GK SOFTWARE

January to September 2014

Interim Report

SIMPLY RETAIL

Summary of Consolidated Results

	30.9.2014	30.9.2013	Change (2014/2013)
Sales (EUR K)	30,562	28,650	6.7%
Total operating revenue (EUR K)	30,888	28,741	7.5%
Operating performance (EUR K)	32,293	30,535	5.8%
EBIT (EUR K) [3]	(2,226)	(695)	(220.1)%
EBIT margin (on sales) [3]	(7.3)%	(2.4)%	
EBIT margin (on total operating revenue) [3]	(6.9)%	(2.3)%	
EBT (EUR K) [3]	(2,170)	(707)	(207.2)%
Annual net income (EUR K) [3]	(3,114)	(781)	(298.7)%
Earnings per share (weighted) [1,3]	(1.65)	(0.44)	
Earnings per share (diluted) (EUR) [2,3]	(1.64)	(0.44)	
Equity ratio [3]	68.1%	66.5%	
Net debt (EUR K)	(11,974)	(8,996)	33.1%

1 – The calculations are based on the average number of shares (1,890,000) entitled to share in the profits on 30 September 2014.

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

3 – Information on the adaptation of the previous year’s figures of the group can be found in the explanations under paragraph 1.5.

Contents

To the shareholders

Letter from the Management Board

Dear shareholders,

We would once again like to take this opportunity of presenting you with the GK Software[1] report for the first nine months of the 2014 business year. We have been able to continue the process of increasing our turnover. This reached a figure of EUR 30.56 million during the reporting period and therefore exceeded the previous year's figure for the same period by 6.7 percent (EUR 1.91 million). The total operating revenue also exceeded the figure for the previous year and amounted to EUR 32.29 million, following a figure of EUR 30.54 million during the first three quarters of the previous year (+5.8 percent). The EBIT figure at EUR (2.23) million was significantly lower than the previous year's (EUR (0.70) million).

As far as winning new customers is concerned, we have so far been able to gain a very important customer in North America in the shape of Loblaw, after we were already able to attract the market leader for travel and camping equipment in Canada, Bentley Leathers, at the start of the year. Loblaw is the leading food retailer in Canada and has annual turnover of approx. CAD 27 billion, making it the no. 13 in the North American rankings. Other tender procedures are currently reaching the crucial decision phase and we assume that GK Software will presumably be able to secure further projects during the 4th quarter of 2014. We have also reached an interesting phase in other tenders, both with our direct sales and in conjunction with SAP in several countries, and we are hoping for further success from these activities in the short and medium term.

In terms of our existing business, the year 2014 has so far been marked by several major rollouts after the conclusion of the initial project phases in each case. The mass rollouts started in the projects at Valora Retail and Fressnapf and several hundred stores have already been converted to the GK system as a result. The complete SAP store portfolio of GK solutions is being used at Fressnapf, with the exception of our scales software. We will press ahead with these major rollouts in other countries too in future. We have also been able to reach the rollout phase in several medium-sized projects this year. Overall, our scheduled ongoing development work has continued in our existing and new projects. We were therefore able to increase the number of productive installations by 12,200 in comparison with the reporting date in the previous year.

In the field of software development, we not only focused on continuing to develop our standard solutions in line with the roadmap, but also maintained out development work for a new cloud-based product line, which is also optimised to handle an omni-channel environment, during the first three quarters of this business year. This will enable us to expand our portfolio in future and will create further benefits

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

for us in a number of project situations. We will officially present the preliminary version of the new product line at the upcoming major trade fairs, the NRF in New York City in January and the EuroCIS in Düsseldorf in February, and launch the ramp-up phase with our first customers during the coming year. The ongoing development of our range of solutions continues to take place in very close conjunction with SAP so that we are able to incorporate new technology trends from this environment at an early stage. We are concentrating our joint efforts on establishing an end-to-end unified omni-channel platform, as this subject has become the major focus for retailers to a much greater degree than in the past. The same applies to the subject of cloud computing, which is also gaining pace in the retail sector, and this will lead to new IT architectures in the medium term. We will be one of the first providers to offer these kinds of solutions and therefore once again confirm our market position as a leading innovator. We have been able to prove this, for example, in the development of solutions for new hardware devices. As a result, we have introduced the first highly regarded retail application for the Google Glass data goggles; various media, including television, have published numerous reports on this. We continue to aspire to recognise the trends in our sector at an early stage as part of our research and development work and then offer our customers solutions based on this work.

In the light of the uncertainties in the current sales situation, we need to adjust our forecast somewhat. We continue to assume that we will be able to increase our turnover in comparison with the previous year, if business goes well, but we may not be able to achieve the profitability corridor that we have been aiming for. The reasons for this are primarily the postponement of projects expected in 2014 to the following year and the loss of an expected deal through the takeover of the company concerned. This forecast is subject to the proviso that no extraordinary events occur, which could have a negative impact on the overall economy or the retail sector.

We are delighted to know that you are supporting the growth process at GK Software and would like to thank you for placing your confidence in us.

Schöneck, 26 November 2014

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

GK Software AG Shares

Basic data

Basic data

T.01

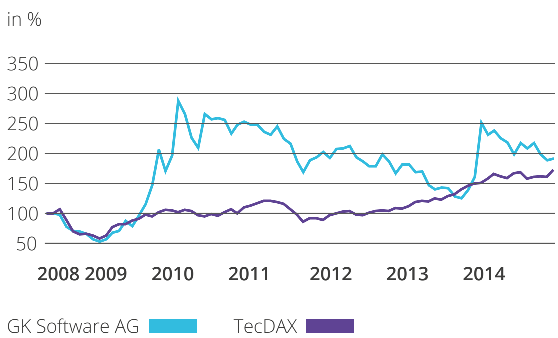
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1.890.000
Share capital	EUR 1.890.000
Free float	44.79%
Highest price in 2014	EUR 51.84 (20 January 2014)
Lowest price in 2014	EUR 39.40 (26 May 2014)

Summary/Shares Performance

The value of the GK Software AG shares, which are listed on the Prime Standard section at the Frankfurt Stock Exchange, fell slightly during the first three quarters of 2014. After starting the year at a value of EUR 50.50 and reaching a peak of EUR 51.84 for a while, the shares fell to EUR 39.99 at the end of the reporting period. This corre-sponded to market capitalization of approx. EUR 75.6 million on 30 September 2014.

Share price development (indexed)

F.01

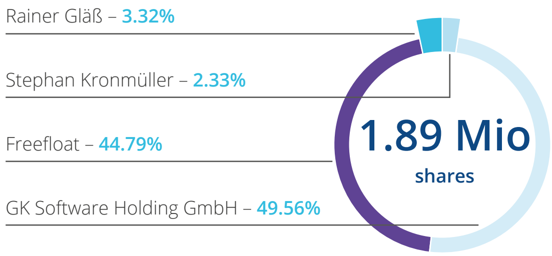


Shareholder Structure

The shareholder structure on 30 September 2014 was as follows: Rainer Gläss directly holds 3.32 percent and Stephan Kronmüller 2.33 percent of the shares. GK Software Holding GmbH, which holds 49.56 percent of the shares, is indirectly assigned to them; each of them holds one half of these shares. The free float accounts for 44.79 percent of the shares.

