Annual Report

2009

GK SOFTWARE

Summary of Consolidated Results

	31.12.2009	31.12.2008
Sales (tEUR)	23,277	15,029
Total operating revenue (tEUR)	23,471	14,584
Operating performance (tEUR)	24,297	15,008
EBIT (tEUR)	4,890	2,775 [1]
EBIT margin (on sales)	21.0%	18.5%
EBIT margin (on total operating revenue)	20.1%	18.5%
EBT (tEUR)	5,033	2,864 [2]
Annual net income (tEUR)	3,517	1,625 [3]
Earnings per share (weighted) (EUR)	2.11	0,98 [4]
Equity ratio	47.8%	60.0%
Net debt (tEUR)	-3,934	-7,599

Developments in terms of quarters

tEUR	Q1/2009	Q2/2009	Q3/2009	Total/2009
Sales	4,590	8,536	13,160	23,277
EBIT	865	1,081	708	4,890
Surplus funds	657	860	523	3,524

1 EBIT without the transaction costs from the IPO; after correction according to IAS 8.41, the EBIT including transaction costs is tEUR 2,197

2 EBT without the transaction costs from the IPO; after correction according to IAS 8.41, the EBT including transaction costs is tEUR 2,287

3 Correction according to IAS 8.41; without transaction costs and the income tax effects arising from these, the annual net income would be tEUR 2,034

4 Calculated for the 1,665,000 individual share certificates, which have been in circulation since 19 June 2008. The earnings per share for the average number of 1,472,240 shares issued for 2008 was EUR 1.38in 2008 was EUR 1.10; if we exclude the transaction costs and the tax impact, the annual net income per share is EUR 1,65 based on 1,665,000 shares.

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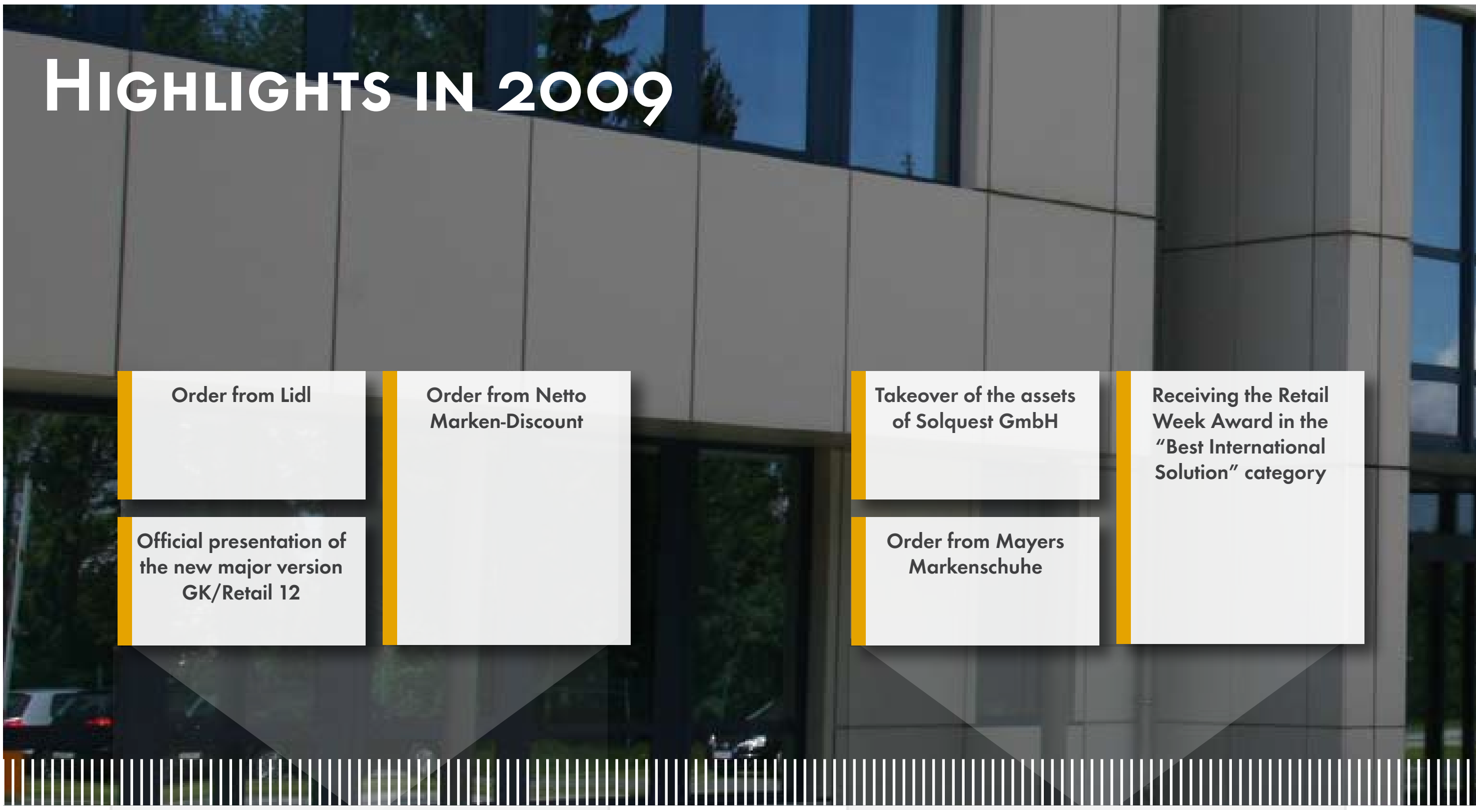
Highlights in 2009



