# 9M
## 2009

**GK** SOFTWARE

# Overview of KPIs

| | 30.9.2009 (not audited) (new basis of consolidation) | 30.9.2009 (not audited) (old basis of consolidation) | 30.9.2008 (not audited) | 30.9.2007 (not audited) |
|---|---|---|---|---|
| Sales revenues (EUR thousand) | 13,160 | 12,249 | 10,859 | 7,528 |
| Total operating revenue (EUR thousand) | 14,593 | 13,803 | 10,853 | 7,889 |
| EBIT (EUR thousand) | 708 | 1,556 | 2,095 | 1,137 |
| EBIT margin (on revenues) | 5.4 % | 12.7 % | 19.3 % | 15.1% |
| EBIT margin (on total operating revenue) | 4.8 % | 11.3 % | 19.3 % | 14.4% |
| EBT (EUR thousand) | 879 | 1,765 | 2,098 | 1,105 |
| Net income for the period (EUR thousand) | 523 | 1,253 | 1,482 | 785 |
| Results per share (weighted) (EUR) | 0.31 | 0.75 | 2.03 [1] | 5.23 |
| Equity ratio | 58.8 % | 62.6% | 59.8% | 17.6% |

1 Based on the 1,665,000 outstanding shares, the earnings per share for the period January 1, 2009 – September 30, 2009 are EUR 0.89.

# Contents

**Rainer Gläß**
CEO

**Stephan Kronmüller**
CTO

**Ronald Scholz**
COO

**André Hergert**
CFO

# 1. To the Shareholders

## A. Letter to the Shareholders

### Dear Shareholders,

We are delighted to be able to inform you that GK SOFTWARE AG will be in a position to continue its extraordinary success story, even in this difficult and uncertain year in overall economic terms. We assume that we will be able to record an increase in sales of 30 percent in comparison to 2008 in the 2009 business year with a significantly higher EBIT.

The current course of business has been distinguished by the company reaching important milestones. We were able to announce the outstanding results of the past nine months right on the reporting date: an agreement with SAP on the future sales of two software units from our portfolio – the integration platform and the mobile solution for merchandise management processes related to retail stores. This agreement is firstly a quality seal for our software solutions. Secondly, we are expecting this to trigger an increase in our ability to penetrate markets, particularly at international level.

We were able to provide the first evidence that our cooperation arrangement with SAP is alive and well after the reporting date: The major order to supply both software solutions to Germany's leading food retailer, EDEKA. This is of particular importance to us, because by supplying this integration platform, we are able to successfully occupy the strategic ground of IT architecture. We believe that considerable potential exists for our standard solution in this field, as the real time integration of local store systems with central ERP systems is a major issue on the agenda of many retailers to the same degree as a significant reduction in operating costs as a result of having suitable architecture provided by a well spread, heterogeneous IT structure.

We have continued to intensify our international activities during the past nine months. This has enabled our company to become more visible in our target markets, as shown by our active participation in bids for tenders. The pilot project for Russia's largest retailer, X5, is an important milestone in the internationalization strategy at GK SOFTWARE AG. The X5 retail group has enormous implications for the whole of Russia.

The takeover of the operating business at Solquest GmbH was extremely important for us with a view to our cooperation with SAP and the EDEKA project. The existing expertise in the merchandise management and mobile processes fields is a highly valuable addition as we further develop our software solutions in these areas. In addition to this, we have also managed to develop an efficient structure for providing service and maintenance for former Solquest customers during the past few months.

The last few months once again prove that the retail sector is very stable when viewed within the overall economy. But there were some clear signs that the sector's readiness to invest has been impacted by the economic crisis. This makes it hard to make predictions about future developments at the moment.

The company registered sales totaling EUR 13.16 million during the first nine months of 2009. This means that we have already exceeded the figure for the same reporting period in the previous year by more than 21 percent (Q3 2008 = EUR 10.86 million). Total operating revenue amounted to EUR 14.59 million and exceeded the previous year's figure by more than 34 percent (Q3 2008 = 10.85 million). Earnings before interest and tax (EBIT) amounted to EUR 0.7 million in the reporting period, EUR 1.39 less than in the same reporting period in the previous year. With regard to the results expected for the whole year, this is just a momentary blip, which primarily reflects the

costs of acquiring and restructuring the assets of Solquest GmbH. So we assume that the acquisition will have a largely neutral effect on company results by the end of the 2009 business year.