Shareholder structure on 30 September 2014

F.02



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

Threshold Value Exceedances

T.02

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

Directors Dealings 2014

There were none during the reporting period.

Brief Interim Group Management Report

Economic Report

Business and General Conditions for GK Software

Market and Competitive Environment

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

Despite the growing importance of its international business, the developments in the German-speaking counties continue to be highly significant for the direct business at GK Software. The strong market in the German-speaking countries is often the driving force behind new developments and the introduction of new technologies.

Sales in the retail sector in Germany continued to rise in 2014. The growth rate amounted to a nominal figure of 2.4 percent (1.6 percent in real terms) during the first half of the year.[1] Following extremely strong figures in August, growth slowed in September, but the results were still significantly higher than in the previous year. According to the very cautious forecast, which the German Retail Federation (HDE) is upholding, the German retail sector will grow for the fifth year in succession and achieve record sales of approx. EUR 456.8 billion – if true, this would represent growth of 1.5 percent.[2] The IFO Business Climate Index for the retail sector, however, reveals a slight decline in its trend. The figure fell 2.1 points in September.[3] Despite this, the overall economic forecast for this year remains positive. The range in forecasts lies between 1.2 percent (forecast by the German federal government in October 2014) and 2.0 percent (forecast by the IFO Institute from June 2014).[4]

In the interactive retail business (e-commerce and the mail order sector), there were some remarkable developments during the first three quarters of the year. For example, there was surprisingly a decline here in the second quarter. And the growth level in the third quarter too was only 2.0 percent, well below the customary figures. However, a second trend is even more significant. The classic online market places fell by 20.1 percent in the third quarter in comparison with the previous year. In contrast, the multi-channel retailers grew by a strong figure of 27.2 percent (EUR 4.39 million).[5] If this trend proves to be permanent, stationary retailers may have managed to make the most of their advantages over pure online retailers like brand strength, advice, the presentation of goods and service. To achieve this, the stationary retail sector will increasingly have to renew its relevant technical infrastructure – and this is a trend, which has already played a strong role in most of the project decisions in the business environment where GK Software operates since the end of 2012. Despite any shifts within the segment, the interactive retail sector will probably grow more strongly than the stationary retail segment this

1 – https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/10/PD14_381_45212.html

2 – Konjunkturinformation des HDE September 2014, p. 3 http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/download/7239_a96ec4a6b8f7bca2138329c85b2df676

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

4 – http://www.bmwi.de/DE/Themen/Wirtschaft/Konjunktur-und-Statistiken/projektionen,did=385026.html

5 – http://www.bevh.org/presse/pressemitteilungen/details/datum/2014/oktober/artikel/bevh-verbraucherstudie-interaktiver-handel-waechst-im-3-quartal-um-20-prozent-einstelliges-wach/

year too. Forecasts in the past assumed that sales would rise to a figure ranging between EUR 48 billion (The Federal Association for E-Commerce and the Mail Order Business) and EUR 56 billion (the handelsdaten.de statistics portal). If so, this retail segment would already cross the ten percent threshold of total retail sector sales this year.[1]

These developments are creating huge challenges for the stationary retail sector; other driving forces here are other issues like home delivery. Germany still has a lot of catching up to do, particularly in the latter segment. The market share of the food retail sector in the total online market is only 0.3 percent, while the figure is already 5 percent in Great Britain, although other sources mention even higher figures.[2] This figure is due to increase to 10 percent in Germany too by 2020.[3] New approaches by stationary retailers, online mail order companies and logistics companies will help to overcome the "last mile" in this field.

Based on the stable turnover and the good prospects for 2015, retailers assume that the level of investments in their stores will remain constant or even increase. For example, the EHI Store Monitor for 2014 showed that there is an ongoing need for investments in this sector.[4] The degree to which this trend also affects IT investments is very important for business developments at GK Software, because our experience during the past few years suggests that any increase in the readiness to invest on the part of the retail sector is not necessarily reflected in this sector. The strategy of many retailers has clearly been to extend their network of stores during times of growth or expand abroad. However, the signals from GK Software's market environment clearly indicate that the logjam in investments during the last few years is now starting to break up.

New and replacement investments are generally subject to the premise that they must be able to cope with future issues. As the number of textbook examples of genuine omni-channel integration is still low and there are often uncertainties about which strategy to pursue, the time required for decision-making processes is longer. GK Software has felt the effects of this development since 2012 in the form of delays in the sales cycles. Excellent references in this sector will increase the competitive opportunities of GK Software in the medium term now that the company has secured the first major omni-channel project with Migros and other projects closely related to this.

The HDE President Josef Sanktjohanser stated with one eye on the German government's digital agenda that the "retail sector depends on reliable framework conditions in the light of the ongoing advance of digitisation" and "the need for investments is therefore high"[5]. The study entitled "Till Systems 2014" published by the EHI Retail Institute underlines this statement for companies operating many stores. The age of the software in use has continued to increase, for example, although 37 percent of the companies wish to replace it by 2016. The focus is primarily on issues like omni-channel retailing, new payment systems and the use of mobile devices.[6] Studies published by the EHI show that replacement investments are being increasingly overshadowed by these new issues. For example, these matters are described as the greatest challenges on the customer and employee side and they are only exceeded in terms of their strategic importance by the introduction of new merchandise management solutions.[7]

Generally, the conditions for the course of business at GK Software continue to be positive in the fourth quarter 2014 and in 2015. This is all the more the case because the company is assuming through its partnership with SAP that it will be able to further expand its base of potential customers in the international arena. These trends are subject to the proviso that political or economic factors do not cause any major disruption in the

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

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

3 – Ibid., p. 10

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

5 – http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/124495-digitale-agenda-schl%C3%BCsselrolle-f%C3%BCr-den-handel

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

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

global economy and would have a negative effect on the economy.

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

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

Customer Projects

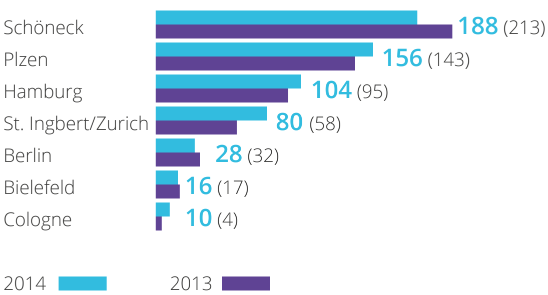
GK Software was able to gain the largest Canadian retailer Loblaw as a customer during the first nine months of 2014; it is also one of the top 20 retailers in North America. It was also possible for GK Software to gain Bentley Leathers, the leading Canadian travel and camping equipment specialist, at the turn of the year. This gives rise to a visible North American footprint, which is being enhanced even more by an existing customer, which is preparing for its rollout in North America at the beginning of 2015. Several projects have currently reached the final decision phase and GK Software assumes that it will be able to gain further customers in interesting markets by the end of the year. The sales pipeline is also very well filled for 2015 and this forms the basis for the company's ability to continue its growth process.

