Interim Report on Sept, 30

9M 2012

GK SOFTWARE

Summary of Consolidated Results

	30.9.2012 (not audited)	30.9.2011 (not audited)	31.12.2011 (audited)
Sales (EUR K)	**22,396**	20,256	31,753
Operating performance (EUR K)	**23,009**	21,462	33,242
Total operating revenues (EUR K)	**23,772**	22,205	33,971
EBIT (EUR K)	**2,489**	2,809	6,654
EBIT margin (on sales)	**11.1%**	13.9%	21.0%
EBIT margin (on total operating revenue)	**10.5%**	12.7%	19.6%
EBT (EUR K)	**2,468**	2,754	6,569
Net income for the period (EUR)	**1,794**	1,860	4,564
Earnings per share (weighted) (EUR)	**1.00**	1.04	2.55
Equity ratio	**72.4%**	63.9%	64.9%

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To the shareholders

Letter from the Management Board

Dear shareholders,

We are delighted to be able to present to you very sound results after nine months of trading in fiscal 2012. Despite an increasingly difficult market environment, GK SOFTWARE has been able to continue along its pathway of growth.

Sales (EUR 22.4 million) exceeded the results from the same period in the previous year by more than ten percent (EUR 20.3 million). Total operating revenues rose by EUR 1.6 million or 7.1 percent to a figure of EUR 23.8 million (EUR 22.2 million in the previous year). The earnings before interest and taxes (EBIT) at EUR 2.5 million fell below the results for the same period in the previous year (EUR 2.8 million). This created an EBIT margin of 11.1 percent related to sales (13.9 percent in the previous year). Consequently, the results for the first nine months of fiscal 2012 reflected our expectations.

The company was able to achieve these results despite the slowing of the global economy. The rate of growth in Germany's gross domestic product has slowed markedly and will fall below zero in the fourth quarter. It remains to be seen how these developments will affect the retail sector's short and medium-term willingness to invest; at the moment, any readiness is muted. Our partnership with SAP AG is paying off in these difficult economic times in Europe because it enables us to place our sales activities on a far broader footing. As a result, our software solutions can tap into additional potential in growth regions outside Europe.

Key events in the third quarter included gaining one new international project, making scheduled progress in our project business and further developing our range of software solutions.

SAP AG was able to gain its first customer outside Europe, the Saudi Arabian Al Muhaidib Group, for the "SAP Point-of-Sale by GK" and "SAP Offline Mobile Store by GK" modules at the end of the third quarter. GK SOFTWARE will handle the introduction of the software solutions at approximately 180 stores in Saudi Arabia and the GCC countries (Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates). As a result, SAP was able to gain its first customer in a growth region outside Europe about six months after the start of sales in the EMEA area. Hammer Heimtex, the largest German specialist provider of home textiles with approx. 170 stores, decided to use GK/Retail POS in the future after the end of the reporting period.

The ongoing development of customer projects was the dominant feature in GK SOFTWARE's project business during the first nine months of fiscal 2012. It was possible to once again significantly increase the number of productive installations in use in comparison with the same period in the previous year. The number of installations has increased by about 15 percent over the past 12 months – there are now 144,000 installations (125,000 in the previous year) in approx. 29,000 stores (25,000 in the previous year). Several major projects, which moved into the rollout phase, made an impact here.

In the area of software development, the dominant features in the third quarter were the further development of our standard software solutions in line with the roadmap, prototyping for new solutions and current technology issues. For example, we were the first provider in the world to use our store solution on an SAP HANA system and, as a result, we have been able to achieve enormous increases in speed. We believe that SAP HANA lays the foundation for genuine real-time software solutions in a cloud – a development that we are pursuing with great intensity. We are also expecting the German National Metrology Institute (PTB) to provide official approval for the use of Open

Scale on the systems of another leading manufacturer of open PC scales by the end of the year.

As regards business partners, our excellent relations with SAP are becoming more important all the time. As more and more regions are approved for SAP sales, we believe that this will open up a constantly growing stream of sales opportunities, which will be of great importance for our ongoing business, particularly in the next few years.

As a result, we already have an extremely healthy sales pipeline in our sights for the fourth quarters with a large number of interested companies based in other countries. However, there are also some risks that we may not meet our goals in the current fiscal, as some significant projects, which we were expecting to complete earlier, have been postponed and we will now not be able to finish them until the second half of the fourth quarter at the very earliest. This could create a situation where it will only be possible to complete sales, which we were planning to make with new customers now, in the next fiscal year.

Regardless of the uncertain outlook for the fourth quarter of 2012 at the moment, we are approaching fiscal 2013 with a belief that the dynamic growth in sales, which we have experienced during the last few years, will continue. We are expecting profit levels to remain within the target range achieved in the past.

We are delighted that you are supporting growth at GK SOFTWARE AG and we would like to thank you for the long-term confidence that you have placed in the company.

Schöneck, 27 November 2012

The Management Board

Rainer Gläß
(CEO)

