one or more occasions by up to a total of EUR 895,000.00 by issuing up to 895,000 new no-par value bearer shares in exchange for cash contributions and/or assets in kind (approved capital 2012).

On 13 December 2013 the Management Board decided to make use of this authorisation with the agreement of the Supervisory Board on the same day. It was decided to introduce a capital increase of EUR 100,000.00 through the issue of 100,000 new no-par shares made out to the holder. The increase was entered in the Commercial Register on 27 December 2013. This means that there is still a sum amounting to EUR 795,000.00 remaining from the authorised amount of 2012.

On 28 August 2014 the Annual General Meeting passed a resolution to revoke the above authorisation with effect from the date that the new resolution to generate approved capital would come into effect, provided that it had not yet been used at the time that this authorisation was revoked.

On 28 August 2014 the Annual General Meeting passed a resolution authorising the Management Board to increase the ordinary stock of the Company by issuing new, no-par value bearer shares in exchange for cash contributions and/or assets in kind by up to a total of EUR 945,000 on one or more occasions until 27 August 2019 and with the approval of the Supervisory Board (approved capital 2014).

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

Contingent capital. According to Section 4a (1) and (2) of the articles of incorporation, the Management Board was entitled to grant purchase options on up to 37,000 individual share certificates to members of the Management Board, managers of companies in which GK Software already has a direct or indirect shareholding ("associated companies"), and managers at the Company and its associated companies on one or more occasions until 14 May 2013, provided that the Supervisory Board approves of these measures.

During the 2011 financial year 9,450 share options were offered to employees of the Company and associated companies. They cannot be redeemed until 30 June 2015, if the redemption conditions are met.

16,175 stock options in all were offered to employees of the Company and associated companies in the 2012 financial year, they can be redeemed from 5 July 2016, if the redemption conditions are met. During the course of the 2013 financial year a total of 3,875 share options which had been granted in 2011 or 2012, were forfeited. During the 2013 financial year, a total of 15,250 share options were issued to employees of the Company and associated companies, which can be redeemed for the first time on 9 May 2017, provided that the vesting conditions have been met.

Each of the options gives the holder the right to exchange the option for a new, non-par value company share made out to the holder. The shares will be fully entitled to attract profits in the business year in which they are issued.

The authorisation to issue share options from Conditional Capital I expired when the period of authorisation ended on 14 May 2013.

According to Section 4a (4) of the Articles of Incorporation, the approved capital has been conditionally increased by a further EUR 50,000, divided into 50,000 individual share certificates. The increase in share capital will only be carried out if holders of stock options, which were issued in the period up to 27 June 2017 on the basis of the resolution

passed at the annual shareholders' meeting on 28 June 2012, make use of their subscription rights to Company shares and the Company, which has the right to issue new shares, grants existing shares that have not met the conditions for the subscription rights.

Members of the Management Board, managers of companies in which GK Software has an indirect or direct majority holding ("associated companies") and managers of the Company and its associated companies are entitled to participate in the stock option program.

The issue of subscription rights is the responsibility of the Management Board, together with approval from the Supervisory Board.

Share options were issued to members of the group participating in this scheme for the first time during the course of the 2013 business year. 10,675 share options, which cannot be exercised until 26 August 2017 provided that the necessary conditions have been met, were issued to eligible persons. An additional 14,000 share options were issued to eligible persons, with the right to exercise these options for the first time on 10 November 2017. Share options were also issued to members of the Group participating in this scheme during the course of the 2014 financial year.

On 28 August 2014, 3,500 share options were issued to Company employees. These cannot be exercised until 28 November 2018, and only if the necessary conditions have been met. On 1 December 2014 a further 21,825 share options were offered to Company employees. These cannot be redeemed until 28 February 2019, provided that the criteria for redemption have been met.

The revenue reserves item not only contains the adjustment to the legal provisions, but also differences in amounts due to the initial switch to IFRS.

3.10. Provisions for pensions

GK Software and the subsidiaries AWEK GmbH and AWEK microdata GmbH have issued pensions benefit plans in the form of defined benefit plans.

The pension benefit plans have been organised so that they form a life-long, fixed retirement pension, which is to be paid when a member of staff retires from the company upon reaching the age of 65. A contingent right to a widow's pension amounting to 60 percent of the old-age pension exists if the member of staff suffers invalidity or dies.

The plans in Germany mean that the Group is normally exposed to the following actuarial risks: Investment risk, risk associated with changes in interest rates, longevity risk and salary risk and risks from inflation and pension increases.

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

Risk associated with changes in interest rates. A reduction in the loan interest rate will lead to an increase in the plan liability, but this is partially offset by an increased yield from the plan asset investment in debt instruments with fixed interest rates.

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

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

in salaries for the employees benefiting from the scheme create an increase in the plan liability.

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

The calculations are based on the following assumptions:

T.22 Assumptions for calculations of cash value

	2014	2013
Pensionable age (m/f)	60–65/60–65	60–65/60–65
Actuarial interest rate / discount as of 1 January	3.50% p.a.	3.50% p.a.
Actuarial interest rate / discount as of 31 December	2.00% p.a.	3.50% p.a.
Salary development / future salary increase	0.00% p.a.	0.00% p.a.
Rate of pension increase	1.50% p.a.	1.50% p.a.
Probability of fluctuation	none	none

The calculations are based on the “2005G Guideline Tables” published by Klaus Heubeck.

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

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

T.23 Reconciliation account to determine the cash value

EUR	2014	2013
Figures on 1 January:	2,444,471	3,188,199
+ Interest expenditure	83,524	109,205
+ Working period costs	38,191	37,112
+ Working period costs to be additionally calculated	198,995	0
– Payout from lump sum payment	(110,031)	(165,704)
– Benefits paid out	0	(95,646)
– Actuarial profits	0	(628,695)
+ Actuarial Losses	622,128	0
As on 31 December:	**3,277,278**	**2,444,471**

The development of the plan assets is shown as follows:

T.24 Development of the plan assets

EUR	2014	2013
Figures on 1 January:	1,532,422	1,479,873
+ expected yields from plan assets	54,281	38,432
+ Contributions	110,619	110,619
– Benefits paid out	(73,679)	(72,140)
– Actuarial losses	(10,816)	(24,362)
As on 31 December:	**1.612.827**	**1,532,422**

Therefore there is a planned deficit of EUR 1,664,451 (previous year: EUR 912,049 K).

