Interim Report

H1 2008

GK SOFTWARE

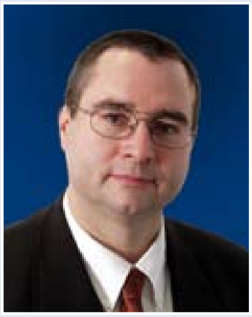
Overview of KPIs

	Jun. 30, 2008 (unaudited)	Jun. 30, 2007 (unaudited)
Revenue (EUR thousand)	7,687	5,284
Total operating revenue (EUR thousand)	7,077	5,207
EBIT (EUR thousand)	1,522	842
EBIT margin (in terms of sales)	19.8 %	15.9 %
EBIT margin (in terms of total operating revenue)	21.5 %	16.2 %
EBT (EUR thousand)	1,468	826
Net income for the period (EUR thousand)	1,030	963
Earnings per share (weighted) (EUR)	3.99 [1]	6.42
Equity ratio	57.9 %	17.6 %
Net debt (EUR thousand)	-4,111	5,085 [2]

[1] Earnings per share (as of balance sheet date) amounted to EUR 0.62.
[2] Net debt is calculated as of Dec. 31, 2007.

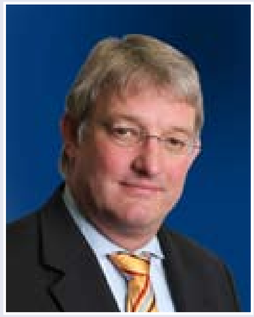
TOC

Rainer Gläß
CEO



Stephan Kronmüller
CTO

Ronald Scholz
COO



André Hergert
CFO

1. To our shareholders

a. Letter to shareholders

Dear shareholders,

The first six months of this year were key for GK SOFTWARE AG's future growth. Despite the undulations on the capital market, we successfully completed our IPO. GK SOFTWARE AG has been listed in the Prime Standard on the Frankfurt Stock Exchange since June 19, 2008. That made us the first company in 2008 to go public in Deutsche Börse's premium segment. We successfully placed all 415,000 of the shares offered at an issuing price of EUR 21 during our initial public offering. This resulted in gross proceeds from the issue of approx. EUR 8.7 million, which form the basis for our further growth – which we plan to achieve via international expansion, expanding our technology lead and consistent penetration of the German market.

In addition to our successful IPO, we should also highlight our positive figures for the first half of 2008. For example, revenues were up to EUR 7.69 million compared to the first six months of 2007 – up 45.5 %. EBIT totaled EUR 1.52 million, up 81 % on H1 2007. There was also a clear increase in the EBIT margin, which climbed to 21.5 %. We increased earnings in the first six months of 2008 by 7 % compared to the first half of 2007 to EUR 1.03 million. We are also forecasting continued strong growth for the remainder of the fiscal year.

This dynamic growth was based on the very pleasing development of our operating business. We were also able to acquire two well-known first tier new clients in the form of ESCADA AG and the Swiss retail company Coop. In future, GK/Retail will be used to control the ESCADA branches in four continents – America, Europe, Asia and Australia. In winning this order we once again beat off key competitors, and GK SOFTWARE once again impressively proved its competitive advantages for technology, functionality and international use. In this manner, we have thus penetrated the luxury segment and acquired two new continents for our solutions with Australia and Asia. Coop, the second largest retail company in Switzerland has also decided to use our GK/Retail product suite after detailed selection process. Coop will use GK SOFTWARE AG's standard solution in around 1,400 branches. We have thus succeeded, for the first time, in acquiring a foreign customer for our solutions. That shows that we are right on track with our growth strategy. In addition to our successful acquisition of new customers, we have also been able to increase our stock of existing customers.

In our Small and Medium Business (SMB) segment, we were able to acquire one additional customer just after the end of the first six months in the form of TSG 1899 Hoffenheim Fußball-Spielbetriebs GmbH. This was possible due to the scalability of our solutions and underscores our strategy of significantly expanding our SMB division. We will put a third stadium project in place with the fan shops in the new stadium for the soccer team TSG 1899 Hoffenheim, which plays in the German Bundesliga, financed by SAP's founder Dietmar Hopp, in addition to the SAP-Arena Mannheim and the Munich Allianz-Arena.

Our wholly-owned subsidiary StoreWeaver GmbH was able to conclude its first independent agreement with the Swiss company Coop in July 2008, just a few months after being formed. This shows that spinning off branch integration topics into a stand-alone company has opened up new opportunities and areas of business for us – and these have already started to be actively used.

Our research and development is currently primarily focusing on further developing our existing lines of software. When it comes to expanding our products functionality, we are currently working on issues including increasing the merchandise management functionalities and comprehensively implementing these on mobile devices. At the same time, we expand our technology leadership by driving the further development of SOA-compatible components, such as Web services. Key topics also include integrating a solution for mobile payments and including Self-checkout cash desks and state-of-the-art scales. In so doing, we are anticipating trends that will become established as retail standards in the coming years. We are also focusing on further developing StoreWeaver's functions and technology. As part of our partner drive, we are working in-depth on an application, which will allow our partners to independently adapt our solutions to customers' needs.

In addition, we want to develop additional industries by specifically further developing our software solutions – these industries include, for example, system catering and gas stations. We believe that this will bring additional potential for revenues and earnings in future.

We already made key investments in the first half of 2008 in order to create the foundations for sustained, dynamic growth. For example, we formed StoreWeaver GmbH in Basel/Riehen. This company will sell our StoreWeaver solution in future – our platform for end-to-end integration. We significantly increased the size of our Berlin branch by adding new offices in order to keep pace with the growing number of employees. In addition, we are also driving our plans for international expansion, for example in countries such as the United Kingdom and France. We will also invest in our growth strategy in the second half of the year, the proceeds from the IPO will provide solid financial foundations.

We are pleased to go down this highly promising path together with you, and would like to thank you for your trust in us.

The Managing Board

Rainer Gläß
(CEO)

Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

b. GK SOFTWARE AG's shares

I. Overview

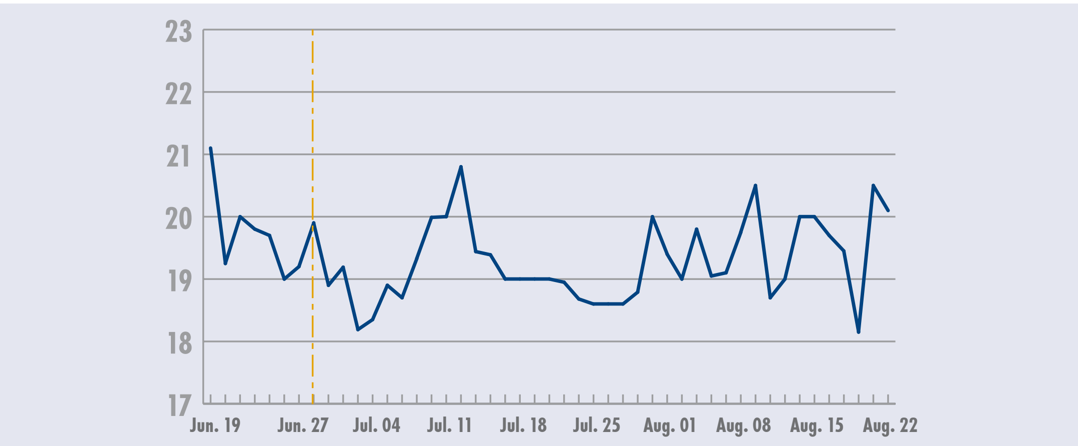
GK SOFTWARE AG's shares have been listed in the Prime Standard on the Frankfurt Stock Exchange since June 19, 2008. The issuing price for the shares in the IPO on June 19, 2008 was EUR 21, the first price on the stock market was EUR 21.40. Despite the difficult situation on the capital market, our share price has been stable during the first few weeks. At the end of the first half of the year (June 30, 2008), our shares were trading at EUR 19.90.

Key facts	
German Securities Indentification 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
Number of shares from capital increase	415.000
Share capital	1.665.000 EUR
Free float	24,92 %
Offering Price	EUR 21,00
Gross Issuing Volume	EUR 8.72 million
First Price (XETRA) Jun. 19, 2008	EUR 21,40

II. Capital increase

In its resolutions on May 15 and 22, 2008, the company's general meeting resolved to increase the share capital by partially converting the net retained profits and partially converting "other retained earnings" from EUR 0.155 million prior to the IPO to EUR 1.25 million. The capital was increased without issuing new shares. At the same time, it also resolved a share split in the ratio of 1:250, so that each share has a theoretical interest of EUR 1.00 in the share capital. Execution of the capital increase and the share split were entered in the commercial register on May 29, 2008.

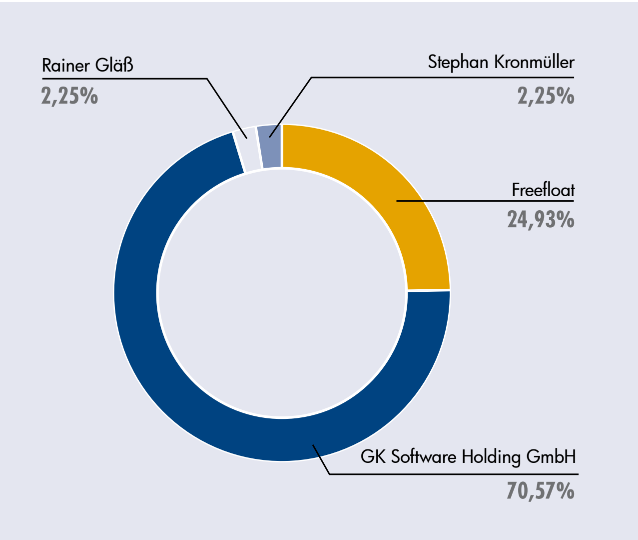
As a result of the IPO on June 19, 2008, the share capital thus increased during the period under review from EUR 1.25 million to EUR 1.665 million. A total of 415,000 no-par value bearer shares, each also with a theoretical interest of EUR 1.00 in the share capital, were placed on the capital market at a price of EUR 21.00 per share. The shares bear dividend rights from January 1, 2008. 31.36 % of the issuing volume was allocated to retail investors. A further 68.64 % of shares were subscribed by institutional investors in Germany and abroad. The gross proceeds from the issue of approx. EUR 8.7 million are primarily to be used for further investments and for GK SOFTWARE AG's international expansion.



◀ **Development of GK SOFTWARE AG's share** since IPO on June 19, 2008, in EUR

III. Shareholder structure

▼ **Current shareholder structure** of GK SOFTWARE AG



GK SOFTWARE AG has a stable shareholder base, which makes the company's long-term, sustained growth possible. After the capital increase was executed, the shareholder structure was as follows: the founder and CEO Rainer Gläß directly holds a 2.25 % interest. Stephan Kronmüller, also a founder and Managing Board member for technology and development, also directly holds a 2.25 % interest. 70.57 % are held by GK Software Holding GmbH, and this interest is indirectly and equally held by Rainer Gläß and Stephan Kronmüller. This results in a free float of 24.93 %.