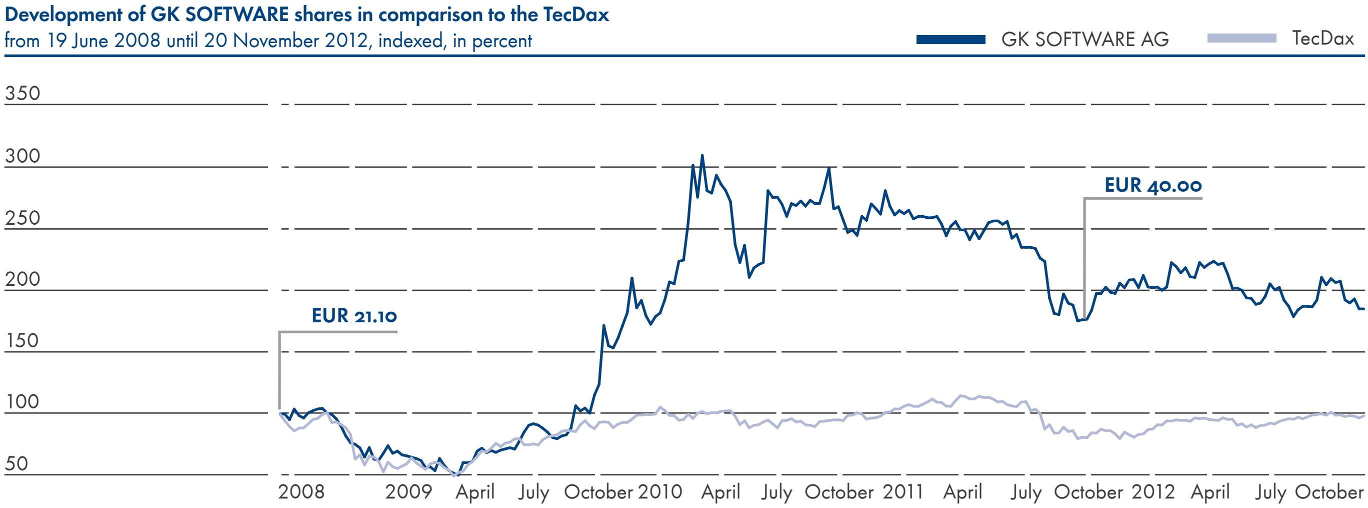
André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

GK SOFTWARE AG Shares

Development of GK SOFTWARE shares in comparison to the TecDax
from 19 June 2008 until 20 November 2012, indexed, in percent



Summary

Basic Data

Basic data	
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK SOFTWARE AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1,790.000
Share capital	EUR 1,790.000
Free float	42.63 %
Highest price in 2012	EUR 44.00 (9 February/4 April 2012)
Lowest price in 2012	EUR 33.69 (9 August 2012)

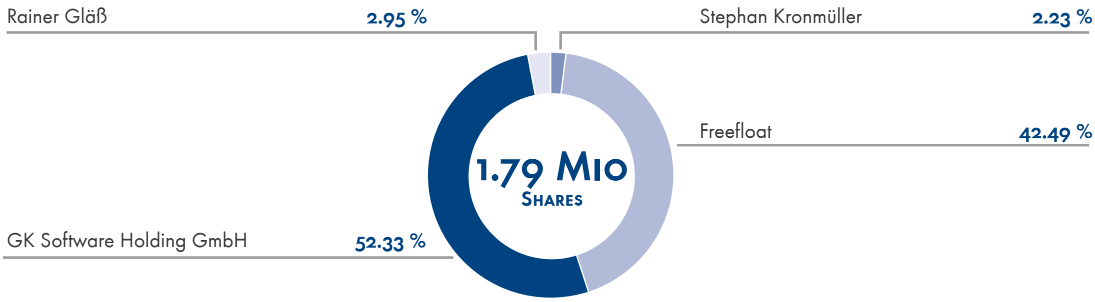
Summary/Share Performance

GK SOFTWARE AG shares, which are listed on the Prime Standard section of the Frankfurt Stock Exchange, fluctuated within a range between EUR 44 and EUR 34 during the first nine months of fiscal 2012, although the general trend was for their value to decline slightly. A fairly strong phase in the first half of the year, where shares hit their annual highs, was followed by a fairly long sideways period. The shares were worth EUR 40.00 at the end of the reporting period. This produced a market capitalization figure of approx. EUR 72 million.

Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which is enabling the company to develop in the long term in a sustainable manner. The company had the following shareholder structure on the reporting date on 30 September 2012: The founder and CEO Rainer Gläß directly held 2.95 percent of the shares. Stephan Kronmüller, also a

Shareholder Structure
for GK SOFTWARE AG on 30 September 2012



company founder and the former CTO on the Management Board, directly held 2.23 percent of the shares. 52.33 percent of the shares were owned by GK Software Holding GmbH, which was indirectly equally shared by the company partners Rainer Gläß and Stephan Kronmüller. This meant that 42.49 percent of the shares were in free float on 30 September 2012.

The company was informed about the following holdings in GK SOFTWARE AG, which exceeded or fell below the 3 percent threshold:

- Mr. Andreas Bremke 3.99 percent (on 16 August 2011)
- Scherzer & Co. AG, Cologne: 5.23 percent (on 6 March 2012)

Brief Interim Group Management Report

Economic Report

Business and General Conditions for GK SOFTWARE

Market and Competitive Environment

The economic circumstances in the retail sector, which in turn is linked to the general economic situation, have a significant effect on the market environment for GK SOFTWARE AG. The company is increasingly liberating itself from any reliance on developments in Germany and neighboring countries by expanding its sales in almost all the global regions in conjunction with SAP. However, our traditional markets are still very important for direct sales, as GK SOFTWARE has a particularly strong market presence in these regions as a result of its leading position.

Looking at Germany, it is clear that growth levels in the country's gross domestic product have slowed markedly and were only 0.2 percent in the third quarter. Analysts are even expecting economic performance to fall below zero to minus 0.2 percent in the fourth quarter. This will be accompanied by a decline in investments in all sectors. The only positive signs are private consumers and the construction industry. The retail sector in particular, where growth of approx. 1.5 percent is expected once again this year, benefits from the unabated strength in private consumption. Experts also expect a further boost to come from Christmas shopping and forecasts suggest sales of more than EUR 80 billion for the first time. Online business will account for almost one tenth of this figure and this sector realizes about one quarter of its total sales during this period.

Looking at Europe as a whole, Germany, Austria and Switzerland are, however, faring better than their rivals; the economies in southern Europe in particular continue to remain in recession. However, the EU Commission expects a recovery to start in 2013 and the eurozone should register slight growth. But it is impossible at the moment to determine how long-term these processes will be. But there are positive signs for the retail sector: the jobs market is only expected to decline slightly; this means that one of the most important factors for sales in the retail sector should remain intact.