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

T.25 Provisions for pensions

EUR	2014	2013
Current service costs	38,191	37,112
Past service costs	198,995	0
Net interest expenditure	29,243	70,773
Components of the defined benefit costs entered in the profit and loss statement	266,429	107,885
Reassessment of net debt from the defined benefit plan		
Losses from plan assets (with the exception of the amounts contained in the net interest)	10,816	24,362
Actuarial wins and losses from the change in financial assumptions	622,128	(628,695)
Components of the defined benefit costs entered under other income	632,944	(604,333)
Total	**899,373**	**(496,448)**

Within the current annual expenditure of EUR 266 K (previous year: EUR 108 K), interest income amounting to EUR 54 K (previous year: EUR 38 K) and interest costs amounting to EUR 83 K (previous year: EUR 109 K) have been recognised in the interest result and the remaining expenses amounting to EUR 237 K (previous year: EUR 37 K) have been recorded as "Expenditure for retirement benefits".

The reassessment of net debt from a defined benefit plan has been entered under other income.

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

T.26 Development of the cash values of defined benefit obligations and plan assets

EUR	Cash value of defined benefit obligation	Fair value of the plan assets	Shortfall (−) / Surplus (+)
2014	**3,277,278**	**1.612.827**	**(1,664,451)**
2013	2,444,471	1,532,422	(912,049)
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)

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

T.27 Development of the plan debts and plan assets

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

We assume that contributions amounting to EUR 110,619 (previous year: EUR 110,619) will be paid into the plan during 2015. During the financial year, the actual revenues from the planned assets amounted to EUR 43,465 following a figure of EUR 14,070 in the previous year.

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

3.10.1. Actuarial interest rate

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

Actuarial interest rate

T.28

	1	2	3
Parameter (actuarial interest)	2.00%	3.00%	1.00%
Change to the parameter		+1.00%	(1.00)%
DBO (Defined benefit obligation) on the reporting date in EUR	3,277,278	2,832,831	3,833,938
Absolute change in EUR		(444,417)	556,660
Relative change		(13.56)%	16.99%
Services costs for the 2014 financial year	81,113	64,969	102,492
Interest costs for the 2014 financial year	64,352	83,201	37,742

3.10.2. Benefit dynamics

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

Benefit dynamics

T.29

	1	2	3
Parameter (pension trend)	1.50%	2.50%	0.50%
Change to the parameter		+1.00%	(1.00)%
DBO (Defined benefit obligation) on the reporting date in EUR	3,277,278	3,663,331	2,947,277
Absolute change in EUR		386,053	(330,001)
Relative change		11.78%	(10.07)%
Services costs for the 2014 financial year	81,113	92,048	71,932
Expenditure of time for the 2014 financial year	64,352	62,068	57,758

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

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

In keeping with IAS 19 173 (b), companies do not need to present any comparative information with regard to the information required in line with IAS 19 145 on the sensitivity of the defined benefit obligation in annual accounts for reporting periods, which start before 1 January 2014.

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

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

Benefits from the plan in the following years

T.30

	EUR
Balance sheet year 1	110,598.00
Balance sheet year 2	111,184.00
Balance sheet year 3	111,684.00
Balance sheet year 4	112,091.00
Balance sheet year 5	112,989.00
Balance sheet year 6-10	657,933.00

On the reporting date the weighted average duration of the defined benefit payment obligation is 21.4 years, or 35.45 years at GK Software, 6.86 years at AWEK GmbH and 9.95 years at AWEK microdata GmbH.

3.11. Non-Current and current Bank Liabilities

During the 2007 financial year two investment loans were taken out with the Commerzbank AG Plauen (original amounts: EUR 750 K and EUR 450 K). The Company also took over a loan (EUR 225 K) from Gläß & Kronmüller OHG, Schöneck during the course of the merger in 2007. Security for the loans is provided through registered land charges on the business real estate, recorded in the land register for Schöneck, Plauen Local Court, page 1895. The loan, which was taken over during the course of the merger, was rescheduled during fiscal 2009. The two other loans were valued at a total of 469K euros on the balance sheet date. In order to provide additional security, there is a blanket assignment of the receivables from goods

deliveries and services owed by third-party debtors with the exception of the accounts receivable associated with the “LUNAR” project. Other loans were taken out during the 2009 financial year as a result of the new extension building, the above mentioned rescheduling and the acquisition of Solquest (DZ Bank EUR 748 K and KfW EUR 180 K). These loans were valued at EUR 553 K in total on 31 December 2014. In order to provide security for the loans from the DZ bank, land charges amounting to EUR 1,085 K have been entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895. In order to increase liquidity, a callable loan (amounting to EUR 3,000 K) was taken out from DZ Bank during 2013. On the reporting date this loan was valued at EUR 0 K.

This included the securing of liabilities amounting to EUR 1,022 K through a mortgage on 31 December 2014.

These loans, which amounted to EUR 1,022 K (previous year: EUR 1,021 K) on the reporting date, are due for repayment with a total of EUR 209 K (previous year: EUR 209 K). This share of repayment is entered under “Current bank liabilities.”

In addition to this, the current bank liabilities also include utilised credit card limits amounting to EUR 110 K (previous year: EUR 59 K).

3.12. Deferred government grants

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

The 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. During the financial year EUR 258 K were accrued for which an investment subsidy was received in 2010.

3.13. Deferred taxes

Please refer to section 4.9.

3.14. Current Provisions

Current Provisions

T.31

EUR	Human resources department	Production-department	Other departments	Total
As of 1 January 2014	768,032.32	574,267.00	286,030.06	**1,628,329.38**
Amounts used	767,552.61	101,600.00	178,258.06	**1,047,410.67**
Liquidation	479.71	309,744.00	22,333.34	**332,557.05**
Additional	850,968.54	452,926.00	104,322.13	**1,408,216.67**
As of 31 December 2014	**850,968.54**	**615,849.00**	**189,760.79**	**1,656,578.33**

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. Provisions for projects amounting to EUR 293 K were also newly formed for any expected expenditure on warranties.

3.15. Liabilities from trade payables

Trade payables are still due to be settled within one year.

There were foreign currency trade payables amounting to EUR 33 K (2013 financial year: EUR 16 K) in Czech crowns on the balance sheet date.

3.16. Initial payments received

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

3.17. Income tax liabilities

This item contains liabilities amounting to EUR 627 K in Germany (previous year: EUR 844 K), and EUR 66 K in the Czech Republic (previous year: EUR 0 K), and EUR 18 K in Switzerland (previous year: EUR 4 K) and EUR 104 K in the USA (previous year: EUR 0 K) arising from corporation tax, the solidarity surcharge and business tax.