IV. Investor Relations

Even before the IPO, GK SOFTWARE AG's Managing Board was already involved in in-depth dialog with investors and financial journalists. The company will continue to place great value on a constant flow of information in future. The company is listed in the Prime Standard, and thus has to fulfill the stock market's highest transparency requirements. This includes, for example, preparing detailed quarterly, six-month and annual reports in German and English, a financial calendar and publishing ad hoc disclosures without delay. IFRS accounting also meets investors needs for information. In addition, the company plans to participate regularly in analysts' conferences and roadshows in Germany and abroad.

Financial calendar

Six-month report 2008	Aug. 28, 2008
Participation in Equity Forum, Frankfurt/Main	Nov. 10 - 12, 2008
Nine-month report 2008	Nov. 27, 2008
2008 annual report and invitation to the Ordinary General Meeting 2009	Apr. 16, 2009
Three-month report 2009	May 14, 2009
Ordinary General Meeting 2009	Jun. 11, 2009
Six-month report 2009	Aug. 13, 2009
Nine-month report 2009	Nov. 12, 2009

2. Interim group management report

a. Business report

Corporate structure and underlying conditions for GK SOFTWARE AG

a. Corporate structure

GK SOFTWARE AG is one of the leading software partners for the retail sector. The company was formed in 1990 by Stephan Kronmüller and Rainer Gläß in Schöneck, where it has been headquartered since then. In addition to administration, this location primarily houses product development, project management and third-level support. The company has a branch in Berlin, which mostly controls sales and marketing and activities with partners. The subsidiary EUROSOFTWARE s.r.o. in Pilsen, Czech Republic, is responsible for software production as well as research and development, and is thus the primary location for programming and further technology developments. In addition, GK SOFTWARE AG also has a subsidiary in Switzerland – StoreWeaver GmbH located in Basel/Riehen. This subsidiary further develops the concept for the StoreWeaver product group and also sells these products.

The company's two founders Rainer Gläß (CEO, administration, sales and marketing) and Stephan Kronmüller belong to GK SOFTWARE AG's Managing Board. The Managing Board also includes Ronald Scholz (COO) and André Hergert (CFO), who has been working as an external consultant for GK SOFTWARE AG since the spring of 2007 and who was appointed as CFO on March 1, 2008.

GK SOFTWARE AG's three-strong Supervisory Board is chaired by 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 board since 2001. Thomas Bleier joined the Supervisory Board in 2003.

▲ **Corporate structure** of GK SOFTWARE AG
[1] This concerns a non-operative shell in Switzerland.

b. Human resources

GK SOFTWARE AG has a total of 169 employees (as of June 30, 2008), up 30 year-on-year. Of this total, 92 are employed at the headquarters in Schöneck. There were 9 employees in the Berlin branch (June 30, 2007: 8) who work in sales and marketing, project management and partner management. The subsidiary StoreWeaver GmbH in Basel/Riehen has two employees who are responsible for sales and project management as well as international business. The Czech subsidiary EUROSOFTWARE s.r.o. currently has 66 employees (June 30, 2007: 58). All in all, staff numbers increased further during the period under review, and this figure is set to grow further as a result of the ongoing recruitment of new, highly qualified employees.

c. Products & services

GK SOFTWARE AG generates its revenues from license fees for software products and from service and maintenance contracts. Its product range supports retailers in integrating and optimizing a heterogeneous IT infrastructure. The top-level heading "GK/Retail Suite" is currently used for three product groups for business-critical retail processes:

- GK/Retail Store Solutions
- GK/Retail Enterprise Solutions
- StoreWeaver

"GK/Retail Suite" comprises market leading solutions for stores, head offices and end-to-end integration between branches and the parent company. The individual software applications developed under these product group names have a modular structure, are fully compatible with each other and are tailored to the other modules. They are all based on the same technology (JAVA) and use open standards – that means that they support all hardware platforms and operating systems. The products can each be used individually or they can be combined with each other depending on the customer's needs.

GK/Retail Store Solutions

GK/Retail Store Solutions are primarily used in retail companies branches. The product range includes the following solutions:

- GK/Retail POS
- GK/Retail Backoffice
- GK/Retail Mobile
- GK/Retail Workflow
- GK/Retail Merchandise Management

GK/Retail POS is used to operate cash-desk systems. This application ensures that all payment transactions are securely processed at the point of sale (POS).

GK/Retail Backoffice is an application to process central workflows in the branches, and is fully integrated in GK/Retail POS. Examples include managing the safe, settlement and mechanisms for removing cash from the cash desks during the course of business and the local processing of master data. The back office functionality offered by GK/Retail Backoffice allows branch systems to be operated end-to-end, 24/7.

▲ **Parfümerie Douglas received the Retail Technology Award 2008** for standardizing its international stores with GK/Retail

GK/Retail Mobile is used with portable standard end devices with standard operating systems and allows employees in the branch to quickly implement central business processes directly in the store, at the shelf or in the warehouse. The solution can fulfill key tasks in the branch, such as goods in, inventory, copies and settlement for empties. The information required is available on mobile devices directly where the merchandise is located. Employees thus have constant access to key information, such as prices and the availability of goods.

The GK/Retail Workflow application optimizes workflows for the automated, simultaneous and controlled distribution of various information within branch-oriented companies. This module, which has been tailored to requirements in the retail sector, allows a higher flow of information within the branch and also between the branch and head office, thus preventing information from being lost.

GK/Retail Merchandise Management links merchandise management processes in the branch with a leading central system (such as SAP). This solution allows fundament merchandise management processes in the branch to be implemented in real time. It supports key business processes such as ordering, inventory and reporting on stocks.

Enterprise Solutions

Enterprise solutions are used in retail companies' head offices:

- GK/Retail Enterprise Store Server
- GK/Retail Business Continuity Manager
- GK/Retail Storemanager
- GK/Retail Enterprise Cockpit
- GK/Retail Headoffice

GK/Retail Enterprise Store Server allows back office servers to be centralized in a single location. This centralization opens up great cost-saving potential for retail companies, in particular with regard to server care and maintenance and it also simplifies the IT infrastructure.

GK/Retail Business Continuity Manager has been designed to be used jointly with GK/Retail Enterprise Store Server. It was developed with the aim of ensuring end-to-end optimum data quality when using central back office servers. This thus also ensures that branches can work without interruption even if the network goes down.

GK/Retail Storemanager is a software solution for the administration and technical surveillance of large branch networks, including international networks. This solution also allows the end-to-end central maintenance of basic branch data and automates the supply of this information to the branches.

GK/Retail Enterprise Cockpit compounds business-related and technical views of the entire company in a visualized form. This allows technical defects in the branches to be recognized immediately and sales data (such as revenues) to be monitored in real time.

GK/Retail Headoffice unites solutions for the enterprise-wide control and management of customer specials and coupons and for the central storage of data to supplement a central merchandise management program. GK/Retail Headoffice includes a module (Stored Value Server) that allows coupons to be centrally managed and their company-wide issue and use to be verified. This ensures that only valid coupons are redeemed. The central promotion designer allows promotions to be prepared easily in the head office and automatically sent to the branches.

StoreWeaver

StoreWeaver is an application to integrate various IT systems in branches. The primary aim is the on-time supply and disposal of up-to-date information for various branch systems (e.g., scales and cash desks). In addition, StoreWeaver also ensures that data is collected and passed on to central systems.

StoreWeaver, a universal data hub, allows various software and hardware systems to be connected and to communicate with each other, for example machines for the return of empty bottles, weighing scales, cash desks and mobile end devices. This thus means that there is just one interface in the branch that is used to process all of the communication. Therefore complicated networks of relationships can't even arise. Mechanisms such as transaction security, central monitoring, authorization and configurability ensure the smooth operation of both small and large branch networks.

Services

In addition to its products, GK SOFTWARE AG also offers comprehensive services. These include, for example, analysis and consulting when implementing new branch solutions or adapting solutions already implemented to the customer's new, increased requirements, for example integrating new bonus systems into the cash desk environment. The company also works on projects to create documentation and training sessions on how to work with its software products and it also manages these projects.

New solutions and add-ons

The transition to a current version of Java, the easier integration into retail-optimized Linux environments and support for additional enterprise databases are key new features. A large number of improved details accelerate working with the solutions and allow new business processes to be processed. Integrating a "mobile payment" solution and including "Self checkout" also increase the attractiveness of GK/Retail and show that the solution is open for the addition of third-party applications. End-to-end functionalities for beverage retailers have also been developed, preparing GK/Retail for use in a new sector.

d. Research and development

Over the past few fiscal years, the company constantly focused on further developing existing products and developing new software solutions, and these will also be a key strategic competitive factor in future. This is also reflected in the constantly increasing number of employees in this area. Research and development is located at the subsidiary EUROSOFTWARE s.r.o. in Pilsen. GK SOFTWARE AG has a total of 15 software developers at this location alone who deal exclusively with current trends on the software market, in order to thus develop new, trend-setting products. In addition, impetus for the development employees' tasks also comes additionally from the management team, the sales and marketing department and also directly from GK SOFTWARE AG's customers.

At present, the primary focus is on further developing the existing software lines and adjusting solutions to international requirements. With regard to increasing the products' functionality, the company is currently working on integrating a solution for "mobile payment" and integrating "Self checkout cash desks". Development activities also focus on solutions for distributing digital content in branches (for example managing advertising on flat screens). In addition, the company aims to penetrate additional sectors by further developing software solutions. For example, the company is planning to develop special applications for gas stations or system caterers – these also include franchise concepts.

e. Customers

GK SOFTWARE AG's customers are currently all from the retail sector. The market segments are, in particular, food retailers, drug stores and household goods, fashion and lifestyle and technology and automotive. The company offers pre-configured solutions for cash and carry, department stores, discount/food, specialist retailers and mobile phone stores that are tailored to these segments' requirements.

Products and services are geared to companies of various sizes. The company acquired the Swiss retail company Coop as a new customer in May of this year. Several sales lines at Switzerland's second largest retail company with a total of 1,400 branches will transition to GK/Retail as their new cash desk solution over the coming years. In so doing, GK/Retail will be used in the following sales channels with POS, Enterprise Store Server, Store Manager and Enterprise Cockpit modules: Coop supermarkets, Coop City stores, TopTip/Lumimart home furnishings stores, Coop Bau+Hobby DIY and garden stores, Import perfumeries, Christ watches and jewelry as well as Coop restaurants. Coop also plans to use the Enterprise Store Server, GK SOFTWARE AG's central solution, when implementing its new solution. The Enterprise Store Server allows companies to operate back office services and branch databases from a central location.