However, previous quarters have demonstrated that there is no direct linear relationship between retail sector sales and a readiness to invest. Even after the record year for the sector in 2011, there were only a few major projects in the German market for store IT applications. The need for investments in the German retail sector continues to be high, according to the latest study by the EHI Retail Institute "Till Systems in 2012 – Facts, Background Information and Prospects."[1] The age of software in use has continued to rise and almost 25 percent of the solutions are more than 10 years old. More movement is expected in the market during the next few years, as about one quarter of retailers are planning to invite companies to submit bids for new software or are already planning this process.[2]

The same is true in almost all the other markets: the age of systems in use is rising, as the increase in market monitoring carried out by our sales department demonstrates. This means that investments to replace software are drawing closer as no IT system has an unlimited serviceable life. The need to replace the hardware in use often leads to new investments in software, as the performance needed to handle modern software solutions is then available.

In addition to replacing systems after the expiry of the investment cycle, issues like central architecture, consumer and commercial mobility or integration scenarios are becoming much more important – and GK SOFTWARE's products are equipped to cover these needs to an outstanding degree. Even the subject of self-checkouts, which is far less important in Germany than in other developed markets, seems to be slowly picking up speed again.

One new major focus for the future, which will lead to enormous changes, involves linking up the issues of in-memory and cloud computing. In-memory computing means that databases and other

1 EHI Retail Institute, Kassensysteme 2012, Cologne 2012.
2 Ibida, p. 30f

software components are no longer stored on hard disks, but can be kept directly in the fast main memory. This will reduce access times enormously and make performance available to handle genuine real-time processing for a number of parallel requests. On this basis, it will be possible, for example, to introduce cost-cutting cloud-based solutions and new omni-channel architectures.

In addition to introducing technical changes, omni-channel will become the new paradigm for the retail sector. The customer of the future will be able to make his or her purchases round the clock – in stores, on the Internet, with smartphones, interactive televisions or on other future channels. This will create new requirements for the store-based retail trade with a need for seamless links between all the channels and this will even include issues like home delivery; there will also be a need for background systems, which are capable of supplying huge amounts of data (big data) immediately to a wide variety of channels. As these issues can be recognized now, they are already having an effect on investment decisions and in some cases are extending sales cycles, because companies are still uncertain about the direction of future developments.

GK SOFTWARE has an ideal market position for these new issues; on the one hand, the software architecture has been prepared to handle precisely these kinds of challenges. On the other hand, the company's product development department and the FutureLab are currently laying the foundations to ensure that suitable solutions will be available for the retail sector in good time to cope with the expected revolution.

Although it is not possible to obtain a completely clear view of the fourth quarter, GK SOFTWARE continues to view its business prospects in a positive way. Firstly, it assumes that the retail sector will need to make new investments on a regular basis because old technology has become outdated and this will lead to significant projects for the company within the sector; secondly, the many new issues related to omni-channel, mobility, in-memory and cloud technologies will create a situation where companies will invite tenders earlier than expected. Coupled with a constantly expanding sales area as a result of the approval for SAP sales in further regions, the company is confident that it will continue to be able to win major projects.

GK SOFTWARE currently has an excellent position in several tender procedures both in Germany and abroad and it has important advantages over its rivals with its broad portfolio of products, the internationality of its solutions and its proven ability to handle projects quickly.

Customer Projects

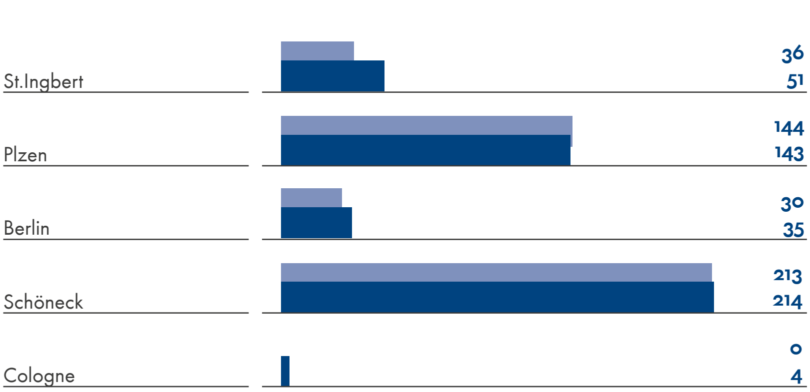
Progress on all the company's customer projects went according to schedule during the first nine months of fiscal 2012. The company not only handled new projects, but was also able to press ahead with switching existing customers to the new major software release. The basic number of installed systems increased again significantly as a result of ongoing mass rollouts.

Human Resources

GK SOFTWARE currently employs 449 members of staff (figure on 30 September 2012; the previous year's figure was 424), which means that this number has grown by 25 in comparison with the same period in the previous year. Year on year, this represented an increase of approx. 5,9 percent, which is due to the scheduled increase in human resources in order to complete the higher overall number of projects. In particular, the software development, quality assurance and services showed further growth.

The majority of members of staff are employed at corporate headquarters in Schöneck – 214 persons, in comparison with the previous year's figure of 213. There are 35 employees working at the branch in Berlin, mainly in the sales & marketing, project management and partner management or the hotline departments (30 employees on the reporting date in the previous year). The Czech subsidiary EUROSOFTWARE s.r.o. current employs 143 people (144 in the previous year). There were

Distribution of employees at the group's sites
on 30 September 2012*



* Two other employees work at the branches in Moscow and Riehen and are not shown here.

51 employees working at St. Ingbert on 30 September 2012 – i.e. 15 more than on the reporting date in the previous year. The company also has a new business center in Cologne and four employees were working there on the reporting date. The OOO GK SOFTWARE (RUS) has one permanent employee as well as theStoreWeaver GmbH in Riehen/Switzerland. GK SOFTWARE also employed 5 trainees on the reporting date.