1. Quarter

Order from Lidl to equip all its approx. 8,000 markets in more than 20 European countries.

Presenting GK/Retail 12 at the EuroCIS trade fair in Düsseldorf.

Order from Netto Marken-Discount to switch all its approx. 2,300 former PLUS stores in Germany.

2. Quarter

Takeover of the assets of Solquest GmbH leads to the expansion of the customer base and acquisition of expertise in the field of links to SAP and mobile processes

Order from Mayers Markenschuhe to equip more than 80 stores in four Eastern German states.

Winning the renowned Retail Week Award in the "Best International Solution" category for the major international product at Parfümerie Douglas.

3. Quarter

As part of a **reseller agreement with SAP,** two GK/Retail solutions are being directly sold for "Store Device Control" and "Offline Mobile Store Processes."

As an SAP partner, GK SOFTWARE AG received a **major order as part of the EDEKA Lunar project** to manage the business processes at 6,000 stores.

GK/Retail received important **certifications from SAP and IBM**.

A start was made on **constructing the 2d extension building** in Schöneck

4. Quarter

After receiving a **pilot order from the X5 Retail Group**, Russia's largest retailer, the first market in Nizhny Novgorod was put into productive use complete with tills, merchandise management and mobile solutions within eight weeks.

A new **representative office in St. Ingbert** was purchased to complete the **restructuring of StoreWeaver GmbH** and integrate most of the former Solquest members of staff.

Partner for the retail trade

GK SOFTWARE AG supplies leading retailers on the international market with strategically important software solutions to handle crucial business processes in their stores.

GK SOFTWARE AG is a global technology and innovation leader in the growing market for retail IT solutions with its open GK/Retail Suite, which runs on any platform and is fully programmed in Java.

Dynamic Growth

GK SOFTWARE AG has been growing dynamically for many years and has been able to attract leading retailers as customers. They operate approx. 19,000 stores in almost 30 countries using solutions from GK SOFTWARE AG.

Growth in sales at GK SOFTWARE AG in 2009 amounted to approx. 50 percent and high profit levels were maintained. Sales have more than doubled during the past two years.

Comprehensive software packages

GK SOFTWARE solutions allow retailers to efficiently operate all the processes related to **customers** - e.g. cash transactions or customer loyalty – and related to goods – ranging from scheduling to incoming **goods** and even inventories.

The comprehensive range of products provides leading market solutions for the central **management** of stores scattered across in-ternational borders and **infrastructure** solutions to directly link stores to central retail systems.

Successful Projects

"We have been able to achieve major benefits by using GK/Retail. Our stores communicate with each other almost in real time, the level of automation is high and things are simple to operate."

Netto Marken-Discount Corporate Management

The Customer

Netto Marken-Discount AG & Co KG, which is part of the EDEKA Group and is pursuing a strong expansion course, operates more than 4,000 stores in Germany, including approx. 2,300 former PLUS markets, which it took over in 2009. The range of goods on sale includes high-quality in-house brands and well-known branded items. Netto Marken-Discount is one of the innovative forces in the German retail market and was the first discounter to use touch tills, for example.