At the present time it looks as if we will be able to conclude the 2009 business year in an extraordinarily successful manner, primarily as a result of the successful major projects like EDEKA. With sales rising by 30 percent, we expect to be able to achieve a comparable EBIT margin to the previous year, despite the considerable special expenditure incurred by taking over Solquest.

We are continuing to expect double digit growth and ongoing good profitability levels for 2010 too.

We would like to thank you for placing your confidence in us and supporting us as we move forward.
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The Management Board

Rainer Gläß
(CEO)

Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

# B.  GK SOFTWARE AG Shares

## I. OVERVIEW

**Performance of GK SOFTWARE shares in comparison to TecDax** from January 2 until November 24, 2009,
indexed
in percent



EUR 12.50

EUR 8.50

EUR 23.00

GK SOFTWARE AG

TecDax

| Key facts | |
| --- | --- |
| German Securities Identification Number (WKN) | 757142 |
| ISIN | DE0007571424 |
| Ticker symbol | GKS |
| IPO | June 19, 2008 |
| Type of shares | No-par value bearer shares |
| Stock exchanges | Frankfurt and XETRA |
| Segment | Regulated Market (Prime Standard) |
| Designated Sponsor | ICF Kursmakler AG |
| Number of shares outstanding | 1,665,000 |
| Share capital | EUR 1,665,000 |
| Free float | 24.33 % |
| Offering Price | EUR 21.00 |
| Gross Issuing Volume | EUR 8.72 million |
| First Price (XETRA) Jun. 19, 2008 | EUR 21.40 |

After reaching a low point of EUR 8.50, which was due to the general market situation in the spring, the stock continued to rise and this process accelerated significantly again from September onwards. The stock had risen to EUR 37.70 on 24 November 2009, a rise of 202 percent over the figure of EUR 12.50 at the beginning of the year. This corresponded to a market capitalization of EUR 62.8 million on 24 November 2009.

## II. AKTIONÄRSSTRUKTUR

GK SOFTWARE AG has a very stable shareholder structure, which enables the company to develop in a long-term and sustainable way. The shareholder structure was as follows on the reporting data on 30 September 2009: The founder and CEO Rainer Gläß directly holds 2.85% of the shares in all. Stephan Kronmüller, also a founder and CTO, directly holds 2.25% of the shares. 70.57% are owned by GK Software
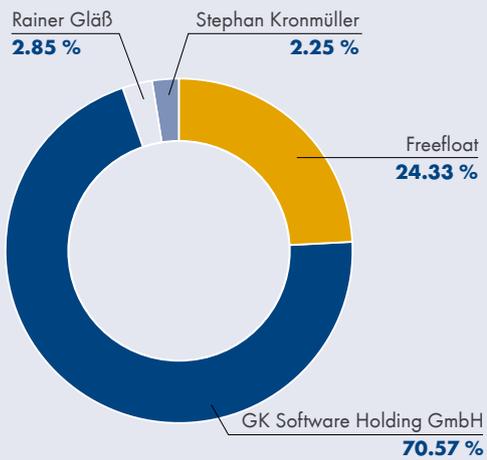
◀ **Shareholders structure** of
GK SOFTWARE AG at of 30 June 2009

Rainer Gläß
**2.85 %**

Stephan Kronmüller
**2.25 %**

Freefloat
**24.33 %**

GK Software Holding GmbH
**70.57 %**

Holding GmbH and they are equally allocated to the shareholders Rainer Gläß and Stephan Kronmüller. 24.33% are in free float.

## III. Directors Dealings

*Ronald Scholz, Management Board*

Purchase: 5.6.2009    5,000 shares     EUR 13.80

## IV. Financial Calendar[1]

| | |
|---|---|
| 2009 Annual Report | 27 April 2010 |
| First Quarter Report for 2010 | 26 May 2010 |
| 2010 Annual Shareholders' Meeting | 17 June 2010 |
| Second Quarter Report for 2010 | 26 Aug. 2010 |
| Third Quarter Report for 2010 | 25 Nov. 2010 |

1    subject to alterations

# 2. Brief Consolidated Interim Report

## A. Financial Report

## 1. Business and Underlying Conditions for GK SOFTWARE

### a. Market and Competitive Environment

The German retail sector is expecting a decline in sales of approx. 2 percent to EUR 391.6 billion for the whole of 2009. In the light of the expected reduction in overall economic performance in Germany of between five and six percent, the retail sector has been much less seriously hit by the financial crisis than other sectors. Nevertheless, it has been clear, particularly since the middle of the year, that retailers' willingness to invest has diminished slightly. At the moment it is not yet possible to make a forecast for next year, as the number of uncertainties continues to remain high. The Christmas trade could be an initial indicator, as this is extremely important for annual business in many sectors.