The major focus in the development of human resources continues to primarily be on integrating and familiarizing the permanently growing number of employees. For this purpose, special familiarization plans, trainee and mentoring programs have been developed. GK SOFTWARE will continue to hire highly qualified members of staff at its various business locations in the future too in order to be able to respond to the growth in work in an appropriate way.

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

Earnings Situation

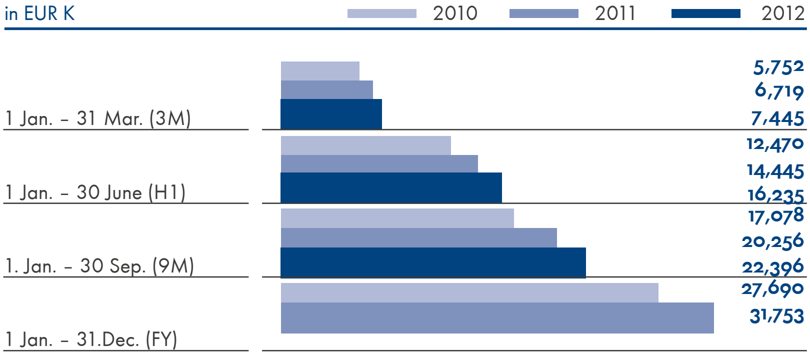
GK SOFTWARE was able to increase its sales from EUR 20.26 million to EUR 22.40 million (and therefore by 10.6 percent) during the first three quarters of fiscal 2012 in comparison with the same period in the previous year. Taking into account own work capitalized, operating performance rose to EUR 23.01 million, following a figure of EUR 21.46 million in the same period in the previous year. This corresponds to a growth rate of 7.2 percent. The main reason for this development was that the capitalized development costs for software, which was created in-house, fell by almost one half when compared to the same period in the previous year. This can be traced back to lower investments in new products in comparison with the previous year, which were one of dominant factors in 2011.

The increase in sales by EUR 2.1 million can be attributed to the expansion of business related to the GK/Retail software solutions. The company's core business made a major contribution to what have been successful business developments so far in fiscal 2012; the increase amounted to EUR 2.4 million or 12.7 percent leading to a figure of EUR 20.93 million overall. This increase is based on the major increase in license revenues compared to the previous year; at EUR 3.37 million, they exceeded the figure for the previous year (EUR 1.75 million) by EUR 1.62 million or more than 92.2 percent. The reason for this can be found in the status of a number of projects, where pilot schemes were put into productive service. Payments for maintenance services also increased and amounted to EUR 5.37 million in the GK/Retail business; this figure exceeded the previous year's amount by EUR 0.63 million or 13.3 percent. However, sales for services only managed to keep pace with developments in the previous year; they rose by just EUR 0.08 million to a figure of EUR 12.00 million. Apart from developments in the second quarter, this business year has been dominated by major investments in customer acquisitions; however, these processes are currently subject to longer and more intensive decision cycles and this ties up both financial and human resources at the company.

EUR K	30.9.2012		30.9.2011		Changes	
Sales	22,396	94.2%	20,256	91.2%	2,140	10.6%
Own work capitalized	613	2.6%	1,206	5.4%	(593)	(49.2)%
Operating revenues	**23,009**	**96.8%**	**21,462**	**96.6%**	**1,547**	**7.2%**
Other operating revenues	763	3.2%	743	3.4%	20	2.6%
Total operating revenues	**23,772**	**100%**	**22,205**	**100.0%**	**1,567**	**7.1%**

Once again, developments in the SQRS segment were in line with expectations. The sales of services fell short of the figures for the previous year and amounted to just EUR 0.36 million, following a figure of EUR 0.51 million for the first nine months of fiscal 2011. Maintenance sales remained almost stable at the previous year's level and amounted to EUR 1.11 million (EUR 1.16 million in the same period in the previous year).

Quarterly sales development compared to previous years, accumulated
in EUR K



Human resources expenditure rose to a figure of EUR 14.22 million, 6.6 percent than in the previous year, and increased dispropor-tionately in terms of the growth in sales when compared to the same period in 2011. The growth in human resources reflects a greater focus on attracting particular abilities and skills than has been seen in the past; this is to enable the company to be able to cope with the expected demand arising from international projects at any time.

The figures for depreciation/amortization during the first nine months of 2012 were according to plan at EUR 1.49 million (EUR 1.40 million in the previous year). This increase is largely due to the scheduled increase in the need for amortization for own work capitalized. Other operating expenditure amounted to EUR 5.00 million (EUR 4.16 million in the same period in the previous year). This increase in expenditure of EUR 0.84 million is primarily due to the provisions in expenses for project business amounting to EUR 0.70 million, which was mentioned in the Q2 report.

EUR K	30.9.2012		30.9.2011		Change		31.12.2011	
Sales with								
GK/Retail	20,926	93.4%	18,570	91.7%	2,356	12.7%	29,426	92.7%
SQRS	1,470	6.6%	1,686	8.3%	(216)	(12.8)%	2,327	7.3%
Total	**22,396**	**100.0%**	**20,256**	**100.0%**	**2,140**	**10.6%**	**31,753**	**100.0%**
Licences	**3,366**	**15.0%**	**1,751**	**8.6%**	**1,615**	**92.2%**	**8,295**	**26.1%**
GK/Retail	3,366	15.0%	1,751	8.6%	1,615	92.2%	8,295	26.1%
SQRS	–	0.0%	–	0.0%	–	–	–	–
Maintenance	**6,483**	**28.9%**	**5,907**	**29.2%**	**576**	**9.8%**	**8,746**	**27.5%**
GK/Retail	5,373	24.0%	4,744	23.4%	629	13.3%	7,201	22.7%
SQRS	1,110	5.0%	1,163	5.7%	(53)	(4.6)%	1,545	4.9%
Services	**12,360**	**55.2%**	**12,426**	**61.3%**	**(66)**	**(0.5)%**	**14,468**	**45.6%**
GK/Retail	12,004	53.6%	11,921	58.9%	83	0.7%	13,707	43.2%
SQRS	356	1.6%	505	2.5%	(149)	(29.5)%	761	2.4%
Other business	**187**	**0.9%**	**172**	**0.8%**	**15**	**8.7%**	**244**	**0.8%**
GK/Retail	183	0.9%	154	0.7%	29	18.8%	223	0.7%
SQRS	4	0.0%	18	0.1%	(14)	(77.8)%	21	0.1%