The Project

GK SOFTWARE AG has supplied Netto Marken-Discount with various software solutions in several stages. After the successful introduction of a specific task management tool for the retail trade and a mobile store merchandise management system, this customer has been using the GK/Retail POS till and store solution since 2006. The process of rolling out the complete range of software in the former PLUS stores that it took over has been taking place since the beginning of 2009.

The Benefits

Netto Marken-Discount has been able to achieve significant savings by using GK SOFTWARE AG solutions. They have been achieved, for example, as a result of having central control of the complete network of stores, faster and simpler processes, shortened training times and reductions in support costs.

Satisfied Customers

"After one year of productive experience with GK/Retail, we can summarize things by saying that the software has completely satisfied our expectations."

Jeroen Timmer, CIO, Parfümerie Douglas International

The Customer

Parfümerie Douglas International, which is part of the Douglas Holding Group, is the European market leader in the perfumes business. Parfümerie Douglas operates more than 1,000 stores in 18 European countries and its annual sales total more than EUR 2 billion.

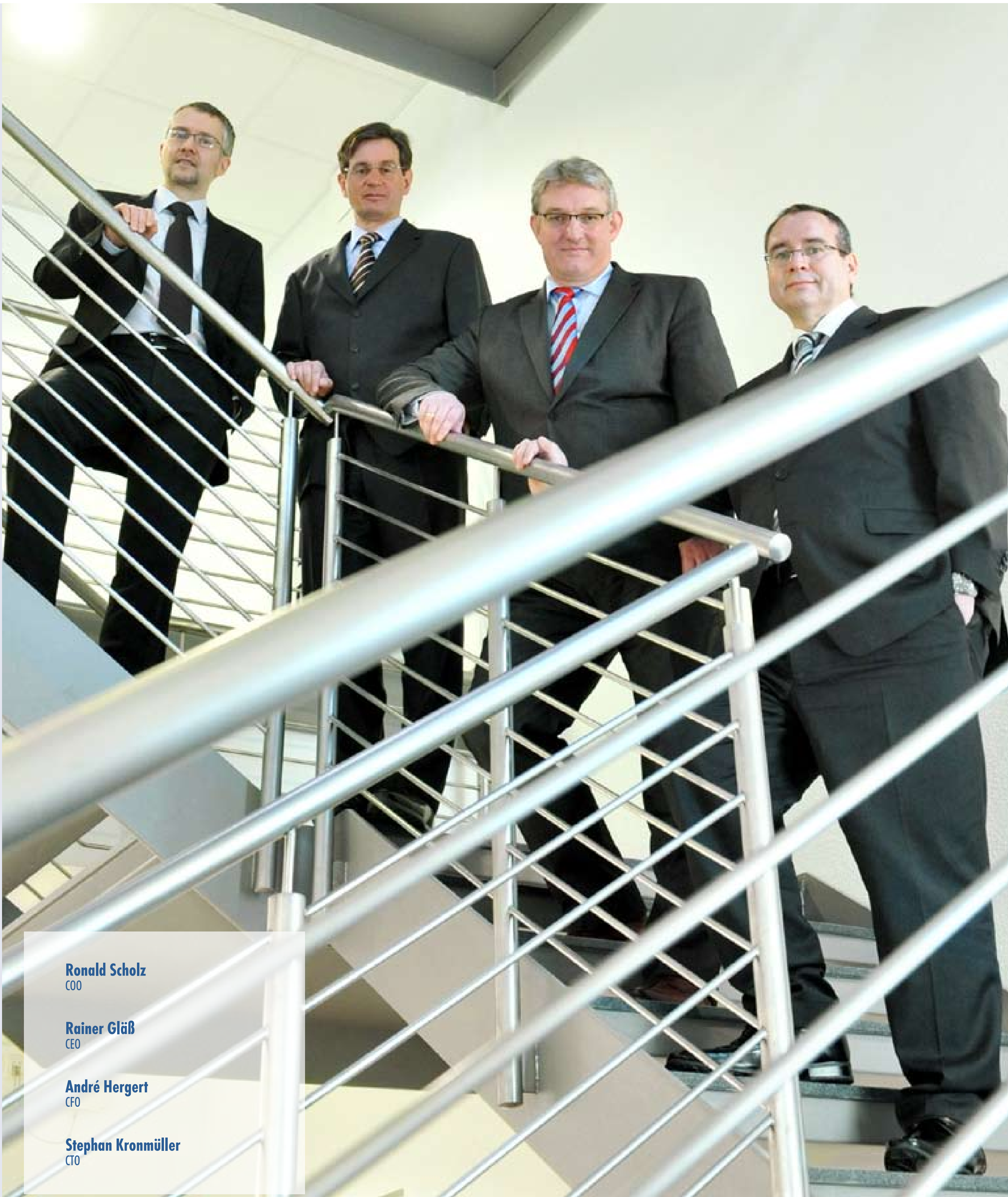
The Project

GK SOFTWARE AG received an order in 2005 to supply the till and store solutions for the perfume stores. The rollout was launched in the first countries just a few months after the start of the project. Some of the challenges in this international project involved the integration of the Douglas Card, 24/7 operations in many European countries and the USA or linking in Lufthansa's Miles & More scheme.

