Interim Report

H1 2010

GK SOFTWARE

Summary of Consolidated Results

	30.6.2010	30.6.2009	31.12.2009
Sales (K EUR)	12,470	8,536	23,277
Total operating revenue (K EUR)	12,812	8,978	23,471
Operating performance (K EUR)	13,226	9,262	24,297
EBIT (K EUR)	2,471	1,081	4,890
EBIT margin (on sales)	19.8%	12.7%	21.0%
EBIT margin (on total operating revenue)	18.7%	11.7%	20.1%
EBT (K EUR)	2,399	1,214	5,033
Annual net income (K EUR)	1,630	860	3,517
Earnings per share (weighted) (EUR)	0.98	0.52	2.11
Equity ratio	43.9%	47.3%	47.8%
Net debt (K EUR)	-1,703	-7,685	-3,934

Contents

Ronald Scholz
COO

Rainer Gläß
CEO

André Hergert
CFO

Stephan Kronmüller
CTO

To the Shareholders

Letter from the Management Board

Dear shareholders,

The first six months of 2010 continued the success story of fiscal 2009 without any interruption. We were once again able to significantly surpass the figures for the previous year in all major areas. Sales rose by 46% to 12.47 million euros. Alongside this, operating performance increased by almost 43% to a figure of 12.81 million euros. In contrast to the same period in the previous year, which was negatively affected by the takeover of Solquest, the company was able to more than double its EBIT (earnings before interest and taxes). This figure was 1.08 million euros for the first six months of 2009 and reached 2.47 million euros on 30 June 2010. This corresponds to an EBIT margin related to sales of 19.8%. Two major factors were responsible for these outstanding results: the company was able to obtain new customers and managed to pass important milestones in current projects.

As far as obtaining new customers was concerned, the company was able to conclude several important deals during the first six months of the year. The largest project was the order from the X5 Retail Group to equip approx. 1,500 stores belonging to the leading Russian retailer. Preparations are already being made to rollout the software in the stores. The company was able to win another project outside Germany in the shape of MPREIS. It operates high-quality food retail outlets at 180 locations in Austria and Italy. We have also been equipping approx. 140 bistros/cafes belonging to Baguette Bistro-Betriebs GmbH – which is also an Austrian firm – and this has enabled the company to enter the retail sector for bakers, which is a new sector.

The order placed by Ludwig Beck AG also means that we have been able to adapt the standard software to a sector, where we have not been active in the past. Wide-ranging fashion functions are particularly important for the operator of one of the leading fashion stores in Germany. As a result, the relevant business processes in GK/Retail are being expanding and the emphasis on fashion has been significantly boosted.

The decision made by Hornbach-Baumarkt-AG, one of the leading European operators of home improvement and garden stores, to equip all its business locations with GK/Retail in the future was also very important for us in the first six months of 2010. Hornbach placed an order with GK SOFTWARE AG[1] at the end of 2008 to provide a complete pilot installation with all the special features required for home improvement stores. The wide-ranging project was completed within less than a year. Following an intensive test phase, which started in the fall of 2009, Hornbach-Baumarkt-AG decided to introduce the software to all its markets in nine countries in the spring.

We were able to pass other important milestones in processing ongoing projects during the first six months of 2010. Pilot markets were opened, for instance, in China and Bosnia and rollouts in other different project were either launched or prepared. In addition, work has been progressing at full speed on developments for the EDEKA Lunar Project, which is being jointly managed with SAP. The project is running according to plan and all the milestones have been reached in good time.

An important minor release was issued by the product development department during the reporting period and this includes many new functions, particularly for the fashion, bakery and bistro businesses. This once again shows that the development of our standard product is being driven forwards, not just by the roadmap, but also by new projects. As a result, these new functions are then available as standard features for other projects too.

The most important development in the area of cooperation arrangements during the first half of 2010 was the expansion of the reseller agreement with SAP. As a result of this, SAP has begun to

1 Whenever the term GK SOFTWARE is used, it refers to the consolidated group. The same applies to the term "the company." When GK SOFTWARE AG is used, it refers exclusively to the single company.

directly sell our POS software. Shortly after the agreement had been signed, SAP was able to conclude an agreement with EDEKA, which opens up more potential for further business and demonstrates that this partnership is flourishing and has rapidly produced concrete results for us.

One major element, which significantly affected the development of our share price, was the release of 180,000 shares for institutional investors. This reallocation enabled the proportion of shares in free float to rise from 24.01% to 34.82%. But this was not the only factor driving our company's share price higher during the first six months of 2010. It rose from 34.40 euros at the start of the year to 53.60 euros on 30 June 2010. This means a growth rate of 56% within the reporting period. The price on 18 August 2010 was 52.48 euros.

The 2010 annual shareholders' meeting confirmed the course being pursued by the Management Board and the Supervisory Board with overwhelming support. All the proposals made by the company managers were passed unanimously and without any abstentions.

As far as the remainder of 2010 is concerned, we are standing by our forecast and are expecting the positive corporate development to continue; we are anticipating further growth in sales with an appropriate level of profitability. We are involved in detailed negotiations with potential customers both within Germany and abroad and will continue to develop all our projects according to plan. We are also assuming that sales will rise by a double digit figure if the course of business proceeds in a positive way during 2010; if business develops in a highly favorable manner, we continue to believe that the increase in sales for the whole year could reach 20%. We are anticipating profitability levels to remain somewhere in the region of an EBIT margin of approx. 18.5% related to sales. But this forecast continues to be subject to the provision that no extraordinary events occur, which would lead to any disruption of the overall economy or the retail sector.

Regardless of whether the economy continues to recover or another phase of stagnation starts, we remain confident that business processes at GK SOFTWARE AG will continue to be a success story during 2010.

We are delighted to know that you are accompanying GK SOFTWARE AG along its pathway of growth and we would like to thank you for placing your confidence in us.

The Management Board

Rainer Gläß
(CEO)

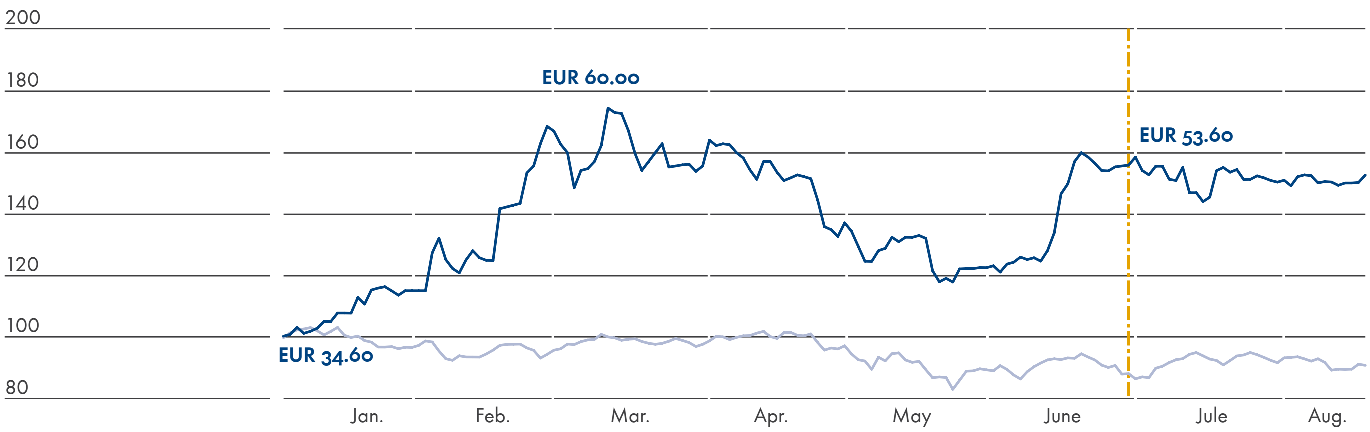
Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

GK SOFTWARE AG Shares

Development of GK SOFTWARE shares in comparison to the TecDax
from 4 January 2010 until 18 August 2010, indexed, in percent



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	1,665,000
Share capital	EUR 1,665,000
Free float	34.82 %
Highest price in 2009	EUR 60.00 (11.3.2010)
Lowest price in 2009	EUR 34.60 (4.1.2010)

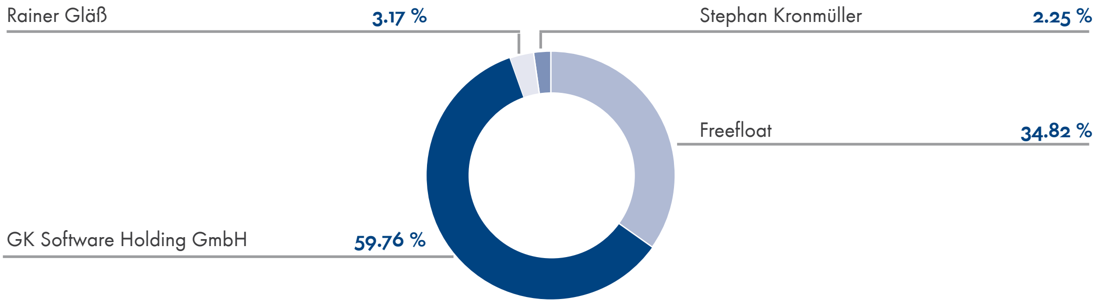
Summary/Share Performance

GK SOFTWARE AG shares, which are listed on the Prime Standard segment of the Frankfurt Stock Exchange, were able to continue their upward trend during the first half of 2010, after their value had almost tripled during fiscal 2009. The shares were worth 34.40 euros at the beginning of January and reached their all-time high (near 60 euros) on 11 March. The shares were priced at 53.60 euros at the end of the reporting period on 30 June 2010. With a growth rate of 56% during the reporting period, the share price developed very differently from the Tecdax, for example, which finished the period more than ten percent below its value at the start of the year. As a result, market capitalization at GK SOFTWARE AG at the end of the reporting period amounted to approx. 89 million euros.

Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which allows the company to pursue sustainable, longterm growth. As GK Software Holding GmbH sold 180,000 shares at a price of 50 euros each on 17 March 2010, the structure of shareholders on the reporting date of 30 June 2010 was as follows: The founder and CEO Rainer Gläß directly held 3.17% of the shares. Stephan Kronmüller, also a company founder and the CTO on the Management Board, directly held 2.25% of the shares. 59,76% of the shares were owned by

Shareholder Structure
of GK SOFTWARE AG on 30 June 2010



GK Software Holding GmbH, which was indirectly equally shared by the company partners Rainer Gläß and Stephan Kronmüller. This meant that 34,82% of the shares were in free float on 30 June 2010.

The company was informed about the following stockholdings in GK SOFTWARE AG, which exceed the threshold level of 3%:

- Universal-Investment-Gesellschaft mbH, Frankfurt am Main, 3.015% (on 26 June 2009)
- Deutsche Asset Management Investmentgesellschaft mbH, Frankfurt am Main, 3.152% (on 22 March 2010)

Directors Dealings first half-year 2010

Ronald Scholz, Management Board
Purchase: 10 May 2010
8,000 shares at a price of 43.00 euros each

Investor Relations

GK SOFTWARE AG deliberately opted to have its shares listed on the most strictly regulated sector of the Deutsche Börse, the Prime Standard, for its IPO in the summer of 2008. From the outset, the highest levels of transparency towards its investors and all the other capital market participants have been some of the most important principles at the company.

André Hergert, the CFO, is responsible for the investor relations business and he has his own department that reports to him. This guarantees that any enquiries from investors and potential investors are answered immediately.

GK SOFTWARE AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this means drawing up quarterly, half-yearly and annual business reports in German and English, publishing a financial calendar and promptly publishing ad-hoc reports and corporate news items. The accounting system has been adapted to the international IFRS accounting standards and this meets investors' needs for information. As in previous years, GK SOFTWARE AG is also planning to hold its annual analyst conference during the Frankfurt Equity Capital Forum. Investor and press road shows also take place at regular intervals so that the company remains in permanent contact with the capital markets.

Consolidated Interim Report

Business Report

Business and General Conditions at GK SOFTWARE

Corporate Structures and Shareholdings

- Five business locations in Europe and sales branches in the USA and Great Britain

GK SOFTWARE AG and its predecessor, G&K Datensysteme GmbH, have been operating in the market place for almost twenty years now. G&K Datensysteme GmbH was founded by Rainer Gläß and Stephan Kronmüller in 1990 and this then became GK SOFTWARE AG in 2001. The company's IPO took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008. GK SOFTWARE AG is one of the world's leading technology companies for software for the retail sector with a special focus on solutions for companies with local stores.