GK SOFTWARE generated consolidated earnings before interest and taxes (EBIT) of EUR 2.49 million (EUR 2.81 million in the previous year) during the reporting period. In terms of sales, GK SOFTWARE achieved an EBIT margin of 11.1 percent, following a figure of 13.9 percent in the same period in the previous year.

The financial results were slightly up during the first three quarters of 2012 at a figure of EUR −0.02 million (following a figure of EUR −0.06 in the same period in the previous year). Pre-tax earnings rose to EUR 2.47 million following a figure of EUR 2.75 million in the previous year. After tax, the consolidated net income for the period amounted to EUR 1.79 million (EUR 1.86 million in the previous year). This is the equivalent of earnings per share of EUR 1.00 following a figure of EUR 1.04 per share in the previous year and relates to the 1,790,000 shares in circulation at the reporting date.

Assets Situation

The balance sheet total fell by EUR 3.07 million to EUR 40.40 million when compared to the figures at the end of fiscal 2011. During the course of business, the Group's balance sheet equity increased by EUR 1.04 million from EUR 28.23 million on 31 December 2011 to a figure of EUR 29.27 million on 30 September 2012 during the first nine months of the business year. The equity ratio now amounts to 72.4 percent and is therefore 7.5 percentage points above the figure for the 2011 balance sheet date.

Non-current liabilities fell to a figure of EUR 3.52 million following a figure of EUR 6.62 million on the same reporting date in 2011. The main reason for this was the repayment of a bank loan amounting to EUR 3.13 million, as the company has made every effort to benefit from the much improved situation regarding interest on loans. The loan that was repaid has been replaced by a callable loan with much better interest conditions. On the other hand, the following items remained largely unchanged: deferred public sector subsidies (EUR 0.98 million following a figure of EUR

EUR K	30.9.2012		31.12.2011		Change	
Non-current assets	13,932	34.5%	14,125	32.5%	(193)	(1.4)%
Current assets or cash and cash equivalents	15,069	37.3%	15,490	35.6%	(421)	(2.7)%
Cash and cash equivalents	11,402	28.2%	13,859	31.9%	(2,457)	(17.7)%
Assets	**40,404**	**100.0%**	**43,475**	**100.0%**	**(3,071)**	**(7.1)%**
Equity	29,270	72.4%	28,231	64.9%	1,039	3.7%
Non-current liabilities	3,516	8.7%	6,623	15.2%	(3,107)	(46.9)%
Current liabilities	7,618	18.9%	8,621	19.8%	(1,003)	(11.6)%
Liabilities	**40,404**	**100.0%**	**43,475**	**100.0%**	**(3,071)**	**(7.1)%**

0.99 million on the 2011 balance sheet date) and deferred tax assets and liabilities (EUR 1.09 million following a figure of EUR 1.03 million at the 2011 balance sheet date).

Current liabilities fell from EUR 8.62 million at the end of fiscal 2011 to a figure of EUR 7.62 million. This change was triggered by two major adjustments moving in opposite directions. While the advance payments that were received rose by EUR 0.40 million from EUR 0.86 million to a figure of EUR 1.26 million, other current liabilities fell from EUR 5.03 million to a figure of EUR 3.76 million. This decline is largely due to the change in turnover tax liabilities.

EUR K	30.9.2012		30.9.2011		Change	
EBIT	**2,489**	**11.1%**	**2,810**	**13.9%**	**(321)**	**(11.4)%**
EBT	**2,468**	**11.0%**	**2,754**	**13.6%**	**(286)**	**(10.4)%**
Net income for the period	**1,794**	**8.0%**	**1,860**	**9.2%**	**(66)**	**(3.5)%**

On the assets side, the carrying amount of non-current assets declined by EUR 0.19 million from EUR 14.12 million at the end of the previous business year to a figure of EUR 13.93 million at the end of the third quarter in the current year. The value of property, plant and equipment only increased slightly from EUR 4.12 million at the end of fiscal 2011 to a figure of EUR 4.23 million on the reporting date; the figure for intangible assets, however, fell from EUR 9.54 million to EUR 9.24 million during the same period. The decline in carrying amounts for intangible assets is due to scheduled amortization. Acquired customer relations were valued at EUR 0.25 million, following a figure of EUR 0.33 million, and software, which was developed in-house, was valued at just EUR 2.20 million, following a figure of EUR 2.36 million.

Current assets accounted for figures of EUR 26.47 million following a figure of EUR 29.35 million on the balance sheet date in 2011. The lion's share of this figure involved cash and cash equivalents, which were valued at EUR 11.40 million and fell by EUR 2.46 million compared to the figure of EUR 13.86 million on the balance sheet date in 2011. In contrast, trade accounts receivable declined. The fall amounted to EUR 1.02 million when compared to the figure on 31 December 2011, meaning that EUR 10.28 million had not yet been settled. However, it should be noted that this figure contains accounts receivable amounting to EUR 3.93 million, where the settlement dates are much longer than the normal periods allowed for payment.