A further key customer was acquired in July 2008 in the form of ESCADA. In future, GK/Retail will be used to control ESCADA stores on four continents – America, Europe, Asia and Australia. ESCADA will use GK/Retail as a uniform global software solution in all of its stores. The GK/Retail Storemanager will be used for the global management of the ESCADA branches. StoreWeaver will operate as the global data interface to connect all of the stores to the central SAP system. GK SOFTWARE AG is thus penetrating the new, future-proof luxury segment. Other key customers include Tchibo GmbH, Parfümerie Douglas GmbH and Kaufhof Warenhaus AG.

In addition, one customer from the SMB sector were also was acquired after the balance sheet date, namely TSG Hoffenheim Fußball-Spielbetrieb GmbH, which will mostly use GK/Retail-Standard.

f. Market and competitive environment

GK SOFTWARE AG's success depends indirectly on economic growth and the associated readiness on the part of the retail sector to make investments. According to information from HDE (German Retail Association), retail revenues in Germany increased by almost EUR 4 billion to EUR 395.8 billion in 2007 compared to the previous year. The association is forecasting total revenues of EUR 403.7 billion in 2008. Retail company's IT budgets are generally 1 % of their gross revenues (with a bandwidth of between 0.4 % and 1.3 %).

Many German retail companies have now internationalized their business activities. According to a KPMG Study ("Retail Trends 2010"), striving for international presence is one of the most important factors in the retail segment. The resulting opportunities are significant. For example, total revenues for European retail in 2006 amounted to EUR 2,090 billion according to information from BVL (German Association for Consumer Protection and Food Safety). For example, the US and Russia are new, strategically attractive target markets. According to the study, Germany's international presence and proximity to Eastern European markets are one of the most important factors for German retail companies' expansion.

As part of the retail sector's healthy growth and increasing expansion, the retail segment is also expected to be driven by increased investments in the near future. Most retail companies regard IT as being a critical success factor. The retail sector will thus invest in IT in particular, as the systems used on the market are more than six years old on average according to a survey by the EHI Retail Institute. Around 20 % of the legacy systems are even ten years' old or older. The most important challenges faced by state-of-the-art IT systems include supporting process optimization, expansion and customer loyalty. This results in enormous opportunities for GK SOFTWAREA AG's sales and growth. In addition, customer loyalty is becoming increasingly important in the retail sector, especially in the event of an economic cool-down. This could also result in additional potential for GK SOFTWARE AG's revenues.

According to the study "SITSI Verticals-Retail & Wholesale Germany" prepared by Pierre Audin Consultants (PAC), IT spending in the retail sector in Germany totaled approx. EUR 6 billion in 2007 and is scheduled to increase to approx. EUR 6.5 billion by 2011. According to PAC's estimates, the total IT volume in the retail sector means that GK SOFTWARE AG could achieve a market potential of EUR 250 to 290 million. There is a total of approx. 49,000 branches in the sectors that GK SOFWARE AG addresses to date. Taking the planned strategic penetration of other retail segments into account, the target segment would increase by 100% to 98,000 branches if the ten retailers with the strongest sales are considered. The company will benefit from this additional market potential in future.

GK SOFTWARE AG has a large number of competitors, who vary according to their company size, product range and the target markets they address. 9,700 branches in Germany use GK SOFTWARE AG solutions, or a significant market share of approx. 20% of the target segments addressed to date. Over the past two years, the company has successfully beaten off its competitors and has thus grown substantially faster than the market. In the past few months in particular the company has been able to beat off its competitors, winning many tenders. These include, in particular, the new customers Coop (a Swiss retail company) and the fashion group ESCADA AG. This means that GK SOFTWARE has impressively proved its competitive advantages and innovational leadership for technology, functionality and international use.

The company is benefiting from its position as the technology leader for retail software solutions. The GK SOFTWARE AG has thus set itself apart from end-to-end providers, who provide hardware (e.g. tills, printers) and software to operate branch systems, as well as service providers which have also focused on retail software, but have invested less in technology and do not offer state-of-the-art software solutions. Key competitive advantages are, in particular, the rapid project execution, a broad product range, solutions that can be used internationally and low operating costs. The latter point in particular is a key argument to acquire customers in the UK and France in particular in future (total cost of ownership).

g. Company strategy

GK SOFTWARE AG has enjoyed constant organic growth since its formation. The company's primary aim is to further expand its presence in its core market. In this regard, the company constantly analyzes the IT infrastructure of leading German retail customers, in order to be able to recognize possible investment requirements at an early stage and to be included in tenders for IT projects. In this manner and to increase customer loyalty, GK SOFTWARE AG plans to acquire additional customers. In addition, the development of new segments, such as gas stations and system caterers will increase the company's customer base in Germany. In this regard, the company will continue to specifically reinforce its sales and marketing organization.

A further component in GK SOFTWARE AG's growth strategy is approaching small and medium-sized retail companies. This expansion is primarily only intended for the German market, as the company already has a strong position on this market. In addition, the company plans to increase its access to this new group of customers via strategic partners who have, in turn, specialized in small and medium-sized retail companies.

Besides the German market, the company also increasingly plans to penetrate the international market. Strategic alliances will also open up the company's

▲ **Advertisement for GK/Retail,** published in several print media since the beginning of the year global expansion. GK SOFTWARE AG has already acquired strategic business partners in the form of the international IT services companies Fujitsu Services and IBM, which makes it easier to approach customers outside the German-speaking region. The proceeds from the IPO provide the financial foundations for the company's international expansion. The company plans to focus on leading retail companies on the respective markets, to thus win flagship projects. The next step will then be to form own branches or sales subsidiaries in the respective countries depending on the respective market's attractiveness. The international expansion will be supported by the company's own marketing activities to increase its awareness on the individual markets. The first geographic target markets are primarily German-speaking neighboring countries as well as France and the United Kingdom. The newly acquired international customers, such as the Swiss retail company Coop, mean that the company can already boast the first major successes for its expansion strategy.

Specific strategic corporate acquisitions or joint ventures could also be considered as an instrument to achieve the company's target of becoming one of the world's leading international end-to-end providers on the market for retail software solutions. Possible target companies include foreign companies, that have an established position and customer contacts on their respective markets.

Financial position and results of operations

a. Earnings

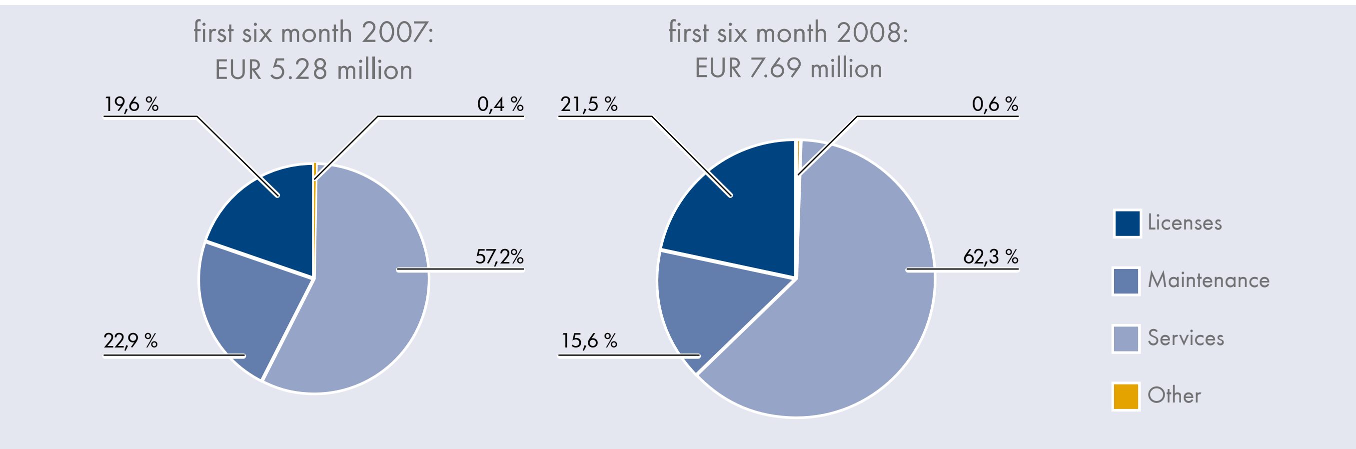
GK SOFTWARE AG further accelerated its growth during the first half of 2008. This can be seen, in particular, in its revenue growth in the first six months of the current fiscal year. Revenues totaled EUR 7.69 million compared to EUR 5.28 million in the first half of 2007, up 45.5 % compared to the same period of the previous year. The significant improvement in revenues and earnings in the current fiscal year was due to the company's broader client base thanks to a large number of new projects. In addition, the existing client relationships have been intensified and expanded. As a result, GK SOFTWARE AG has been able to acquire follow-on orders for key projects already concluded. Once these had been successfully processed, the company concluded many of these orders during the period under review and these were thus reflected in income – for example the roll-out for the project for "Das Depot". The company also mostly completed rolling out its initial project for Kaufhof Warenhaus AG. GK SOFTWARE AG also successfully implemented add-ons to the existing solutions for its legacy customers Tchibo and Douglas.

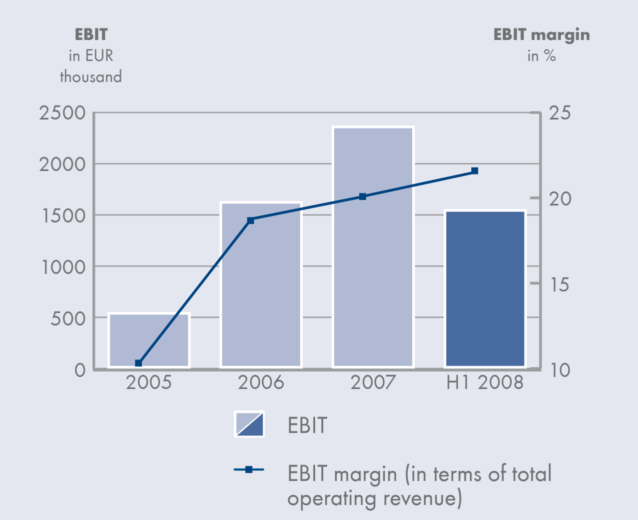
Taking into account the changes in finished goods and work in progress as well as own work capitalized concerning the further development of GK/Retail Suite, recognized at appropriate levels in line with the accounting principals, total operating revenue increased to EUR 7.08 million during the first half. This is up EUR 1.87 million or 36 % compared to the first half of 2007. Gross profits in the first half of 2008 increased to EUR 6.81 million (H1 2007: EUR 4.96 million). This is an exceptionally good figure in an industry-wide comparison, and the company has thus underscored its efficient use of resources.