The company's headquarters has been located in Schöneck/Vogtland since it was founded. The company has its product development department, project management and third-level support facilities at this base in addition to administration services. SQ IT-Services is also based at this location. It was founded in 2009 to handle the takeover and integration of Solquest GmbH. Schöneck is also home to 1. Waldstraße GmbH which was set up in preparation for the launch of new business activities and is also a 100% subsidiary of GK SOFTWARE AG. GK SOFTWARE AG has a branch at Checkpoint Charlie in Berlin, which primarily manages marketing, sales and partner activities.

The group's second largest business location has been located in Plzen in the Czech Republic for more than ten years. Software production and research & development are carried out at the 100% subsidiary, EUROSOFTWARE s.r.o. Major work on programming and technological further developments for the solutions provided by GK SOFTWARE AG take place at the Plzen base.

GK SOFTWARE AG has another 100% subsidiary in Switzerland in the shape of StoreWeaver GmbH. This company has a German base in the state of Saarland in St. Ingbert. StoreWeaver GmbH is responsible for the ongoing conceptual development of the StoreWeaver product group and also looks after former customers of Solquest GmbH.

GK Soft GmbH – also a 100% subsidiary – is also based in Zurich; this company was set up in order to handle the Swiss service business.

Sales branches were opened in the USA and Great Britain in 2009.

The GK SOFTWARE AG Management Board includes the two company founders, Rainer Gläß (CEO) and Stephan Kronmüller (CTO). The other members of the Management Board are Ronald Scholz (COO) and André Hergert (CFO).

Group structure
at GK SOFTWARE AG

The three-man Supervisory Board at GK SOFTWARE AG is led by the chairman, Uwe Ludwig. He has been a member of the Supervisory Board since 2001. The deputy chairman Heinrich Sprenger has also been a member of the committee since 2001. Thomas Bleier has been a member of the Supervisory Board since 2003.

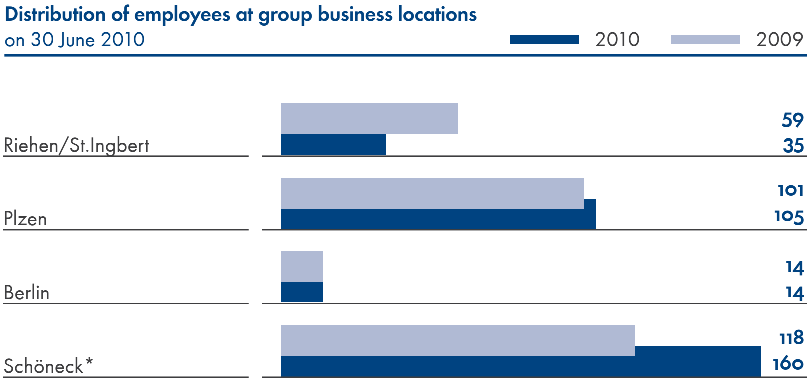
Human Resources

- Moderate growth in personnel to a figure of 314 employees
- Further expansion of company headquarters in Schöneck
- Trainee and further training programs for members of staff

314 employees were employed within the group at the reporting date on 30 June 2010. This means that 20 more members of staff were employed in comparison with the same reporting date in the previous year (294). The growth rate is therefore 6.8%. In general terms, the corporate expansion in human resources slowed after growth levels in 2009 had reached almost 40%. However, the company will continue to deliberately strengthen its human resources and particularly expand the project management, software development and support departments.

The majority of the group's members of staff are employed at the Schöneck business location (159 – compared to a figure of 118 on the reporting date in the previous year). A modern extension to the company's premises was opened this year to cater for the disproportionate growth in the number of members of staff based at this site. The Berlin branch continues to employ 14 people, the same figure as on the reporting date in the previous year. Just 1 member of staff was employed at SQ IT-Services GmbH on the reporting date; this company was set up when Solquest was taken over.

Distribution of employees at group business locations
on 30 June 2010



*Including the one employee of the SQ IT-Services GmbH.

The Czech subsidiary EUROSOFTWARE s.r.o. in Plzen had 105 employees (101 in the previous year) on the reporting date. 35 people are employed at the two business locations in Basel/Riehen (CH) and St. Ingbert (previous year's figure: 59).

The company has opened its own sales offices in Great Britain and the USA as part of the expansion of its international sales operations and one person was employed at each location.

The Management Board believes that the number of employees will continue to grow at a moderate pace in the future.

Huge investments have been made in training and developing employees for years in order to be able to control and boost sales growth at GK SOFTWARE AG from a human resources point of view too. The successful one-year trainee program to deliberately establish qualified members of staff has been continued. Five young people were taking part in this course at the reporting date on 30 June 2010. The program is designed to offer places for five to seven participants on average each year. Four trainees are also currently employed at GK SOFTWARE AG.

The range of solutions provided by GK SOFTWARE

- Comprehensive solutions for stores and enterprise headquarters for the retail sector
- StoreWeaver platform for store integration and device control
- The new store merchandise management software package is opening up additional potential

The various GK SOFTWARE products are brought together in the GK/Retail suite. All the software solutions can also be used in isolation. They are completely based on Java and open standards and can operate with various kinds of hardware and operating systems.

Store Solutions

GK/Retail Store Solutions provide solutions that are for use in retail sector stores. They are designed to provide all the business processes at tills, shelves, in warehouses or in the back office department in the best possible way. Store Solutions are harmonized with each other and can be either be fully or separately used at customer premises. The following solutions form part of this product line:

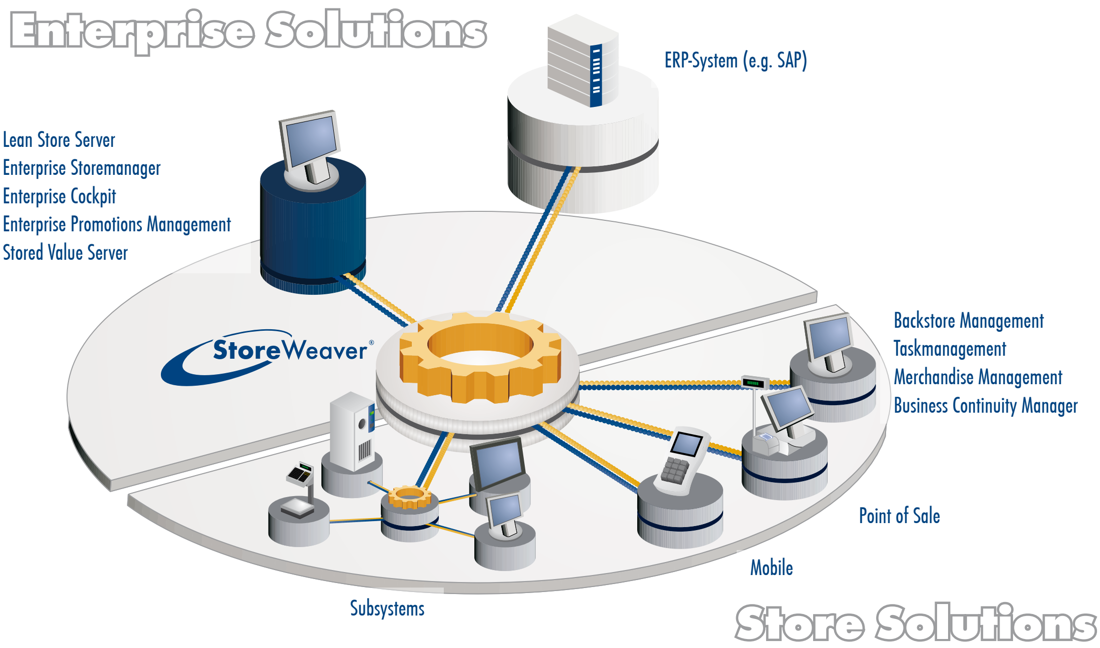
- **GK/Retail POS** is the market-leading solution for operating till systems. The application guarantees secure handling for all business processes at tills (POS = point of sale) and provides extensive back office functions for managing money, store administration or reporting purposes.
- **GK/Retail Mobile** is used on standard mobile units and allows members of staff in a store to go about their business quickly within the store, at shelves or in the stores. GK/Retail Mobile is the technical platform for other solutions in the GK/Retail suite like merchandise management or task management and allows business processes to be implemented right next to the goods. As a result, members of staff have permanent access to important information like prices and the availability of goods. The units respond to background systems at high speed using Wi-Fi, but they also operate offline.
- **GK/Retail Taskmanagement** ensures that information can be automatically distributed simultaneously and in a controlled fashion, e.g. regarding recalls of items, corporate-wide announcements or other information. The module, which has been specially designed for the needs of companies with many stores, allows a very fast and end-to-end flow of information and can also be used on mobile units.
- **GK/Retail Merchandise Management** makes merchandise management processes available in stores. It is the ideal supplement to a leading central system (e.g. SAP) and ensures that the information on inventories at stores is always available in real time. Important business processes like orders, inventories, price labels or stock reports can be handled in stores when this software is used.

Enterprise Solutions

GK/Retail Enterprise Solutions provide software, which enables enterprise headquarters to manage and monitor complex store structures. They are based on the unified architecture of GK/Retail and harmonize both with the solutions, which are designed for used in stores, and also with StoreWeaver. Enterprise Solutions can be fully integrated with Store Solutions or be used separately.

The following software solutions form part of Enterprise Solutions:

- The **GK/Retail Lean Store Server** allows all the back office servers to be centralized. This means that an important part of the IT systems can be moved out of the stores to enterprise headquarters. This opens up considerable potential for store-based corporations, as they can use more powerful servers, for example, and servicing and maintenance costs can be significantly reduced. GK SOFTWARE AG is the world's leading company for the



centralization of background systems for store-based corporations.

- **GK/Retail Enterprise Storemanager** is the market leading software, which provides administration and technical monitoring facilities for major store networks, which may operate in different countries. The software allows corporations to manage and monitor thousands of stores in many countries and is an important unique selling feature of the GK/Retail suite.
- **GK/Retail Enterprise Cockpit** provides managers with a very fast summary of technical and specialist key performance indicators. This means that technical breakdowns in stores are recognized immediately and sales data (e.g. volumes of sales) can be evaluated in real time. This solution provides corporate-wide transparency with regard to the status of systems in stores and supplies central business management data.
- **GK/Retail Enterprise Promotions Management** is a complete solution for designing, carrying out and managing corporate-wide promotions and special offers. It can be used, among other things, to manage discounts on customer card systems or the acceptance of many kinds of coupons at tills.
- **GK/Retail Stored Value Server** guarantees secure, corporate-wide administration services for all the gift cards that have been issued. It provides a central database for supplying all the gift card information within the complete corporation and also handles all the processes related to electronic gift cards.
- **GK/Retail Digital Content Management** is the central software solution for distributing multimedia content to various output devices within the complete corporation. This means that photos, slide shows or videos can be distributed to the relevant systems within the company. The system also allows pure text messages to be sent (e.g. for electronic shelf labels).

The SQRS Software Package

When the company took over the assets of the former company Solquest GmbH, it also took over its software package – Solquest Retail Solutions (SQRS), which is being used by eight customers at approx. 10,000 installations. The particular high-performance features of the software lie in the fields of SAP integration and its mobile solutions. The SQRS software will no longer be sold in the future in order to keep a tight grip on the group's product portfolio. The relevant expertise of the members of staff will be used in GK/Retail and the StoreWeaver software and will reinforce the product standards at GK SOFTWARE in the long term. However, existing customers are permanently making demands, which are being handled by StoreWeaver GmbH. Alongside this, a migration path for the medium term will be developed in order to provide a long-term perspective for the customers of the former company, Solquest GmbH.

StoreWeaver

The StoreWeaver portfolio completes the GK/Retail suite in the areas of store integration and device controls. The primary function consists of downloading and uploading current data to or from various store systems (e.g. scales and tills). StoreWeaver also guarantees that data is uploaded and fed on to central systems.
If the StoreWeaver system is used as the universal data hub and interface to ERP systems (e.g. SAP), it is possible to establish various links and communications to different software and hardware systems (automatic empties machines,

scales, tills, mobile terminals etc). But there is only one interface within a store, which handles all the communications. Complex network problems cannot occur at all. Mechanisms like transaction security, central monitoring, automation and configurability guarantee that both small and large networks of stores operate very smoothly.

Merchandise Management

GK SOFTWARE AG is moving into a new market area with its store merchandise management software, where it has not been present before. The lion's share of retailers put their faith in central ERP systems (e.g. SAP). But any networking of stores with the central systems has frequently been inadequate in the past. GK SOFTWARE is in a position to establish this link by means of its infrastructure solutions and guarantee that store merchandise management processes are directly linked to the central ERP system. By using mobile units, it is possible to introduce the processes to the store floor, shelves or the warehouse facilities. This expertise that GK SOFTWARE provides is one major reason for the partnership with SAP AG in the EDEKA Lunar project.