Report on Risks and Prospects at GK SOFTWARE

Financial Situation

Cash flow in the narrower sense (primarily the pre-tax earnings, adjusted by depreciation/amortization, which does not affect liquidity) amounted to EUR 4.03 million on the reporting date. The figure was very similar in the comparable period in the previous year: EUR 4.07 million. The cash flow from operating business amounted to EUR 3.62 million during the reporting period (the figure was EUR 4.11 million in the same period in the previous year). This slight decline resulted from a minor reduction in the net current assets of EUR 0.22 million when compared to the same period in the previous year and lower payments for taxes on income and earnings (a decline of EUR 0.25 million). The cash flow from investment activities amounted to EUR −1.48 million during the reporting period (the comparative figure in the same period in 2011 was EUR −2.07 million and EUR −2.69 million for the whole of fiscal 2011). These developments are mainly due to the lower investment activities in the company's own software products. The cash flow from financial operations amounted to EUR −4.61 million during the reporting period (in 2011 as a whole, there was an outflow of EUR 1.64 million). The reason for the outflow of funds was the contractual repayments on current bank liabilities and the repayment of non-current bank liabilities amounting to EUR 3.71 million. The outflow also included funds amounting to EUR 0.90 million arising from the payment of dividends in line with decisions taken at the 2012 annual shareholders' meeting.

Overall, the outflow of funds during the reporting period amounted to EUR 2.46 million so that holdings of cash and cash equivalents are now worth EUR 11.40 million.

Opportunities and Risks for GK SOFTWARE

GK SOFTWARE has already outlined the risks that it faces in the course of its business: they include advance payments for customer acquisition, which are not being paid by the interested party. This risk needs to be complemented by the issue of the time that is taken to make decisions; this is particularly relevant when customers need answers to new strategically important questions. This can lead to the short-term postponement of decisions on projects and therefore a direct reduction in the earnings potential at GK SOFTWARE. The Management Board, however, believes that the fundamental design and orientation of the company's products are such that it is possible to continue to meet customer requirements without any problems. Despite this, the Management Board is making every effort to monitor developments carefully and is taking this into consideration when drawing up forecasts and courses of action.

Regardless of the fact that the results after nine months fully match the general expectations drawn up by the Management Board, it is necessary to point out at this juncture that a risk does exist with regard to achieving the corporate goals in the fourth quarter in terms of both the receipt of orders and sales – and this could affect the annual results. The company had expected to complete various projects by the end of the third quarter, but they have been postponed; so it is possible that the results, which were planned for the fourth quarter, may not be achieved. The reason for this would be that both planned license and service sales may no longer be realized in good time. This would mean that the sales would be transferred into fiscal 2013 and this would affect the planned results for 2012. The Management Board, however, explicitly points out that this kind of scenario is still only a hypothetical possibility and the achievement of the original forecast for growth is still a very real possibility.

Apart from this special risk for the fourth quarter in 2012, there have been no changes to the risk and opportunity situation for GK SOFTWARE, which could have a major effect on the development of corporate business in the light of the statements made in the Q2 report for 2012. As a result, the description of the potential opportunities and risks in future developments for GK SOFTWARE made in the consolidated report on fiscal 2011 continue to apply apart from this update; the Management Board continues to believe that no risk exists at the moment, which could turn out to pose a threat to the existence of GK SOFTWARE.

Outlook

The company is able to view an extremely full sales pipeline with a strong emphasis on interest from international parties for the fourth quarter of fiscal 2012. As has already been mentioned, however, the Management Board believes that there are risks that the goals for the current business year may not be met, as some major projects have been postponed, where the company was expecting to complete them earlier; they cannot now be completed until the second half of the fourth quarter at the earliest. This might create a situation where planned sales with new customers cannot be achieved until the next business year.

However, the Management Board believes that the financial and earnings situation at the company will develop in such a way that the Group's earnings situation will continue to improve from 2013 onwards through a continuation of the longstanding growth in sales; it does not expect any developments either, which could pose a risk to the company's existence based on its financial situation.

We are continuing to pursue a strategy of internationalization and achieving significant shares of sales from corporations, which have their management centers outside Germany. The company is also continuing to tap into the German market by expanding into other retail sector segments and penetrating more deeply into sectors that have already been developed.

Regardless of the current uncertain prospects for the fourth quarter of 2012, the Management Board assumes that the company will achieve further growth in sales during fiscal 2013 and that profitability levels will lie within the previous target range. In our view, there are currently no reasons to suggest that developments will deviate from those of previous years. As a result, we are expecting growth in sales for the GK/Retail business sector in 2013. But we expect declines in the SQRS business segment in 2013. As far as profitability is concerned, we are expecting to maintain the margin level achieved during the past few years; we also anticipate that there will not be any curtailment of the company's current good financial position as a result of these developments.

Consolidated Accounts

Consolidated Balance Sheet on 30 September 2012

Assets

EUR	30.9.2012 (not audited)	31.12.2011 (audited)
Non-Current Assets		
Property, Plant and Equipment	4,229,395.82	4,123,710.73
Intangible Assets	9,238,454.02	9,540,196.70
Financial Assets	300.00	300.00
Deferred Taxes	463,829.52	460,424.00
Total Non-Current Assets	**13,991,979.36**	**14,124,631.43**
Current Assets		
Trade Accounts Receivable	10,281,666.66	11,300,926.80
Accounts Receivable from Ongoing Work	736,100.00	644,136.67
Income Tax Assets	502,285.42	266,366.76
Other Accounts Receivable and Assets	3,549,388.23	3,279,053.32
Cash and Cash Equivalents	11,402,357.24	13,859,453.69
Total Current Assets	**26,471,797.55**	**29,349,937.24**
Balance Sheet Total	**40,403,776.91**	**43,474,568.67**