The increase in development capacity and the associated increased requirements for qualified employees meant that personnel expenses in the first six months increased by 24 % compared to the first half of 2007 to EUR 3.74 million. In terms of the substantial increase in revenues, productivity has thus improofed further as a result of increasing standardization. Amortization/depreciation totaled EUR 0.35 million (H1 2007: EUR 0.14 million) in the first half of the year. This was due to own work capitalized, however this remained at a low level. Other operating expenses increased slightly as a result of the preparatory activities for the IPO to EUR 1.2 million (H1 2007: EUR 0.96 million). As a result, in the first half of the year GK SOFTWARE AG recorded EBIT of EUR 1.52 million in the first half of 2008. This is a significant improvement of 81 % compared to the first half of 2007 (EUR 0.84 million). In terms of total operating revenue, GK SOFTWARE AG thus recorded an EBIT margin of 21.5 % in the first half of 2008 (H1 2007: 16.2 %).

The financial result in the first half of 2008 totaled EUR -0.05 million (H1 2007: EUR -0.02 million). EBIT was up 78 % compared to the first half of 2007 to EUR 1.47 million. Net income after taxes thus totaled EUR 1.03 million, up 7 % year-on-year (EUR 0.96 million).

▼ **Revenue development and sales**
per division in per cent





▲ **Development of EBIT and EBIT margin** in the period from 2005 to H1 2008 in EUR thousand respectively in per cent

b. Net asset position

As a result of the IPO and the associated capital increase during the first half of the year, GK SOFTWARE AG's total assets increased significantly from EUR 11.83 million (December 31, 2008) to EUR 18.53 million. This is linked to a significant increase in equity from EUR 2.08 million to EUR 10.72 million. The equity ratio on the balance sheet date (June 30, 2008) totaled 57.9 % compared to 17.6 % on December 31, 2007. Gross proceeds of EUR 8.72 million accrued to the company as a result of the IPO. That means that GK SOFTWARE AG enjoys highly stable capitalization to sustainably finance its future growth.

Non-current liabilities totaled EUR 2.83 million at the end of the first six months, and were thus roughly at the same level as on December 31, 2007 (EUR 2.87 million). These financial liabilities were primarily taken out to finance the company's own property in Schöneck. In contrast it was possible to reduce current liabilities to EUR 4.98 million (December 31, 2007: EUR 6.88 million). These mostly include advance payments from customers, which is a key instrument in the company's financing.

On the assets side, non-current assets increased from EUR 3.77 million to EUR 4.03 million, which is primarily the result of changes to intangible assets. These increased from EUR 1.13 million on December 31, 2007 to EUR 1.48 million on June 30, 2008. This growth is primarily due to own work capitalized, which the company capitalizes in line with the accounting standards, due to further development of the GK/Retail Solution Suite. In addition, it also made minor investments in third-party licenses.

Current assets also increased during the first half of the year. These increased from EUR 8.06 million (December 31, 2007) to EUR 14.49 million on June 30, 2008. This is primarily due to an increase in cash and cash equivalents as a result of the IPO from EUR 2.90 million on December 31, 2007 to EUR 10.28 million on June 30, 2008. In contrast, inventories fell from EUR 2.00 million (December 31, 2007) to EUR 0.92 million (June 30, 2008). Trade receivables were also down. These totaled EUR 1.26 million at the end of the first six months compared to EUR 2.26 million on December 31, 2007. The change in these two items is primarily due to the execution and completion of a key project with the retail company Kaufhof Warenhaus AG. Working capital thus totaled EUR 9.52 million on June 30, 2008 (December 31, 2007: EUR 1.19 million). Other receivables and assets totaled EUR 2.03 million on June 30, 2008, thus up compared to the figure of EUR 0.90 million on December 31, 2007. This item comprises receivables from public authorities from investment subsidies, income tax receivables, receivables from shareholders and loans issued to third parties. Receivables from shareholders and loans to third parties bear interest and are collateralized.

c. Financial position

The cash flow from operating activities totaled EUR 0.24 million in the first half of 2008, whereas the cash flow from operating activities in the whole of 2007 totaled EUR 1.92 million. This relative downturn is primarily due to the change in working capital, including the lower amount of advance payments from customers on the balance sheet date. This, in turn, is due to customer projects completed during the first half of 2008, such as the project with Kaufhof Warenhaus AG. The cash flow in the narrower sense (mostly pre-tax earnings adjusted for non-cash amortization and depreciation) increased to EUR 1.86 million in the first half of 2008, thus documenting GK SOFTWARE AG's high earnings strength.

Compared to EUR -2.05 million in fiscal year 2007, the cash flow from investing activities in the

b. Report on key events after the balance sheet date

first half of the year totaled EUR -0,57 million, which is due to the lower payments for property, plant and equipment and non-current assets. In the previous year, the primary factor was the financing of the property at the company's headquarters, whereas investments in the first half of 2008 were made primarily for office equipment, especially IT hardware and software for office desk installation and the further development of the GK/Retail Solution Suite.

The cash flow from financing activities totaled EUR 7.7 million in the first half of 2008, compared to EUR -0.57 million in 2007 as a whole. This increase is primarily due to the inflow of cash and cash equivalents as a result of the IPO, with GK SOFTWARE AG recording gross proceeds from the issue of EUR 8.7 million.

The increase in operating business and the successfully implemented capital increase meant that cash and cash equivalents were up substantially at the end of the first half of 2008 – up from EUR 2.90 million (December 31, 2007) to EUR 10.28 million. GK SOFTWARE AG thus has very solid liquidity in order to securely finance its future growth.

After the balance sheet date, GK SOFTWARE AG was able to acquire one new customer in its Small and Medium Business segment (SMB) in the form of the stadium fan shops for TSG 1899 Hoffenheim Fußball-Spielbetriebs GmbH. It also acquired ESCADA AG as an additional key account, allowing GK SOFTWARE AG to penetrate the luxury segment in future. These orders will all only be reflected in revenues and earnings after the balance sheet date of June 30, 2008.

The wholly owned subsidiary StoreWeaver GmbH was able to conclude its first independent agreement with the Swiss retail company Coop in July 2008. This order will also only be reflected in revenues and earnings after the balance sheet date. After publication of the provisional figures, a one-off item of personnel expenses totaling EUR 0.05 million came to light that will affect the first six months. A provision has been formed in this full amount and included in provisions for the first half of the year.

c. Risk and forecast report

GK SOFTWARE AG's risks

GK SOFTWARE AG consciously enters into entrepreneurial risks in order to be able to gain corresponding benefits from the market's opportunities. In order to recognize, control and minimize risks at an early stage, initial modules of a risk management system have already been put in place. These modules include the Managing Board meeting once per month to identify possible risks and initiate countermeasures. It informs the Supervisory Board of the results of these meetings. In its operating business, the respective project managers inform the responsible Managing Board members of possible risks as part of the ongoing projects. GK SOFTWARE AG believes that customer satisfaction and the number of new customer contacts are key indicators to assess risks. As a result, these two factors are subject to particular monitoring, and are regularly reviewed as part of sales control. In a next stage, GK SOFTWARE AG plans to create an end-to-end risk management manual to allow potential risks to be identified at an early stage, define responsibilities for the control of risks and to document countermeasures.

GK SOFTWARE AG is dependent on a small number of customers for whom the company also regularly performs advance services. The fact that revenues focus on just a few customers means that in each fiscal year a significant amount of revenues stem from customers for which projects have just been completed to implement software solutions. The company believes that in future it will also have specific customers each fiscal year with which it generates the bulk of its respective annual income. If a business partner breaks off a project or experiences payment difficulties, this could also have a financial impact on GK SOFTWARE AG. However, regular so-called milestone payments and/or advance payments limit this risk.

A consolidation on the market for retail companies could lead to a reduction in the number of branch networks and to an increase in GK SOFTWARE AG's customers strength in terms of demand. The retail sector in Germany is generally characterized by price competition. Retail companies thus aim to pass on the resulting price pressure to their suppliers and contractual partners. This is also the case for IT investments, and can impact manufacturers of retail software. However, as GK SOFTWARE AG provides solutions for a highly central function within retail groups, these risks are also not regarded as being a danger to the company.

The planned expansion is also associated with certain financial risks. For GK SOFTWARE AG, these stem in particular from advance services for customer acquisitions. The project business will have to be increasingly scaled as part of the further expansion – the company plans to use partners in this regard. However, the lower level of control in cooperation with partners also bears additional risks.

GK SOFTWARE AG does not rule out the possibility of increasing its product and sales base by making specific corporate acquisitions during the course of its planned expansion of its business activities. In this event, the company will ensure the greatest diligence in preparing for and reviewing acquisitions. Despite this, however, it is still possible that an acquisition may have a negative impact on GK SOFTWARE AG's results.

The company needs additional, highly qualified employees for its further growth. At the same time, it cannot be ruled out that employees in key positions might leave the company. As a result, it will be a constant challenge for the company to make sure that its current employees stay loyal to the company and, at the same time, to acquire highly motivated new qualified employees. The company believes that it has put key conditions in place in this regard by going public.

In addition to the risks detailed above, there are also other factors which could also impact revenues or earnings. These include, for example, risks from the current project business or warranty claims. In addition, there are also risks from currency exchange rate. These are to be reduced still further with hedges in future. At the end of the first half of 2008 there was no risk which could have endangered GK SOFTWARE AG's continued existence.

GK SOFTWARE AG's opportunities

There are opportunities for the company to grow in both Germany and also abroad. The issues addressed with GK SOFTWARE AG's products are on many retailers agendas of strategic IT projects. The company is excellently equipped to enjoy international success with references from the German retail sector and a technically mature product. GK SOFTWARE AG already has an excellent international presence with more than 50,000 installations in 12,000 stores in 22 countries. In addition, GK SOFTWARE AG already has major partners that have excellent networks in the retail sector in the form of IBM and Fujitsu Services. This will make it easier to gain access to new customers on international markets such as the USA and Asia. In this regard, the company benefits from the experience it has gained with its German customers, as its solutions have already been successfully implemented in 22 countries and can thus be rapidly migrated to foreign customers.

In addition, the perspectives for growth within Germany are far from being fully exhausted. In particular, GK SOFTWARE AG will focus on new segments in future. These include, for example, system catering and gas stations – significantly increasing the target group of potential customers. In addition, medium-sized and smaller retail chains that have not previously been addressed also offer additional, major potential, in particular from the sale of standardized solutions. Integrated and automated processes for optimizing stocks, materials planning and efficient customer management systems can help to cut warehouse costs and increase customer loyalty. Retail is thus expected to make increasing investments in solutions that integrate the business process from end to end. In addition, retailers' margins will come under pressure unless workflows are standardized and simplified. The homogenization of cash desk systems and the centralization of data flows are thus of high strategic importance in future in the retail sector. GK SOFTWARE AG will clearly be able to benefit from the retail sector's investment behavior.

The funds accruing to the company from the IPO will primarily be used for international expansion. The consolidation process in the software industry has already started with industry-wide solutions for the retail sector. GK SOFTWARE AG has an attractive product range and solid financing – and intends to play an active role in this consolidation.