In terms of implementing existing projects, 2014 has been dominated by the productive launch of pilot operations and mass rollouts in several projects so far. For example, several hundred Fressnapf and Valora Retail stores have been re-equipped and all the stores at WMF have been switched to GK software products. At the same time, the migration by existing customers to the major release 12 has continued. This also creates the conditions for ensuring that relations with these customers, which are already long-term, will continue for a long time. We are using innovation workshops to actively address important existing customers in order to tap into further cross-selling potential.

Evidence of the thriving partnership with SAP is reflected in the fact that there are now 14 joint customer projects where SAP has sold GK solutions and they are either being introduced directly by GK Software or through implementation partners.

Distribution of employees at group business locations as on 30 September [1]

F.03



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

Human Resources

GK Software currently employs 593 workers (on 30 September 2014; 567 in the previous year) – i.e. 26 more than at the end of the comparative period in the previous year. The number of employees increased slightly (4.6 percent). The largest number of employees work at company headquarters in Schöneck (188 people – but the figure was 213 in the previous year). There are 28 employees at the branch in Berlin, mainly working in the sales & marketing, project management, partner management and hotline departments (32 on the reporting date in the previous year). 156 persons are currently employed at the Czech subsidiary EUROSOFTWARE s.r.o. (143 in the previous year). 80 people were working at St. Ingbert on 30 September 2014 (58 in the previous year). Ten people were working at the Cologne business site on the reporting date (four in the previous year). The company also employs four people in Switzerland and two in Russia. GK Software also has three trainees in addition to the employees on permanent contracts. 105 people are employed in Hamburg at AWEK and 16 in Bielefeld.

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

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

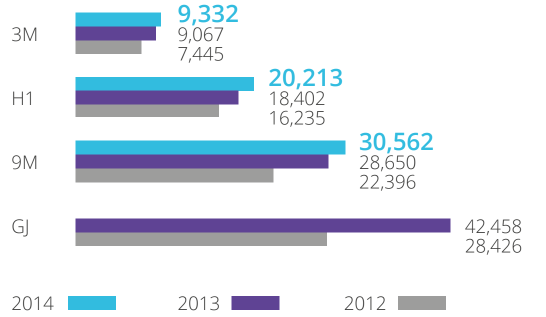
GK Software was able to continue its growth in turnover in the third quarter too. That is to say, the company managed to increase its turnover to EUR 30.56 million during the first nine months of the business year, following a figure of EUR 28.65 million in the same period in the previous year. However, earnings before interest and taxes fell from EUR (0.70) to EUR (2.23) million because of the many kinds of investments in structures. Stocks of cash and cash equivalents amounted to EUR 13.16 million on the reporting date and were therefore EUR 0.58 million lower than the figure on 31 December 2013. The equity ratio amounted to 68.1 percent.

Earnings situation

We are pleased to report that the Group's turnover increased by 6.7 percent to a figure of EUR 30.56 million in comparison with the same period in the previous year. Special mention here should be made of the development of our GK/Retail core business unit, which at EUR 20.92 million was able to contribute 7.1 percent more to this turnover figure than in the comparative period in the previous year. While the SQRS business unit declined by EUR 0.25 million to a figure of EUR 0.80 million in line with expectations, the IT Services business unit was able to exceed the previous year's figure of EUR 8.06 million by 9.6 percent and reached a figure of EUR 8.84 million.

If we examine the composition of turnover according to the different types of services, the key growth in the GK/Retail business unit primarily came from turnover arising from maintenance, which amounted to EUR 6.27 million (an increase of EUR 0.89 million or 16.4 percent) and from services, which exceeded the previous year's figure by

F.04 Quartaly sales development compared to previous years in EUR K



EUR 1.39 million or 11.8 percent, and now amount to EUR 13.24 million. The driving force behind this increase was not only the new business gained in the preceding year, but also the success stories in making greater penetration in operations with existing customers. On the other hand, the licencing revenues in the GK/Retail business unit at EUR 1.21 million remained EUR 0.60 million below the previous year's figures (EUR 1.81 million) and other turnover declined by EUR 0.30 million to a figure of EUR 0.21 million. The decline in licencing revenues was due to the postponement in the signing of fairly small agreements, which had been expected in the fourth quarter; otherwise, the figures here would have remained constant. As regards other turnover, the cause for the decline is in the lower turnover for hardware ordered for customers.

The SQRS business unit provides solutions with a very high degree of maturity. As a result, customers rarely order any adjustments or upgrading of the solutions that they already operate. As a result, there is hardly any turnover for services in this segment; all the same, services amounting to EUR 0.09 million were generated during the reporting period. Maintenance revenues were also on the decline, because SQRS customers switched to GK/Retail solutions. This explains the fact that the maintenance revenues during the third quarter of 2014 amounted to EUR 0.70 million, EUR 0.09 million below the figure for the previous year.

T.03

Development of Total Output

	30.9.2014 (not audited)		30.9.2013 (not audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales revenues	30,562	94.6	28,650	93.8	1,912	6.7
Own work capitalized	326	1.0	91	0.3	235	257.6
Operating revenues	**30,888**	**95.6**	**28,741**	**94.1**	**2,147**	**7.5**
Other operating revenues	1,405	4.4	1,794	5.9	(389)	(21.7)
Total operating revenues	**32,293**	**100.0**	**30,535**	**100.0**	**1,758**	5.8

The IT Services business unit fulfilled expectations in terms of turnover at EUR 8.84 million; it exceeded the previous year's figure of EUR 8.06 million by EUR 0.78 million (9.6 percent). Revenues from the licencing business at EUR 0.08 million were 0.03 million (30.4 percent) below the figure of EUR 0.12 million in the previous year. The driving force in growth was turnover in the maintenance business. Income amounting to EUR 5.55 million was generated here, which represents an increase of EUR 1.32 million (31.2 percent). Other turnover also rose. This amounted to EUR 2.92 million and was therefore EUR 1.21 million or 71.1 percent higher than the figure in the previous year.

As regards the relationship between the different kinds of turnover, it is clearly evident that the licencing revenues had a relatively low influence on total turnover during the third quarter. The figure was 6.7 percent in the same quarter in the previous year and was 4.2 percent during the reporting period, while it accounted for a share of 15.0 percent for the complete business year in 2013. Accordingly, the significance of the maintenance services has grown; it amounted to EUR 12.59 million and is now only just behind the most important type of work, i.e. services, which accounted for EUR 13.62 of turnover; maintenance services now contribute 41.0 percent (36.4 percent in the same quarter in the previous year) and services 44.6 percent (49.2 percent in the same quarter in the previous year) to the total turnover figures.