The Benefits

By using GK/Retail, Parfümerie Douglas was able to replace the many island solutions in the various countries and use a unified standard system. As a result and because of the stability and quality of the software, it has been possible to reduce support costs in the long term. The project attracted the "Retail Week 2009" award in the "Best International Solution" category from the leading British specialist magazine of the same name.

Retail Week 16 06 2009 TECHNOLOGY AWARDS 09



Ronald Scholz
COO

Rainer Gläß
CEO

André Hergert
CFO

Stephan Kronmüller
CTO

To the Shareholders

Rainer Gläß, CEO

Letter from the Management Board

Dear shareholders,

We are delighted to be able to present you with a report that records extraordinarily successful business performance. The past business year (2009) once again provided record results for GK SOFTWARE [1]. Regardless of the overall economic crisis, the company was able to continue its success storey and achieve more growth in every area of business. The sales revenues grew by more than 50% to EUR 23.2 million in comparison to 2008. The EBIT (earnings before interest and taxes) rose by approx. three quarters of the previous year's level to EUR 4.9 million. As a result, the company achieved an EBIT margin of 20.1% on total operating revenue. The consolidated net income at EUR 3.5 million was more than a half higher than the results achieved in the previous year. The foundation for this successful development was laid through important new orders, progress in existing projects and the expansion of existing customer relations.

The GK SOFTWARE AG shares clearly reflected the extraordinary developments at the company. The shares were able to rise by more than 300 percent from the low point following the Lehmann crisis and this made them the stock one of the strongest growth performers in the Prime Standard segment of the market in 2009. This same trend was clearly continued during the first few months of 2010. The shareholders present or represented at the company's first annual shareholders' meeting after the IPO unanimously voiced their confidence in the Management Board and supported the course that has been adopted.

The takeover of Solquest GmbH as part of an asset deal on 28 May 2009 was particularly important for the development of the company. The company's first acquisition led to an expansion of its customer base and considerable growth in its expertise in the fields of providing links to SAP and mobile solutions. The integration of Solquest GmbH was completed within six months as the result of immediate restructuring work and hiring a significant majority of the former Solquest members of staff at StoreWeaver GmbH. This process did not affect the company's results at the end of the business year that has just finished. All the existing customers of the former company Solquest GmbH are now being looked after by StoreWeaver GmbH and service, servicing and project development work is all being guaranteed.

The company was once again able to gain leading retailers as its customers in fiscal 2009, press ahead with existing projects and record further successes in internationalization. The order from Lidl to equip all its stores in more than 20 European countries was particularly important. GK SOFTWARE AG was once again able to prevail against important competitors. At the same time, this order from one of the largest retailers demonstrates the confidence in the company's software solutions and ability to implement them. Netto-Marken-Discount also decided to equip all the 2,300 former PLUS stores, which it took over, with GK/Retail. This means that GK SOFTWARE AG now has a market share of more than 45% among German food discount retailers.

The order, which forms part of the EDEKA Lunar project, is extraordinarily important in both business and strategic terms. The company will create an integrated end-to-end solution for EDEKA, the largest German food retail corporation, in conjunction with SAP. As a result, the business processes in the stores will be seamlessly linked to the central SAP system. GK SOFTWARE AG is supplying the software solutions for the stores, which have been then incorporated into SAP's portfolio. As the project at EDEKA progresses successfully, the plan is for SAP to sell both solutions – "GK Store Device Control from SAP" and "GK Offline Mobile Handheld Application from SAP" in international markets. As a result, we have been able to secure a major project and enter a strategic partnership, which has enormous potential for the future, at the same time.

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

The pilot order from the X5 Retail Group, Russia's largest retailers, was the highlight of the past business year in terms of our internationalization strategy. Operations in the pilot market were completed in just eight weeks, including the adaptation of the language and meeting various legal tax stipulations. The new store merchandise management solutions designed to work alongside the central SAP system were used for the first time in the X5 project.