Outlook

We believe that the retail sector will be prepared to make strong investments in new and expanded IT structures in the coming years, and that this will thus have a positive impact on GK SOFTWARE AG's operating business. In our opinion, support for workflow optimization, expansion and customer loyalty will be the retail sector's primary investment goal. This results in enormous opportunities for GK SOFTWAREA AG's future sales and growth.

As a result, management expects double digit growth rates for revenues and earnings, comparable to historic growth rates in the past years. Moreover, we aim to continuously keep profitability at high levels. This positive outlook is also based on large orders that GK SOFTWARE AG acquired in recent months. These include, among others, orders from the luxury company ESCADA, the first international customer Coop (Switzerland) as well as the stadium club shops of TSG Hoffenheim, as part of our small and medium-sized business (SMB). These orders are in parts expected to be recognized in revenues and earnings during the second half of fiscal year 2008. They also form a solid basis for the anticipated dynamic growth in fiscal year 2009.

3. Consolidated interim financial statements

a. Consolidated balance sheet as of June 30, 2008

Assets

EUR	Note No.	Jun. 30, 2008 (unaudited)	Dec. 31, 2007 (unaudited)
Non-current assets			
Property, plant and equipment	2.1.; 3.1.	2,551,875.62	2,620,143.27
Intangible assets	2.2.; 3.2.	1,475,822.29	1,128,348.62
Deferred taxes	2.11.; 4.9.	3,969.83	17,689.48
		4,031,667.74	3,766,181.37
Current assets			
Inventories	2.3.; 3.3.	920,900.00	1,998,672.25
Trade receivables	2.4.; 3.4.	1,263,924.42	2,262,831.52
Other receivables and assets	2.4.; 3.5.	2,036,269.73	897,872.10
Cash and cash equivalents	2.5.; 3.6.	10,277,856.55	2,904,371.54
		14,489,950.70	8,063,747.41
Total assets		**18,530,618.44**	**11,829,928.78**

Equity and liabilities

EUR	Note No.	Jun. 30, 2008 (unaudited)	Dec. 31, 2007 (unaudited)
Shareholders' equity	3.7.		
Subscribed capital		1,665,000.00	155,000.00
Share premium		7,379,679.47	0.00
Retained earnings		31,095.02	207,134.07
Net retained profits		1,645,028.55	1,718,753.00
		10,720,803.04	2,080,887.07
Non-current liabilities			
Provisions for pensions and similar commitments	2.6.; 3.8.	57,589.15	52,991.15
Non-current liabilities to banks	2.7.; 3.9.	1,202,980.96	1,251,775.46
Deferred government grants	2.8.; 3.10.	766,923.51	784,195.00
Other non-current liabilities	2.7.; 3.11.	450,000.00	471,214.31
Deferred taxes	2.11.; 4.9.	353,828.21	313,037.49
		2,831,321.83	2,873,213.41
Current liabilities			
Current provisions	2.9.; 3.13.	1,414,412.10	523,978.32
Current liabilities to banks	2.10.	115,503.60	123,888.01
Trade payables	2.10.; 3.14.	459,318.38	198,249.71
Advance payments received	2.10.; 3.15.	1,949,284.95	3,498,057.83
Income tax liabilities	3.16.	196,654.39	1,228,022.25
Other current liabilities	2.10.; 3.17.	843,320.14	1,303,632.18
		4,978,493.57	6,875,828.30
Total liabilities		7,809,815.40	9,749,041.71
Total equity and liabilities		**18,530,618.44**	**11,829,928.78**

b. Consolidated income statements as of June 30, 2008

	Note No.	Jun. 30, 2008 EUR (unaudited)	Jun. 30, 2007 EUR thousand (unaudited)	Dec. 31, 2007 EUR thousand (audited)
Revenues	4.1.	7,686,819.64	5,284	10,745
Change in finished goods and work in progress		-1,201,700.00	-513	-2
Own work capitalized	4.2.	439,761.66	265	558
Other operating income	4.3.	152,156.59	171	379
		7,077,037.89	5,207	11,680
Cost of materials	4.4.	270,204.11	243	486
Personnel expenses	4.5.	3,738,805.37	3,025	6,152
Amortization/depreciation	4.6.	348,492.79	142	527
Other operating expenses	4.7.	1,197,694.90	955	2,184
		5,555,197.17	4,365	9,349
Operating result		1,521,840.72	842	2,332
Financial result	4.8.	-53,503.77	-16	-115
Result before income taxes		1,468,336.95	826	2,217
Income taxes	2.11; 4.9.	438,800.44	-137	656
Net income for the period		1,029,536.50	963	1,561
Profit carried forward		1,718,753.00	283	283
Appropriation to the share premium		-918,960.95	0	0
Dividend payments		-184,300.00	0	0
Expense from the withdrawal of own shares		0.00	0	126
Net retained profits		1,645,028.55	826	1,718
Number of shares issued (average)		258,104	150,000	5,000
Earnings per share (in EUR/share)	4.10.	3.99	6.42	312.26

c. Consolidated cash flow statement as of June 30, 2008

EUR thousand	2008 (unaudited)	Dec. 31, 2007 (unaudited)
Cash flow from operating activities		
Net income/loss	1,030	1,561
Income taxes recognized in income	439	656
Interest income/expenses recognized in income	54	115
Gains/losses from the sale or disposal of property, plant and equipment	0	0
Reversal of deferred government grants	-18	-11
Write-downs recognized for receivables	9	12
Write-ups recognized for receivables	0	-14
Amortization/depreciation	348	527
Expense from the withdrawal of own shares	0	-126
Other non-cash income and expense	-1	0
	1,861	2,720
Change in net current assets		
Change in trade receivables and other assets	48	-1,552
Change in inventories	1,078	2
Change in trade payables and other liabilities	-223	1,441
Change in advance payments received	-1,549	-96
Change in provisions	290	-130
Cash provided by operating activities	1,505	2,385
Interest received	39	45
Interest paid	-92	-160
Income tax paid	-1,216	-350
Net cash flow provided by operating activities	236	1,920
Cash flow from investing activities		
Payments for property, plant and equipment and non-current assets	-577	-2,613
Investment subsidies used	9	567
Net cash used in investing activities	-568	-2,046
Cash flow from financing activities		
Dividend payments	-184	-800
New equity	8,715	0
Booked IPO costs	-694	0
Draw-down of loans	27	1,425
Repayment of credit	-162	-52
Net cash provided by financing activities	7,702	573
Net increase in cash and cash equivalents	**7,370**	**447**
Cash and cash equivalents at beginning of year	2,904	2,457
Impact of changes in exchange rates on cash and cash equivalents	4	0
Cash and cash equivalents at end of year	**10,278**	**2,904**

d. Consolidated statement of changes in equity as of June 30, 2008

EUR	Subscribed capital	Reserves	Net profits	Total
Balance at January 1, 2007	**150,000.00**	**207,134.07**	**1,083,068.47**	**1,440,202.54**
Net income	0.00	0.00	1,561,288.78	1,561,288.78
Capital increase	5,000.00	0.00	0.00	5,000.00
Dividend payments	0.00	0.00	-800,039.25	-800,039.25
Withdrawal of shares	0.00	0.00	-125,565.00	-125,565.00
Balance at Dec. 31, 2007	**155,000.00**	**207,134.07**	**1,718,753.00**	**2,080,887.07**
Net income for the period	0.00	0.00	1,029,536.51	1,029,536.51
Dividend payments	0.00	0.00	-184,300.00	-184,300.00
Addition to share premium for capital increase	0.00	918,960.95	-918,960.95	0.00
Increase in subscribed capital	1,095,000.00	-1,095,000.00	0.00	0.00
Capital increase	415,000.00	8,300,000.00	0.00	8,715,000.00
Netting equity procurement costs with retained earnings less tax effect	0.00	-920,320.53	0.00	-920,320.53
Balance at June 30, 2008	**1,665,000.00**	**7,410,774.49**	**1,645,028.56**	**10,720,803.04**

e. Notes to the consolidated financial statements as of June 30, 2008

1. Reporting principles

1.1. General information

GK SOFTWARE AG is an Aktiengesellschaft (German public limited company) located in Germany. The company's registered office is Waldstraße 7, 08261 Schöneck. This is also its headquarters.

GK Software is registered in the commercial register of Chemnitz local court with the number HRB 19157.

The Group's business activities span the development and production as well as selling and trading in software and hardware. Over the past few years, the company has transitioned from being an exclusively project-oriented company to a product-oriented company.

The Group manages its capital with the aim of maximizing income for its stakeholders by optimizing the equity/borrowing ratio. This ensures that all of the group companies can operate as going concerns.

The company's largest customers include:

- Lidl Stiftung & Co. KG, Neckarsulm,
- Edeka (MIOS Großhandel GmbH), Minden,
- Netto Michael Schels & Sohn GmbH & Co. oHG, Maxhütte-Haidhof,
- Tchibo Holding AG, Hamburg,
- dm-drogerie markt GmbH + Co. KG, Karlsruhe,
- Kaufhof Warenhaus AG, Cologne,
- Parfümerie Douglas GmbH, Hagen.

1.2. Basis of presentation

The consolidated financial statements of GK SOFTWARE AG have been prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as were to be applied on the balance sheet date. The consolidated financial statements were prepared for the first time according to IFRS as of December 31, 2005.

The consolidated financial statements are denominated in euros.

The balance sheet is classified according to IFRS in line with the maturities of the individual balance sheet items.

The income statement has been prepared using the total cost (type of expenditure) method.

As a rule, trade payables and receivables are carried as current items on the balance sheet. We carry pension obligations as non-current liabilities in line with their nature.

Deferred tax assets and liabilities are presented as non-current.

1.3. Consolidated group

The consolidated financial statements include GK SOFTWARE AG and all of the companies in which GK SOFTWARE AG holds a majority of the shareholders' voting rights.

The consolidated group comprises the parent company and three foreign companies.

1.4. Principles of consolidation

When capital is consolidated, the acquisition values of the participating interests are netted with the present values of the acquired assets and liabilities. Any remaining positive difference is carried as goodwill. Any remaining negative difference is recognized in income after the fair values of the acquired assets and liabilities have been reviewed. If less than a 100 % interest is acquired, the acquisition values of the participating interest are netted with the proportionate present values of the acquired assets and liabilities. Minority interests are carried under equity in the amount of the remaining present values.

Earnings, revenues, expenses and income as well as loans and liabilities within the group between the consolidated companies are eliminated.

1.5. Currency translation

The group companies prepare their financial statements based on their respective functional currencies.

Foreign currency transactions for consolidated companies are translated to the functional currency using the exchange rate on the date of the transaction. Assets and liabilities are adjusted on each balance sheet date using the applicable exchange rates. The resulting currency gains and losses are recognized in income under other operating income or expense.