Investments were also made in the company's own software products during the third quarter of 2014; as a result, own work capitalised rose by EUR 0.24 million to a figure of EUR 0.33. On the other hand, other operating revenues declined to EUR 1.41 million (following a figure of EUR 1.79 million in the same quarter in the previous year).

Because of this, it was possible to increase total operating revenue to EUR 32.29 million, following a figure of EUR 30.54 million in the comparative period in the previous year.

Sales by Segments

T.04

	9M 2014		9M 2013		Change		FY 2013	
	EUR K	in %	EUR K	in %	EUR K	in %	EUR K	in %
Sales with								
GK/Retail	20,921	68.5	19,539	68.2	1,382	7.1	29,607	69.7
SQRS	798	2.6	1,046	3.7	(248)	(23.7)	1,389	3.3
IT-Services	8,843	28.9	8,065	28.2	778	9.6	11,462	27.0
Total	**30,562**	**100.0**	**28,650**	**100.0**	**1,912**	**6.7**	**42,458**	**100.0**
Licences	**1,290**	**4.2**	**1,926**	**6.7**	**(636)**	**(33.0)**	**6,372**	**15.0**
GK/Retail	1,210	4.0	1,811	6.3	(601)	(33.2)	6,178	14.6
SQRS	—	—	—	—	—	—	—	—
IT-Services	80	0.3	115	0.4	(35)	(30.4)	194	0.5
Maintenance	**12,529**	**41.0**	**10,417**	**36.4**	**2,112**	**20.3**	**15,924**	**37.5**
GK/Retail	6,270	20.5	5,385	18.8	885	16.4	8,122	19.1
SQRS	704	2.3	798	2.8	-94	-11.8	1,065	2.5
IT-Services	5,555	18.2	4,234	14.8	1,321	31.2	6,737	15.9
Services	**1,.617**	**44.6**	**14,102**	**49.2**	**-485**	**-3.4**	**18,469**	**43.5**
GK/Retail	13,241	43.3	11,848	41.4	1,393	11.8	14,768	34.8
SQRS	94	0.3	248	0.9	-154	-62.1	324	0.8
IT-Services	282	0.9	2,006	7.0	-1,724	-85.9	3,377	8.0
Other Business	**3,126**	**10.2**	**2,205**	**7.7**	**921**	**41.8**	**1,693**	**4.0**
GK/Retail	200	0.7	495	1.7	-295	-59.6	539	1.3
SQRS	—	—	—	—	—	—	—	—
IT-Services	2,926	9.6	1,710	6.0	1,216	71.1	1,154	2.7

The costs for any purchased services, raw, auxiliary and operating materials and any purchased goods were overall EUR 0.28 million higher than in the comparative period in the previous year and amounted to EUR 3.20 million. The expenditure for raw, auxiliary and operating materials (mainly spare parts) and goods was therefore EUR 0.13 million lower than in the same quarter in the previous year, while the purchased services exceeded the figure for the same quarter in the previous year by EUR 0.42 million. The decline in spare parts and goods purchased was almost completely due to the IT Services business unit. Extensive hardware systems were supplied to one customer in the previous year, but that was not necessary this year. The increase in purchased services can be attributed to the use of freelance workers for customer projects both by the IT Services business unit and GK/Retail. It is a conscious part of the Group's strategy to be able to adapt the available capacities to changing requirements.

Personnel expenditure amounted to EUR 20.92 million, following a figure of EUR 18.97 million in the same period during 2013. The increase was therefore EUR 1.95 million or 10.3 percent. This increase was largely due to the GK/Retail business unit, where personnel expenditure rose by EUR 1.81 million. The reasons for this lie in the establishment and expansion of the Group's presence in the USA and the expansion of consultancy and pre-sales capacities. The increase in the amounts payable for holiday and overtime claims is another reason for this rise.

Financial Results

T.05

	30.9.2014 (not audited)		30.9.2013 (not audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
EBIT [1]	(2,226)	(7.3)	(695)	(2.4)	(1,531)	220.1
EBT [1]	(2,170)	(7.1)	(707)	(2.5)	(1,464)	207.2
Group result [1]	(3,114)	(10.2)	(781)	(2.7)	(2,333)	298.7

1 – Information on the adaptation of the previous year's figures of the group can be found in the explanations under paragraph 1.5.

Depreciation/amortisation declined from EUR 1.69 million to EUR 1.56 million because of the scheduled arrangements in this field.

Other operating expenditure rose by EUR 1.19 million from EUR 7.65 million to EUR 8.84 million. If we regard the cost structures separately according to the GK/Retail and SQRS business units on the one hand and IT Services on the other, the increases can mainly be explained as follows: when searching for suitable personnel, the company once again made use of personnel advisory services, as in the previous business year. This generated costs that were EUR 0.25 million higher than in the same period in the previous year. The sales field, which is constantly growing in geographical terms too, led to increased travel expenses amounting to EUR 0.41 million and a further EUR 0.23 million was spent on expanding and maintaining office space. Other operating expenditure in the IT Services business unit rose overall by EUR 0.09 million in comparison with the previous year.

These changes led to earnings before interest and taxes of EUR (2.23) million, following a figure of EUR (0.70) million in the same period in the previous year. The financial results amounted to +EUR 0.06 million, following a figure of EUR (0.01) million, which was mainly due to the increase in stocks of cash and cash equivalents.

Income taxes amounted to EUR 0.94 million, following a figure of EUR 0.07 million in the same quarter in the previous year with the result that the shortfall for the period amounted to EUR 3.11 million, compared to EUR 0.78 million in the previous year.

Assets Situation

The balance sheet total fell by 9.1 percent or EUR 4.33 million to a figure of EUR 43.49 million in comparison with the reporting date at the end of 2013. On the assets side, the reduction was due to the decline in trade accounts receivable by EUR 5.96 million to a figure of EUR 7.13 million. On the liabilities side of the balance sheet, the equity fell by EUR 3.55 million to a figure of EUR 29.61 million on account of the results for the period, while non-current liabilities rose by EUR 0.80 million to a figure of EUR 4.81 million. Current liabilities fell by EUR 1.57 million to a figure of EUR 9.08 million.

Non-current assets declined by EUR 0.43 million to a total figure of EUR 14.82 million on account of scheduled amortisation. Intangible assets continue to form the lion's share of the non-current assets and amount to EUR 9.41 million. This figure includes the goodwill associated with the acquisition of the operating business of Solquest GmbH and the acquisition of the AWEK Group; this figure amounts to EUR 6.65 million overall. In our opinion, there were no indications that the value of the goodwill needed to be checked again beyond the regular annual estimate at the end of the business year. The remaining items were reduced by scheduled amortisation and this particularly reduced the stocks of software developed in-house by EUR 0.21 million to a figure of EUR 1.26 million.