The company was also able to gain a renowned customer with very clear requirements in the fashion sector after the end of the reporting period. The fashion characteristics of GK/Retail will be further expanded during the course of this project.

After the end of the reporting period, the company was able to sign a deal with a leading Russian retailer to equip approx. 1,000 stores with its software. We are expecting this to have a powerful magnetic appeal in the whole Russian market.

As far as existing projects are concerned, important milestones were passed in 2009 and important deliveries were made. The handover of the pilot software to Hornbach Baumarkt GmbH took place on schedule. As a result, Hornbach commissions us in March 2010 to equip all its home improvement stores in nine European countries with GK/Retail. The rollout of the new software has been completed for the first sales lines in the project with the Swiss retailer, Coop. Important milestones were completed for the major international project with Jysk Nordic, like the start of the rollout in China. Alongside these new projects, a start was made on introducing the new major version, GK/Retail 12 to the first existing customers.

Alongside the progress being made in projects, we were also able to further expand our software package. We presented new or improved solutions, from which we are expecting a high degree of potential, based on the major release GK/Retail 12, which saw the light of day for the first time at a specialist trade fair in February 2009. We have particularly expanded our product in the area of store merchandise management processes. We are now able to cover a broad range of functions at the highest technological level in conjunction with a central merchandise management system like SAP. This ranges from mobile solutions for most store processes to automatic label printing and even a highly efficient distribution system for digital advertising (Digital Signage). The new software package was comprehensively used for the first time in the X5 pilot project and will be included in other current projects too. We will continue to press ahead with developments in this field in conjunction with the Lunar project and our partnership with SAP.

However, we are also further developing other GK/Retail solutions in addition to store merchandise management schemes. Many improvements have been included in the till software, for example, the retail task management system has been expanded or progress was made on the development of the Lean Store Server. Progress is being made according to plan and further developments from existing projects will drive this process forwards.

We are expecting our positive corporate developments to continue in 2010 and further growth in sales with an appropriate level of profitability. We are involved in detailed negotiations with potential customers in Germany and abroad and will further develop all the projects on schedule. However, it is still not possible to provide a clear forecast of the retail sector's investment behavior. But we assume that we will be able to increase growth double digit if business develops positively in 2010; if business developments are particularly positive, we believe that an increase in sales of about 20% is possible. We are expecting our level of profitability to provide an EBIT margin of approx. 18.5% on sales – similar to what has been achieved in previous years. But this forecast is subject to the proviso that no extraordinary events take place, which disrupt the overall economy or the retail sector.

Regardless of whether the economic recovery continues or a further period of stagnation ensues, we remain confident that 2010 will be another successful business year for GK SOFTWARE AG. We are delighted that you are supporting growth at GK SOFTWARE AG and we would like to thank you for the confidence that you have placed in us.

The Management Board

Rainer Gläß
(CEO)

Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

Report by the Supervisory Board

Uwe Ludwig,
Chairman of the Supervisory Board

Dear shareholders,

Fiscal 2009 was easily the most successful year in GK SOFTWARE AG's corporate history and I am delighted to be able to present the Supervisory Board's report against that background.

Composition of the Supervisory Board

In line with the articles of incorporation, the Supervisory Board consists of three members. The following people belonged to the body during the 2009 business year:

- Uwe Ludwig (Chairman)
- Heinrich Sprenger (Deputy Chairman)
- Thomas Bleier

Mr. Ludwig and Mr. Sprenger have been appointed until the end of the main shareholders' meeting in 2011, while Mr. Thomas Bleier was once again appointed to the Supervisory Board – after his mandate ended with the conclusion of the main shareholders' meeting in 2009. His appointment now ends at the conclusion of the 2014 main shareholders' meeting.

Meetings

The Supervisory Board held four meetings in all during fiscal 2009. They took place on 15 April, 11 May, 7 September and 30 November. All the members of the committee attended all the meetings. They also remained in contact with each other above and beyond the official meetings and the chairman of the Supervisory Board in particular remained in close contact with the Management Board. Decisions were taken during the meetings or by simultaneously distributing documents by post. During its meetings the Supervisory Board received both verbal and written reports from the Management Board about the business and financial situation within the company and about the fundamental business policy. The Management Board provided regular intermediate reports about business developments.