Services

GK SOFTWARE AG not only provides products, but also extensive services. For example, they include analysis and advisory services when implementing new store solutions or adapting solutions that have already been introduced to the expanded demands of customers, like the integration of new bonus systems in till systems. The company also assumes responsibility for producing the documentation within projects and training people to handle the software products and providing the relevant project management services.

Another major feature includes the provision of maintenance and support services, the rollout and having engineers on standby.

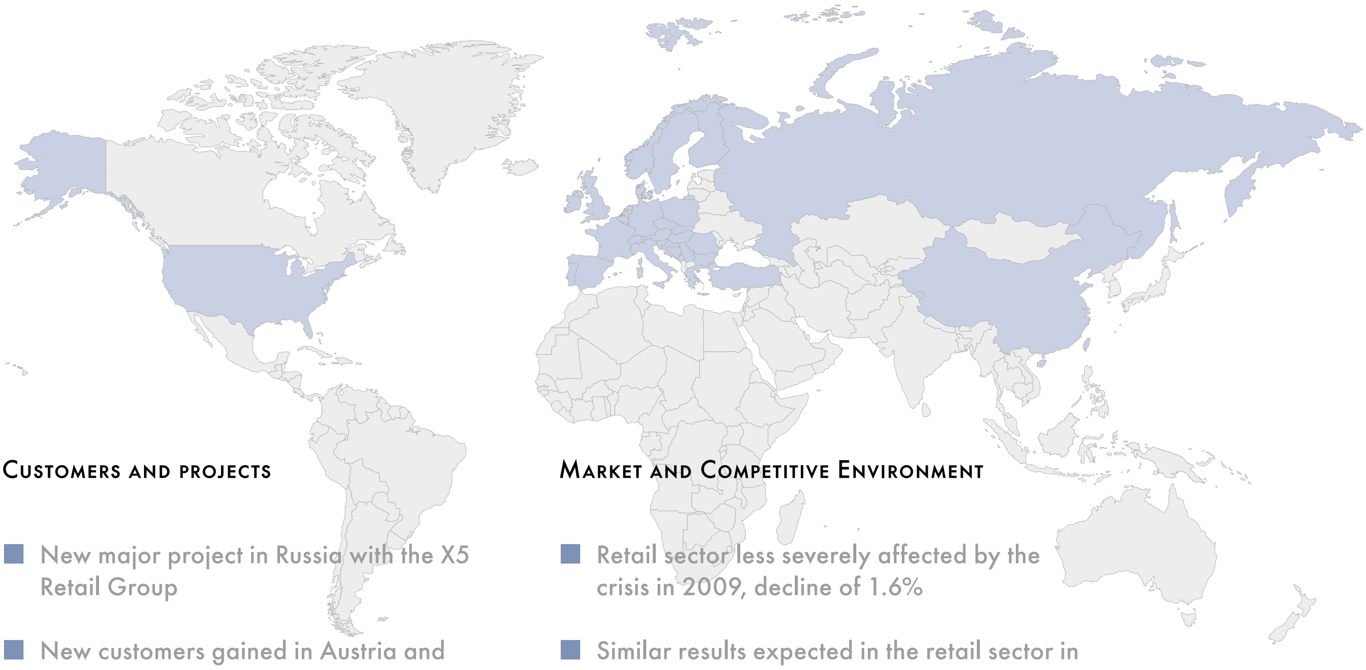
Sustainability

GK SOFTWARE launched its "Green Store Initiative" at the end of 2009; its aim is to reduce energy consumption in retail stores in the long term. The solutions provided by GK SOFTWARE are geared for particularly efficient and energy-saving behavior without neglecting the security requirements of critical business systems in the retail sector.

Research and Development

- Research and development as a strategic factor in the face of competitors
- Constant expansion of investments in F&E guarantees the company's position as a leading innovator
- Developing new software solutions as part of a partnership relationship with SAP

The ongoing developing of existing products and the development of new software solutions have been the corporate group´s major focus during the past few fiscal years and they will continue to be a strategic competitive factor in the future too. This is reflected in the continuing growth in the number of employees in this department. The main part of the research and development department is based at the EUROSOFTWARE s.r.o. subsidiary in Plzen. Here, 15 software developers alone are working to exclusively grapple with the latest trends in the software market in order to develop new, ground-breaking products from these. Other impulses for research work come from company managers, sales & marketing, partners and directly from GK SOFTWARE AG's customers.



Customers and projects

- New major project in Russia with the X5 Retail Group
- New customers gained in Austria and Germany
- Projects in new trading sectors with bakeries and fashion stores

Most of GK SOFTWARE's customers continue to come from the retail sector. The market sectors where the company is active are primarily the food retail sector, drugstores & household goods, fashion & lifestyle or technology & cars. The company provides pre-configured solutions for cash & carry, department stores, discount/food stores, specialist retails and cell phone shops, which are customized to meet the needs of these segments. The products and services are geared for corporations of various sizes.

Important new projects in the first half-year 2010 – a summary:

- X5 Retail Group (equipping approx. 1,500 stores in Russia)
- MPREIS (equipping approx. 180 supermarkets in Austria and Italy)
- Baguette Bistro-Betriebs GmbH (equipping approx.140 cafés/bistros)
- Ludwig Beck AG (equipping the main retail center and seven other stores)
- Hornbach (equipping all 131 markets in nine countries)

All the projects are being completed according to plan.

Market and Competitive Environment

- Retail sector less severely affected by the crisis in 2009, decline of 1.6%
- Similar results expected in the retail sector in 2010 as in the previous year
- Impossible to make a certain forecast for the course of business in 2010 at this stage

Business developments at GK SOFTWARE AG are largely dictated by the economic situation in the retail sector in Germany and Europe. The retail sector in Germany registered significant falls in sales for the first time in 2009, following five years of growth. The nominal decline was 1.6% (1.9% in real terms), but this was far better than the overall economy. Sales in the retail sector in Germany in 2009 amounted to 392.1 billion euros (398.6 billion euros in the previous year).

The first six months of 2010 did not provide any sustainable turnaround for the German retail sector. It is true that sales did rise by a nominal figure of 0.5%, but in real terms, they remained 0.4% below the figure for the previous year. This matches the forecast made by the German Retail Federation, which assumes that sales in the retail sector in Germany will remain at the previous year's levels for the full year in 2010, but will fall by 0.5 percent in real terms.[1]

An end to the downward trend in the retail sector – this has already taken place in individual regions like Hessen[2] – could send positive signals about companies' readiness to invest. Several studies point in this direction – for instance, the CIO survey carried out by Martec International, which is forecasting increased budgets. The 2010

1 http://www.ehvruhrlippe.einzelhandel.de/pb/site/hde/node/1113524/Lde/index.html

2 http://www.welt.de/die-welt/regionales/article9045395/Einzelhandel-verbucht-Plus-von-drei-Prozent.html

report by the German Association of Chambers of Industry and Commerce (DIHK) also presents a similar trend and this is reflected in the 2010 study published by the EuroHandelsInstitut.

The data for the European retail sector is moving in the same direction as the figures for Germany. Sales in the eurozone rose by 0.4% in June and by 0.6% in the whole of the EU[1]. But retail sales in the USA fell in the second quarter – this trend was particularly driven by a fall in demand for cars[2].

As far as GK SOFTWARE AG's business is concerned, these developments mean that we can base our predictions on a relatively stable market environment; the downwards trend of last year has been halted, but it has not yet turned the corner to become a recovery. So we are expecting the readiness to invest on the part of the retail sector to remain suppressed, but it could improve if economic developments in the retail sector pick up.

The fundamental experience, according to which not only growth phases, but economic downturns also present GK SOFTWARE with opportunities, has been clearly demonstrated once again. Retailers invest in issues like customer loyalty and process optimization during such phases. Any jumpstart in the economy could create a situation where companies start to reduce the investment backlog that still exists. This is also linked to the age of IT solutions that are being used in the retail sector – on average systems are six years old, but one fifth of the systems are even more than ten years old. GK SOFTWARE AG therefore assumes that the short-term or medium-term investments in new systems provide it with sales potential in Germany too.

The company has also further increased its sales potential by expanding its sales activities to the USA, Great Britain and Russia and as a result of additional enquiries from markets that are not actively being processed. As the global economy recovers, foreign retailers, some of which have been more severely affected by the financial crisis, will start to invest in their IT systems again. GK SOFTWARE is currently in a good position in several ongoing bids for tenders in Germany and abroad and has significant advantages over its rivals because of its broad product portfolio, the internationality of its software solutions and its proven ability to implement projects quickly.

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1 http://www.salzburg.com/online/nachrichten/wirtschaft/Einzelhandel-in-der-EU-im-Juni-leicht-im-Plus.html?article=eGMmOI8V5Amb6hxpJcvA9ByrPk1k7jipQxolhRf&img=&text=&mode=

2 http://www.dowjones.de/site/2010/07/useinzelhandelsumsatz-geht-im-juni-st%C3%A4rker-als-erwartet-zur%C3%BCck.html

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

Earnings Situation

- Successful first six months of the year: Sales above 12 million euros; net income for the period of 1.63 million euros
- Sales rose by more than 46%
- EBIT margin on operating revenues: 18.7%

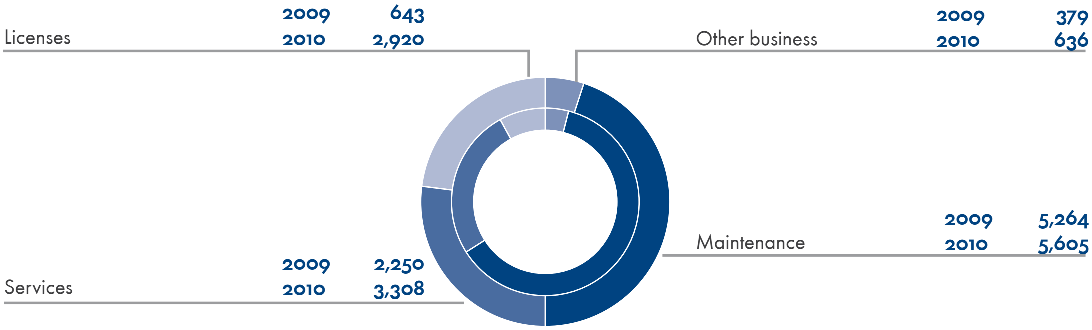
GK SOFTWARE AG and the companies within the group have successfully launched out into fiscal 2010 and are continuing to follow the gratifying trend of the past few years.

It was possible to increase sales by almost 50% from 8.54 million euros to 12.47 million euros, compared to the same period in the previous year. At the same time, the level of profitability, which suffered through the takeover of Solquest GmbH, improved significantly. Following earnings before interest and taxes (EBIT) of 1.08 million euros in the same period in the previous year, the company was able to register EBIT figures of 2.47 million. This figure means that the EBIT margin is 18.7% related to total operating revenue and compares very favorably with the previous year's figure of 11.7%. As a result, the net income for the first half of 2010 rose to 1.63 million euros following a figure of 0.86 million euros in the previous year; as a result, the earnings per share rose from 0.52 euros to 0.98 euros.

The increase in total sales of 3.93 million euros is therefore based on organic growth in the company's core business with GK/Retail software of more than 31% (+ 2.55 million euros) and a one-off contribution of 1.39 million euros, which was due to the consolidation of the SQRS business. While it was only possible to include one month of sales in June in the previous year for the SQRS business (amounting to 0.37 million euros), which accrued on the basis of the acquisition of the operating business of Solquest GmbH at the

K EUR	H1 2010		H1 2009		Change		Business Year 2009	
Sales with								
GK/Retail	10,711	85.9%	8,163	95.6%	2,548	31.2%	21,372	91.8%
SQRS	1,758	14.1%	373	4.4%	1,385	371.3%	1,905	8.2%
Total	**12,469**	**100.0%**	**8,536**	**100.0%**	**3,933**	**46.1%**	**23,277**	**100.0%**
Licences	**2,920**	**23.4%**	**643**	**7.5%**	**2,277**	**354.1%**	**6,756**	**29.0%**
of which								
GK/Retail	2,639	21.2%	643	7.5%	1,996	310.4%	6,598	28.3%
SQRS	281	2.3%	–	0.0%	281	–	158	0.7%
Maintenance	**3,308**	**26.5%**	**2,250**	**26.4%**	**1,058**	**47.0%**	**5,697**	**24.5%**
of which								
GK/Retail	2,539	20.4%	2,083	24.4%	456	21.9%	4,839	20.8%
SQRS	769	6.2%	167	2.0%	602	360.5%	858	3.7%
Services	**5,605**	**45.0%**	**5,264**	**61.7%**	**341**	**6.5%**	**10,006**	**43.0%**
of which								
GK/Retail	4,951	39.7%	5,058	59.3%	-107	-2.1%	9,196	39.5%
SQRS	654	5.2%	206	2.4%	448	217.5%	810	3.5%
Other business	**636**	**5.1%**	**379**	**4.4%**	**257**	**67.8%**	**831**	**3.6%**
of which								
GK/Retail	582	4.7%	379	4.4%	203	53.6%	752	3.2%
SQRS	54	0.4%	–	0.0%	54	–	79	0.3%

Development of sales distribution (half-year results)
between 2009 and 2010 in K EUR



end of May 2009, sales of 1.76 million euros have been incorporated in the group's sales for 2010 during the complete reporting period. As a result of the change in the reference period, the weighting of the SQRS business increased from an 8.2% share of total sales to 14.1% when compared to the previous business year.