T.06 Assets Situation

	30.9.2014 (not audited)		31.12.2013 (audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	14,815	34.1	15,248	31.9	(433)	(2.8)
Current assets or cash and cash equivalents [1]	15,524	35.7	18,831	39.4	(3,308)	(17.6)
Cash and cash equivalents	13,156	30.2	13,742	28.7	(586)	(4.3)
Assets [1]	**43,495**	**100.0**	**47,821**	**100.0**	**(4,327)**	**(9.0)**
Equity [1]	29,608	68.1	33,156	69.3	(3,549)	(10.7)
Non-current liabilities	4,809	11.0	4,011	8.4	798	19.9
Current liabilities [1]	9,078	20.9	10,654	22.3	(1,576)	(14.8)
Liabilities [1]	**43,495**	**100.0**	**47,821**	**100.0**	**(4,327)**	**(9.0)**

The development of property, plant and equipment was also dominated by scheduled depreciation, although the accruals largely compensated for the reductions in value for existing equipment here, with the result that their value at EUR 4.85 million only slightly increased to a figure of EUR 0.06 million and remained largely unchanged in comparison with the carrying amount on 31 December 2013.

1 – Information on the adaptation of the previous year's figures of the group can be found in the explanations under paragraph 1.5.

Current assets were primarily dominated by the decline in trade accounts receivable from a figure of EUR 13.09 million to EUR 7.13 million. This was due to the payment of invoices with significantly higher turnover in December 2013 than average months. At the same time, accounts receivable from ongoing work amounted to EUR 3.13 million during the third quarter of this business year; this figure had been EUR 0.66 million on the reporting date on 31 December 2013. The current business year involves a series of extensive project milestones, for which services were provided and treated as an accrued item.

As a result of these developments, stocks of cash and cash equivalents declined by EUR 0.58 million to a figure of EUR 13.16 million. We will explain the reasons for this development in the description of the financial situation.

The increase in non-current liabilities was primarily due to the increase in deferred tax assets and liabilities. They increased largely because of the rise in accounts receivable from ongoing work by EUR 0.87 million from a figure of EUR 1.08 million to EUR 1.95 million, although non-current bank liabilities declined by EUR 0.15 million to a figure of EUR 0.87 million on account of scheduled repayments.

The following changes took place in the area of current liabilities: the advance payments received from customers decreased by EUR 0.24 million to a figure of EUR 0.56 million, but other liabilities increased at the same time by EUR 0.65 million when compared to the figures on 31 December 2013, primarily because of the accruals and deferrals in the maintenance contracts. The decline in liabilities by EUR 0.47 million arising from income taxes on account of the payment of the correct advance payments had a diminishing effect and led to a figure of EUR 0.38 million. Provisions for warranties only changed slightly by EUR 0.04 million to a figure of EUR 1.67 million.

Financial Situation

The losses during this period led to an outflow of EUR 0.29 million in terms of the operating cash flow in the narrower sense (i.e. mainly in addition to any amortisation/depreciation), after the same period in the previous year was characterised by an influx amounting to EUR 2.33 million. The changes in the net assets amounting to EUR 2.93 million, which eased the operating cash flow, led, however, to an influx of cash and cash equivalents from operating business of EUR 2.64 million, after this figure had amounted to EUR 1.81 in the same period in the previous year. The payments or repayments of income taxes and interest created an outflow amounting to EUR 0.58 million during the quarter under review. The net influx of cash and cash equivalents from operating business amounted to EUR 2.63 million during the same period in the previous year, while this figure reached EUR 2.06 million during the reporting period.

The cash flow from investment activities witnessed outflows totalling EUR 1.09 million, following a figure of EUR 0.54 million in the previous year. The reason for this was largely the increase in outgoing payments for the ongoing development of software products (EUR 0.24 million) and the necessary replacement investments.

The financial activities were primarily dominated by taking out loans (incoming payments amounting to EUR 0.84 million as a result of the short-term use of current account credit lines) and repaying them (outflows of EUR 1.95 million arising from the repayment of a bank loan and the settlement of current account credit lines used at short notice) and the dividend payment (payments amounting to EUR 0.45 million in line with the decisions made at the annual shareholders' meeting in 2014). Overall, this led to an outflow of EUR 1.56 million. The comparative figure from the same period in the previous year was EUR 0.13 million.

Overall, cash and cash equivalents increased by EUR 0.81 million to a figure of EUR 13.15 million as a result of this.

Report on key events after the reporting period

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

Report on Risks and Prospects at GK Software

Opportunities and Risks for GK Software

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

Outlook

The 2013 business year proved that the Group is capable of asserting itself, even in a tough market environment. However, despite the good conditions and an excellent position in the market place, this business year also demonstrated that it is not possible to guarantee sales success. The company is currently looking at a number of excellent sales opportunities, but it is far from being able to view them as already having been won. Hard work will be necessary in order to be able to fully develop the existing potential. Based on the information available so far, the Management Board continues to expect that the Group's turnover will once again improve in 2014 and that there will be no developments that pose a threat to the company's existence arising from the financial situation. However, this development is subject to the developments, which may be expected or come as a surprise, which the Group is unable to influence; they could have a major effect on this forecast.

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

In the view of the Group's managers, there is an ongoing expectation that turnover overall will exceed the figure for the previous year on the basis of developments so far. In a departure from the forecast for the 2014 business year provided so far, we are no longer in a position to specify a profit margin. The main reasons for this are that the costs involved with the Group's internationalisation have proved to be significantly higher than assumed and because projects, which we expected to gain, have once again been delayed because of uncertainties with potential customers. This estimate, however, is subject to the proviso that the sales opportunities that are being processed are actually achieved in 2014. Having said that, we believe that GK Software is in an excellent position for the future and we continue to stand by our belief that the 2015 business year will be a year with ongoing significant growth in turnover and improvements in our results situation in comparison with the current business year.

We would like to take this opportunity of once again explicitly repeating that this estimate is only relevant if no external shock situations take place, such as uncertainties that could possibly arise from an escalation of the events abroad "close at hand" by the Russian Federation or events in Syria and Iraq or the Ebola epidemic or a resurgence in the euro crisis. These kinds of general economic disturbances could lead to a slow (down in the willingness of the retail sector to make investments, which could consequently have a negative effect on the turnover and results potential at GK Software.