Above all, the development in consumer trends among Germans will be an important factor for the coming year. Regardless of the overall economic situation, this continues to be high. It played a major role in the current year to ensure that sharp declines in exports and in leading sectors like engineering have been absorbed – at least to some degree. Current studies on this issue, however, do not allow experts to make any clear forecast for the coming year. It will be important for key areas in the economy to show a positive trend during the next few months in order to prevent any increase in the number of those who are unemployed. In conjunction with consumer prices, which have been stable for some time, this would ensure that retail sales would remain stable or that some growth might develop. The latest signals from the export sector are very promising. Rising exports enabled the German economy to grow in the third quarter to a degree not seen for eighteen months. At the same time, gross domestic product in the third quarter grew by 0.7 percent in comparison with the previous quarter. This was the strongest growth seen since the beginning of 2008.

In general terms, not only growth phases, but also economic downturns provide opportunities for GK SOFTWARE. Once again, it has become clear that retailers do invest during these phases, particularly in issues like customer loyalty or process optimization. So any jump-start in the economy could create a situation where a start is made on dismantling the backlog on investments, which still exists. This also depends on the age of the IT solutions used in the retail sector – on average these systems are six years old, but one fifth of the systems are more than ten years old. So GK SOFTWARE AG believes that investments in new systems, which are required in the short or medium term, provide it with sales potential in Germany too in the future.

In conjunction with the expansion of sales activities in the USA, Great Britain and Russia and as a result of additional enquiries from markets, which we are not actively processing, the company will be able to continue to increase its sales potential. This effect could become even stronger, if the global economic situation improves rapidly.
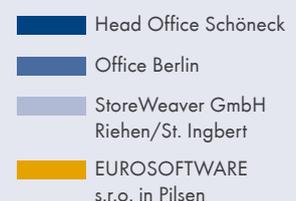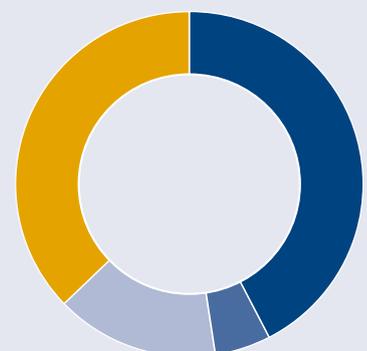
GK SOFTWARE is currently in a good position in several ongoing invitations for tenders in Germany and abroad and it has important advantages over its competitors with its broad product portfolio, the internationality of its solutions and its proven ability to complete projects quickly.

### b. Customer Projects

The company pushed ahead with customer projects according to plan during the first nine months of 2009.

It was possible to successfully complete the rollout of the initial sales line at Coop (Switzerland). In the Lidl project, the first national versions were handed over on time, in line with the milestone planning. The conversion of former Plus stores and integrating them into the IT landscape of Netto Marken-Discount is continuing to press

▼ **Distribution of employees** at group business locations on September 30, 2009



- Head Office Schöneck
- Office Berlin
- StoreWeaver GmbH Riehen/St. Ingbert
- EUROSOFTWARE s.r.o. in Pilsen

ahead at full speed – approx. 1,500 stores have already been equipped with GK/Retail. A central milestone has been reached in the Hornbach project with the handover of the pilot version. Work is currently going on to produce a pilot version for a test market with X5 in Russia in a very short time. Alongside the development work for the new projects, preparations are being made for the switch to the new major release GK/Retail 12 at our first existing customers.

The implementation of the new project at EDEKA, which has been gained through our cooperation with SAP, will be of particular importance for GK SOFTWARE in 2010. Efficient structures have been created for this and highly qualified new managerial staff have joined the company and they will ensure that the project is completed on time and with the necessary high quality.