If sales are analyzed according to the type of work involved, the services business for introducing (customizing) and adapting (change requests) software continues to account for the largest proportion (45%) of the total sales at 5.61 million euros. SQRS accounts for 6.2% of total sales.

Maintenance sales account for the second largest share of sales. They amounted to 3.31 million euros during the reporting period and exceeded the previous year's figure by 1.06 million euros, 0.60 million euros of which is due to the special effect created by SQRS. The growth level in the core business sector of almost 32% is clearly due to the constantly expanding number of locations where GK/Retail software is being installed.

With revenues of 2.92 million euros during the reporting period, the licensing department grew most strongly compared to the same period in the previous year. The increase in sales of 2.00 million euros is due to the scheduled development of projects started in 2009. The small figure provided by the SQRS department of 0.28 million euros is the result of relicensing arrangements with existing customers.

Other sales revenues, which were mainly the result of purchasing hardware on behalf of customers, account for just over 5.1% of total sales, following a share of just over 3% for the complete previous year.

If we look at the development of total operating revenue, the figure has increased from 9.26 million euros to 13.23 million euros or 42.8%. The proportion of sales in total operating revenue has grown from 92.2% to 94.3% when compared to the same period in the previous year, while the share of own work capitalized – which involves the further development of the GK/Retail software – fell from 5.7% to 2.6% during the reporting period. The amount to be capitalized fell according to plan to 0.34 million euros (0.53 million euros in the previous year).

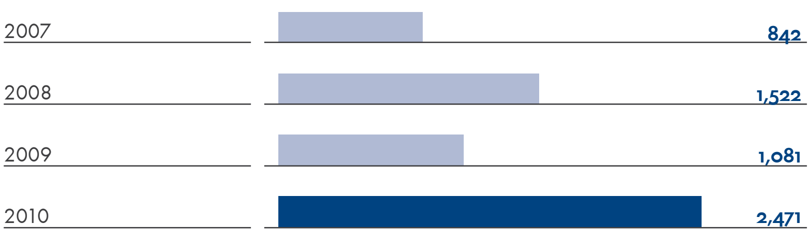
In order to once again expand this operating performance significantly, the group has enlarged its development and project handling capacities and has hired more qualified members of staff. The expenditure on human resources within the group

K EUR	H1 2010		H1 2009		Change
Sales revenues	12,470	94.3%	8,536	92.2%	46.1%
Changes in stock of unfinished goods	–	0.0%	-89	-1.0%	-100.0%
Own work capitalized	343	2.6%	530	5.7%	-35.4%
Operating revenues	**12,812**	**96.9%**	**8,978**	**96.9%**	**42.7%**
Other operating revenues	414	3.1%	284	3.1%	45.5%
Total operating revenues	**13,226**	**100.0%**	**9,262**	**100.0%**	**42.8%**

therefore rose from 5.42 million euros to 6.92 million euros. This corresponds to an expenditure rate on human resources of 52.3%, following a figure of 58.5% during the same period in the previous year. The human resources expenditure includes outgoings of 0.25 million euros for handling the existing SQRS business. This low cost ratio is the result of the reorganization of the operating department, which was carried out in February, resulting in the transfer of members of SQ IT-Services GmbH and StoreWeaver GmbH to GK SOFTWARE AG. In order to discharge its tasks, StoreWeaver GmbH purchased services from GK SOFTWARE AG worth 0.79 million euros.

K EUR		H1 2010		H1 2009	Change
EBIT	2,471	19.8%	1,081	12.7%	128.7%
EBT	2,399	19.2%	1,214	14.2%	97.6%
Consolidated net income	1,630	13.1%	860	10.1%	89.5%

Development of the EBIT (half-year results)
between 2007 and 2010 in K EUR



Depreciation and amortization totaled 0.75 million euros during the reporting period, following a figure of 0.45 million euros in the previous year. The increase of 0.30 million euros is mainly due to the growing need to amortize intangible assets acquired from Solquest GmbH (+0.14 million euros) and own work capitalized (+0.10 million euros). The remaining increase is the result of investments made in order to extend workstations and infrastructure in connection with human resources.

Other operating expenditure amounted to 2.50 million euros during the reporting period, following a figure of 2.03 million euros during the previous year. This increase of 0.47 euros can partly be explained by the first disclosure of other operating expenditure for the SQRS business amounting to 0.21 million euros– this item was not included in the previous year's calculations for this period. The further increase is due to the rise in mobility expenses because of the expansion of the business operations area and, for instance, the costs for data communications on account of the increasing internationalization and development of costs that are dependent on size – e.g. the development of blanket write-downs on trade accounts receivable.

On the earnings side, the group achieved earnings before interest and taxes (EBIT) of 2.74 million euros during the first half of 2010. As a result, the previous year's EBIT (1.08 million euros) more than doubled at the end of the second quarter. The financial results were -0.07 million euros (0.13 million euros in the previous year) during the first half of 2010. Expenditure on interest increased from 0.03 million euros to 0.16 million euros in the reporting year when compared to the figure in the same period in the previous year because of funding the expansion of office space at group headquarters and financing the acquisition of the operating business of Solquest GmbH. The decline in interest yields from 0.16 million euros to 0.08 million euros in the first half of 2010 was largely due to the fall in bank interest rates.

It was possible to increase earnings before tax (EBT) from a modified figure of 1.21 million euros in the previous year to almost 2.40 million euros.

After tax, this resulted in net income for the period of 1.63 million euros, following a figure of 0.86 million euros in the previous year; as a result, it was possible to almost double the results for the period.

Based on the 1,665,000 shares in circulation on the reporting date, this corresponds to earnings per share of 0.98 euros (0.52 euros per share in the same period in the previous year).

payments that were made and provided for the extension are taken into account. Increases in stocks of office and business equipment by 0.09 million euros were mainly due to equipping the newly furnished work stations and infrastructure in the office extension. The fall in intangible assets through scheduled performance-related depreciation was explained by the customer base acquired in conjunction with the purchase of the operating business of Solquest GmbH.

K EUR	H1 2010		31 December 2009		Change
Non-current assets	13,543	38.9%	13,133	40.6%	3.1%
Current assets or cash and cash equivalents	13,207	37.9%	8,605	26.6%	53.5%
Cash and cash equivalents	8,057	23.1%	10,637	32.9%	-24.3%
Assets	**34,807**	**100.0%**	**32,375**	**100.0%**	**7.5%**
Equity	15,264	43.9%	15,300	47.3%	-0.2%
Non-current liabilities	7,342	21.1%	7,304	22.6%	0.5%
Current liabilities	12,201	35.1%	9,772	30.2%	24.9%
Liabilities	**34,807**	**100.0%**	**32,375**	**100.0%**	**7.5%**

Assets situation

The group balance sheet total increased from 32.37 million euros (31 December 2009) to 34.81 million euros on the reporting date on 30 June 2010. The reasons for this increase of 2.44 million euros are found in the increase in current assets (by 2.02 million euros) and non-current assets (by 0.41 million euros). On the liabilities side, the relevant changes on the funding side consist of an increase in current accounts payable by 2.43 million euros.

The availability of cash and cash equivalents amounting to 8.06 million euros exceeds accounts payable of 6.35 million euros, which are subject to interest payments, by 1.70 million euros.

The increase in non-current assets was caused by the completion of the expansion of the building complex at GK SOFTWARE AG headquarters, which caused the accounting value of the real estate and buildings to rise by 0.41 million euros in comparison with the end of 2009, if the advance

Current assets once again reflect the expansion of the group's operating business. The rise was due to an increase in trade accounts receivable (+0.43 million euros) and accounts receivable from ongoing work (+2.57 million euros). The increase in other accounts receivable and assets by 1.50 million euros was almost exclusively due to reclaiming tax amounting to 1.45 million euros. Cash and cash equivalents fell by 2.58 million euros from 10.64 million euros to 8.06 million euros in comparison to the end of 2010. The maintenance of sufficient cash and cash equivalents is a high priority for the Management Board in order to be able to maintain the operating capability of GK SOFTWARE and the other companies within the group in the face of surprising opportunities or possible crises.

Despite the pleasing net income for the period of 1.63 million euros, equity fell slightly by 0.03 million euros when compared to the figure of 15.26 million euros at the end of 2009 due to the decision to make a dividend payment of 1 euro per share at the 2010 annual shareholders' meeting.

Non-current accounts payable hardly changed in comparison with the end of 2009. The decline in non-current bank accounts payable by 0.37 million euros to 5.61 million euros because of scheduled repayments and deferred grants from the public sector amounting to 0.02 million euros almost exactly balanced the increases in deferred tax assets and liabilities of 0.43 million euros.

As regards current accounts payable, which rose by 2.49 million euros when compared to the figure at the end of 2009, differences in other accounts payable (a decline of 0.81 million euros) and advance payments received (+2.73 million euros) were the most important changes. Other accounts payable consisted of wage and salary accounts payable to employees amounting to 0.77 million euros and tax accounts payable of 0.25 million euros and outstanding purchase price payments for the acquisition of the operating business of Solquest GmbH (1.00 million euros). The remaining sums concern cost accruals and deferrals from the human resources department (accruals and deferrals for overtime and vacation, commission and bonus payments etc. totaling 0.82 million euros).

Financial Situation

The cash flow from operating business amounted to 0.71 million euros during the first half of 2010, while an operating cash flow of 1.08 million euros was achieved during the reporting period in the previous year. The major reason for the decline in this figure in comparison to the previous year is the change in net working capital related to the reporting date. While the cash flow from operating business in the narrower sense amounted to 3.21 million during the reporting period and only reached a figure of 1.61 million euros during the same period in the previous year, this figure was weighed down by the changes in the net working capital to the tune of 0.51 million euros during the same period in the previous year, while these liabilities amounted to 2.19 million euros during the current period.

While investment activities did not change significantly in comparison to the reporting date in the previous year (outflow of funds in the first six months of 2010: 1.25 million euros; the figure for the first half of 2009 was 1.00 million euros), financing activities did show an outflow of funds of 2.04 million euros on account of the dividend payment totaling 1.67 million euros and the planned repayment of loans amounting to 0.37 million euros. The outflow of funds from financing activities totaled just 0.06 million euros during the same period in the previous year. As a result, the outflow of funds for the reporting period amounted to 2.58 million euros, after cash and cash equivalents remained almost unchanged during the same reporting period in the previous year.

Report on Key Events after the Reporting Period

After the end of the reporting period, GK SOFTWARE and SAP AG were able to announce an agreement to expand their previous sales partnership. According to this, SAP AG will also be able to sell GK SOFTWARE's POS solution from GK/Retail. This continues to deepen the strategic partnership between the two groups.

Report on Risks and Prospects at GK SOFTWARE

Risks

GK SOFTWARE deliberately takes entrepreneurial risks in order to be able to benefit from the opportunities presented by the market. In order to recognize, manage and minimize risks at an early stage, a risk management system have already been put in place. Among other things, the Management Board meets once month in order to identify possible risks and introduce counter-measures. The Supervisory Board is informed of the results of these discussions. On an operating basis, the relevant project managers provide information to the appropriate member of the Management Board about possible risks during the course of current projects. GK SOFTWARE AG believes that the degree of customer satisfaction and the number of new customer contacts are important indicators for assessing risks. So both these factors are subject to particular monitoring and are regularly checked as part of sales controls. This assessment of risks is being continually updated.

The assessment of the general economic situation by the Management Board has not changed since the publication of the 2009 annual accounts. Despite the positive news regarding developments in the economy in Germany in the second quarter of 2010, many comments suggest a further slow-down because of the subdued prospects for the global economy and therefore for the German economy, which depends on exports so heavily. As business developments for the group's customers depend on the general consumer climate in Germany and Europe, this also affects the prospects of GK SOFTWARE AG in a special way: The contradictory signals from the global economy make it difficult to assess overall ongoing economic developments. But it is comforting that estimates predict moderate economic growth of 1.5%, even if this estimate was made without any reference to an external shock – the possibility of a state bankruptcy in one of the PIIGS countries within the euro zone.

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

As a result, the Management Board is continuing to make efforts to maintain room to maneuver by making costs flexible and deliberate cost management.