Consolidated Balance Sheet

on 30 September 2014

Assets

T.07

EUR	30.9.2014 (not audited)	31.12.2013 (audited)
Property, plant and equipment	4,851,166.70	4,794,037.16
Intangible assets	9,410,454.03	9,922,121.87
Financial assets	1,660.00	1,660.00
Deferred taxes	551,720.31	529,861.75
Total non-current assets	**14,815,001.04**	**15,247,680.78**
Raw materials, supplies and consumables	1,348,693.94	1,034,421.29
Finished goods	26,190.21	8,389.14
Trade accounts receivable	7,130,115.39	13,094,022.68
Accounts receivable from ongoing work	3,132,183.72	659,939.36
Income tax assets	228,659.24	217,923.96
Accounts receivable from associated companies	41,209.23	4,786.79
Other accounts receivable and assets[1]	3,616,574.09	3,811,920.33
Cash and cash equivalents	13,155,904.27	13,742,273.60
Total current assets[1]	**28,679,530.09**	**32,573,677.15**
Balance sheet total[1]	**43,494,531.13**	**47,821,357.93**

Liabilities

T.08

EUR	30.9.2014 (not audited)	31.12.2013 (audited)[1]
Subscribed capital	1,890,000.00	1,890,000.00
Capital reserves[1]	18,150,650.49	18,042,151.84
Retained earnings	31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 in 2011)	107,118.95	203,162.70
Profits carried forward	12,542,553.44	12,388,914.04
Net Loss for the period (prev. year: balance sheet profits)[1]	(3,113,802.94)	601,139.40
Total equity capital[1]	**29,607,614.96**	**33,156,463.00**
Provisions for pensions and similar obligations	976,465.00	912,049.00
Non-current bank liabilities	865,000.00	1,021,750.00
Deferred public sector subsidies	1,018,938.32	996,836.08
Deferred tax liabilities	1,948,721.03	1,080,292.79
Total non-current liabilities	**4,809,124.35**	**4,010,927.87**
Current provisions	1,666,291.92	1,628,329.38
Current bank liabilities	316,759.61	1,267,764.30
Trade accounts payable[1]	828,868.78	1,421,291.35
Initial payments received	558,750.64	804,700.50
Income tax liabilities[1]	380,305.42	848,066.78
Other current liabilities	5,326,815.45	4,683,814.75
Total current liabilities[1]	**9,077,791.82**	**10,653,967.06**
Balance sheet total[1]	**43,494,531.13**	**47,821,357.93**

1 – see information under paragraph 1.2.

Consolidated Income Statement and Other Results

on 30 September 2014

Consolidated Income Statement

T.09

EUR	30.9.2014 (not audited)	30.9.2013 (not audited)	31.12.2013 (adapted)
Ongoing business divisions			
Sales revenues	30,561,698.04	28,649,591.66	42,457,575.07
Own work capitalized	326,003.02	91,172.48	375,541.51
Other operating revenues	1,405,064.05	1,794,332.46	2,451,492.91
Sales revenues and other revenues	**32,292,765.11**	**30,535,096.60**	**45,284,609.49**
Materials expenditure	(3,197,561.68)	(2,918,122.97)	(4,082,260.48)
Human resources expenditure	(20,915,769.13)	(18,967,023.93)	(25,604,653.76)
Depreciation and amortization[2]	(1,561,177.70)	(1,690,926.85)	)2,294,598.70
Other operating expenditure[1,2]	(8,844,286.51)	(7,654,440.44)	(12,257,664.18)
Total operating expenditure[1,2]	**(34,518,795.02)**	**(31,230,514.19)**	**(44,239,177.12)**
Operating results[1,2]	**(2,226,029.91)**	**(695,417.59)**	**1,045,432.37**
Financial income	99,988.53	74,333.00	110,259.43
Financial expenses	(44,335.69)	(85,498.39)	(223,467.41)
Financial results	**55,652.84**	**(11,165.39)**	**(113,207.98)**
Results before income taxes[1,2]	**(2,170,377.07)**	**(706,582.98)**	**932,224.39**
Income taxes[1,2]	(943,425.87)	(74,316.80)	331,084.99
Consolidated net income for the year[1,2]	**(3,113,802.94)**	**(780,899.78)**	**601,139.40**
Other results after income taxes			
Equity procurement costs incl. tax effect[1]	—	—	(114,775.89)
Actuarial gains / losses from defined benefit pension plans	140,977.00	524,650.93	433,690.76
Other results after tax [1]	**140,977.00**	**524,650.93**	**318,914.87**
Overall result [1,2]	**(2,972,825.94)**	**(256,248.85)**	**920,054.27**
Thereof attributable to owners of parent company[2]	(2,972,825.94)	(256,248.85)	920,054.27
Non-diluted earnings per share (EUR/share) - from consolidated net income[1,2]	**(1.65)**	**(0.44)**	**0.34**
Diluted earnings per share (EUR/share) - from consolidated net income[1,2]	**(1.64)**	**(0.44)**	**0.33**

1 – see information under paragraph 1.2.

2 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.5.

Statement of Changes in Equity

on 30 September 2014

Statement of Changes in Equity

T.10

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Other Reserves[1]	Balance Sheet Profits	Total
Figures on 1 January 2013	**1,790,000.00**	**14,352,940.73**	**31,095.02**	**(230,528.06)**	**12,388,914.04**	**28,332,421.73**
Stock option program	0.00	73,316.00	0.00	0.00	0.00	73,316.00
Impact of the first use of IAS 19	0.00	0.00	0.00	0.00	0.00	0.00
Net Income for the period[1]	0.00	0.00	0.00	0.00	(780,899.78)	(780,899.78)
Figures on 30 September 2013[1]	**1,790,000.00**	**14,426,256.73**	**31,095.02**	**(230,528.06)**	**11,608,014.26**	**27,551,521.95**
Capital increase	100,000.00	3,682,000.00	0.00	0.00	0.00	3,782,000.00
Offsetting the costs of acquiring equity with the capital reserves[2]	0.00	(114,775.89)	0.00	0.00	0.00	(114,775.89)
Stock option program	0.00	48,671.00	0.00	0.00	0.00	48,671.00
Accruals based on IAS 19	0.00	0.00	0.00	433,690.76	0.00	433,690.76
Consolidated net income for the year[2]	0.00	0.00	0.00	0.00	1,435,034.77	1,435,034.77
Figures on 31 December 2013[2]	**1,890,000.00**	**18,042,151.84**	**31,095.02**	**203,162.70**	**12,990,053.44**	**33,156,463.00**
Stock option program	0.00	108,498.65	0.00	0.00	0.00	108,498.65
Accruals based on IAS 19	0.00	0.00	0.00	(96,043.75)	0.00	(96,043.75)
Dividend payments	0.00	0.00	0.00	0.00	(447,500.00)	(447,500.00)
Net Income for the period	0.00	0.00	0.00	0.00	(3,113,802.94)	(3,113,802.94)
Figures on 30 September 2014	**1,890,000.00**	**18,150,650.49**	**31,095.02**	**107,118.95**	**9,428,750.50**	**29,607,614.96**

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.5.

2 – see information under paragraph 1.2.