### c. Employees

GK SOFTWARE currently employs 277 people (on 30 September 2009), an increase of 78 over the end of the comparative period in the previous year. This rise of approx. 39 percent was almost half due to the takeover of the employment contracts at Solquest GmbH. In addition, the company continued to expand human resources numbers in several departments in order to complete the projects that have already been acquired and those that we expect to win. Further reinforcements were made, particularly in the software development and project management departments. A hotline team was also established to provide first level service. Most of the company employees are based at corporate headquarters in Schöneck – 117 persons. Extension work is currently taking place here to further expand the space that is available. There are 13 members of staff at the Berlin branch, particularly working in the sales and marketing, project management and partner management departments. 97 persons are currently employed at the Czech subsidiary, EUROSOFTWARE s.r.o. StoreWeaver GmbH in Basel/Riehen and St. Ingbert has taken over a large number of former Solquest employees and currently employs 31 people. The company has moved into larger real estate in St. Ingbert. A further 13 former Solquest members of staff are employed at SQ IT-Services GmbH, a one hundred percent subsidiary of GK SOFTWARE and created in the course of the takeover process.

The major focus in the field of human resources development continues to primarily consist of integrating the new members of staff and helping them to become acquainted with corporate practices. Special familiarization plans, trainee and mentoring programs have been developed for this purpose. Special attention is being paid to integrating the former Solquest employees. GK SOFTWARE will continue to employ more highly qualified members of staff at its various business locations in order to be able to respond to increases in the amount of work in an appropriate manner.

## ii. Explanation of the Company Results and an Analysis of the Earnings, Assets and Financial Situation

### a. Earnings Situation

GK SOFTWARE was able to increase its sales from EUR 10.86 million to EUR 13.16 million during the first nine months of the 2009 business year, a rise of 21 percent. Taking into account changes in stocks of finished goods and work in progress and own work capitalized, the total operating revenue rose to EUR 14.59 million, following a figure of EUR 10.85 million in the previous year, an increase of slightly more than 34%.

In comparison with the first quarter in 2008, human resources expenditure rose from EUR 5.73 million to EUR 8.88 million (an increase of 55 percent) during the reporting period. The main reason for this was the takeover of employees at Solquest GmbH on 1 May 2009. Staff numbers in the development and project management departments were also expanded at the same time.

Depreciation/amortization amounted to EUR 0.79 million in line with expectations in the first three quarters (EUR 0.47 million in the previous year). Other operating expenditure amounted to EUR 3.37 million (EUR 2.04 million in the previous year). The two major reasons for this increase were the expansion of sales activities in the USA, Great Britain and Russia (approx. EUR 0.57 million) and the takeover of the operating business at Solquest GmbH (approx. EUR 0.36 million since 1 May 2009).

GK SOFTWARE achieved earnings before interest and tax (EBIT) of EUR 0.71 million during the reporting period. Based on sales, GK SOFTWARE achieved an EBIT margin of 5.4 percent. If the takeover of the operating business at Solquest GmbH is removed from the equation, the EBIT margin is 12.7 percent.

The financial results in the first three quarters of 2009 totaled EUR 0.17 million (EUR 3,000 in the same period in the previous year). The results

before tax fell to EUR 0.88 million after a figure of EUR 2.10 million in the previous year. After tax, the net income for the period amounted to EUR 0.52 million (EUR 1.48 million in the previous year). This corresponds to earnings per share of EUR 0.31 in terms of the 1,665,000 shares outstanding at the reporting date, after a figure of EUR 0.89 per share in the previous year, if the value is calculated on the basis of the 1,665,000 outstanding shares at the reporting date.

### b. Assets Situation

As a result of the successful business operations, the consolidated reported equity rose by EUR 0.52 million from EUR 11.78 million on 31 December 2008 to EUR 12.30 million. The equity ratio still amounts to 58.9% after a figure of 60% at the end of the 2008 business year because of the balance sheet total that has risen as a result of the Solquest acquisition.

Non-current liabilities rose to EUR 2.57 million. This rise is due to an increase in deferred taxes of EUR 0.32 million, which is countered by a decline in non-current bank liabilities by EUR -0.10 million. Current liabilities also rose from EUR 5.46 million to EUR 6.01 million. The major factors here were the important initial installments received for financing the company, which rose from EUR 0.48 million to EUR 2.75 million.

As far as assets are concerned, non-current assets rose from EUR 4.24 million to EUR 5.42 million. The major changes affected the intangible assets, the value of which rose by EUR 0.51 million. The change is actuated by the capitalization of self-constructed assets, for which accruals amounting to EUR 0.67 million accumulated during the reporting period.