Liabilities

EUR	30.9.2012 (not audited)	31.12.2011 (audited)
Equity		
Subscribed Capital	1,790,000.00	1,790,000.00
Capital Reserves	14,316,885.73	14,177,069.73
Retained Earnings	31,095.02	31,095.02
Balance Sheet Profits	13,132,243.40	12,233,021.71
Total Equity	**29,270,224.15**	**28,231,186.46**
Non-Current Liabilities		
Provisions for Pensions and Similar Obligations	162,125.47	193,013.84
Non-Current Bank Liabilities	1,283,000.00	4,408,500.00
Deferred Public Sector Subsidies	979,620.86	991,700.25
Deferred Tax Assets and Liabilities	1,090,749.13	1,029,658.66
Total Non-Current Liabilities	**3,515,495.46**	**6,622,872.75**
Current Liabilities		
Current Provisions	1,981,647.89	915,737.93
Current Bank Liabilities	247,438.49	834,000.00
Trade Accounts Payable	191,802.82	328,930.35
Initial Payments Received	1,255,254.19	857,006.53
Income Tax Liabilities	178,367.69	651,004.89
Other Current Liabilities	3,763,546.22	5,033,829.76
Total Current Liabilities	**7,618,057.30**	**8,620,509.46**
Total Liabilities	**11,133,552.76**	**15,243,382.21**
Balance Sheet Total	**40,403,776.91**	**43,474,568.67**

Consolidated Income Statement on 30 September 2012

EUR	30.9.2012 (not audited)	30.9.2011 (not audited)	31.12.2011 (audited)
Ongoing Business Divisions			
Sales Revenues	22,395,679.86	20,255,713.52	31,753,349.73
Own Work Capitalized	613,293.88	1,206,377.92	1,488,785.20
Other Operating Revenues	762,565.98	742,962.70	728,693.49
	23,771,539.72	**22,205,054.14**	**33,970,828.42**
Materials Expenditure	(568,281.43)	(491,603.08)	(611,089.74)
Human Resources Expenditure	(14,222,904.15)	(13,344,685.41)	(18,601,324.61)
Depreciation and Amortization	(1,492,784.79)	(1,396,664.77)	(1,946,886.31)
Other Operating Expenditure	(4,998,876.43)	(4,162,303.00)	(6,157,727.59)
	(21,282,846.80)	**(19,395,256.26)**	(27,317,028.25)
Operating Results	**2,488,692.92**	**2,809,797.88**	**6,653,800.17**
Financial Results	(20,280.64)	(55,821.73)	(85,004.43)
Results before Income Taxes	**2,468,412.28**	**2,753,976.15**	**6,568,795.74**
Income Taxes	(674,190.59)	(893,609.27)	(2,004,541.63)
Net Income for Period	**1,794,221.69**	**1,860,366.88**	**4,564,254.11**
Profits Carried Forward	12,233,021.71	8,563,767.60	8,563,767.60
Dividend Payments	(895,000.00)	(895,000.00)	(895,000.00)
Consolidated Balance Sheet Profits	**13,132,243.40**	**9,529,134.48**	**12,233,021.71**
Number of Shares Issued (Average Figure)	1,790,000.00	1,790,000.00	1,790.000
Non-Diluted Earnings per Share (EUR/Share)	**1.00**	**1.04**	**2.55**

Consolidated Results Accounts on 30 September 2012

EUR	30.9.2012 (not audited)	30.9.2011 (not audited)	31.12.2011 (audited)
Consolidated annual net income	**1,794,221.69**	**1,860,366.88**	**4,564,254.11**
Equity procurement costs	–	–	–
Tax effect of equity procurement costs	–	–	–
Other results	–	–	–
Total results	**1,794,221.69**	**1,860,366.88**	**4,564,254.11**
Allocation of total results to the owners of the parent company	**1,794,221.69**	**1,860,366.88**	**4,564,254.11**

Development of Consolidated Equity Capital on 30 September 2012

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Balance Sheet Profits	Total
Figures on 1 January 2011	**1,790,000.00**	**13,947,106.73**	**31,095.02**	**8,563,767.60**	**24,331,969.35**
Stock Option Program	0.00	153,845.00	0.00	0.00	153,845.00
Dividend Payments	0.00	0.00	0.00	(895,000.00)	(895,000.00)
Quarterly Net Income	0.00	0.00	0.00	1,860,366.88	1,860,366.88
Figures on 30 September 2011	**1,790,000.00**	**14,100,951.73**	**31,095.02**	**9,529,134.48**	**25,451,181.23**
Net Income from 1 October until 31 December 2011	0.00	0.00	0.00	2,703,887.23	2,703,887.23
Stock Option Program	0.00	76,118.00	0.00	0.00	76,118.00
Figures on 31 December 2011	**1,790,000.00**	**14,177,069.73**	**31,095.02**	**12,233,021.71**	**28,231,186.46**
Stock Option Program	0.00	139,816.00	0.00	0.00	139,816.00
Dividend Payments	0.00	0.00	0.00	(895,000.00)	(895,000.00)
Net income for the period	0.00	0.00	0.00	1,794,221.69	1,794,221.69
Figures on 30 September 2012	**1,790,000.00**	**14,316,885.73**	**31,095.02**	**13,132,243.40**	**29,270,224.15**

Consolidated Cash Flow Statement on 30 September 2012

Cash Flows from Operating Business

EUR K	30.9.2012 (not audited)	30.9.2011 (not audited)
Cash Flows from Operating Business		
Consolidated Results for the Period	1,794	1,860
Income Taxes Affecting Results	674	894
Stock Option Program (non-cash expenses)	140	154
Correction in Tax Expenditure	0	0
Interest Income/Expenditure Affecting Results	21	56
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment	(9)	(3)
Reversals of Deferred Public Sector Subsidies	(56)	(48)
Write-Downs Recognized for Receivables	0	2
Write-Ups Recognized for Receivables	(30)	(239)
Amortization/Depreciation	1,493	1,397
	4,027	**4,073**
Changes in Net Current Assets		
Changes in Trade Accounts Receivable and Other Receivables	1,006	6,925
Changes in Trade Accounts Payable and Other Liabilities	(1,414)	(1,873)
Changes in Initial Payments Received	398	(3,857)
Changes in Provisions Affecting Results	1,035	50
Influx of Cash from Operating Business	**5,052**	**5,318**
Interest Payments Received	68	67
Interest Paid	(176)	(202)
Income Taxes Paid	(1,322)	(1,077)
Net Cash Flow Provided by Operating Business	**3,622**	**4,106**
Cash Flows from Investment Activities		
Payments for Property, Plant and Equipment and Non-Current Assets	(1,300)	(1,938)
Proceeds from disposals of fixed assets	9	3
Investment Subsidies Used	12	44
Disbursed Loans	(196)	(181)
Net Outflow of Cash and Cash Equivalents from Investment Activities (Transfer)	**(1,475)**	**(2,072)**