On the basis of its customer structure and the structure of its target market, the consolidated group business is repeatedly dominated by individual major projects with a relatively low number of customers, so that these business relations provide significant contributions to sales and results within a fiscal year. The Management Board assumes that this will continue to be the case in the future too. If a business partner breaks off a project or falls into payment difficulties, this could have financial consequences for GK SOFTWARE. However, this risk is restricted by regular payment plans or agreemants for payments according to what are known as project milestones.

The ongoing consolidation of the retail sector market may lead to a reduction in the number of store networks in the short term, so that demand from the retail sector could rise. The retail sector in Germany is generally dominated by price wars. Retail companies therefore seek to pass on the resulting pressure on prices to their suppliers and contractual partners. This process is also felt for investments in IT equipment and may have an effect on producers of retail sector software. As GK SOFTWARE AG, however, provides solutions for a highly central function within retail sector groups, these risks are not classified as a threat to the company's existence.

The planned expansion is also associated with certain financial risks. These mainly arise from preliminary payments made to acquire customers – by consolidated companies. In the course of any further expansion, the project business will have to be increasingly scaled and this should take place using partners. However, there are other risks when working with partners – not every process can be precisely controlled.

GK SOFTWARE AG does not rule out a situation where it partly acquires its products and sales base by deliberate acquisitions in order to complete the planned expansion of its business operations in the next few years. The consolidated group will exercise the maximum possible degree of prudence when preparing for and checking acquisitions. But it is impossible to completely eliminate the risk that an acquisition may have negative effects on the results at GK SOFTWARE.

To ensure further growth, the companies also need to attract additional highly qualified employees and we cannot rule out the possibility that members of staff in key positions will leave the consolidated companies. So it will be an ongoing challenge for the consolidated group to commit current staff to the firm and at the same time attract new, motivated specialists. GK SOFTWARE is making every effort to be an interesting employer for its existing employees by providing a combination of interesting tasks, international fields of operations with its innovative products and becoming one for the labor market. The IPO and the company's reputation as an innovative IT corporation have increased the attractiveness of the group for the labor market.

Against the backdrop that the group is managing its capital – which includes both equity and all accounts receivable and payable – with the aim of guaranteeing that the group will be able to service its loans and debts at all times and provide adequate liquidity to secure investment projects and is attaching the greatest importance to maintaining capital, it is important to name the following further risks to business developments.

The financial risks not only involve loan default risks, but also liquidity and market risks. The maximum loan default risk corresponds to the carrying amount of the financial assets. However, the Management Board does not expect any loan defaults, which are not covered by the (slight) write-downs entered in the accounts, on account of its experience and ongoing contacts with debtors (our customers). In the light of the group's liquidity situation with a large surplus of cash and cash equivalents over and above liabilities with banks and other interest-bearing liabilities, the Management Board has not identified any liquidity risks. The following can be said with regard to identifiable market risks like currency or interest risks: The group only has foreign currency accounts receivable and payable to a very small degree in Czech crowns. They are listed in sections 3.4, 3.7, 3.15 and 3.18. Because of the low level of exposure, no currency risks need to be reported.

As far as interest risks are concerned, it must be said that all the financing instruments are all current, with the exception of the loans that have been taken out. So no interest risks need to be reported. The investment loans taken out before 1 January 2009 are guaranteed by means of hedging through interest rate capping tools to guarantee the interest conditions that have been agreed to. No guarantee of interest levels has been secured for the loans taken out during the course of fiscal 2009 because of the current capital market situation. However, the company will continue to monitor the situation and, if necessary, will adopt measures. In the light of this, the Management Board has not identified any interest risks that need to be reported. There are no other risk categories – because of the type of financial instruments used.

In addition to the risks already mentioned, there are other factors, which could also affect the sales and revenue situation. They include, for example, risks from current projects or warranty claims.

There was no risk at the end of the first half-year 2010, which might prove to be a threat to the very existence of GK SOFTWARE AG.

Opportunities

There are growth opportunities for the consolidated group both in Germany and abroad. The issues targeted by the products of GK SOFTWARE AG are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be a success in the international market place, the consolidated group is well placed with plenty of good references from the German retail sector and a technically well-developed product. GK SOFTWARE AG products are already well represented on the international market and are being used at more than 73,000 POS units (an increase of 27% over the previous year) in 19,000 stores in 29 countries.
GK SOFTWARE AG also has several major partners with excellent networks in the retail sector. This should make it easier to gain access to new customers in international markets like the USA or Asia. The consolidated group can make use of the experience that it has gained with its German customers, as the solutions have already been successfully introduced in 29 countries and therefore can be quickly transferred to foreign customers.

The growth prospects in Germany have not yet been exhausted either by a long way. The focus of GK SOFTWARE AG will be on new areas in the future. They include, for example, fast food chains, which would significantly increase the target group of potential customers. Fairly small and medium-sized chains of stores, which have not been a prime target in the past, provide further huge potential, particularly if standardized solutions are sold. Integrated and automated processes for optimizing inventories, managing them and efficient customer management systems can help reduce warehouse costs and increase customer loyalty. As a result, the retail trade will almost certainly invest in solutions that integrate all the business processes. Without standardization and simplification of the processes, retail companies' margins will come under pressure as well. Homogenized till systems and centralized data flows will therefore be very important to retailers in the future. GK SOFTWARE AG can clearly benefit from this investment behavior in the retail sector.

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

Outlook

As the risk and opportunity profile for GK SOFTWARE has not changed since the publication of the 2009 annual accounts, the Management Board continues to stand by the forecast that it issued for fiscals 2010 and 2011. These estimates take place against a background of a large number of uncertain factors, which the group is unable to influence. Despite this initial position and the fundamental impossibility of being able to predict future developments with any certainty, the Management Board believes that it can estimate the development of the financial and revenue situation of the group in such a way that the group's revenue situation will continue to improve in fiscals 2010 and 2011 as a result of further growth in sales and that the financial situation is not expected to give rise to any developments, which might pose a risk to the company's existence.

The consolidated group is intending to continue pursuing its course of further internationalization in fiscals 2010 and 2011 and achieve significant sales ratios with companies, where the management headquarters are based outside Germany. In addition, the company is aiming to expand operations into other retail segments in the German market and penetrate sectors that have already been tapped into to an even greater degree.

If we follow the estimates about developments in the economy in general and the retail sector, an expansion of sales of more than ten percent is probable. The Management Board assumes that the company will be able to maintain its level of profitability.

If developments are particularly positive, the Management Board expects growth in sales in the GK/Retail business to possibly reach 20%. We do not expect any growth in the business with SQRS. Taking into account the one-off effects in fiscal 2009, we are expecting sales of between about 23.5 and 26.0 million euros during 2010. This growth level should enable us to maintain the profitability of the previous years with an EBIT margin of approximately 18.5% on sales. The estimate for 2011 is naturally more uncertain. But in our opinion there are no reasons why developments should differ from those during each of the past few years. We are continuing to expect growth of at least ten percent for the GK/Retail business in 2011, while the SQRS business in the group will continue to remain at its current level. We expect profitability to be maintained at current levels. On the basis of this development, we do not expect any erosion of the good financial situation that the company currently enjoys.


Dividends
41%
Loans
$900

Consolidated financial statements

Consolidated Balance Sheet

on 30 June 2010

Assets

EUR	Notes No.	30.6.2010 (not audited)	31.12.2009 (audited)
Non-Current Assets			
Property, Plant and Equipment	2.1.; 3.1.	3,907,086.21	3,410,158.36
Intangible Assets	2.2.; 2.13.; 3.2.	9,259,763.51	9,332,576.95
Financial Assets		300.00	300.00
Active Deferred Taxes	2.11.;4.9.	376,114.22	389,714.48
Total Non-Current Assets		13,543,263.94	13,132,749.79
Current Assets			
Inventories	2.3.; 3.3.	102,294.00	0.00
Trade Accounts Receivable	2.4.; 3.4.	4,893,638.29	4,466,188.73
Accounts Receivable from Ongoing Work		3,946,923.99	1,380,200.00
Accounts Receivable from Associated Companies		12,934.78	11,383.50
Other Accounts Receivable and Assets	2.4.; 3.7.	4,251,418.85	2,747,257.76
Cash and Cash Equivalents	2.5.; 3.8.	8,056,709.39	10,637,185.86
Total Current Assets		21,263,919.30	19,242,215.85
Balance Sheet Total		**34,807,183.24**	**32,374,965.64**

Liabilities

EUR	Notes No.	30.6.2010 (not audited)	31.12.2009 (audited)
Equity Capital	3.9.		
Subscribed Capital		1,665,000.00	1,665,000.00
Capital Reserves		7,845,779.92	7,845,779.92
Retained Earnings		31,095.02	31,095.02
Balance Sheet Profits		5,722,624.12	5,757,708.53
Total Equity Capital		15,264,499.06	15,299,583.47
Non-Current Liabilities			
Provisions for Pensions and Similar Obligations	2.6.; 3.10.	45,062.36	45,062.36
Non-Current Bank Liabilities	2.7.; 3.11.	5,612,750.00	5,983,000.00
Deferred Public Sector Subsidies	2.8.; 3.12.	690,822.82	707,978.74
Deferred Tax Liabilities	2.11.; 4.9.	993,454.23	567,812.07
Total Non-Current Liabilities		7,342,089.41	7,303,853.17
Current Liabilities			
Current Provisions	2.9.; 3.14.	728,768.81	801,766.60
Current Bank Liabilities	2.10.	740,530.00	740,500.00
Trade Accounts Payable	2.10.; 3.15.	1,109,004.68	773,950.21
Initial Payments Received	2.10.; 3.16.	4,970,115.38	2,238,527.85
Income Tax Liabilities	3.17.	1,513,737.74	1,272,994.04
Other Current Liabilities	2.10.; 3.18.	3,138,438.15	3,943,790.30
Total Current Liabilities		12,200,594.76	9,771,529.00
Balance Sheet Total		**34,807,183.24**	**32,374,965.64**

Consolidated Income Statement

for the fiscal year until 30 June 2010

EUR	Notes No.	30.6.2010 (not audited)	30.6.2009 (not audited)	31.12.2008 (audited)
Ongoing Business Divisions				
Sales Revenues	4.1.	12,469,572.80	8,535,806.54	23,276,625.57
Changes in Stocks of Unfinished Work		0.00	-88,568.20	-873,452.10
Own Work Capitalized	4.2.	342,834.59	530,425.01	1,066,612.46
Other Operating Revenues	4.3.	413,784.19	284,422.05	826,450.46
		13,226,191.58	9,262,085.40	24,296,236.39
Materials Expenditure	4.4.	-583,575.43	-285,751.78	-561,285.02
Human Resources Expenditure	4.5.	-6,922,326.18	-5,421,918.51	-12,116,566.57
Depreciation and Amortization	4.6.	-746,865.16	-444,930.61	-1,280,989.79
Other Operating Expenditure	4.7.	-2,502,286.50	-2,028,930.57	-5,447,836.56
		-10,755,053.27	-8,181,531.47	-19,406,677.94
Operating Results		2,471,138.31	1,080,553.93	4,889,558.45
Financial Results	4.8.	-72,539.01	133,336.31	143,382.73
Results before Income Taxes		2,398,599.30	1,213,890.24	5,032,941.18
Income Taxes	2.11.; 4.9.	-768,683.71	-353,882.12	-1,515,770.92
Consolidated net income for the year/ Overall result		1,629,915.59	860,008.12	3,517,170.26
Profits Carried Forward		5,757,708.53	2,649,347.46	2,240,538.27
Dividend payment		-1,665,000.00	0.00	0.00
Consolidated Net Profits		5,722,624.12	3,509,355.58	5,757,708.53
Non-Diluted Earnings per Share (EUR/ share)	4.10.	**0.98**	**0.52**	**2.11**

Consolidated Cash Flow Statement

on 30 Juni 2010

Cash Flows from Operating Business

K EUR	Notes No.	30.6.2010 (not audited)	30.6.2009 (not audited)	31.12.2008 (audited)
Cash Flows from Operating Business				
Consolidated net profit		1,630	860	3,517
Income Taxes Affecting Results		769	354	1,516
Correction in Tax Expenditure		0		0
Interest Income/Expenses Affecting Results		73	-133	-143
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment		5	-2	-2
Reversals of Deferred Public Sector Subsidies		-59	-20	-34
Write-Downs Recognized for Receivables		42	119	185
Write-Ups Recognized for Receivables		0	-15	-35
Amortization/Depreciation		747	445	1,281
Other Non-Cash Income and Expenditure		0	-3	-58
		3,207	1,605	6,227
Changes in Net Current Assets				
Changes in Trade Accounts Receivable and Other Receivables		-4,325	46	-2,773
Changes in Inventories		-102	-200	738
Changes in Trade Accounts Payable and Other Liabilities		-422	-826	1,892
Changes in Initial Payments Received		2,732	159	-33
Changes in Provisions		-73	309	-1
Influx of Cash Provided by Operating Business		1,017	1,093	6,050
Interest Payments Received		85	163	151
Interest Paid		-158	-29	-116
Income Taxes Paid		-237	-146	-423
Net Cash Flow Provided by Operating Business(Transfer)		707	1,081	5,662