2. Accounting and valuation policies

2.1. Property, plant and equipment

Property, plant and equipment is carried at acquisition cost or manufacturing cost plus incidental acquisition costs, less scheduled depreciation. As a rule, assets are written down in line with their useful lives using the straight line method on a pro-rata basis. Any expected permanent impairment that goes beyond wear and tear is taken into account via unscheduled depreciation. If the reasons for unscheduled write downs no longer exist, the assets are written up accordingly. No major unscheduled depreciation was required.

Property is depreciated using the straight line method over a useful life of 33 years. As a rule, moveable assets are written down using the straight line method; the useful life for technical equipment and machinery is 3 to 20 years, and 3 to 10 years for other equipment, operating and office equipment.

Fully depreciated property, plant and equipment is carried at cost and accumulated depreciation until the affected assets can be taken out of operation. In the event of the disposal of assets, cost and the accumulated depreciation are deducted, gains from the disposal of assets (income from the disposal less the remaining carrying amounts) are carried in the income statement under other operating income or other operating expenses.

2.2. Intangible assets

2.2.1. Goodwill

Goodwill is carried at cost less impairment if required.

2.2.2. Purchased intangible assets

Purchased intangible assets are carried at cost less accumulated amortization and impairment. The amortization expense is recognized in income over the anticipated useful life using the straight line method. The anticipated useful life and the amortization method are reviewed at the end of each fiscal year and all changes in estimates are prospectively taken into account.

2.2.3. Internally generated intangible assets – research and development costs

Expenditure for research activities is recognized as an expense in the period in which it is incurred.

Internally generated intangible assets which stem from development activities (or from the development phase of an internal project) are only recognized if the following evidence can be provided:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- It is intended to complete the intangible asset and use or sell it.
- It is possible to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and
- the ability to reliably determine the allocable expenses incurred when developing the intangible asset.

The amount at which an internally generated intangible asset is capitalized for the first time is the total of the expenses incurred starting on the date on which the intangible asset fulfills the above criteria. If an internally generated intangible asset cannot be capitalized, the development costs are recognized in income in the period in which they are incurred.

In the following periods, internally generated intangible assets are measured at cost less accumulated amortization and impairment, as is the case for individually acquired intangible assets.

2.3. Inventories

Finished goods and services and work in progress are carried under inventories.

Finished goods and services and work in progress are carried at cost. Cost includes the directly allocable costs as well as the production-related material and production overheads including production-related depreciation and a reasonable portion of the necessary overheads.

Borrowing costs are not capitalized as part of cost, as there is no direct connection.

To the extent required, inventories are carried at their lower realizable net marketable value.

2.4. Trade receivables and other receivables

Receivables and other assets are carried at their face values. Write-downs were made to account for recognizable individual risks.

2.5. Cash and cash equivalents

Cash and cash equivalents are carried at their face values.

Cash and cash equivalents comprise bank balances and cash in hand.

2.6. Provisions for pensions and similar commitments

Provisions for pensions are measured using the projected unit credit method. Future commitments are valued based on actuarial surveys.

There is re-insurance which is pledged to the beneficiaries. As the conditions for carrying this as plan assets, the assets are netted with the provision.

In so doing, not only the future rights known on the balance sheet date are taken into account, but also increases in salaries and pensions to be anticipated in future as well as the inflation rate are to be taken into account in the calculation. In line with IFRS, the discount factor is based on the interest rate on the capital market. The corridor method was applied. The biometric probabilities were calculated based on Prof. Klaus Heubeck's 2005 G mortality tables.

2.7. Non-current liabilities

Non-current liabilities are carried at their repayment amounts.

2.8. Government grants

Government grants are not carried as long as there is reasonable certainty that the group will fulfill the conditions associated with the grants and the grants are also issued.

Government grants, for which the most important condition is the purchase, construction or other acquisition of non-current assets are carried as deferred items in the balance sheet and recorded based on a systematic and reasonable basis over the term of the corresponding asset.

Other public subsidies are recognized as income over the period required to allocate these, on a systematic basis, to the corresponding expenses they are designated to cover. Public grants that are received to compensate for expenses already incurred or losses or for the purpose of immediate financial support for the group, for which there are no corresponding future costs, are recognized in income in the period in which the claim arises.

2.9. Current provisions

Provisions are formed for uncertain liabilities to third parties if these obligations are expected to lead to a future outflow of funds. They are formed taking into account all recognizable risks at the expected fulfillment amount and are not offset against any recourse claims. Provisions are not formed for future expenses that are not based on an external obligation.

2.10. Other current liabilities

Current liabilities are carried at their repayment or fulfillment amount.

2.11. Taxation

Income tax expenses is the total of the ongoing tax expenses and deferred taxes.

2.11.1. Current taxes

The current tax expenses are calculated for the year based on the taxable income. The taxable income differs from the net income from the consolidated income statement as it excludes income and expenses that will later or never be taxable or tax-deductible. The group's liability for current taxes is calculated based on the applicable tax rates or the tax rates which are expected to apply over the short term based on the balance sheet date.

2.11.2. Deferred taxes

Deferred taxes are formed for the difference between the carrying amount of the assets and liabilities in the consolidated financial statements and the corresponding amounts in the tax base when the taxable income is calculated. These are accounted for using the balance-sheet oriented liability method. As a rule, deferred tax liabilities and deferred tax assets are recorded for all taxable temporary differences for which it is probable that taxable gains will be available for which the deductible temporary differences can be used. These assets and liabilities are not carried if the temporary difference results from goodwill or the initial inclusion (with the exception of business combinations) of other assets and liabilities that result from transactions which neither affect the taxable income nor the net profit for the period.

Deferred tax liabilities are recognized for taxable temporary differences arising from interests in subsidiaries unless the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets result from temporary differences in connection with these investments and participating interests which are only recorded to the extent to which it is probable that there is sufficient taxable income available to use the claims from the temporary differences and if it can be assumed that these will not reverse in the foreseeable future.

The carrying amount of the deferred taxes is reviewed each year on the balance sheet dated and reduced if it is no longer probable that there will be sufficient taxable income to regain the deferred taxes either in full or in part.

Deferred tax assets and liabilities are identified based on the anticipated tax rate (and tax law) which are expected to apply on the date the liability is fulfilled or the asset is recognized. The valuation of deferred tax assets and liabilities reflects the tax consequences resulting from how the group believes that it will fulfill the liability or recognize the asset on the balance sheet date.

Deferred tax assets and liabilities are netted if there is a legally enforceable right to set off the deferred tax receivables against the deferred tax liabilities and these are for income taxes for the same tax authority and if the group intends to net its current tax assets and tax liabilities.

2.11.3. Current and deferred taxes in the period

Current and deferred taxes are recognized as income or expense unless they are connected to items which are taken directly to equity. In this case, taxes are also to be taken directly to equity. In addition, they are not recorded if the tax effects result from the first-time accounting for a business combination. In the event of a business combination, the tax impact is to be taken into account when calculating the goodwill or when determining the amount by which the acquiring party's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company exceeds the acquisition costs for the business combination.

2.12. Recognition of income

Revenues are carried at the fair value of the compensation received or to be received, less anticipated customer returns, discounts and other similar reductions.

2.12.1. Sale of goods

Revenue from the sale of goods is recognized if the following conditions are fulfilled:

- The group has transferred the key risks and opportunities resulting from ownership of the goods to the purchaser.
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.12.2. Provision of services

Income from service agreements is recorded according to their degree of completion. Revenues are recognized as follows:

Income from licenses:

Revenues are recognized on the date a productive cash desk system or a functional software solution is handed over to the customer.

Income from services (customizing):

Revenues are realized on the date the agreed service is transferred to or accepted by the customer.

Income from adjustments outside the contractually agreed services (change request):

Revenues are realized on the date the agreed adjustments are transferred to or accepted by the customer.

Income from maintenance:

Income from maintenance services are settled monthly at the contractually agreed rates for the hourly work provided and costs that result directly.

2.13. Estimates and assessments by management

In preparing the annual financial statements, assumptions have to be made and estimates have to be used to a certain extent. These are impact the amount and disclosure of the assets and liabilities, income and expenses included in the financial statements. The estimates and assumptions mostly relate to assessments for the impairment of intangible assets, the uniform definition of useful lives for property, plant and equipment and accounting for and the valuation of provisions. The assumptions and estimates are based on presumptions that are based on the respective current knowledge. In particular, the predicted future business development was based on the conditions prevailing when the financial statements were prepared and a realistic assumption for the future development of the global and industry-specific environment. Developments in the underlying conditions that differ from the assumptions and which are outside the management’s sphere of influence may result in the actual amounts recorded differing from the original estimates. If actual developments do not match anticipated developments, the assumptions and, if necessary, the carrying amounts of the affected assets and liabilities are adjusted accordingly. On the date the annual financial statements were prepared, the underlying assumptions and estimates were not subject to any major risks, with the result that, from today's perspective, no major adjustment of the carrying amounts of the assets and liabilities carried on the balance sheet for the next fiscal year has to be assumed.

2.13.1. Main sources of estimating insecurity

The following section describes the key, future-looking assumptions and the other key sources of estimating insecurity on the balance sheet date that can result in a substantial risk which would necessitate a major adjustment to the assets and liabilities disclosed in the coming fiscal year.

Impairment of internally generated intangible assets

During the fiscal year, the management reviews internally generated assets resulting from the group's software development for impairment. Intangible assets on the consolidated balance sheet total EUR 1,372 thousand on June 30, 2008.

This project has made very pleasing progress, and feedback from customers has also confirmed the management's estimates with regard to anticipated income from this project. However, increased activity by competitors has led the management to review their assumptions with regard to future market shares and anticipated profit margins for the product. After to a detailed sensitivity analysis, the management is convinced that it will be possible to realize the carrying amount of the assets in their full amount, even though income may possibly be lower. This situation is being monitored closely and, if required by the future situation on the market, adjustments will be made in the coming fiscal years to the extent that these are pertinent.