3.18. Other current liabilities

Other current liabilities

T.32

EUR	31.12.2014	31.12.2013
Tax liabilities	662,809.17	1,370,564.43
Liabilities from wages and salaries	2,938,535.53	2,671,156.44
Other liabilities towards members of staff	10,922.66	19,936.51
Others	711,183.52	622,157.37
Thereof from liabilities deferrals	84,603.42	30,866.94
Total	**4,323,450.88**	**4,683,814.75**

The tax liabilities cover outstanding income tax payments and sales tax. There were other foreign currency liabilities amounting to EUR 385 K in Czech crowns (previous year: EUR 313 K), EUR 50 K in Swiss francs (previous year: EUR 44 K) EUR 3 K in Russian roubles (previous year: EUR 0 K), and EUR 37 K in US dollars (previous year: EUR 0 K).

3.19. Secured liabilities

Two investment loans were taken out with the Commerzbank AG Plauen in the 2007 financial year. The loans are secured by the registered land charges on the company’s real estate (Carrying amount 3,557K euros), recorded in the land register for Schöneck, Plauen Local Court, Page 1895. Two other loans were taken out (DZ Bank, KfW) during fiscal 2009 as a result of the extension of the new building, the above mentioned rescheduling and the acquisition of Solquest. Land register debts were entered in the land register for Schöneck, Plauen Local Court, Pages 999, 1378 and 1895 as collateral for the DZ loan.

4. Notes on the Consolidated Income Statement

4.1. Sales revenues

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

During the financial year, revenues worth EUR 3,327 K (previous year: EUR 0 K), calculated according to IAS 18.20, were recorded during the financial year. During the reporting period revenues worth EUR 392 K (previous year: EUR 551 K) were achieved for sales which are recognised according to IAS 18.27.

Overall, all the customer orders covered in this report had an assets-side balance and were entered with a figure in the “Accounts Receivable from Ongoing Work” section (cf. 3.5). Advance payments made from customers were depreciated as liabilities. The expenses incurred after the reporting date amount to EUR 1,159 K (previous year: EUR 565 K).

As regards the make-up of the significant categories of revenues, we would refer to section 6 entitled “Segment Reporting”. Overall, warranty provisions amounting to EUR 45 K were used and EUR 161 K were liquidated and EUR 353 K were newly added for these amounts during the financial year and therefore the figure entered for expected warranties amounted to a total of EUR 614 K (previous year: EUR 574 K) on the balance sheet reporting date.

4.2. Own work capitalised

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

4.3. Other operating revenues

T.33 Other operating revenues

EUR	2014	2013
Reversals of uncertain other liabilities or provisions	548,313.65	1,265,459.89
Vehicle use	703,746.27	582,085.29
Earnings from reversals of deferred public grants	29,086.55	56,083.45
Employee contributions towards food allowances	44,546.97	49,260.58
Earnings from investment grants	69,826.48	52,486.31
Earnings from other periods	0.00	1,007.84
Reduction value adjustments	110,312.18	15,532.62
Others	682,027.58	429,576.93
Total	**2,187,859.68**	**2,451,492.91**

4.4. Cost of materials

T.34 Materials Expenditure

EUR	2014	2013
Cost of raw materials and supplies	2,806,285.69	2,838,559.78
Expenditure on purchased services	2,344,772.98	1,243,700.70
Total	**5,151,058.67**	**4,082,260.48**

4.5. Personnel expenses

T.35 Personnel expenses

EUR	2014	2013
Wages and salaries	24,249,664.49	21,540,371.08
Social security contributions	4,498,944.60	4,064,282.68
Those expenditure on retirement benefits	378,671.98	85,122.79
Total	**28,748,609.09**	**25,604,653.76**

On average, 572 people were employed during the 2014 financial year (552 in the previous year). 618 people were employed on the reporting date of 31 December 2014.

4.6. Depreciation and amortisation

Alongside planned depreciations of property, plant and equipment and intangible assets, the item includes value adjustments on goodwill from

the acquisition of the operating business of Selquest GmbH amounting to EUR 870 K.

4.7. Other operating expenditure

As in previous year these items largely cover legal and advisory costs, expenses from warranties, advertising and travel expenses, office and operating costs as well as administrative and sales expenditure.

4.8. Financial result

T.36 Financial Results

EUR	2014	2013
Interest income	154,152.05	110,259.43
Interest expenditures	(125,916.37)	(223,467.41)
Account Balance	**28,235.68**	**(113,207.98)**

4.9. Income taxes

T.37 Income taxes

EUR	2014	2013
Current tax liabilities	347,992.42	569,274.69
Deferred tax revenue	(1,464,918.14)	(238,189.70)
Account balance (tax revenue; previous year tax expenses)	**(1,116,925.72)**	**331,084.99**

Deferred taxes were determined according to the company-specific tax rates in Germany which were 29.5 percent, 29.2 percent and 32.6 percent as a result of corporation tax, the solidarity surcharge and the business tax. The deferred taxes were based on an unchanged tax rate of 14 percent for Switzerland, 19 percent for the Czech Republic and 35 percent for the USA.

The deferred taxes are included in the following items:

Deferred taxes

T.38

EUR	31.12.2014 Assets	31.12.2014 Liabilities	31.12.2013 Assets	31.12.2013 Liabilities
Loss carryforward	1,757,168.23	0.00	0.00	0.00
Intangible assets	225,905.72	714,492.78	224,106.72	1,067,380.02
Provisions for guarantees	2,983.84	0.00	2,758.50	0.00
Provisions for pensions	539,581.10	54,372.90	270,209.87	0.00
Income tax assets	0.00	610,898.27	1,326.26	12,912.77
Other provisions	630.94	0.00	31,460.40	0.00
Total according to balance sheet	**2,526,269.83**	**1,379,763.95**	**529,861.75**	**1,080,292.79**

Deferred tax claims / liabilities result from:

Deferred tax claims / liabilities

T.39

EUR	Initial balance	Income statement-related	Not income statement-related	31.12.2014 Final Balance
Fixed assets	0.00	0.00	0.00	**0.00**
Provisions for pensions	270,209.87	(17,020.46)	232,018.78	**485,208.19**
Provisions for guarantees	2,758.50	225.34	0.00	**2,983.84**
Intangible assets – in-house developed software	(429,469.92)	67,113.62	0.00	**(362,356.30)**
Intangible assets – in-house developed software (development expenses AWEK)	(215,542.90)	43,839.23	0.00	**(171,703.67)**
Acquired intangible assets as part of the corporate acquisition (acquired technologies)	104,414.72	0.00	0.00	**104,414.72**
Acquired Intangible Assets as Part of the Corporate Acquisition (Customer Relations)	(115,398.28)	8,517.98	0.00	**(106,880.30)**
Intangible assets acquired as part of the purchase of the company (orders on hand)	(87,100.32)	19,437.76	0.00	**(67,662.56)**
Intangible assets acquired through the Solquest purchase (customer relations)	119,692.00	1,799.00	0.00	**121,491.00**
Goodwill Solquest-purchase	(219,868.60)	213,978.65	0.00	**(5,889.95)**
Accounts Receivable from Ongoing Work	(11,586.51)	(599,311.75)	0.00	**(610,898.26)**
Other provisions	31,460.40	(30,829.46)	0.00	**630.94**
Loss carryforward	0.00	1,757,168.23	0.00	**1,757,168.23**
Total	**(550,431.04)**	**1,464,918.14**	**232,018.78**	**1,146,505.88**

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

			31.12.2013	
Initial Balance	Income statement-related	Not income statement-related	Final balance	EUR
(1,456.50)	1,456.50	0.00	**0.00**	Fixed Assets
384,462.90	56,389.21	(170,642.24)	**270,209.87**	Provisions for Pensions
(2,446.92)	5,205.42	0.00	**2,758.50**	Provisions for Guarantees
(593,834.47)	164,364.55	0.00	**(429,469.92)**	Intangible Assets – In-house Developed Software
(254,691.39)	39,148.49	0.00	**(215,542.90)**	Intangible Assets – In-house Developed Software (Development Expenses AWEK)
152,002.58	(47,587.86)	0.00	**104,414.72**	Acquired Intangible Assets as Part of the Corporate Acquisition (Acquired Technologies)
(128,340.15)	12,941.87	0.00	**(115,398.28)**	Acquired Intangible Assets as Part of the Corporate Acquisition (Customer Relations)
(111,191.90)	24,091.58	0.00	**(87,100.32)**	Intangible assets acquired as part of the purchase of the company (orders on hand)
112,037.00	7,655.00	0.00	**119,692.00**	Intangible Assets Acquired through the Solquest Purchase (Customer Relations)
(167,969.00)	(51,899.60)	0.00	**(219,868.60)**	Goodwill Solquest-purchase
(6,550.65)	(5,035.85)	0.00	**(11,586.50)**	Income tax assets
0.00	31,460.40	0.00	**31,460.40**	Other provisions
0.00	0.00	0.00	**0.00**	Loss carryforward
(617,978.50)	**238,189.70**	**(170,642.24)**	**(550,431.04)**	**Total**

Transfer of Tax Expenditure

T.40

EUR K	2014	2013
Pre-tax earnings	(2,987)	932
Anticipated average tax expenditure of 31.9% (previous year: 24.5%)	(953)	228
Tax expenditure according to domestic legislation	486	—
Tax impact on non-deductible company spending	70	52
Tax impact on tax-free income	(70)	(15)
Deferred taxes	(1,465)	—
Other tax effects	(138)	66
Actual tax revenue (previous year: tax expenses)	**(1,117)**	**331**
Effective tax quota	(37,4)%	35.5%

Other comprehensive income includes income tax amounting to EUR 232 K (2013: EUR 171 K) in connection with income and expenses arising from the revaluation of the defined benefit liability.

4.10. Earnings per share

The earnings per share are determined as a quotient from the total result and the weighted average of the number of shares in circulation during the business year. The average number of shares issued during the 2014 financial year amounts to 1,896,709 (previous year: 1,791,370). The consolidated net income in the first half of 2014 amounted to EUR (1,870) K (2013: EUR 380 K). As a result, the earnings per share amount to EUR (0.99) for 2014 (2013: EUR 0.34).

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 during the year.

For 62,325 share options (2013: 38,000 options), as an annual average, the company's share price lay below the exercise thresholds. These were not taken into account when calculating the diluted, weighted average price for the ordinary shares on 31 December 2014.

For 24,675 share options (2013: 24,675 options), as an annual average, the company's share price lay above the exercise thresholds. These were taken into account when calculating the diluted, weighted average prices for the ordinary shares on 31 December 2014. The diluted earnings per share amounted to EUR (0.99) (2013: EUR 0.33).

4.11. Currency conversions

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

Currency Conversions

T.41

EUR	2014	2013
Other operating expenses	258,777.44	586,005.78
Other operating income	(153,593.09)	(217,880.46)
Balance (expense)	**105,184.35**	**368,125.32**

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 activity.

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 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:

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 realised sales of EUR 9,041 K to customers whose central administration is located outside Germany (previous year: EUR 7,588 K). The share of sales from the SQRS business segment amounted to EUR 0 K (previous year: EUR 128 K) and EUR 186 K for the IT services (previous year EUR 128 K). In addition, there were sales with customers, which have their headquarters in Germany, but which asked the company to render accounts to the relevant national companies receiving the services. These sales amounted to EUR 292 K (previous year: EUR 383 K). However, they are valued as domestic sales because of their

Sales by segments

T.42

	GK/Retail		SQRS		IT services		Eliminations		Group	
EUR K	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Sales with third parties	31,660	29,607	1,053	1,389	11,921	11,462	—	—	44,634	42,458
Licences	4,223	6,178	—	—	168	194	—	—	4,391	6,372
Maintenance	8,478	8,122	934	1,065	7,610	6,737	—	—	17,022	15,924
Services	18,599	14,768	119	324	3,786	3,377	—	—	22,504	18,469
GK Academy	44	—	—	—	—	—	—	—	44	—
Other business	332	564	—	—	416	1,208	—	—	748	1,772
Revenue reductions	(16)	(25)	—	—	(59)	(54)	—	—	(75)	(79)
Revenues with other segments	**472**	**782**	**—**	**62**	**96**	**255**	**(568)**	**(1,099)**	**—**	**—**
EBIT segment	**(4,255)**	**362**	**159**	**149**	**1,080**	**536**	**—**	**—**	**(3,016)**	**1,047**
Assets	**40,664**	**42,761**	**1,841**	**1,979**	**5,932**	**5,970**	**(3,764)**	**(2,889)**	**44,673**	**47,821**
Debts	**11,970**	**10,944**	**232**	**474**	**4,901**	**5,357**	**(2,986)**	**(2,110)**	**14,117**	**14,665**
Cash and cash equivalents	**9,021**	**11,686**	**304**	**1,522**	**848**	**534**	**—**	**—**	**10,173**	**13,742**

For the GK/Retail segment there were depreciations and amortisations amounting to EUR 2,691 K (previous year: EUR 1,823 K), EUR 0 K for SQRS (previous year: EUR 109 K) and EUR 361 K for IT services (previous year: EUR 363 K).