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

K EUR	Notes No.	30.6.2010 (not audited)	30.6.2009 (not audited)	31.12.2008 (audited)
Net Cash Flow Provided by Operating Business(Transfer)		707	1,081	5,662
Cash Flow from Investment Activities				
Payments for Property, Plant and Equipment and Non-Current Assets		-1,180	-1,002	-8,806
Proceeds from disposals of fixed assets		4	0	11
Investment Subsidies Used		0	0	0
Disbursed Loans		-76	0	-568
Net Cash Outflow for Investment Activities		**-1,252**	**-1,002**	**-9,363**
Cash Flow from Financing Activities				
Dividend Payments		-1,665	0	0
Incoming Payments from Allocations of Equity Capital		0	0	0
Redemption Silent Partner's Interest		0	0	0
Loans Taken Out		0	0	5,748
Repayment Installments for Loans		-370	-60	-280
Net Income in Cash and Cash Equivalents from Financing Activities		**-2,035**	-60	5,468
Net Income in Cash and Cash Equivalents		**-2,580**	**19**	**1,767**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	5.	10,637	8,855	8,855
Impact of Changes in Exchange Rates on Cash and Cash Equivalents		0	6	15
Cash and Cash Equivalents at the end of the accounting year	**5.**	**8,057**	**8,880**	**10,637**
Limited Available Funds		2,010	2,010	2,010

A bank guarantee worth 2,000K euros provided as collateral in connection with the acquisition of the operating business of Solquest GmbH was pledged on the reporting date on 31 December 2009. The guarantee has been granted until 30 June 2010. The pledging as collateral ended when the guarantee expired unused after reporting date. The guarantee expired unused after the reporting date. Another 10K euros were pledged as collateral for a guarantee as part of the rental contract from business premises for the GK SOFTWARE AG branch in Berlin.

Development of Consolidated Equity Capital

on 30 June 2010

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Balance Sheet Profits	Total
Figures on1 January 2009	1,665,000.00	7,845,779.92	31,095.02	2,240,538.27	11,782,413.21
Consolidated Net Income for the Halfyear	0.00	0.00	0.00	860,008.12	860,008.12
Figures on 30 Jun 2009	**1,665,000.00**	**7,845,779.92**	**31,095.02**	**3,100,546.39**	**12,642,421.33**
Consolidated Net Income for the Year	0.00	0.00	0.00	2,657,162.14	2,657,162.14
Figures on 31 December 2009	**1,665,000.00**	**7,845,779.92**	**31,095.02**	**5,757,708.53**	**15,299,583.47**
Dividend Payments	0.00	0.00	0.00	-1,665,000.00	-1,665,000.00
Consolidated Net Income for the Halfyear	0.00	0.00	0.00	1,629,915.59	1,629,915.59
Figures on 30 June 2010	**1,665,000.00**	**7,845,779.92**	**31,095.02**	**5,722,624.12**	**15,264,499.06**

Notes on the Consolidated Accounts

for Fiscal on 30 June 2010

1. Principles of Reporting

1.1. General Information

GK SOFTWARE AG is a joint-stock company based in Germany. The address of the registered headquarters and head office for business operations is Waldstrasse 7, 08261 Schöneck.

GK SOFTWARE AG is registered in the Commercial Register at Chemnitz Local Court under reference number HRB 19157.

The group's business involves the development and production and sales and trade in software and hardware. The group has developed from being an exclusively project-oriented to a product-oriented provider during the past few years.

The group manages its capital – which not only includes equity capital but all accounts receivable and accounts payable – with the aim of guaranteeing the group's ability to service its loans and debts and provide sufficient liquidity to maintain collateral for investment projects at all times. As a result, the group attaches the greatest priority to maintaining capital reserves.

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

The consolidated group's major customers include:

- EDEKA Zentralhandelsgesellschaft mbH
- Coop Genossenschaft
- Tchibo GmbH
- Galeria Kaufhof GmbH
- Gebrüder Heinemann KG
- Netto Marken-Discount AG & Co. KG
- Parfümerie Douglas GmbH
- HORNBACH-Baumarkt-AG
- SAP AG

1.2. Principles of Presentation

The GK SOFTWARE AG interim 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 of section 37w of Sercurities Trading Act (WpHG). All the IFRS standards issued by the International Accounting Standards Board (IASB) and in force at the time that these consolidated accounts were prepared and used by GK SOFTWARE AG have been accepted by the European Commission for use in the EU. As a result, the consolidated accounts presented by GK SOFTWARE AG also comply with the IFRS published by the IASB. The term IFRS is therefore used consistently in the following text.

Group accounts were first presented in line with IFRS on 31 December 2005.

The group accounts are presented in euros.

The breakdown of the balance sheet according to IFRS has been made according to the duration of the individual balance sheet items.

The group income statement is presented according to the total cost method of accounting.

GK SOFTWARE AG generally accounts for trade accounts receivable and accounts payable as current items on the balance sheet. Pension obligations are shown as non-current liabilities in line with their character.

Claims and liabilities for deferred taxes are shown as non-current items.

1.3. Checks in line with Section 342 b, Paragraph 2, Sentence 3, No. 3 of the German Commercial Code

GK SOFTWARE AG was submitting to inspection of its consolidated accounts and group management report as of 31 December 2008 and its annual accounts and management report as of 31 December 2008 by the German Financial Reporting Enforcement Panel (DPR) in line with Section 342b, Paragraph 2, Sentence 3, No. 3 of the German Commercial Code (HGB) (Random inspections). The inspection has been completed by official notification of 9 June 2010. As GK SOFTWARE was already aware of DPR rulings the rulings have alredy been taken into account in the annual statment an the consolidated accounts of financial year 2009. Hence, we refer you to the annual statement and consolidated accounts as well as to the official notification and its publication by GK SOFTWARE according to section 37g, paragraph 2, Sentence 1,of the Securities Trading Act (WpHG).

1.4. Consolidated Companies

The consolidated accounts include GK SOFTWARE AG and all the companies where GK SOFTWARE AG has majority voting rights among the shareholders.

The consolidated companies not only include the parent companyas well as SQ IT-Services GmH and 1. Waldstraße GmH (both being fully owned subsidiaries of GK SOFTWARE AG) but also three companies based abroad (EUROSOFTWARE s.r.o., Plzen/Czech Republic, StoreWeaver GmbH, Riehen/Switzerland and GK Soft GmbH, Zurich/Switzerland). StoreWeaver GmbH, Riehen/Switzerland, and GK Soft GmbH, Zurich/Switzerland, were set up as 100 percent subsidiaries of GK SOFTWARE AG in 2008.

1.5. Principles of Consolidation

The annual accounts for the subsidiaries are prepared according to the same unified balance sheet and assessment methods as are the annual accounts for the parent company. Any possible differences that emerge in the balance sheet and assessment methods are unified by relevant adjustments to the balance sheet and assessment principles for the parent company.

In the case of mergers according to IFRS, the capital consolidation is based on the method of acquisition. The acquisition costs of the holdings are offset against the balance of the assets and liabilities acquired at their fair value at the time of acquisition.

The identifiable assets and liabilities are completely entered at their fair values (taking into consideration deferred taxes) at the time of acquisition. The balance of the remaining assetsside difference is shown as goodwill. Any remaining liabilities-side difference is entered directly and affects the results. In the periods following the corporate merger, the disclosed hidden assets and hidden liabilities are continued, depreciated or written off in line with the treatment of the corresponding assets.

Initial consolidation takes place with effect from the day on which GK SOFTWARE AG has a controlling holding with regard to the subsidiary, either directly or indirectly. Inclusion ends at the time when the control of the subsidiary passes to a company outside the group.

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

1.6 Currency Conversion

The consolidated accounts have been presented in euros, the functional currency and the currency that the group uses in presentations. Each company within the group establishes its own functional currency. The items included in the annual accounts for each company are assessed using this functional currency. Foreign currency transactions are initially converted at the spot rate that is valid on the day of the business transaction between the functional currency and the foreign currency. Monetary assets and liabilities in a foreign currency are converted to the functional currency at the rate that applies on the balance sheet date.

The effect of any gains and losses arising from currency transactions on corporate results has been shown under other operating earnings or expenditure.

2. Balance Sheet and Assessment Principles

2.1.General remarks

Balance sheet and assessment methods generally confirm with methods applied to prepare the annual statement and consolidated accounts of financial 2009. Remarks are made in the following on topics of special importance.

2.2. Inventories

Inventories include only finished goods fo reselling to customers. Inventories are entered at the purchase cost. The entire inventory is unter purchase guarantee by customers.

2.3. Revenue Recognition

Sales revenues are evaluated at their fair value of the equivalent received or to be received and are reduced by expected customer returns, discounts and other similar deductions.

2.3.1. Sale of Goods

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

The group has transferred the major risks and opportunities from the ownership of the goods to the purchaser.

The group neither retains an ongoing right of disposal, such as is usually connected to ownership, nor does it have any effective power of disposal over the sold goods and products.

The amount of sales revenues can be reliably determined.

It is probable that the economic benefits from the business transaction will flow to the company and

the expenditure incurred or still being incurred in connection with the sale can be reliably determined.

2.3.2. Providing Services

Revenues from service contracts are entered according to the degree to which they have been completed. In more detail, revenue recognition takes place as follows:

Revenues from licenses:
Revenue recognition takes place at the time that the productive till system or a functioning software solution is handed over to a customer.

Revenues from services (customizing) and revenues from adjustments outside the contractually agreed service (change request):
Revenue recognition generally takes place at the time when the agreed service was handed over to or accepted by the customer. However, new project structures with times of acceptance laying too far apart to guarantee revenue recognition in line with the IFRS rules (IAS 18), in 2009, revenues for these peculiar projects have been recognized according to IAS 18.20 in connection with IAS 18.26 to ensure IAS conform revenue recognition. As results of services orders could not be reliably estimated – in particular the degree of completion is hard to determine – we have decided to include into this item only amounts as repayment of costs incurred can be expected (IAS.18.26).
In the ongoing financial year further projects were started enabling a reliable estimate of results (IAS 18.20). The amount of expected revenues could be reliably given as well as the amount of incurred and expected cost. Furthermore, it is likely the economic benefit from the contract will reach the company.

The degree of completion is determined according to the valuation of the work that has been performed and – before valuation date or between two valuation dates – according to the actual work that has been performed and the planned work needed to complete the job until the next valuation date. The amount for the revenues acquired for work performed results from the total value of the contract that has been agreed for the work performed until the next valuation date or – if prior to the first valuation date or between two valuation dates – the ratio of the actual work that has been performed to the total work that has been planned for the reporting date, i.e. a share of the total value of the contract for the work performed before the next valuation date.

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

2.4. Management Estimates and Appraisals

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

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

Intrinsic value of intangible assets developed in-house
Management once again assessed the intrinsic value of the intangible assets developed in-house as a result of the group's development of software. These intangible assets have been taken into account at a value of 1.950K euros on the consolidated balance sheet dated 31 December 2009.

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

Intrinsic value of goodwill
As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the group has entered an intangible asset worth 6.403K euros as goodwill in 2009. The intrinsic value of this goodwill was checked on 31 December 2009 for the first time. This review was

repeated for 30 June 2010. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure might fall below the carrying amount of the goodwill.

Intrinsic value of accounts receivable from ongoing work

Assets entered due to revenue recognition in accordance with IAS 18.20 and IAS 18.26 sum up to accounts receivable from ongoing work worth 3,947K euros. Thesse are subject to continuing project monitoring as regards their intrinsic value. The course of the projects concerned largely matches the planning work and even the opportunity arising from recognition difficulties has not created a situation where an adjustment of the intrinsic value of accounts receivable from ongoing work needs to be made.

Intrinsic value of customer base

As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the group has entered an intangible asset worth 777K euros under customer base for the very first time. The depreciation of the customer base takes place in a performance-related way and has been entered as 560K euros on the consolidated balance sheet on the balance sheet date. There were no indications of a need to correct the value beyond this figure.