Consolidated Cash Flow Statement

on 30 September 2014

Cash Flows from Operating Business

T.11

EUR K	30.9.2014 (not audited)	30.9.2013 (not audited)
Cash flows from operating business		
Consolidated results for the period[1]	(3,114)	(781)
Stock option program (non-cash expenses)	109	73
Income taxes affecting results[1]	943	74
Interest income/expenses affecting results	44	85
Interest yields entered and affecting net income	(100)	(74)
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment	(2)	(1)
Reversals of deferred public sector subsidies	22	(53)
Write-downs recognized for receivables	625	825
Write-ups recognized for receivables	(277)	(72)
Amortization/depreciation[1]	1,561	1,691
Accruals based on IAS 19	(96)	559
Cash flows from operating business	**(285)**	**2,326**
Changes in net current acssets		
Changes in trade accounts receivable and other receivables	3,384	1,297
Changes in inventories	(332)	(182)
Changes in trade accounts payable and other liabilities[1]	19	637
Changes in trade accounts receivable and other receivables	(246)	(346)
Changes in provisions	102	(1,926)
Inflow of funds from operating activities[1]	**2,642**	**1,806**
Interest payments received	19	68
Interest paid	(28)	(43)
Income taxes paid	(575)	800
Net flow provided by operating business (transfer)[1]	**2,058**	**2,631**

1 – Information on the adaptation of the previous year’s figures can be found in the explanations under paragraph 1.5.

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

T.12

EUR K	30.9.2014 (not audited)	30.9.2013 (not audited)
Transfer[1] (Net flow provided by operating business)	**2,058**	2,631
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(1,106)	(688)
Proceeds from disposals of fixed assets	2	1
Disbursed loans	(25)	(27)
Proceeds from the repayment of loans	40	172
Net cash outflow for investment activities	**(1,089)**	**(542)**
Cash flow from financing activities		
Dividend payments	(448)	—
Loans taken out	838	59
Repayment installments for loans	(1,945)	(192)
Net income (prev. year: net outflow) in cash and cash equivalents from financing activities	**(1,555)**	**(133)**
Net income (prev. year: net decrease) in cash and cash equivalents[1]	**(586)**	**1,956**
Cash and cash equivalents at the beginning of the fiscal year[1]	13,742	10,382
Impact of changes in exchange rates on cash and cash equivalents	—	0
Cash and cash equivalents on the end of the business year	**13,156**	**12,338**
Limited available funds	11	10

EUR 11K were pledged as security as part of a leasing contract for business accommodation for the Berlin branch and Cologne branch of GK Software AG.

1 – Information on the adaptation of the previous year’s figures can be found in the explanations under paragraph 1.5.

Notes on the Consolidated Accounts

on 30 September 2014

1. Principles of Reporting

1.1. General Information

The brief interim consolidated accounts for GK Software AG have been prepared in line with the International Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that applied on the accounts reporting date. Any standards or interpretations, which have been published, but are not yet in force, have not been used for these interim consolidated accounts. The International Accounting Standards Board did not publish any new accounting standards (IFRS), which need to be applied by the company in the current business year.

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

1.2. Adjustments to the consolidated accounts for 2013

After publication of the group accounts of the fiscal year 2013, which were made on 17 April 2014 and approved by the Supervisory Board on 28 April 2014, the preparation work for the report for the first quarter of 2014 revealed that a statement of expenditure for some advisory services from previous years had been incorrectly entered under the expenditure for the year 2014. The account totalled EUR 383 K plus value-added tax and had been entered at a figure of EUR 228 K under "Other operating expenditure" The remaining figure of EUR 155 K concerned capital procurement measures and should be entered under "Capital reserves" and "Other operating profits", including the effect on income tax needing to be taken into account.

1.3. Principles of Presentation

The GK Software AG condensed consolidated accounts have been prepared according to the International Financial Reporting Standards (IFRS), as they are used within the European Union (EU), and according to the commercial law regulations that also need to be followed according to Section 315a, Paragraph 1 of the German Commercial Code.

Any standards or interpretations, which were published, but had not yet come into effect, were not yet used for the interim financial statement. The Management Board assumes that the effects of using these new regulations on the annual accounts during the first year will not be significant.

1.1.1. 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.

1.1.2. 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, potential voting rights and other derivative financial instruments also have to be taken into account in determining whether one company exercises a significant influence over another. Another amendment affects the accounts in line with IFRS 5, if only one part of a share in an associate or a joint venture is earmarked 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 IAS 32 clarifies what the conditions are for balancing financial instruments. The supplement explains the meaning of the current legal right to offsetting and makes clear which procedures with a gross balance can be viewed as a net balance in the sense of the standard. As a consequence of these clarifications, the regulations on which details need to be provided in the notes on the financial statements had already been extended in IFRS 7 in 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 and earnings situation 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 on 27 June 2013; this 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, because all the hedging relationships involved continue in unchanged form.

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 firm, the parent company must consolidate the subsidiary. IFRS 10 provides a standard 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:

- Joint operations exist 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 joint ventures, 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 and earnings situation for the GK Group. The significantly extended disclosures regarding existing holdings in other companies prescribed in the notes on the consolidated accounts are not required for this interim financial statement according to IAS 34.

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 new rules do not have any effect on the presentation of the assets, financial or earnings situation of the GK Group, as the disclosures for this interim financial statement are not required according to IAS 34.

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. Instead of any full consolidation, the current balancing and assessment standards for financial assets apply, assessed at their fair value as they affect net income.

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.

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. If not otherwise specified, the GK Group is currently checking the possible effects of the following standards and interpretations for its consolidated accounts.

IFRS 14 Regulatory Deferral 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. (Turnover) 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. Any revenue-based amortisation 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.

The annual accounts for GK Software AG and its subsidiaries are integrated into the consolidated accounts taking into consideration the standard carrying and valuation methods for the Group.

The consolidated interim 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 has been prepared according to the total cost method of accounting. GK Software generally presents trade accounts receivable and payable as current items. Pension obligations are shown as non-current debts in line with their character. Deferred tax claims and liabilities are presented as non-current items.

1.4. Consolidated Companies

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

The consolidated companies not only include the parent company, SQ IT-Services GmbH, Schöneck, 1. Waldstraße GmbH, Schöneck and AWEK GmbH, Barsbüttel, with its two German subsidiaries (AWEK C-POS GmbH, AWEK microdata GmbH), but also four companies based abroad (EUROSOFTWARE s.r.o., Plzen/Czech Republic, OOO GK Software RUS, Moskow/Russia, GK Software USA inc., Cape Coral/USA and StoreWeaver GmbH, Dübendorf/Switzerland with a subsidiary in St. Ingbert/Germany). AWEK Hong Kong Ltd., where GK Software AG has a majority holding of voting rights directly, was not included in the consolidated companies, as it had not yet started its business activities.