Current assets covered items valued at EUR 15.47 million following a figure of EUR 15.38 million on the balance sheet date of the 2008 business year. The main element involved cash and cash equivalents, which remained almost constant at EUR 8.50 million following a figure of EUR 8.85 million at the balance sheet date for 2008. The rise in inventories by EUR 0.52 million to EUR 1.26

million and other assets by EUR 0.99 million to EUR 3.76 million is countered by falls in trade accounts receivable from EUR -1.07 million to EUR 1.95 million. The increase in other accounts receivable is connected to services provided for Solquest GmbH.

### c. Financial Situation

Cash flow in the narrower sense (mainly pre-tax results, adjusted by depreciation items that do not affect liquidity) amounted to EUR 1.23 million up to the reporting date. The figure amounted to EUR 3.54 million during the whole of the previous year. The cash flow from operating business activities amounted to EUR 0.54 million during the reporting period (EUR 1.43 million during the whole of 2008).

The cash flow from investment activities amounted to EUR -0.81 million in 2009 up to 30 September (EUR -2.58 million for the whole of 2008). The dominant element in these investments was the acquisition of the operating business of Solquest GmbH in May 2009.

The cash flow from financial operations totaled EUR -0.10 million during the reporting period (EUR 7.10 million for the whole of 2008). The outflow of funds was due to agreed payments of installments on non-current bank liabilities.

## III. Report on Key Events after the Reporting Period

GK SOFTWARE AG was able to announce two other important agreements after the end of the reporting period. The contract with EDEKA is particularly significant. GK SOFTWARE AG will work in partnership with SAP to provide Germany's largest food retailer with innovative software solutions for device controls and mobile store processes, which can be used offline, with direct integration in the central SAP system.

The second milestone after the end of the reporting period was an agreement with the X5 retail group, the largest Russian retailer, which operates more than 1,100 of its own stores and more than 600 franchise businesses in five different formats. As part of this agreement, GK SOFTWARE AG will equip a pilot market in Moscow with the GK/Retail store solution during the fourth quarter of 2009. Completion in just eight weeks, including all the Russian national specifics and tax requirements, once again demonstrates the high versatility of the company's standard GK/Retail software.

▼ **Developments in Sales** compared to the previous years

**Quarterly sales performance in comparison with the previous years**, accumulated in EUR thousand

# B.  Report on Risks and Prospects

## I. Opportunities and Risks for GK SOFTWARE

No major changes have occurred during the first three quarters of the 2009 business year with regard to the risk situation at GK SOFTWARE when compared to the statements made during the annual report in 2008 and the half-yearly report for the 2009 business year, which could have a major influence on corporate developments during the remaining months of the current business year. As a result, the descriptions of the potential arising from opportunities and risks for future developments at GK SOFTWARE from the consolidated annual report for the 2008 business year continue to apply without any major changes.

## II. Outlook

As has already been mentioned, the company is confident that it will completely meet the goals set for 2009 on the basis of the progress already made in sales. We are expecting growth in sales of 30 percent and a similar level of profitability to the previous year (EBIT margin). This means that we will grow considerably once again and 2009 will easily be the company's best business year.

But it is not yet possible to make a firm prediction that goes beyond the end of 2009 at this time, because it is still hard to make forecasts about the recovery of the whole economy from the recession. So far the company has not suffered any negative consequences in its operating business. But we cannot completely exclude this possibility for the future.

We are standing by our analysis that the general conditions, which have supported the expansion of GK SOFTWARE during the last few years, will not change, but at best may be overtaken by other considerations at times in the course of the crisis. Efficient IT structures are required to an ever greater degree in order to efficiently serve more and more individual consumer needs and obtain customer loyalty by standing out from the crowd through more than just prices. Precise information on business management conditions within the network of stores allows companies to manage their networks in a direct manner and achieve positive results, even in tough economic times – and this is only possible with appropriate IT structures. The solutions provided by GK SOFTWARE provide all this. By also increasingly focusing on integration scenarios and strategic middleware issues, the company is hoping to boost its position even further as an important partner of the retail trade in the future.

We are currently involved in detailed negotiations with potential customers in Germany and abroad and the progress being made in projects with existing customers is going according to plan.