Other sources of uncertainty regarding estimates exist with regard to the useful serviceable life of assets, the assessment of the intrinsic value of trade accounts receivable and the assessment of the need to make provisions

3. Notes on the Consolidated Balance Sheet

3.1. Property, Plant and Equipment

EUR	Real estate and buildings	Technical equipment and machines	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs					
Figures on 1 January 2010	2,593,807.06	278,493.73	1,262,024.64	794,346.10	4,928,671.53
Accruals	231,032.29	0.00	230,207.50	257,422.30	718,662.09
Disposals	0.00	0.00	23,007.04	0.00	23,007.04
Transfers	1,016,714.16	-278,493.73	310,912.97	-1,049,133.40	0.00
Figures on 30. Juni 2010	3,841,553.51	0.00	1,780,138.07	2,635.00	5,624,326.58
Accumulated depreciation					
Figures on 1 January 2010	443,595.31	263,514.24	811,403.62	0.00	1,518,513.17
Accruals	45,338.62	0.00	167,718.27	0.00	213,056.89
Disposals	0.00	0.00	14,329.69	0.00	14,329.69
Transfers	0.00	-263,514.24	263,514.24	0.00	0.00
Figures on 30. Juni 2010	488,933.93	0.00	1,228,306.44	0.00	1,717,240.37
Carrying amounts on 30 June 2010	**3,352,619.58**	**0.00**	**551,831.63**	**2,635.00**	**3,907,086.21**

3.2. Intangible Assets

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer relations	Total
Purchasing or production costs					
Figures on 1 January 2010	3,309,431.55	583,189.27	6,402,785.24	777,000.00	11,072,406.06
Accruals	342,834.59	118,160.24	0.00	0.00	460,994.83
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers					
Figures on 30. Juni 2010	3,652,266.14	701,349.51	6,402,785.24	777,000.00	11,533,400.89
Kumulierte Abschreibungen					
Figures on 1 January 2010	1,360,196.84	258,032.27	0.00	121,600.00	1,739,829.11
Accruals	341,777.14	96,799.13	0.00	95,232.00	533,808.27
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers					
Figures on 30. Juni 2010	1,701,973.98	354,831.40	0.00	216,832.00	2,273,637.38
Carrying amounts on 30 June 2010	**1,950,292.16**	**346,518.11**	**6,402,785.24**	**560,168.00**	**9,259,763.51**

The capitalized development costs are depreciated according to plan in a linear fashion over an estimated serviceable life of five years. The depreciation starts in the year of capitalization with the pro rata amount.

The goodwill involves the acquisition of the operating business of Solquest GmbH. The attainable amount was determined using the value in use. A detailed sales and costs plan for the unit generating cash and cash equivalents is drawn up annually to assess the intrinsic value of the carrying amount of the goodwill and the resulting flow of cash and cash equivalents was determined from this. If indications exist, that the discounted cash-flow does not cover the carrying amount, the sales and cost plan will be checked. On reporting date as well as in the period needed to prepare this statement, such indications did not exist.

3.3. Inventories

EUR	30.6.2010	31.12.2009
Finished products	102,294.00	0.00
Total	**102,294.00**	**0.00**

The stocks of finished products are purchased for reselling to customers. Customers have given purchase guarantees that cover the entered value of the inventory.

3.4. Trade Accounts Receivable

The trade accounts receivable have a term of less than one year. The carrying amounts of the trade accounts receivable match their fair values. The total write-downs amount to 277K euros in all (235K euros in financiall 2009). The write-downs have been entered under other operating expenditure.

Included are accounts receivable in a foreign currency (Czech Crowns) amounting to 17K euros (13K euros in financial 2009).

3.5. Accounts Receivable from Ongoing Work

Customer orders for which sales revenues have been recognized according to IAS 18.20 or according to IAS 18.26 in connection with IAS 18.20, have to be shown as an asset if the sum of costs plus entered profits minus entered losses and partial billings is positive.

This asset amounts to 3,947K euros on the reporting date

3.6. Accounts Receivable from Associated Companies

These accounts receivable concern internal charges to GK Software Holding GmbH.

3.7. Other Accounts Receivable and Assets

EUR	30.6.2010	31.12.2009
Accounts receivable from members of the Management Board	80,018.16	94,648.19
Tax receivables	1,446,320.84	0.00
Loans paid to third parties	2,472,358.88	2,381,297.38
Others	252,720.97	271,312.19
Total	**4,251,418.85**	**2,747,257.76**

The accounts receivable from members of the Management Board relate to loans (72K euros) and salary advances (8K euros). The loans are current and have interest charges of 5% p.a.

Other accounts receivable include receivables amounting to 113K euros denominated in Czech Crowns (financial 2009: 88K euros).

3.8. Cash and Cash Equivalents

Cash and cash equivalents are entered at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. Bank credits amounting to 2,000K euros are pledged to secure a bank guarantee (2,000K euros) until 30 June 2010. The pledge was not used up to balance sheet date and returned after that date without being used to GK SOFTWARE AG. A further 10K euros was pledged as part of rent collateral with the bank providing the guarantee.

3.9. Equity Capital

We refer you to the equity change accounting for more information on changes to the equity at GK SOFTWARE AG on 30 June 2010.

The company's share capital amounted to 1,665,000.00 euros at the start of 2009 and was divided into 1,665,000 individual share certificates. No changes to the share capital took place, so that the share capital was still 1,665,000.00 euros on 30 June 2010 and was divided into 1,665,000 individual share certificates with a nominal value of 1.00 euro in the equity capital.

EUR	30.6.2010	31.12.2009
Subscribed capital		
1.665,000 fully paid up individual share certificates	1,665,000.00	1,665,000.00
Total	**1,665,000.00**	**1,665,000.00**

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

The following decisions were taken at the company's annual shareholders' meeting on 15 May 2008 and they could change the structure of the company's equity:

Establishment of authorized capital. The management board was empowered, with the agreement of the supervisory board, to increase the company's share capital from the period 15 May 2008 until 14 May 2013 on a single occasion or on several occasions, in order to reach a figure of 625,000 euros by issuing up to 625,000 new ordinary shares without any nominal value (individual share certificates) in return for cash deposits or contributions in kind (authorized capital).

Conditional capital. The management board with the agreement of the supervisory board was empowered until 14 May 2013 to grant purchasing options on up to 37,000 individual share certificates on a single occasion or on several to members of the management board and managers of companies where GK SOFTWARE AG has a direct or indirect majority holding ("associated companies") and managers of the company and their associated companies as part of a share option program that still has to be developed. A share option program has not yet been implemented.

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

3.10. Provisions for Pensions

Provisons for pensions comprise of commitments to two persons. The evaluation is done on an annual basis, using actuarial opinion. In between the years no opinions are asked for unless indications exist that revaluations might be necessary.

3.11. Non-Current Bank Liabilities

Two investments loans (original amounts: 750K euros and 450K euros) were taken out with the Commerzbank AG Plauen in financial 2007. The company also took over a loan (original amount: 225K euros) from Gläß & Kronmüller OHG, Schöneck in the course of the merger onto GK SOFTWARE AG. This loan was rescheduled during financial 2009 and amounted to 166.5K euros on 30 June 2010. The two other loans were valued at 907.5K euros on the balance sheet date.

Two other loans were taken out during financial 2009 as a result of the new extension building and the acquisition of Solquest (DZ Bank 748K euros and KfW Bank 5,000K euros). These loans were valued at 4,654.3K euros on 30 June 2010 with their non-current share (due date after 30 June 2011).

3.12. Public Sector Subsidies Charges to Subsequent Accounting Years

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

The amortization of the subsidies and grants takes place in a linear fashion over the serviceable life of the assets that have been supported by public funds.

3.13. Deferred Taxes

Please refer to section 4.9.

3.14. Current Provisions

EUR	Human resources department	Production department	Other departments	Total
Figures on 1 January 2010	338,415.50	265,600.00	197,751.10	801,766.60
Amounts used	63,830.52	5,100.00	58,000.00	126,930.52
Amortization	0.00	0.00	0.00	0.00
New funds	17,239.98	0.00	36,692.75	53,932.73
Figures on 30 June 2010	**291,824.96**	**260,500.00**	**176,443.85**	**728,768.81**

The current provisions in the human resources department primarily concern severance packages, mainly guarantees in the production department and primarily onerous contracts in the other departments.

The calculations for warranty provisions are based on warranty costs in the past and estimates regarding future costs.

3.15. Trade Accounts Payable

Accounts receivable are due within one year.

Accounts payable include payables amounting to 1K euros (financial 2009: 9K euros), denominated in Czech Crowns.

3.16. Initial Payments Received

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

3.17. Income Tax Liabilities

This item contains the expected additional payments with regard to corporation tax, the solidarity surcharge and business tax in Germany and the Czech Republic for the year under review.

3.18. Other Current Liabilities

EUR	30.6.2010	31.12.2009
Liabilities from wages and salaries	774,383.86	1,171,256.50
Other liabilities towards members of staff	5,036.24	14,065.88
Liabilities regarding the purchase prices of the operating business of Solquest GmbH	1,000,000.00	1,000,000.00
Tax liabilities	248,264.35	1,473,107.75
Other liabilities from personal expenses (bonuses, holiday)	819,073.78	0.00
Others	291,679.92	285,360.17
Total	**3,138,438.15**	**3,943,790.30**

The tax liabilities cover outstanding income tax payments and sales tax.

Other liabilities include liabilities amounting to 192K euros (167K euros in financial 2009).

3.19. Secured Liabilities

Two investment loans were taken out with the Commerzbank AG Plauen in fiscal 2007. The loans are secured by the registered land charges on the company's real estate, recorded in the land register for Schöneck, Plauen Local Court, Page 1895. The company also assigned its accounts receivable from goods deliveries and services against third party debtors by means of a blanket assignment in order to provide collateral, with the exception of the accounts receivable in connection with the “Lunar” project. Three other loans were taken out (DZ Bank, KfW Bank) during fiscal 2009 as a result of the extension of the new building, the above mentioned rescheduling and the acquisition of Solquest. Land register debts were entered in the land register for Schöneck, Plauen Local Court, Pages 999, 1378 and 1895 as collateral for the DZ Bank loan. The future accounts receivable from the “Lunar” project were assigned in an undisclosed manner in order to provide collateral with the KfW Bank.

4. Notes on the Consolidated Income Statement

4.1. Sales Revenues

Sales revenues amounting to 559K euroe were entered according to IAS 18.20 and IAS 18.26. Additionally, revenues of 2,008K euros were recognized according to IAS 18.20 by using the percentage of completion method in the reporting period.

Costs of revenue with the total amount of 1,258K euros were incurred and advance payments to the tune of 2,000K euros imbursed.

All included contracts have active balances and are hence include assets in “Accounts payable from ongoing work” (please, cf. to Sec. 3.5)

We refer to Sec. 6 “Segment Reporting” for the composition of the important categories of revenue. Guarantee provisions amounting to 261K euros exist for these revenues.

4.2. Own Work Capitalized

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

4.3. Other Operating Revenues

EUR	30.6.2010	30.6.2009
Write-ups of receivables written down	0.00	0.00
Earnings from investment grants	3,353.94	3,469.50
Earnings from reversals of deferred public grants	13,801.98	13,802.02
Reversals of provisions	41,494.44	5,164.90
Expense allowances	0.00	0.00
Vehicle use	134,297.09	98,466.57
Employee contributions towards food allowances	17,974.97	16,265.88
Earnings from other periods	10,923.52	0.00
Others	191,938.25	147,253.18
Total	**413,784.19**	**284,422.05**

4.4. Materials Expenditure

EUR	30.6.2010	30.6.2009
Expenditure on raw materials, consumables and supplies and goods purchased	289,057.57	253,740.82
Expenditure on purchased services	294,517.86	32,010.96
Total	**583,575.43**	**285,751.78**

4.5. Human Resources Expenditure

EUR	30.6.2010	30.6.2009
Wages and salaries	5,953,799.13	4,581,146.70
Social security contributions	933,343.58	820,102.41
Expenditure on retirement benefits	35,183.47	20,669.40
Total	**6,922,326.18**	**5,421,918.51**

On average, 305 people were employed during the first half of financial 2010. On 30 June 2009 the average amount of people employed was 287. 314 people were employed as of 30 June 2010.

4.6. Depreciation and Amortization

This item exclusively covers scheduled depreciation on property, plant and equipment and the amortization of intangible assets.

4.7. Other Operating Expenditure

This item largely covers legal and advisory costs, advertising and travel expenses, office and operating costs or administrative and sales expenditure.

4.8. Financial Results

EUR	30.6.2010	30.6.2009
Interest income	85,264.57	162,680.16
Interest expenditure	-157,640.25	29,343.85
Dividend payments due to profit transfer agreements	-163.33	0.00
Total	**-72,539.01**	**133,336.31**

4.9. Income Taxes

EUR	30.6.2010	30.6.2009
Current tax liabilities	329,441.29	389,680.73
Deferred tax liabilities	439,242.42	-35,798.61
Total	**768,683.71**	**353,882.12**

The deferred taxes were based on a tax rate of 29.1% for Germany and 24.0% for the Czech Republic.