3. Notes to the consolidated balance sheet

3.1. Property, plant and equipment

EUR	Land and buildings	Technical equipment and machinery	Operating and office equipment	Payments on account and assets under construction	Total
Acquisition/historical cost					
Balance at January 1, 2007	0.00	177,244.42	641,562.42	27,080.44	845,887.28
Additions from merger	888,386.51	0.00	24,285.09	0.00	912,671.60
Additions	1,617,967.10	55,621.08	333,047.36	0.00	2,006,635.54
Reclassifications	27,080.44	0.00	0.00	-27,080.44	0.00
Disposals	0.00	18,605.43	272,390.22	0.00	290,995.65
Balance at Dec. 31, 2007	**2,533,434.05**	**214,260.07**	**726,504.65**	**0.00**	**3,474,198.77**
Accumulated depreciation					
Balance at January 1, 2007	0.00	150,459.52	389,514.42	0.00	539,973.94
Additions from merger	253,245.77	0.00	21,746.09	0.00	274,991.86
Additions	28,358.89	52,053.41	249,604.04	0.00	330,016.34
Disposals	0.00	18,605.42	272,321.22	0.00	290,926.64
Balance at Dec. 31, 2007	**281,604.66**	**183,907.51**	**388,543.33**	**0.00**	**854,055.50**
Carrying amounts on Dec. 31, 2007	**2,251,829.39**	**30,352.56**	**337,961.32**	**0.00**	**2,620,143.27**
Acquisition/historical cost					
Balance at January 1, 2008	2,533,434.05	214,260.06	726,504.65	0.00	3,474,198.76
Additions	1,500.00	0.00	67,271.43	0.00	68,771.43
Reclassifications	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Balance at June 30, 2008	**2,534,934.05**	**214,260.06**	**793,776.08**	**0.00**	**3,542,970.19**
Accumulated depreciation					
Balance at January 1, 2008	281,604.66	183,907.49	388,543.33	0.00	854,055.48
Additions	40,244.49	13,672.70	83,121.90	0.00	137,039.09
Disposals	0.00	0.00	0.00	0.00	0.00
Balance at June 30, 2008	**321,849.15**	**197,580.19**	**471,665.23**	**0.00**	**991,094.57**
Carrying amounts on June 30, 2008	**2,213,084.90**	**16,679.87**	**322,110.85**	**0.00**	**2,551,875.62**

3.2. Intangible assets

EUR	Capitalized development costs	Concessions, industrial and similar rights and assets	Total
Acquisition/historical cost			
Balance at January 1, 2007	869,830.23	86,082.08	955,912.31
Additions from merger	0.00	1,942.92	1,942.92
Additions	558,351.64	47,362.27	605,713.91
Disposals	0.00	3.93	3.93
Balance at Dec. 31, 2007	**1,428,181.87**	**135,383.34**	**1,563,565.21**
Accumulated amortization			
Balance at January 1, 2007	179,593.48	57,106.07	236,699.55
Additions from merger	0.00	1,941.91	1,941.91
Additions	173,966.05	22,613.00	196,579.05
Disposals	0.00	3.92	3.92
Balance at Dec. 31, 2007	**353,559.53**	**81,657.06**	**435,216.59**

EUR	Capitalized development costs	Concessions, industrial and similar rights and assets	Total
Acquisition/historical cost			
Balance at January 1, 2008	1,428,181.87	135,383.34	1,563,565.21
Additions from merger	0.00	0.00	0.00
Additions	439,761.65	68,399.45	508,161.10
Disposals	0.00	0.00	0.00
Balance at June 30, 2008	**1,867,943.52**	**203,782.79**	**2,071,726.31**
Accumulated amortization			
Balance at January 1, 2008	353,559.52	81,657.06	435,216.58
Additions	142,818.19	17,869.26	160,687.45
Disposals	0.00	0.00	0.00
Balance at June 30, 2008	**496,377.71**	**99,526.32**	**595,904.03**
Carrying amounts on June 30, 2008	**1,371,565.81**	**104,256.47**	**1,475,822.28**

Goodwill from first-time consolidation (EUR 153 thousand) was written off in full in the opening balance sheet.

Capitalized development costs are subject to scheduled straight-line amortization over their estimated useful life of five years. The amortization starts in the year after these are capitalized.

Research costs totaling EUR 126 thousand were recognized immediately as an expenses in the first six month of 2008 (fiscal year 2007: EUR 273 thousand).

3.3. Inventories

EUR	Jun. 30, 2008	Dec. 31, 2007
Unfinished goods and work in progress	795,900.00	1,997,600.00
Finished goods and goods purchased for resale	0.00	1,072.25
Advance payments made	125,000.00	0.00
Total	**920,900.00**	**1,998,672.25**

3.4. Trade receivables

Trade receivables are due within one year.

The carrying amounts of the trade receivables are in line with their fair values.

Write-downs totaled EUR 38 thousand (fiscal year 2007: EUR 32 thousand).

3.5. Other receivables and assets

EUR	Jun. 30, 2008	Dec. 31, 2007
Receivables from shareholders	255,380.98	391,282.09
Receivables from tax authority	579,905.66	398,277.38
Other	1,200,983.09	108,312.63
Total	**2,036,269.73**	**897,872.10**

Receivables from shareholders relate to loans granted for an unlimited period in the amount of EUR 255 thousand (others are current) and bear interest of 5 % p.a.

There were receivables in foreign currencies in CZK totaling EUR 1 thousand on the balance sheet date (fiscal year 2007: EUR 0 thousand).

3.6. Cash and cash equivalents

Cash and cash equivalents are carried at face value. This item includes cash on hand and current bank deposits with terms of less than three months.

3.7. Equity

For further information on changes in GK SOFTWARE AG's equity on June 30, 2008, please refer to the statement of changes in equity.

The company's share capital originally totaled EUR 150,000.00 and comprised 150,000 no-par value shares, each with a nominal amount of EUR 1.00. In fiscal year 2007, there were initially 150,000 shares. In order to execute the merger of Gläß & Kronmüller OHG, Schöneck, with the company, the share capital was increased by 5,000.00 to EUR 155,000.00 (comprising 155,000 shares). The existing 150,000 shares transferred to the company as part of the merger were then withdrawn without reducing the share capital within the meaning of Section 237 (3) no. 3 of the Aktiengesetz (AktG – German Public Limited Companies Act). The reduction in assets resulting from the withdrawal is carried separately in the statement of retained earnings as "expenses from the withdrawal of shares". On March 31, 2008, the company's share capital totaled EUR 155,000.00 comprising 5,000 shares.

On June 30, 2008, the company's share capital totaled EUR 1,665,000 comprising 1,665,000 shares. The share capital changed in May 2008 as a result of the resolved capital increase in the amount of EUR 1,095,000 to EUR 1,250,000. A

1:250 share split was then executed. The number of issued shares increased to 1,250,000.

The resolved capital increase from the issue of new shares totaling EUR 415,000 or 415,000 shares in free float was resolved in May 2008 and completed on July 19, 2008 with a public placement.

EUR	Jun. 30, 2008	Dec. 31, 2007
Subscribed capital		
5,000 shares, fully paid	0.00	155,000.00
1,250,000 shares, fully paid	1,250,000.00	0.00
415,000 capital increase, issue of shares	415,0000.00	0.00
Total	**1,665,000.00**	**155,000.00**

The company did not hold any own shares on the balance sheet date.

There was no conditional capital on June 30, 2008. There are no stock options.

The following resolutions were passed at the company's ordinary General Meeting on March 28, 2008:

- **1. Capital increase from company funds.** The company's share capital totaling EUR 155,000 is increased from company funds by EUR 1,095,000 to EUR 1,250,000 by converting a partial amount of EUR 918,960.95 of the net retained profits carried on the balance sheet as of December 31, 2007 which is to be added to the retained earnings according to the resolution, and by converting a partial amount of EUR 179,039.05 of the "Other retained earnings" carried on the balance sheet as of December 31, 2007 to share capital.
- **2. Share split.** The above capital increase is performed without issuing new shares. Subsequent to the capital increase, the existing 5,000 shares with a theoretical interest in the share capital of EUR 250 per share are to be split in the ratio of 1:250. Accordingly, the share capital then comprised 1,250,000 shares.
- **3. Capital increase against cash contribution.** The company's share capital was increased against cash contributions from EUR 1,250,000 by up to EUR 415,000 to up to EUR 1,665,000 by issuing up to 415,000 new no-par value bearer shares (shares) carrying profit participation rights from January 1, 2008. The new shares are issued at an amount of EUR 1.00 per share (issuing amount).
- **4. Creation of authorized capital.** The Managing Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital in the period from March 28, 2008 to March 27, 2013 on one or several occasions by up to a total of EUR 625,000 by issuing up to 625,000 new, no-par value shares (shares) against cash or non-cash contributions (authorized capital).

Retained earnings comprise the addition to statutory reserves as well as the differences from the first-time application of IFRS.

3.8. Provisions for pensions and similar commitments

Actuarial gains and losses are amortized using the corridor method. They are not taken into account if they do not exceed 10% of the obligation. The amount in excess of the corridor is recognized in income and distributed over the average remaining service periods of the active workforce and carried on the balance sheet.

Current service cost is carried in the income statement under expenses for retirement benefits, interest expense is carried under the financial result, and the income from re-insurance is carried under other operating income. The assumptions from fiscal year 2007 were applied analogously on June 30, 2008.

Underlying assumptions:

Parameter	2007 %	2006 %	2005 %
Interest rate	5.5	5.0	5.0
Salary trend	0.0	0.0	0.0
Pension trend	1.5	1.5	1.5

3.9. Non-current liabilities to banks

The company took out two investment loans with Commerzbank AG, Plauen in fiscal year 2007 (original amounts: EUR 750 thousand and EUR 450 thousand). In addition, the company took over a loan from Gläß & Kronmüller OHG, Schöneck as part of the merger (original amount: EUR 225 thousand).

3.10. Deferred government grants

This item relates to taxable investment grants from the Free State of Saxony (issued by the Sächsische AufbauBank) as part of a regional economic subsidization program and tax-free investment grants.

The subsidies and grants are reversed over the useful lives of the subsidized assets

EUR	Jun. 30, 2008	Dec. 31, 2007
Silent partnership	450,000.00	450,000.00
Other	0.00	21,214.31
Total	**450,000.00**	**471,214.31**

The silent partnership runs until December 31, 2010.

The silent partner's profit participation comprises a fixed portion, based on the capital contribution (8.75 % p.a.) and a fee for the interest (variable fee) which depends on the bearer's earnings.

3.12. Deferred taxes

Please see note 4.9.

3.13. Current provisions

Current provisions for personnel are mostly for vacation, bonuses and for statutory accident insurance and prevention. Provisions for production are mostly for warranties and in the other areas these are mostly for outstanding goods-in invoices, auditing costs, consulting costs and interest.

The provision for warranties is calculated based on historical expenses for warranties and estimates with regard to future costs.

EUR	Personnel	Production	Other areas	Total
Balance at January 1, 2007	267,204.25	241,500.00	133,595.35	642,299.60
Taken up	267,204.25	241,500.00	133,595.35	642,299.60
Reversed	0.00	0.00	0.00	0.00
Additions	299,878.32	150,000.00	74,100.00	523,978.32
Balance at Dec. 31, 2007	299,878.32	150,000.00	74,100.00	523,978.32
Balance at Jan. 1, 2008	299,878.32	150,000.00	74,100.00	523,978.32
Taken up	71,491.81	0.00	27,566.72	99,058.53
Reversed	4,391.52	0.00	71,673.87	76,065.39
Additions	296,769.98	0.00	768,787.72	1,065,557.70
Balance at June 30, 2008	520,764.97	150,000.00	743,647.13	1,414,412.10

3.14. Trade payables

Trade payables are due within one year.