So we are expecting 30 percent growth over 2008 in GK SOFTWARE's operating business in 2009 with a level of profitability that is comparable to the previous year. We will ensure that the integration of the business operations of Solquest, which have been acquired, will have a neutral effect on results for the company by the end of the year. The medium and long-term forecasts are subject to the way that the economy in Germany and Europe actually develops, especially in the retail sector. Experience has shown that issues like customer loyalty, increasing customer satisfaction and optimizing store processes in the retail sector are very important, particularly when the economy is weak. The management board is therefore confident that business at GK SOFTWARE will continue to be successful beyond the year 2009.

# 3. Consolidated financial statements

## A. Consolidated balance sheet as of September 30, 2009

### Assets

| EUR | 30.09.2009 (not audited) | 31.12.2008 (audited) |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 2,887,719.00 | 2,593,082.45 |
| Intangible assets | 2,144,802.74 | 1,633,248.88 |
| Financial Assets | 300.00 | 0.00 |
| Deferred taxes | 390,993.65 | 17,836.30 |
| Total non-current assets | 5,423,815.39 | 4,244,167.63 |
| | | |
| **Current assets** | | |
| Inventories | 1,256,915.12 | 738,100.00 |
| Accounts receivable | 1,953,786.28 | 3,023,201.58 |
| Other receivables and assets | 3,759,192.82 | 2,765,481.55 |
| Cash and cash equivalents | 8,500,812.62 | 8,854,938.53 |
| Total current assets | 15,470,706.84 | 15,381,721.66 |
| **Total (balance sheet)** | **20,894,522.23** | **19,625,889.29** |

## EQUITY AND LIABILITIES

| EUR | 30.09.2009 (not audited) | 31.12.2008 (audited) |
|---|---:|---:|
| **Equity capital** | | |
| Subscribed capital | 1,665,000.00 | 1,665,000.00 |
| Share premium | 7,436,970.73 | 7,436,970.73 |
| Retained earnings | 31,095.02 | 31,095.02 |
| Balance sheet profits | 3,172,500.59 | 2,649,347.46 |
| **Total equity capital** | 12,305,566.34 | 11,782,413.21 |
| | | |
| **Non-current liabilities** | | |
| Provisions for pensions and similar commitments | 48,719.12 | 48,719.12 |
| Non-current liabilities to banks | 1,045,125.00 | 1,140,434.50 |
| Deferred government grants | 716,556.70 | 749,652.03 |
| Deferred taxes | 764,066.84 | 443,405.05 |
| **Total non-current liabilities** | 2,574,467.66 | 2,382,210.70 |
| | | |
| **Current liabilities** | | |
| Current provisions | 1,350,379.01 | 798,640.70 |
| Current liabilities to banks | 115,500.00 | 115,503.60 |
| Accounts payable | 330,228.13 | 525,974.39 |
| Advance payments received | 2,752,436.38 | 2,271,498.24 |
| Income tax liabilities | 125,678.30 | 211,149.47 |
| Other current liabilities | 1,340,266.40 | 1,538,498.98 |
| **Total current liabilities** | 6,014,488.22 | 5,461,265.38 |
| | | |
| **Total liabilities** | 8,588,955.88 | 7,843,476.08 |
| | | |
| **Total (balance sheet)** | **20,894,522.23** | **19,625,889.29** |

## B. Consolidated income statement as of September 30, 2009

| EUR | 30.09.2009 (not audited) | 30.09.2008 (not audited) | 31.12.2008 (audited) |
|---|---|---|---|
| **Continued Operations** | | | |
| Sales revenues | 13,160,002.55 | 10,859,295.78 | 15,028,546.88 |
| Changes in stocks of work in progress | 229,829.50 | -991,840.33 | -1,259,500.00 |
| Own work capitalized | 672,998.43 | 621,081.07 | 814,637.21 |
| Other operating revenues | 529,805.53 | 364,038.98 | 424,386.79 |
| | 14,592,636.01 | 10,852,575.50 | 15,008,070.88 |
| | | | |
| Material expenditure | 836,924.93 | 506,054.20 | 513,628.62 |
| Personnel expenditure | 8,884,592.65 | 5,730,149.63 | 8,046,862.15 |
| Amortization/depreciation | 793,540.83 | 478,784.23 | 718,885.63 |
| Other operating expenditure | 3,369,709.72 | 2,042,589.88 | 2,954,184.02 |
| | 13,884,768.13 | 8,757,577.94 | 12,233,560.42 |
| | | | |
| **Operating results** | 707,867.88 | 2,094,997.56 | 2,774,510.46 |
| Financial results | 171,310.06 | 2,615.99 | 89,729.07 |
| | | | |
| **Results before income taxes** | 879,177.94 | 2,097,613.55 | 2,864,239.53 |
| Income taxes | 356,024.82 | 615,441.18 | 830,384.12 |
| | | | |
| **Net income** | 523,153.13 | 1,482,172.37 | 2,033,855.41 |
| Profit carried forward | 2,649,347.46 | 1,718,753.00 | 1,718,753.00 |
| Transfers to share premium | 0.00 | -918,960.95 | -918,960.95 |
| Dividend payments | 0.00 | -184,300.00 | -184,300.00 |
| | | | |
| **Net retained profits** | 3,172,500.68 | 2,097,664.42 | 2,649,347.46 |
| | | | |
| Number of shares issued (average) | 1,665,000 | 730,493 | 1,472,240 |
| | | | |
| **Undiluted earnings per share (in EUR/share)** | **0.31** | **2.03** | **1.38** |