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

Work based on servicing contracts, which are determined by the normal segment revenues in their outside markets, were charged between the segments. Administrative work is accounted for on

contractual basis and have been fully assigned to the GK/Retail business segment.

In 2014, sales amounting to approximately EUR 4,991 K were achieved with customers that each have a share of sales which is greater than 10 percent (previous year: EUR 6,781 K) or 11.2 percent (previous year: 16 percent) of the total sales. These sales related to the GK/Retail segment with a customer.

7. Other Information

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

7.1. Financial instruments

The financial instruments include original and derivative financial tools.

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

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

The derivative financial instruments (interest rate caps) were not assessed at their fair value for material points of view. The interest rate cap premiums of EUR 12 K (previous year: EUR 17.5 K) are reported under other assets and have been reversed on a pro rata basis and entered as interest expenditure. For this reason, this figure was not classified under the "Financial assets assessed at their fair value in terms of affecting the net income" category.

The negative market value of these interest capping mechanisms on a nominal volume of EUR 554 K (derived from the mid-market price because of bank assessments) amounted to a total figure of EUR 0.4 K on the balance sheet date. (Previous year: EUR 3 K).

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

Conversion of the Balance Sheet Items to Assessment Categories in Line with IAS 39

T.43

IFRS 7.8	Categories	Balance Sheet Items	Amount EUR K	Previous year Amount EUR K
a)	Financial Assets Assessed on the Balance Sheet at Fair Values	non-existent or insignificant (see above)	—	—
b)	Financial Investments to be Retained until Final Due Date	N/A	—	—
c)	Loans and Accounts Receivable	Trade accounts receivable, accounts receivable from ongoing work, part sum for other accounts receivable according to individual statement in no. 3.7. (with the exception of the income tax claims and the other statutory claims entered under "Other accounts receivable" and asset deferrals)	15,626	16,802
d)	Financial Assets Available for Sale	N/A	—	—
e)	Financial Liabilities Assessed on the Balance Sheet at Fair Values	N/A	—	—
f)	Financial Liabilities Assessed at Amortised Costs	Non-current and current bank liabilities, accounts payable, part sum for current provisions according to individual statement in no. 3.14 (human resources department, other departments), part sum for other liabilities according to no. 3.18 (Liabilities from wages and salaries, other liabilities towards employees, other liabilities without liabilities deferrals)	7,384	8,047

As of 31 December 2014 the financial assets of the Group were subject to an impairment amounting to EUR 373 K (the previous year: EUR 2,313 K). Of this sum, EUR 201 K have been allotted to specific valuation adjustments for receivables (previous year: EUR 2,085 K). In addition to this, there were valuation adjustments amounting to EUR 172 K (previous year: EUR 228 K) which are assigned to the flat-rate, specific valuation adjustments for the trade accounts receivable.

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

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

Loans and accounts receivable

T.44

EUR K	Notes No.	2014	2013
Write-ups for amortised accounts receivable [26]	4.3.	109	15
Changes in value adjustments from defaulted receivables		1,978	0
Expenditure from the allocation to valuation adjustments		(147)	(1,993)
Account balance [26]		**1,940**	**(1,978)**
Financial Liabilities[25] Assessed at amortized costs		N/A	N/A

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

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

T.45 The maturity structure of trade accounts receivable

EUR	2014	2013
Not overdue [26]	7,520,518.40	9,407,551.59
1 to 30 days overdue [26]	1,354,444.84	2,043,739.89
31 bis 90 Tage überfällig [26]	176,573.12	246,544.65
More than 90 days overdue [26]	142,390.19	1,396,186.55
Total	**9,193,926.55**	**13,094,022.68**

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

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

The value adjustments on trade accounts receivable have developed as follows during 2014:

T.46 Changes in value adjustments according to IFRS 7.16

EUR K	31.12.2014	31.12.2013
Situation at the start of the year [26]	2,261	283
Value adjustments on accounts receivable	147	1,993
Changes in value adjustments from defaulted receivables	(1,978)	0
Liquidation value [26]	(-109)	(15)
Situation at the end of the year [26]	**321**	**2,261**

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

The parent company had taken out the following loans on 31 December 2014:

Loan

T.47

EUR	Original amount	Valuta 31.12.2014	Valuta 31.12.2013
Investment loan from the Commerzbank Plauen	750,000.00	187,500.00	262,500.00
Investment loan from the Commerzbank Plauen	450,000.00	281,250.00	303,750.00
ERP loan from the Commerzbank Plauen	180,000.00	85,500.00	103,500.00
Loan from the DZ Bank, Frankfurt	748,000.00	467,500.00	561,000.00
Framework credit agreement DZ-Bank	3,000,000.00	0.00	1,000,000.00
Total	**5,128,000.00**	**1,021,750.00**	**2,230,750.00**

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

In the 2014 financial year there was a general credit agreement for EUR 3,000 K with the DZ Bank. This general credit agreement is available to GK Software until 30 September 2015. Until now, EUR 0 K of the agreed credit facility has been used.

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

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

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

Market risks: The Group is exposed to risks associated with exchange and interest rates as a result of its business activities. The exchange rate risks result from the business sites maintained in different currency areas and increasingly from customer relations that go beyond the eurozone. The interest rates are the result of selected types of financing to enhance the Group's financial leeway.

In order to have some protection against these market risks, the Group uses derivative financial instruments like interest rate caps to provide certain security against increases in the interest rate that are charged. Because of the minor scope of this business, we have foregone any quantitative analysis of the risks associated with this business.

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

Monetary assets and debts held in foreign currencies

T.48

	Assets		Debts	
EUR K	2014	2013	2014	2013
Czech crowns	575	947	417	329
Swiss francs	60	112	51	44
Russian roubles	90	51	3	1
US dollars	173	73	37	—

The following table shows the results of the sensitivity analysis that was performed. We restricted the analysis to a two-percent fluctuation in the past, partly because of the linear connections and partly because of the perceived improbability of

any long-term shift in the exchange rates. We have determined the effect on the annual results and equity as part of a positive and negative change in the exchange rates of 10 percent against the euro.