There were liabilities in foreign currencies in CZK totaling EUR 204 thousand on the balance sheet date (fiscal year 2007: EUR 193 thousand).

The carrying amounts of the trade payables are in line with their fair values.

3.15. Advance payments received

Advance payments received are due within one year.

On the balance sheet date there were no advance payments received in foreign currencies.

The advance payments received are not netted with inventories.

3.16. Income tax liabilities

This item includes the anticipated subsequent payment for corporation tax, the solidarity surcharge and trade tax in Germany and the Czech Republic for the year under review.

3.17. Other current liabilities

EUR	Jun. 30, 2008	Dec. 31, 2007
Liabilities from wages and salaries	365,144.13	310,260.43
Tax liabilities	232,595.95	800,881.59
Liabilities to shareholders	0.00	0.00
Liabilities to related parties	0.00	0.00
Other	245,580.06	192,490.16
Total	**843,320.14**	**1,303,632.18**

3.18. Collateralized liabilities

Liabilities to banks are collateralized with registered charges on the company's property, registered in the Schöneck land register, Plauen Local Court, Page 1895. In addition, in order to collateralize an investment loan, the assignment of all current and future claims from life insurance and pension insurance agreements and the global cession for receivables of GK SOFTWARE AG from deliveries of goods and services to third-party debtors has been agreed.

4. Notes to the consolidated income statement

4.1. Revenues

Revenues exclusively stem from the sale of hardware and software and the provision of services in the European Union.

4.2. Own work capitalized

Own work capitalized comprises the capitalized costs of development services for internally-generated software. Both direct and indirect costs are included in production costs.

4.3. Other operating income

EUR	Jun. 30, 2008	Dec. 31, 2007
Write-ups of receivables written down	0.00	14,863.70
Income from investment grants	0.00	139,107.00
Income from the reversal of deferred public grants	17,608.38	11,501.00
Reversal of provisions	0.00	0.00
Expense allowances	3,388.00	54,632.44
Vehicle use	69,017.30	84,535.55
Other	62,142.91	74,845.24
Total	**152,156.59**	**379,484.93**

4.4. Cost of materials

EUR	Jun. 30, 2008	Dec. 31, 2007
Cost of raw materials, consumables and supplies, and of goods purchased for resale	90,237.18	230,353.70
Cost of purchased services	179,966.93	255,325.33
Total	**270,204.11**	**485,679.03**

4.5. Personnel expenses

EUR	Jun. 30, 2008	Dec. 31, 2007
Wages and salaries	3,253,406.89	5,338,407.72
Social security contributions	475,769.07	804,378.54
Expenses for retirement benefits	9,629.42	9,317.57
Total	**3,738,805.38**	**6,152,103.83**

There was an average of 169 employees in the second quarter of 2008 (fiscal year 2007: 140).

4.6. Depreciation and amortization

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

4.7. Other operating expenses

This item mostly includes legal and consulting costs as well as office and operating costs.

4.8. Financial result

EUR	Jun. 30, 2008	Dec. 31, 2007
Interest income	38,918.61	44,475.91
Interest expense	-92,422.38	-159,843.42
Total	-53,503.77	-115,367.51

4.9. Income taxes

EUR	Jun. 30, 2008	Dec. 31, 2007
Current tax liabilities	6,006.77	570,940.76
Deferred tax liabilities	432,793.66	84,815.21
Total	**438,800.43**	**655,755.97**

Deferred taxes were calculated based on a tax rate of 38.0 % (to December 31, 2007) or 29.1 % (from January 1, 2008) for Germany and 24.0 % for the Czech Republic.

Deferred tax liabilities are included in the following items:

EUR	Jun. 30, 2008 Assets	Jun. 30, 2008 Liabilities	Dec. 31, 2007 Assets	Dec. 31, 2007 Liabilities
Intangible assets	0.00	399,537.12	0.00	313,037.49
Provisions for pensions	707.28	0.00	2,046.67	0.00
Inventories	3,262.56	0.00	15,642.81	0.00
Tax impact of netting the costs of producing equity with the share premium	378,283.30	332,574.39	0.00	0.00
Netting the tax impact of the costs for the share premium with deferred tax liabilities from the ongoing net income for the period	-378,283.30	-378,283.30	0.00	0.00
Tax losses carried forward	0.00	0.00	0.00	0.00
Total (balance sheet)	3,969.83	353,828.21	17,689.48	313,037.49

Deferred tax assets/liabilities result from:

EUR	Jun. 30, 2008 Initial balance	Jun. 30, 2008 Recognized in income	Jun. 30, 2008 Final balance	Dec. 31, 2007 Initial balance	Dec. 31, 2007 Recognized in income	Dec. 31, 2007 Final balance
Temporary differences						
Provisions for pensions	2,046.67	-1,339.39	707.28	5,881.93	-3,835.26	2,046.67
Intangible assets	-313,037.49	-86,499.63	-399,537.12	-216,554.46	-96,483.03	-313,037.49
Inventories	15,642.81	-12,380.25	3,262.56	0.00	15,642.81	15,642.81
Reclassification of IPO costs/ impact on earnings	0.00	45,708.91	45,708.91	0.00	0.00	0.00
	-295,348.01	-54,510.36	-349,858.37	-210,672.53	-84,675.48	-295,348.01
Unused tax loses	0.00	0.00	0.00	139.73	-139.73	0.00
Total	**-295,348.01**	**-54,510.36**	**-349,858.37**	**-210,532.80**	**-84,815.21**	**-295,348.01**

Tax expense for the fiscal year can be reconciled to the profits for the period as followed:

Reconciliation of tax expense/EUR	Jun. 30, 2008	Dec. 31, 2007
Pre-tax earnings	1,468,336.95	2,217,044.75
Anticipated tax expense 29.1 % (previous year 38.0 %)	427,726.55	842,477.01
Tax impact of non-deductible company spending	0.00	11,822.70
Tax impact of tax-free income	0.00	-52,860.66
Other tax effects	11,073.89	-145,683.08
Actual tax expense	438,800.44	655,755.97
Effective tax rate	**29.1 %**	**29.6 %**

4.10. Earnings per share

Earnings per share are calculated as the earnings divided by the weighted average number of shares in circulation during the fiscal year.

There were an average of 258,104 shares in the first half of 2008 (previous year: 5,000).

Earnings as of the balance sheet date totaled EUR 1,029 thousand (June 30, 2007: EUR 963 thousand). The basic earnings per share were thus EUR 3.99 (June 30, 2007: EUR 6.42).

There were no shares outstanding on June 30, 2008 nor on December 31, 2007 that could dilute the earnings per share.

5. Information on the cash flow statement

Cash and cash equivalents are cash in hand and bank balances.

6. Segment reporting

Segment reporting is not necessary as GK SOFTWARE AG does not have different business segments.

7. Other disclosures

7.1. Financial instruments

Financial instruments include original and derivative financial instruments.

The original financial instruments on the assets side mostly comprise receivables, other financial assets and cash and cash equivalents. On the equity and liabilities side, the original financial instruments mostly comprise liabilities measured at amortized cost. The original financial instruments are disclosed in the balance sheet. To the extent that default risks can be recognized for the financial assets, these risks are covered by write-downs.

The company took out two investment loans with Commerzbank AG, Plauen in fiscal year 2007 (original amounts: EUR 750 thousand and EUR 450 thousand). The interest payments for the two investment loans are secured via in interest rate cap. This hedge runs until June 30, 2012 and has a cap rate of 5.2 % p.a.

7.2. Contingent liabilities

Contingent liabilities are possible obligations which do not actually exist until one or several uncertain future events occur that cannot be fully influenced. They also include obligations that are not expected to lead to any outflow of funds. According to IAS 37, contingent liabilities are not included in the balance sheet.

There were no contingent liabilities on the balance sheet date.

7.3. Operating leases

Operating leases are for vehicles. The payments recorded as expenses in the second quarter of 2008 totaled EUR 112 thousand.

7.4. Other financial commitments

There are financial commitments from leases totaling EUR 383 thousand (thereof with a remaining term of up to one year EUR 203 thousand).

7.5. Subsidiaries

Name of subsidiary	Registered office	Interest %	Voting rights %	Primary business
EUROSOFTWARE s.r.o.	Czech Republic	100	100	Software development, Software programming
GK Soft GmbH	Switzerland	100	100	Software development, Software programming
StoreWeaver GmbH	Switzerland	100	100	Software development, Software programming

The companies are fully consolidated in these financial statements.

7.6. Related party disclosures

GK SOFTWARE AG's related parties are: the members of the Managing and Supervisory Boards including their family members and companies over which GK SOFTWARE AG, the members of the Managing and Supervisory Boards and their close family members can exercise a significant influence.

All transactions with related parties are concluded under normal market conditions. Expenses for valuation allowances or uncollectible receivables from related parties were not necessary or not available.

Transactions between GK SOFTWARE AG and its consolidated subsidiaries were eliminated during consolidation.

Managing Board

The Managing Board members are:

- Rainer Gläß, Schöneck, CEO (engineering graduate)
- Stephan Kronmüller, Schöneck, CTO (engineering graduate)
- Ronald Scholz, Klingenthal, COO (engineering graduate)
- André Hergert, Hamburg, CFO (since March 28, 2008) (business administration graduate)

Remuneration for members of the Managing Board in the period under review totaled EUR 603 thousand (fiscal year 2007: EUR 1,260 thousand).

The Managing Board members directly held the following interests in GK SOFTWARE AG as of June 30, 2008:

Mr. Rainer Gläß	37,500 shares	2,3 %
Mr. Stephan Kronmüller	37,500 shares	2,3 %

Supervisory Board

The Supervisory Board members are:

- Uwe Ludwig, Neumorschen, management consultant, chairman of the Supervisory Board
- Heinrich Sprenger, Iserlohn, entrepreneur
- Thomas Bleier, Oelsnitz, merchant

The total remuneration for GK SOFTWARE AG's Supervisory Board in fiscal year 2007 amounted to EUR 10 thousand. As of the balance sheet date no payments had yet been made in favor of the members of the Supervisory Board.

There are no agreements between the company's Supervisory Board members that include compensation payments or other compensation in favor of the members of the Supervisory Board when their period of office ends. There are currently no conflicts of interest between their obligations to the company and their private interests or other commitments.

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

7.7. Fee for the audit review

The fee recorded for the auditors Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft as expenses for the second quarter of 2008 for audit services totaled EUR 7 thousand.

7.8. Approval of the financial statements

The management approved the financial statements on August 27, 2008 and released these for publication.

Schöneck, August 2008

The Managing Board

4. Declaration by legal representatives

To the best of our knowledge, we declare that, according to the principles of proper interim reporting applied, the interim financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the interim management report presents the company's business including the results and the company's position such as to provide a true and fair view and that the major opportunities and risks of the company's anticipated growth for the remaining financial year are described.

The Managing Board

Rainer Gläß
(CEO)

Stephan Kronmüller
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