## C. Consolidated cash flow statement as of September 30, 2009

| EUR thousand | 30.09.2009 (not audited) | 30.09.2008 (not audited) | 31.12.2008 (audited) |
|---|---:|---:|---:|
| **Cash flow from operating activities** | | | |
| Net income/loss | 523 | 1,482 | 2,034 |
| Income taxes affecting results | 356 | 615 | 830 |
| Interest income/expenses affecting results | -171 | -3 | -90 |
| Earnings/losses from the sale or disposal of property, plant and equipment | 19 | -16 | 18 |
| Reversals of deferred government grants | -31 | -26 | -36 |
| Write-downs recognized for receivables | 112 | 18 | 68 |
| Write-ups recognized for receivables | -21 | 0 | -8 |
| Amortization/depreciation | 445 | 479 | 719 |
| Other non-cash income and expense | -5 | 7 | 4 |
| | 1,227 | 2,556 | 3,539 |
| | | | |
| **Changes in net current assets** | | | |
| Change in accounts receivable and other assets | -327 | -149 | -1,182 |
| Change in inventories | -519 | 990 | 1,261 |
| Change in accounts payable and other liabilities | -838 | -30 | 116 |
| Change in advance payments received | 481 | -1,652 | -1,227 |
| Change in provisions affecting results | 696 | 423 | 270 |
| **Influx of cash provided by operating activities** | 720 | 2,138 | 2,777 |
| | | | |
| Interest received | 245 | 18 | 231 |
| Interest paid | -73 | -71 | -141 |
| Income tax paid | -357 | -1,254 | -1,440 |
| Net cash flow provided by operating activities | 535 | 831 | 1,427 |
| | | | |
| **Cash flow from investment activities** | | | |
| Payments for property, plant and equipment and non-current assets | -809 | -872 | -1,215 |
| Investment subsidies used | 0 | 88 | 8 |
| Disbursed loans to associated companies | 0 | 0 | -820 |
| Disbursed loans | 0 | 0 | -552 |
| Net cash used in investment activities | -809 | -784 | -2,579 |
| | | | |
| **Cash flow from financing activities** | | | |
| Dividend payments | 0 | -184 | -184 |
| New equity | 0 | 7,739 | 7,852 |
| Draw-down of loans | 0 | 0 | 0 |
| Repayment of credit | -95 | -99 | -120 |
| Repayment of silent partnership | 0 | 0 | -450 |
| Net cash provided by financing activities | -95 | 7,456 | 7,098 |
| | | | |
| **Net increase in cash and cash equivalents** | **-369** | **7,503** | **5,946** |
| Cash and cash equivalents at beginning of year | 8,855 | 2,904 | 2,904 |
| Impact of changes in exchange rates on cash and cash equivalents | 15 | 7 | 5 |
| | | | |
| **Cash and cash equivalents on September 30, 2008** | **8,501** | **10,414** | **8,855** |