1.5. Adapting the previous year's figures

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

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

Assets and depts acquired from AWEK GmbH

T.13

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

1.6. Sales Revenue

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

Sales amounting to EUR 2,549K were entered during the reporting period, which are recognized in line with IAS 18.20 in conjunction with IAS 11 (customized software). Sales amounting to EUR 813K were achieved during the reporting period for sales, which are recognized according to IAS 18.27.

Overall, EUR 3,132K of the customer orders contained in the figures have a balance on the assets side and are reported as one amount in the item entitled "Accounts receivable from work in progress."

Other operating expenditure on 30 September 2014 contains irrecoverable receivables amounting to EUR 98K.

We would refer you to Section 1.8. "Segment reporting" for a summary of the main categories of revenues. Guarantee provisions amounting to EUR 456K have been formed for these revenues.

1.7. Earnings per Share

Earnings per share are calculated as the earning from the group's reporting period's net income divided by the weighted average number of shares in circulation. The number of shares in circulation was on average 1,890,000 in the reporting period (1,790,000 on 30 September 2013). The consolidated loss for the period in the reporting period amounted to EUR 3,114K. Hence earnings per share were EUR (1.65) (EUR (0.44) on 30 September 2013[1]).

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

When calculating the diluted weighted average value of the ordinary shares on 30 September 2014, 25,625 options were disregarded.

In the case of 24,675 shares, the company's share price on average lay above the exercise thresholds. They were taken into account when calculating the diluted, weighted average prices for the ordinary shares on 30 September 2014. The diluted results per share was EUR (1.64).

1.8. Segment Reporting

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

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

1 – Information on the adaptation of the previous year's figures can be found in the explanations under paragraph 1.5.

Sales by Division

T.14

EUR K	GK/Retail 9M 2014	GK/Retail 9M 2013	GK/Retail FY 2013	SQRS 9M 2014	SQRS 9M 2013	SQRS FY 2013	IT-Services 9M 2014	IT-Services 9M 2013	IT-Services FY 2013	Eliminations 9M 2014	Eliminations 9M 2013	Eliminations FY 2013	Group 9M 2014	Group 9M 2013	Group FY 2013
Sales with third parties	**20,921**	**19,539**	**29,607**	**798**	**1,046**	**1,389**	**8,843**	**8,065**	**11,462**	**—**	**—**	**—**	**30,562**	**28,650**	**42,458**
Licenses	1,210	1,811	6,178	0	0	—	80	115	194	—	—	—	1,290	1,926	6,372
Servicing work	6,270	5,385	8,122	704	798	1,065	5,555	4,234	6,737	—	—	—	12,529	10,417	15,924
Services	13,241	11,848	14,768	94	248	324	282	2,006	3,377	—	—	—	13,617	14,102	18,469
Other matters	212	513	564	—	—	—	2,973	1,761	1,208	—	—	—	3,185	2,274	1,772
Revenue reductions	(12)	(18)	(25)	—	—	—	(47)	(51)	(54)	—	—	—	(59)	(69)	(79)
Sales with another segment	**382**	**618**	**782**	**—**	**62**	**62**	**—**	**100**	**255**	**(382)**	**(780)**	**(1,099)**	**—**	**—**	**—**
EBIT segment[1,2]	**(3,537)**	**(989)**	**362**	**253**	**241**	**149**	**1,074**	**53**	**536**	**(16)**	**—**	**—**	**(2,226)**	**(695)**	**1,047**
Assets[1,2]	**36,782**	**36,645**	**42,761**	**2,070**	**2,082**	**1,979**	**6,955**	**5,609**	**5,970**	**(2,312)**	**(1,948)**	**(2,889)**	**43,495**	**42,388**	**47,821**
Cash and cash equivalents	**9,621**	**9,854**	**11,686**	**1,619**	**1,590**	**1,522**	**1,916**	**894**	**534**	**—**	**—**	**—**	**13,156**	**12,338**	**13,742**

SQ IT Services GmbH was merged to become part of GK Software AG with effect from midnight on 1 January. As a result, SQ IT Services GmbH transferred all its assets as a whole with all their rights and obligations by dissolution without liquidation. The entry in the Commercial Register was completed in July 2014.

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

Sales with customers, which have their headquarters outside Germany, amounted to EUR 4,079K during the reporting period. Sales of EUR 0K were achieved with customers, whose share of the sales exceeds 10 percent of the total sales during the reporting period.

1 – Information on the adaptation of the previous year's figures of the group can be found in the explanations under paragraph 1.5.

2 – see information under paragraph 1.2.

1.9. Details on associated persons and companies

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

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

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

Two loans were granted to closely related companies. The one loan with a line of credit amounting to EUR 2,000K has been granted for an indefinite period, but it can be terminated at the end of any year with a period of notice of three months. The interest payable amounts to 4% p.a. on balance sheet day. This was worth EUR 1,872K on the balance sheet reporting date. It can be terminated with a period of notice of three months to the end of any year. Salary claims from Mr Rainer Gläß and Mr Stephan Kronmüller to GK Software AG serve as collateral for the loans.

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

In addition, there are tenancy arrangements with another closely related company. The expenditure on tenancy incurred during the first three months of the financial year amounted to EUR 39K.

Expenditure on outside services with closely related companies amounting to EUR 181K was also incurred. Revenues with closely related companies in connection with making vehicles available and other services amounting to EUR 133K and expenses for other services amounting to EUR 196K were also generated. Additional expenses from the provision of project services amounting to EUR 256K were incurred. The outstanding accounts receivable with this company amounted to EUR 2K on the balance sheet day.

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

1.10. Major Events

There are no major events to report after 30 September 2014.

1.11. Approval of the Brief Interim Accounts

The brief interim accounts were approved by the management board at a meeting held on 26 November 2014 and were released for publication.

Schöneck, 26 November 2014

The Management Board

Rainer Gläß
CEO

André Hergert
CFO

Financial Calendar

29 April 2015
Annual report

28 May 2015
Interim report as of 31 March 2015

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

27 August 2015
Interim report as of 30 June 2015

November 2015
Analysts' Conference in Frankfurt/M

26 November 2015
Interim report as of 30 September 2015

Imprint/Notes

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Publisher:
GK SOFTWARE AG
Waldstraße 7
08261 Schöneck

P: +49 37464 84-0
F: +49 37464 84-15

www.gk-software.com
investorrelations@gk-software.com

Chairman of the Supervisory Board:
Dipl.-Volkswirt Uwe Ludwig

Management board:
Dipl.-Ing. Rainer Gläß, CEO
Dipl.-Kfm. André Hergert, CFO

Amtsgericht Chemnitz HRB 19157

USt.-ID. DE 141 093 347

Contact Investor Relations

GK SOFTWARE AG
Dr. René Schiller
Friedrichstr. 204
10117 Berlin

P: +49 37464 84-264
F: +49 37464 84-15

rschiller@gk-software.com

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.