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

T.49

EUR K	Exchange rate loss of (10)% for the euro 2014	2013	Exchange rate gain of 10% for the euro 2014	2013
Czech crowns				
Annual Result	18	69	(14)	(56)
Equity capital	218	172	(178)	(141)
Swiss francs				
Annual Result	1	8	(1)	(6)
Equity capital	(9)	(1)	4	—
Russian roubles				
Annual result	10	6	(8)	(5)
Equity capital	1	(2)	(1)	2
US dollars				
Annual result	23	8	(19)	(7)
Equity capital	(4)	8	3	(7)

The Group's exchange rate risk sensitivity was largely unchanged during the current business year when compared to the previous year. This was due to the even course of business of the companies buying and selling in foreign currencies. The establishment of the American company has added a new dimension – the figures can now be affected by the US dollar.

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

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

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

The interest risks are the result of the agreed interest payments in loan contracts. There is no link with the exchange rate risk here, because all the loans are nominated in euros. During the current year, interest payments of EUR 35 K were made and interest expenditure of EUR 126 K was recognised in the income statement. The interest rate on the loan with the DZ Bank is fixed over the complete term so that no interest risks arise from this contract. The interest for the investment loans with the Commerzbank worth 750K euros and 450K euros are fixed quarterly at a rate 1.8 percentage points above the Three-Month EURIBOR. The interest risk has been restricted by interest capping mechanisms set at 1.0 percent. The interest rate for the loan from Commerzbank Plauen of 180K euros is also set quarterly at a rate of 1.5 percentage points above the Three-Month EURIBOR. The risk here has been restricted to 4.0% p.a. throughout the term by means of an interest rate cap. If the 3-month EURIBOR rate had changed by one percentage point, this would have meant a change in the interest charge of EUR 35 K in 2014 (determined using the actual interest charges in 2014 and a change in the interest rate). There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are used.

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

Trade receivables exist with all the Group's current customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability of any default on account of the impossibility of meeting the obligations agreed with the Group is therefore slight.

This situation is monitored closely by observing the customer's payment behaviour, the market environment and drawing on external sources such as reports from the relevant specialist press. If this monitoring process gives rise to an assumption that the general economic situation for individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible loss. Value adjustments may occur if customers believe that work has not been complete or is inadequate. In these cases, the Group basically carries out individual value adjustments for precautionary reasons to the degree that there is some expectation that settlements on a goodwill basis – without any recognition of legal grounds – might be made. A flat-rate value adjustment on the complete item is also made to reflect the general default risk for trade accounts receivable. Interest revenues are not entered from these financial assets where value adjustments have been made.

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

The Group is also exposed to credit risks, which are the result of financial guarantees granted by the Group to banks. The maximum risk of loss for the Group in this regard corresponds to the maximum sum the Group would have to pay if a claim was made against the guarantee. On 31 December 2014 a sum amounting to EUR 45 K (2013: EUR 48 K) was recognised as a financial liability.

The Group has securities for loans that have been extended and they are designed to reduce the default risk on financial assets. A security pledge has been made at a security deposit account for a loan of EUR 0.7 K that has been extended. The fair value has been for the deposit account has been quoted as EUR 0.9 million. Salary pledges have been deposited as securities for further loans amounting to 1.9 million euros. The fair value of these pledges is EUR 2.1 million.

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

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

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

T.50 Interest on liabilities

EUR	Weighted average interest rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Carrying amount
31 December 2013								
Interest-free	—	4,112,384.30	1,992,721.80	804,700.50	959,566.78	—	**7,869,373.38**	7,869,373.38
Variable interest rate	1.86	—	—	267,764.30	1,021,750.00	—	**1,289,514.30**	1,289,514.30
Fixed interest rate	2.05	—	—	1,000,000.00	—	—	**1,000,000.00**	1,000,000.00
Financial guarantees	—	—	—	18,575.03	29,911.88	—	**48,486.91**	48,486.91
31 December 2014								
Interest-free	—	4,693,199.09	1,373,992.69	503,071.57	816,068.93	—	**7,386,332.28**	7,386,332.28
Variable interest rate	1.77	—	—	115,500.00	270,000.00	168,750.00	**554,250.00**	554,250.00
Fixed interest rate	2.05	—	—	93,500.00	374,000.00	—	**467,500.00**	467,500.00
Financial guarantees	—	—	—	18,582.00	37,420.32	—	**56,002.32**	56,002.32

The Group safeguards the amount of its variable interest obligations by interest rate caps. This business relates precisely to the financial instrument that is being secured. This incurred overall payments-out amounting to EUR 12 K during the 2014 financial year. We expect a figure of EUR 18 K for the 2015 financial year and payments of EUR 50 K for the following years. The Group is not currently using any other derivative financial instruments.

The Group can resort to credit lines. EUR 9.5 million of these have not been used. The Group is expecting to be able to service its other obligations by operating cash flows and revenues received when financial assets are due for payment.

In greater detail, this involves the following:

T.51 Credit lines

EUR K	31.12.2014	31.12.2013
Non-collateralised current account lines	**8,500**	**3,500**
of which: taken up	—	1,000
of which: not taken up	8,500	2,500
Collateralised current account lines	**1,000**	**1,000**
of which: taken up	—	—
of which: not taken up	1,000	1,000

7.1.1. Assessments at fair value

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

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

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

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

T.52 Financial liabilities

EUR K	31.12.2014	31.12.2013
Loans from banks		
Carrying amount	1,021,750.00	2,230,750.00
Fair value	889,278.75	2,105,382.21

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

7.2. Contingent liabilities

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

Contingent liabilities include one guaranteed credit amounting to EUR 38 K (previous year: EUR 34 K) which has been granted by Volksbank Vogtland e.G. The guarantee is part of the normal collateral for leasing payments at the Berlin office and is secured by credit balances pledged as collateral which amount to EUR 11 K (previous year: EUR 10 K). The Management Board does not expect it to be necessary to make use of the guarantee.

7.3. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the 2014 financial year amount to EUR 864 K (previous year: EUR 1,022 K).

There are payment obligations arising from operating leasing contracts amounting to EUR 1,032 K (previous year: EUR 1,915 K). EUR 580 K) which are due within one year, and EUR 452 K (previous year: EUR 1,071 K) which are due within one year, and EUR 452 K (previous year: EUR 844 K) which are due within five years. There are no finance/leasing agreements.

7.4. Subsidiaries

T.53 Subsidiaries of GK Software AG

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

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

7.5. Details of Associated Persons and Corporations

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

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

7.5.1. Parent company

The direct parent company is GK Software Holding GmbH, Schöneck. During 2014 there were commercial relationships as part of an agency agreement. The income from this, which amounts to EUR 25 K, is included under the other operating income.