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

EUR K	30.9.2012 (not audited)	30.9.2011 (not audited)
Transfer (Net Outflow of Cash and Cash Equivalents from Investment Activities)	**(1,475)**	**(2,072)**
Cash Flows from Financing Activities		
Dividend Payments	(895)	(895)
Incoming Payments from Allocations of Equity Capital	0	0
Loans Taken Out	92	0
Repayment Installments for Loans	(3,804)	(555)
Net Income in Cash and Cash Equivalents from Financing Activities	**(4,607)**	(1,450)
Net Income in Cash and Cash Equivalents	**(2,460)**	**584**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	13,859	13,442
Impact of Changes in Exchanges Rates on Cash and Cash Equivalents	3	3
Cash and Cash Equivalents on the Reporting Date	**11,402**	**14,029**

EUR 10.5 K were pledged as security as part of a leasing contract for business accommodation for the Berlin branch and Cologne branch of GK SOFTWARE AG.

Notes on the Consolidated Accounts on 30 September 2012

Principles of Reporting

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 company managers assume that the effects on the annual accounts during the year that they first apply will not be major. The International Accounting Standards Board (IASB) did not publish any new accounting standards, which need to be applied for the first time in the current fiscal 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 2011, unless any different procedure is mentioned here.

2. Consolidated Companies

The interim consolidated accounts include GK SOFTWARE AG and all the companies, where GK SOFTWARE AG has a majority holding of voting rights among the shareholders.

The consolidated companies not only include the parent company, but also two other German companies (SQ IT-Services GmbH and 1. Waldstraße GmbH, both based in Schöneck/V.) and three foreign companies (EUROSOFTWARE s.r.o., Plzen/Czech Republic, OOO GK Software RUS/Moskow, StoreWeaver GmbH, Riehen/Switzerland with a German branch at St. Ingbert).

3. Sales Revenue

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

No sales 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 736K euros were achieved during the reporting period for sales, which are recognized according to IAS 18.27.

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

We would refer you to Section 5 “Segment reporting” for a summary of the main categories of revenues. Guarantee provisions amounting to 1,400K euros have been formed for these revenues.

4. 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 1,790,000 in the reporting period 1,790,000 on 30 September 2011). The group’s net income in the reporting period amounted to EUR 1,794 K. Hence earnings per share were 1.00 Euro (1.04 Euro on 30 September 2011). The results in the first quarter have been diluted to EUR 1.00 per share through the stock option program.

5. Segment Reporting

The structure of the segment reporting has not changed since the consolidated annual accounts were published. The group continues to offer its GK/Retail and SQRS products and services associated with them. 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:

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.

	GK/Retail			SQRS			Eliminations			Group		
EUR K	9M 2012	9M 2011	FY 2011	9M 2012	9M 2011	FY 2011	9M 2012	9M 2011	FY 2011	9M 2012	9M 2011	FY 2011
Sales with third parties	**20,926**	**18,570**	**29,426**	**1,470**	**1,686**	**2,327**	**–**	**–**	**–**	**22,396**	**20,256**	**31,753**
Licenses	3,366	1,751	8,295	–	–	–	–	–	–	3,366	1,751	8,295
Maintenance work	5,373	4,744	7,201	1,110	1,163	1,545	–	–	–	6,483	5,907	8,746
Services	12,004	11,921	13,707	356	505	761	–	–	–	12,360	12,426	14,468
Other departments	198	172	251	4	18	21	–	–	–	202	190	272
Sales deductions	(15)	(18)	(28)	–	–	–	–	–	–	(15)	(18)	(28)
Sales with the other segment	**965**	**1,531**	**1,950**	**–**	**–**	**–**	**(965)**	**(1,531)**	**(1,950)**	**–**	**–**	**–**
Segment EBIT	**2,279**	**2,974**	**6,686**	**210**	**(165)**	**(33)**	**–**	**–**	**–**	**2,489**	**2,809**	**6,653**
Assets	**38,713**	**39,546**	**43,347**	**2,460**	**2,384**	**2,139**	**(769)**	**(2,127)**	**(2,011)**	**40,404**	**39,802**	**43,475**
Cash and cash equivalents	**9,758**	**12,947**	**12,760**	**1,644**	**1,083**	**1,099**	**–**	**–**	**–**	**11,402**	**14,030**	**13,859**

Sales with customers, which have their headquarters outside Germany, amounted to EUR 708 K during the reporting period. Sales of EUR 1,151 K were achieved with customers, whose share of the sales exceeds 10% of the total sales during the reporting period. These sales came from the GK/Retail segment.

6. Major events

There are no major events to report after 30 September 2012.

7. Approval of the brief interim accounts

The brief interim accounts were approved by the company managers at a meeting held on 27 November 2012 and were released for publication.

Schöneck, November 2012

The Management Board

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

Imprint/Notes

Imprint

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Notes

Note to the Report

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

Note regarding the rounding of figures

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

Disclaimer

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

Financial Calendar

2013 Annual Report	26 April 2013
Q1 Interim Report for 2013	29 May 2013
Annual Shareholders' Meeting in 2013	18 June 2013
H1 Interim Report for 2013	28 August 2013
9M Interim Report for 2013	27 November 2013

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