## D. Consolidated statement of changes in equity as of September 30, 2009

| EUR | Subscribed capitall | Reserves (share premium) | Reserves (retained earnings) | Reserves (retained earnings) | Total |
|---|---|---|---|---|---|
| Balance on Jan 1, 2008 | 155,000.00 | 0.00 | 207,134.07 | 1,718,753.00 | 2,080,887.07 |
| Net income | | | | | |
| Dividend payments | 0.00 | 0.00 | 0.00 | 1,482,172.37 | 1,482,172.37 |
| Additions to retained earnings to increase capital | 0.00 | 0.00 | 0.00 | -184,300.00 | -184,300.00 |
| Capital increase in company funds | 0.00 | 0.00 | 918,960.95 | -918,960.95 | 0.00 |
| Capital increase (IPO) | 1,095,000.00 | 0.00 | -1,095,000.00 | 0.00 | 0.00 |
| Offsetting equity procurement costs with premium share less tax effect | 415,000.00 | 8,300.000.00 | 0.00 | 0.00 | 8,715,000.00 |
| | 0.00 | -843,914.39 | 0.00 | 0.00 | -843,914.39 |
| **Balance on Sept 30, 2008** | **1,665,000.00** | **7,456,085.61** | **31,095.02** | **2,097,664.42** | **11,249,845.05** |
| Net income Oct 1, 2008 to Dec 31, 2008 | 0.00 | 0.00 | 0.00 | 551,683.04 | 551,683.04 |
| Dividend payments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Adjustments to equity procurement cost including tax effect | 0.00 | -19,114.88 | 0.00 | 0.00 | -19,114.88 |
| **Balance on Dec 31, 2008** | **1,665,000.00** | **7,436,970.73** | **31,095.02** | **2,649,347.46** | **11,782,413.21** |
| Net income Jan 1, 2009 to Sept 30, 2009 | 0.00 | 0.00 | 0.00 | 523,153.13 | 523,153.13 |
| **Balance on Sept 30, 2009** | **1,665,000.00** | **7,436,970.73** | **31,095.02** | **3,172,500.59** | **12,305,566.34** |

# E. Notes to the consolidated financial statements as of September 30, 2009

## 1. Principles of Reporting

### 1.1. General Information

The abbreviated consolidated interim report from GK SOFTWARE AG has been drawn up according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), which applied on the accounts reporting date. Any standards or interpretations, which had been published, but had not yet come into force, have not been used for the consolidated interim report. The company managers assume that there will be no major effects on the annual accounts in the first year that these standards are used. The International Accounting Standards Board (IASB) has not published any new accounting standards (IFRS), which the company needs to use for the first time in the current business year.

The consolidation, balance sheet and assessment methods used in the abbreviated consolidated interim report are based on the same consolidation, balance sheet and assessment methods, which were used in the consolidated accounts for financial 2008.

### 1.2 Acquisition

The business operations of Solquest GmbH, Waldbronn, were taken over on 28 May 2009 effective as from 1 May 2009. Only assets (fixed and current assets, customer and employee contracts) and normal business supplier and service contracts (rent, telecommunications etc.) were taken over in singular succession. The purchase price amounted to EUR 500,000 and was paid in cash. The fixed and current assets were taken over at their accounting values, while the capitalized value, which was estimated by management based on the basis of detailed planning, was taken over as a current value in the case of assets made available by Solquest GmbH. The acquisition was largely prompted by the expertise at Solquest GmbH in the area of store integration and mobile merchandise management solutions. A genuine current value cannot be attributed to this expertise, as it is not possible to calculate a market price on account of the heterogeneity of this debatable know-how. This figure is determined as a residue of the purchase price after the asset values have been subtracted and is shown as goodwill amounting to EUR 25,369.74.

### 1.2. Consolidated Companies

The consolidated interim accounts include GK SOFTWARE AG and all the companies, where GK SOFTWARE AG holds a majority of the shareholder voting rights.

The consolidated companies include the parent company, the SQ IT-Services GmbH, Schöneck (since May 28, 2009) and three foreign firms (EUROSOFTWARE s.r.o., Plzen/Czech Republic, StoreWeaver GmbH, Riehen/Switzerland, GK Soft GmbH, Zurich/Switzerland).

### 1.3. Authorization of the Abbreviated Interim Accounts

The abbreviated interim accounts were authorized by the company managers on November 26, 2009 and released for publication.

Schöneck, November 2009

The Management Board

Rainer Gläß
(CEO)

Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

# Imprint/Notes

## Imprint

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Dipl.-Volkswirt Uwe Ludwig

### Management board:

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Dipl.-Ing. Stephan Kronmüller, CTO
Dipl.-Ing. Ronald Scholz, COO
Dipl.-Kfm. André Hergert, CFO

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## Notes

**Note to the Annual 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.