7.5.2. Management Board

The following people are members respectively has been of the Management Board:

- Mr Rainer Gläß, Schöneck, CEO, engineering graduate
- Mr. André Hergert, Hamburg, CFO, business graduate
- Mr. Michael Jaszczyk, Bornheim, CTO, data processing expert (from 1 January to 31 January 2014)

The remuneration provided for the Management Board amounted to a total of EUR 1,383 K. This included EUR 660 K of fixed earnings, EUR 643 K of variable earnings and monetary benefits amounting to EUR 80 K. The variable earnings relate to the degree to which targets were met in the financial year and the previous year. The non-monetary benefits relate to company cars that were made available.

Forfeitable share awards are granted as long-term share-based remuneration (stock options). When they are exercised, the options are serviced by the issue of new non-par value company shares made out to the holder with a calculated share in the share capital of one euro from the authorized capital without any additional payment by individuals. In terms of the organisation of the Stock Awards, the same general conditions apply to the Management Board as to leading members of staff. Reference is made to this in section 2.7 “Stock option programme”. The Management Board held a total of 26,500 options on 31 December 2014. 3,000 of these were allocated to the respective stock option programmes for 2011, 6,000 options were allocated in 2012, 11,500 options [26] in 2013 and 6,000 options in 2014, each option with a fair value of EUR 21.025, EUR 11.929, EUR 6.240 and EUR 6.420 on the date of issue. 2,000 options have been forfeited. Therefore the personnel expenses for the options amount to EUR 60 K for 2014.

6,000 options are held by a former member of the Management Board.

Therefore the total remuneration for the Management Board amounts to EUR 1,443 K including options.

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

The company created pension provisions amounting to EUR 283 K (previous year: EUR 88K) to cover pension benefit plans for former members of the Management Board and their surviving dependants. The sum required to cover this provision amounts to EUR 443 K (previous year: EUR 236 K) and the net plan assets have a fair value of EUR 160 K (previous year: EUR 148 K).

Those who were members of the Management Board or the Supervisory Board for the company during the 2014 financial year directly held the following shareholdings in GK Software on 31 December 2014:

Shareholdings received by members of the management board and supervisory board

T.54

Name	Amount of Shares	in %
Rainer Gläß	62,792	3.32
Herbert Zinn	1,000	0.06
André Hergert	500	0.03

In addition to this, Mr Gläß and Mr Kronmüller each indirectly hold 468,350 shares through GK Software Holding GmbH on 31 December 2014.

7.5.3. Supervisory Board

The following people are members of the Supervisory Board:

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

During the 2014 financial year, the total earnings of the Supervisory Board at GK Software AG amounted to EUR 40 K (previous year: EUR 40 K) which represent short-term benefits.

No other claims for remuneration exist.

No agreements exist between members of the Supervisory Board and the parent company, which envisage severance payments or other benefits for the members of the Supervisory Board when they finish their membership of this body. There are no conflicts of interest between their obligations towards the company and their private interests or other obligations at the moment.

There are no agreements with the company regarding pensions for the members of the Supervisory Board.

Accounts receivable from associated corporations and persons

T.55

EUR K	31.12.2014	31.12.2013
Loans to associated companies, which are not part of the consolidated group	1,928	1,911
Other claims for members of the management team in key positions (Management Board members)	121	100
Accounts receivable from associated companies which are not part of the consolidated group	133	0
Total	**2,182**	**2,011**

Two loans were granted to closely related companies. One loan which provides credit amounting worth EUR 2,000 K (previous year: EUR 2,500 K) has been granted for an indefinite period, and can be terminated at the end of any year with a period of notice of three months. The interest payable amounts to 4% p.a.. This was worth EUR 1,928 K on the balance sheet reporting date (previous

year: EUR 1,911 K). Salary claims from Mr Rainer Gläß and Mr Stephan Kronmüller to GK Software serve as collateral for the loans.

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

The other accounts receivable from members of the Management Board amount to EUR 121 K (previous year: EUR 100 K) and include various advance payments for purchases, travel expenses and similar items and are therefore not subject to interest. These accounts receivable can be reclaimed at any time. Under a resolution passed in February 2015, the Supervisory Board stated that these receivables were to be reduced by up to a total of EUR 35 K. This resolution had been partly implemented at the time that the report was prepared. On 31 March 2015 the receivables from members of the Management Board were worth EUR 66 K.

In addition, there are tenancy arrangements with another closely related company. Lease expenses incurred during the financial year amounted to EUR 53 K (previous year: EUR 52 K).

Expenses for outside services were also incurred with closely related companies and these amounted to EUR 239 K (previous year: EUR 272 K). In addition to this, income was generated with closely related companies in connection with providing vehicles and other services. This amounted to EUR 12 K (previous year: EUR 74 K), and there were also expenses for additional services amounting to EUR 268 K (previous year: EUR 20 K). Furthermore, sales amounting to EUR 0 K (previous year: EUR 399 K) through providing project services and income from retirement benefits amounting to EUR 189 K were generated together with expenses amounting to EUR 454 K which were incurred from providing the project services (previous year: EUR 221 K). The outstanding accounts receivable with this company are worth EUR 133 K (previous year: EUR 0 K).

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

7.6. Auditor's Fee

The Group auditor charged for expenses amounting to EUR 160 K for the auditing services in 2014 as well as other services amounting to EUR 28 K. The calculated consulting fee for tax accountancy work provided by the Group auditor amounted to EUR 118 K. As the provision made in the previous year proved to be too low, an additional sum amounting to EUR 25 K was considered as expenses for auditing services during the financial year that has just expired.

7.7. Declaration 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. Information after the annual accounts reporting date

Information about circumstances and which was available on the annual accounts reporting date, was taken into account if the Management Board had already learnt about this by 13 May 2015.

After the end of the 2015 financial year the following major events took place to be mentioned at this point.

On 19 March 2015, GK Software acquired the "retail segment" of the US company DBS Data Business Systems as part of an asset deal. As a result, the Company gained 21 employees in the USA as well as several complimentary software solutions for the previous GK Software range.

DBS Data Business Systems Inc. was set up in 1977. Since it was founded, DBS has developed and introduced solutions for retail establishments. According to its own information, the company has provided services for more than 2,000 customers during this time. Since then, DBS has handled three business segments which, for example, help the operation of restaurant table service, as well as support "fast food restaurants" through its solu-

tions. This segment is complimented by services and solutions for school catchment areas. There is also the business segment "Retail and Programming". This provides solutions for cash tills, especially in terms of the operation of cash-free payment methods. This last component of the company is the one which reflects the takeover target of the transaction which has been completed.

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

The unit achieved an annual turnover of USD 6.4 million with a balance of USD 3.1 million before depreciation and amortisation, interest and income tax during the 2013/14 financial year (September to August).