The deferred taxes are included in the following items:

EUR	30.6.2010 Assets	30.6.2010 Liabilities	31.12.2009 Assets	31.12.2009 Liabilities
Intangible assets	0.00	308.04	0.00	567,812.07
Provisions for pensions	0.00	0.00	1,159.08	0.00
Inventories / Accounts receivable from ongoing work	0.00	454,085.43	37,286.40	0.00
Acquired intangible assets through purchasing Solquest (goodwill and customer relations)	15,151.05	0.00	351,269.00	0.00
Tax impact of offsetting the cost of acquiring equity for capital reserves	186,428.83	186,428.83	186,428.83	186,428.83
Offsetting the tax effect of the costs of acquiring equity	-186,428.83	-186,428.83	-186,428.83	-186,428.83
Total according to balance sheet	**15,151.05**	**454,393.47**	**389,714.48**	**567,812.07**

Deferred tax claims / liabilities result from:

EUR	30.6.2010 Initial balance	30.6.2010 Recognized as earnings	30.6.2010 Final balance	31.12.2009 Initial balance	31.12.2009 Recognized as earnings	31.12.2009 Final balance
Temporary differences						
Provisions for pensions	1,159.08	0.00	1,159.08	2,426.53	-1,267.45	1,159.08
Intangible assets – in-house developed software	-567,812.07	-308.04	-568,120.11	-443,405.05	-124,407.02	-567,812.07
Intangible assets acquired through the Solquest purchase (goodwill and customer relations)	351,269.00	15,151.05	366,420.05	0.00	351,269.00	351,269.00
Inventories / Accounts receivable from ongoing work	37,286.40	-454,085.43	-416,799.03	15,409.77	21,876.63	37,286.40
Total	**-178,097.59**	**-439,242.42**	**-617,340.01**	**-425,568.75**	**247,471.16**	**-178,097.59**

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

Transfer of tax expenditure/EUR	30.6.2010	30.6.2009
Pre-tax earnings	2,398,599.30	1,213,890.24
Anticipated tax expenditure 29.1%	697,992.40	353,242.06
Tax impact on non-deductible company spending	0.00	0.00
Tax impact on tax-free income	0.00	0.00
Other tax effects	70,691.31	640.06
Actual tax expenditure	768,683.71	353,885.12
Effective tax rate	**31.2 %**	**29.0 %**

4.10. Earnings per Share

The earnings per share can be determined as the earnings from the group annual net income divided by the weighted average number of shares in circulation during the fiscal year. On average, the 1,665,000 (1,665,000 in previous year's reporting period) shares were in circulation during the reporting period. The group's net income for the reporting period amounted to 1,630k Euro (860K euros on 30 June 2009). Hence, earnings per share were EUR 0.98 (EUR 0.52 on 30 June 2009). There were no shares outstanding on 30 June 2010 or 30 June 2009, which could dilute earnings per share.

4.11. Use of Profits

The main shareholders' meeting in 2010 approved the supervisorry and management boards' suggestion to pay a dividend EUR 1 should be paid out from the balance sheet profits at GK SOFTWARE AG, which have been determined according to the principles in German trading law. This dividend is made up of a sum amounting to EUR 0.50 to mark the 20th anniversary of the existence of GK SOFTWARE AG and its predecessor company and a further sum amounting to EUR 0.50 to mark the extraordinarily good consolidated results. As there are 1,665,000 shares in circulation, the company made dividend payments of EUR 1,665,000.00 to its shareholders.

5. Notes on the Cash Flow Statement

The cash and cash equivalents involve cash in hand and bank balances.

6. Segment Reporting

The GK group offers the market two software-suites, serving different market demands.On the one hand, GK/Retail is on offer, on the other hand the SQRS suite, purchased from Solquest GmbH in May 2009 is provided. The economic development of either solution is recorded and reported separately. The key performance indicators are the segment sales with third parties and the total operating performance of a segment and its earning power, which is determined on the basis of the results for financial yields and income taxes (EBIT). The indicators "segment EBIT" "cash" and "assets" cannot be given for 30 June 2009, as separated recording and reporting only commenced in the IV. quarter of financial 2009.

The group sells its GK/Retail and Solquest Retail Solutions (SQRS) products within a licensing framework and provides introductory and adjustment services and services related to servicing these products. The company also sells hardware for store IT solutions to a limited degree, but this is manufactured by third parties. The subdivision of sales according to fields of work is part of the reporting process.

A subdivision of sales in terms of products and fields of work provides the following general view:

K EUR	GK/Retail			SQRS			Eliminations			Group		
	H1 2010	H1 2009	BY 2009	H1 2010	H1 2009	BY 2009	H1 2010	H1 2009	BY 2009	H1 2010	H1 2009	BY 2009
Sales with third parties	10,711	**8,163**	**21,372**	**1,758**	**373**	**1,905**	**–**	**–**	**–**	**12,469**	**8,536**	**23,277**
Licenses	2,639	643	6,598	281	–	158	–	–	–	2,920	643	6,756
Servicing work	2,539	2,083	4,839	769	167	858	–	–	–	3,308	2,250	5,697
Services	4,951	5,058	9,196	654	206	810	–	–	–	5,605	5,264	10,006
Other matters	597	379	752	54	–	79	–	–	–	651	379	831
Revenue reductions	-15	–	-13	–	–	–	–	–	–	-15	–	-13
Sales with the other segment	**798**	**–**	**1**	**–**	**–**	**394**	**-395**	**–**	**- 395**	**–**	**–**	**–**
EBIT segment	**2,121**	**–**	**5,488**	**350**	**–**	**499**	**–**	**–**	**-1,097**	**2,471**	**–**	**4,890**
Assets	**32,592**	**–**	**30,168**	**3,704**	**–**	**2,984**	**-1,489**	**–**	**-777**	**34,807**	**–**	**32,375**
Cash and cash equivalents	**6,821**	**–**	**10,356**	**1,235**	**–**	**282**	**–**	**–**	**–**	**8,056**	**–**	**10,638**

The decision not to marketing the SQRS solutions in order to keep the group's product portfolio tight has been kept up.

Work based on servicing contracts, which are determined by the normal segment revenues in their outside markets, were charged between the segments. Administrative work is accounted for on the basis of general service contracts. The amount accounted for corresponds to the original costs of providing the administrative work based on our experience of estimating the time involved.

Sales revenues with customers, which have their headquarters outside Germany, were shown separately from sales with customers, which have their headquarters in Germany, for the first time in fiscal 2009. These sales revenues amounted to 2,650K euros in the reporting period.

Sales revenues with customers, which have a share in revenues of more than 10%, were achieved in fiscal 2009 at a figure of 4,192K euros. These sales concerned the GK/Retail segment.

7. Other Information

7.1. Contingent Liabilities

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

There are two contingent liabilities amounting to 10K euros and 2,000K euros. Both come from pledges of cash equivalents to secure bank guarantees granted Volksbank Vogtland e.G. The guarantee for 10K euros is part of the normal collateral for leasing payments at the Berlin office and the guarantee for 2,000K euros was to secure the increase in the purchase price from the acquisition of the operating business of Solquest GmbH. The guarantee used to secure the increase in the purchase price is restricted until 30 June 2010. The guarantee for 2,000K euros has not been used until expiry date and the according pledge has been returned to GK SOFTWARE AG after the reporting date.

7.2. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the reporting period the amount of 194K euros.

7.3. Other Financial Obligations

Payment obligations from leasing contracts amount to 338K euros, of which 212K euro are due within a year; payments of another 126K euros are due within five years.

7.4. Subsidiaries

Name of the subsidiary	Headquarters	Capital share	Voting rights share	Main business
EUROSOFTWARE s.r.o.	Pilsen/Tschechien	100.0	100.0	Softwareentwicklung, Softwareprogrammierung
GK Soft GmbH	Zürich/Schweiz	100.0	100.0	Softwareentwicklung, Softwareprogrammierung
StoreWeaver GmbH	Riehen/Schweiz	100.0	100.0	Softwareentwicklung, Softwareprogrammierung
SQ IT-Services GmbH	Schöneck	100.0	100.0	Softwareentwicklung, Softwareprogrammierung
1. Waldstraße GmbH	Schöneck	100.0	100.0	Softwareentwicklung, Softwareprogrammierung

All the companies have been fully consolidated in these annual accounts.

7.5. Details of Associated Persons and Corporations

All the transactions with associated persons and corporations are being handled using normal market conditions. Expenditure for write-downs or irrecoverable claims from associated persons and corporations were not necessary or did not exist.

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

Parent Company
The direct parent company is GK Software Holding GmbH, Schöneck. Expenditure to a small degree was incurred on behalf of this company, but is now repaid (12.9K euros (Business year 2009: 11K euros). No other business relations existed during the reporting period.

Management Board
The following people are members of the Management Board:
- Herr Rainer Gläß, Schöneck, CEO, Dipl.-Ingenieur
- Herr Stephan Kronmüller, Schöneck, CTO, Dipl.-Ingenieur
- Herr Ronald Scholz, Rodewisch, COO, Dipl.-Ingenieur
- Herr André Hergert, Hamburg, CFO, Dipl.-Kaufmann

The earnings of the members of the Management Board on 30 June 2010 amounted to 802K euros.

The members of the Management Board directly held the following shareholdings in GK SOFTWARE AG as of 30 June 2010:

Mr. Rainer Gläß	52,792 shares	3.2 %
Mr. Stephan Kronmüller	37,500 shares	2.3 %
Mr. Ronald Scholz	20,300 shares	1.2 %

Supervisory Board
The following people are members of the Supervisory Board::
- Mr. Uwe Ludwig, Neumorschen, management consultant, Chairman of the Supervisory Board
- Mr. Heinrich Sprenger, Iserlohn, entrepreneur

- Mr. Thomas Bleier, Oelsnitz, businessman

The total earnings of the Supervisory Board at GK SOFTWARE AG in the reporting period amounted to 0 euro (40K euros in financial 2009).

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

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

Loans to associated corporations and persons:

K EUR	30.6.2010	31.12.2009
Loans to members of the Management Board	72	86
Loans to associated companies, which are not part of the consolidated group	1,559	1,514
Total	**1,631**	**1,600**

The loans were granted for an unlimited period and interest of 4% or 5% is being charged. Salary claims from Mr. Rainer Gläß to GK SOFTWARE AG serve as collateral for the loans. The loans to associated companies not part of the consolidated group were granted for an unlimited period and can be terminated with a period of notice of three months to the end of any year.

7.6. Auditor's Fee

Expenditure amounting to 52K euros is included for the annual audit of the accounts and consolidated accounts for the reporting period. Other services lead to expenditure of 34K euros. The fee for tax consultancy services amounted to 46K euros.

7.7. Statement of Compliance

The declaration on the Corporate Governance Code according to Section 161 of the German Stock Companies Act has been submitted and has been published on the company's home page at http://investor.gk-software.com/de-corporate-governance/entsprechenserklarung.

7.8. Authorization of the Annual Accounts

The annual accounts were authorized by the company managers on 25 August 2010 and were released for publication.

Schöneck, 25. August 2010

The Management Board

Assurance by the legal representatives

We guarantee to the best of our knowledge that the consolidated accounts reflect a rea-listic picture of the actual circumstances of the assets, financial and earnings situation at GK SOFTWARE AG in line with the relevant accounting principles and that the group management report reveals the course of business including the business results and the situation within the consolidated group in such a way that they communicate a picture that reflects the true circumstances and describe the main opportunities and risks for ex-pected developments at the company.

Schöneck, 25. August 2010

Der Vorstand

Rainer Gläß
(CEO)

Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

Imprint/Information

Imprint

Publisher:

GK SOFTWARE AG
Waldstraße 7
08261 Schöneck
Phone: +49 3746484 – 0
Fax: +49 3746484 – 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.-Ing. Stephan Kronmüller, CTO
Dipl.-Ing. Ronald Scholz, COO
Dipl.-Kfm. André Hergert, CFO

County Court Chemnitz
Commercial Registry number 19157
VAT-ID. DE 141 093 347

Contact

Contact Investor Relations

GK SOFTWARE AG
Dr. René Schiller
Friedrichstr. 204
10117 Berlin
Phone: +49 37464 84 – 264
Fax: +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.

Financial Calendar

H1 Interim Report for 2010	26 August 2010
Analysts' Conference 2010	22 November 2010
9M Interim Report for 2010	25 November 2010
2010 Annual Report	27 April 2011
Q1 Interim Report for 2011	26 May 2011
Annual Shareholders' Meeting in 2011	28 June 2011
H1 Interim Report for 2011	30 August 2011
9M Interim Report for 2011	24 November 2011

GK SOFTWARE AG
Waldstraße 7
08261 Schöneck
Phone +49 3 74 64 84-0

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