The transaction was conducted as a partial acquisition of title. This was acquired by GK Software USA Inc. The existing backlog of orders, the existing customer relations including advance payments made by customers as well as the full amount of the fixed assets from the part of the business operation in question were all acquired. Above all, this included the existing solutions in connection with the operation of payment transactions as well as the necessary hardware equipment, network infrastructure and office and business equipment. The employment contracts have also been transferred to GK Software USA, Inc..

When the contract is concluded, a single, unconditional, immediate payment of USD 17.5 million is to be made by GK Software USA, Inc. in cash. USD 1.8 million of this is to be transferred to an escrow account. During the two financial years following the transaction, a total of up to USD 2.5 million are to be paid as what is known as "earnout". These payments are measured according to the GK Software USA Inc. turnover during the 2015 and 2016 financial years and amount to 25 percent of the net sales over USD 8 million.

Financing was carried out through using loan financing from a bank of over EUR 10 million. The loan has a fixed interest rate and a one-year exemption period, the period of the loan is seven years in total. The remaining amounts were financed from the Company's own resources.

The single, immediate payment is also made in order to reduce the net working capital. The current estimates for this are at USD 1.1 million.

The transaction was completed on 19 March 2015.

At the time that this report was created, the purchase price attributed to the acquired assets and liabilities had not yet been finalised.

During the first quarter of 2015, two significant companies in the USA chose to use GK Software solutions. These companies are from the fashion/sports and specialised retail sector. Overall, approximately 3,200 branches will be working with solutions provided by GK Software in the future.

7.9. Day on which the accounts are cleared for publication

The current consolidated accounts were cleared by the Management Board to be passed on to the Supervisory Board on 13 May 2015. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 13 May 2015

The Management Board

Assurance by the legal representatives

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

Schöneck, 13 May 2015

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

Audit Opinion

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

We have audited the consolidated accounts of GK Software AG, Schöneck – which consist of the consolidated income statement and other results, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes on the consolidated accounts – in addition to the consolidated annual report for the business year from 1 January until 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to §315a Abs. 1 HGB („German Commercial Code") and supplementary provisions of the articles of incorporation are the responsibility of the group management board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Schöneck, 13 May 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Karmann)	(pp. Kahlert)
Public accountant	Public accountant

Explanatory Notes

1 – Subscription rights to 24,675 shares in all had been issued to Group employees as part of the share option scheme by 31 December 2014. On the reporting date, they were "in the money". Using the rules for the exercise price for the options and their market value, the total number of shares needing to be taken into account was 1,896,709.

2 – The calculation is based on the average of 1,791,370 shares that had been issued on 31 December 2014.

3 – In the following text, the name "GK Software" always refers to the Group. The same is true of the term "the Company". Where "GK Software AG" is used, this exclusively refers to the individual company.

4 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2015/01/PD15_031_45212.html

5 – http://de.statista.com/statistik/daten/studie/70190/umfrage/umsatz-im-deutschen-einzelhandel-zeitreihe/

6 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2015/01/PD15_016_811.html

7 – https://www.destatis.de/DE/PresseService/Presse/Pressekonferenzen/2015/BIP2014/Pressebroschuere_BIP2014.pdf?__blob=publicationFile

8 – https://www.bevh.org/presse/pressemitteilungen/details/datum/2015/maerz/artikel/bewegtes-jahr-2014-fuer-online-und-versandhandel/

9 – https://www.bevh.org/presse/pressemitteilungen/details/datum/2015/januar/artikel/erfolgreiches-weihnachtsgeschaeft-fuer-den-onlinehandel/

10 – https://www.bevh.org/presse/pressemitteilungen/details/datum/2015/maerz/artikel/bewegtes-jahr-2014-fuer-online-und-versandhandel/

11 – http://www.deals.com/umfragen/e-commerce-studie-2015

12 – https://www.bevh.org/presse/pressemitteilungen/details/datum/2015/maerz/artikel/bewegtes-jahr-2014-fuer-online-und-versandhandel/

13 – http://de.statista.com/statistik/daten/studie/77735/umfrage/umsaetze-mit-waren-im-deutschen-versandhandel-nach-versendergruppe/

14 – http://www.ey.com/Publication/vwLUAssets/EY_Handelsbarometer_-_Juli_2014/$FILE/EY-Handelsbarometer-Juli-2014.pdf , S. 21

15 – http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/125104-umsatz-im-einzelhandel-w%C3%A4chst-2015-um-1,5-prozent

16 – Charts on the German Retail Federation's 2015 annual press conference, pages 2-7, http://www.einzelhandel.de/index.php/presse/pressekonferenzen/item/download/7731_c4194b90f6a955f833638ff581f928cb

17 – e-KIX, HDE-Online-Handels-Konjunktur-Index 2014, page 6 http://www.ecc-konjunkturindex.de/app/download/5773293310/2014.12_e-KIX.pdf?t=1421133098

18 – http://www.ey.com/Publication/vwLUAssets/EY_Handelsbarometer_-_Juli_2014/$FILE/EY-Handelsbarometer-Juli-2014.pdf , page 5

19 – http://digital.pwc-tools.de/digitalisierung/die-studienergebnisse-im-detail-2/wie-stark-ist-die-bereitschaft-zur-investition-in-die-digitalisierung-ausgepraegt/

20 – http://www.cesifo-group.de/de/dms/ifodoc/docs/facts/survey/gsk/2015/KT_01_15_dd.pdf

21 – http://www.gfk.com/de/news-und-events/presse/pressemitteilungen/seiten/konsum-2015.aspx

22 – http://www.tltsolicitors.com/~/media/tlt%20solicitors/files/news%20and%20insights/publications/2014/retail/tlt%20retail%20growth%20strategies%20report%20 2015.pdf, pages 9-10

23 – http://www.idc.com/getdoc.jsp?containerId=RI252614

24 – EHI Retail Institute, Cologne, 2015 IT trends in retail.

25 – changes in value adjustments from defaulted receivables

26 – Changes in previous year's figures

Financial Calendar

28 May 2015
Interim report as of 31 March 2015

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

27 August 2015
Interim report as of 30 June 2015

23–25 November 2015
Analyst Conference in Frankfurt/M

26 November 2015
Interim report as of 30 September 2015

28 April 2016
Annual report 2015

26 May 2016
Interim report as of 31 March 2016

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

30 August 2016
Interim report as of 30 June 2016

November 2016
Analyst Conference in Frankfurt/M

29 November 2016
Interim report as of 30 September 2016

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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.