Tasks of the Supervisory Board

The Supervisory Board at GK SOFTWARE AG fulfilled the tasks incumbent upon it according to the law, the articles of incorporation, the recommendations of the "German Corporate Government Code" government commission and the Supervisory Board's rules for internal procedures and monitored and advised company managers continually.

In addition to the ongoing development of risk management systems, the Supervisory Board also particularly checked the payments made to members of the Management Board in relation to the company's economic situation, in comparison to other companies and within the company to ensure that they were appropriate and composed of fixed and variable elements. The Management Board was asked to acquire external remuneration studies. There was no need to adjust payment levels.

In carrying out its monitoring work of company managers, the Supervisory Board based its deliberations on the annual budget that was passed for 2009 and received reports from the Management Board particularly concerning the business policy and corporate planning, profitability, the course of business and the major individual measures adopted by the company. The Supervisory Board received verbal reports on the company's state of development in general and operating business in particular at meetings held during the fiscal year for this purpose. The Management Board also supplied the Supervisory Board with information outside the official meetings and this was also discussed and checked by the Supervisory Board.

Corporate Governance

The Supervisory Board and Management Board act in the full knowledge that good corporate governance forms an important basis for the company's success and is in the best interests of shareholders and equity markets. The Management Board and the Supervisory Board issued their annual declaration of compliance in line with Section 161 of the German Stock Companies Act in April 2010. This wording of this declaration is included in this business report. The Management Board and the Supervisory Board have pledged to the relevant degree to follow the recommendations of the German Corporate Governance Code. No conflicts of interest arose in members of the Supervisory Board during fiscal 2009.

2009 Annual Accounts Audit

The annual accounts for GK SOFTWARE AG compiled by the Management Board in line with the rules in the German Commercial Code and the IFRS consolidated accounts and each situation report were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft and were given a qualified audit certificate. The salaries of each of the members of the Management Board were not specified in the consolidated annual accounts or in the annex to the individual financial statement contrary to Section 315 a, Paragraph 1 of the German Commercial Code in conjunction with Section 314, Paragraph 1, No. 6, Letter a) sentence 5 to 8 or Section 285, Sentence 1, No. 9, Letter a) Sentence 5 to 9 of the German Commercial Code. In full knowledge of these audit reports, the Supervisory Board checked the annual accounts compiled by the Management Board, the consolidated accounts, the dependency report, the situation report of GK SOFTWARE AG and the group and checked the suggestion made by the Management Board for the use of the balance sheet profits. At its meeting on 21 April 2010, the Supervisory Board asked the Management Board to explain the 2009 annual accounts and corporate profitability, particularly the company's equity, business developments and the company's situation. All the Supervisory Board members received the necessary documents prior to this meeting.

The auditor commented on the Management Board's accounts carried forward and explained the provisional audit findings and answered every question on these reports. The Supervisory Board questioned the auditor on the final reports that had been presented at its meeting on 30 April 2010. The auditor was able to answer any outstanding questions. There are no doubts about the independence of the auditor. During its meeting on 30 April 2010, the Supervisory Board approved the annual accounts for GK SOFTWARE AG and authorized the consolidated accounts at GK SOFTWARE. As a result, the annual accounts have been approved. The Supervisory Board also agreed to the Management Board's suggestion about how to use the balance sheet profits.

The Supervisory Board also prepared a report on relations to associated companies in line with Section 312 of the German Stock Companies Act. The auditor checked this and provided a verbal report on the results of his audit during the balance sheet meeting on 21 April 2010. Checks made by the Supervisory Board did not give rise to any reasons for objections to be raised. He did not have any objections to the Management Board's final declaration in his report in line with Section 312 of the German Stock Companies Act.

The Supervisory Board would like to thank the Management Board and every member of staff for their commitment to the company and the work that they have performed and wishes them all further success.

Schöneck, 30 April 2010

Uwe Ludwig
(Chairman of the Supervisory Board)

Corporate Governance

Section 161 of the German Stock Companies Act obliges the Management Board and Supervisory Board to make an annual declaration that compliance has been achieved with regard to the recommendations of the "Government Commission on German Corporate Governance Code", which has been published by the German Minister of Justice in the official section of the electronic German Federal Gazette, or to state which recommendations have not been followed or are not being complied with.

This declaration must be made available to shareholders at all times.

The last annual declaration was released in April 2009. The following declaration for the past relates to the version of the Code dated 6 June 2008. The following declaration for the future corporate governance procedures at GK SOFTWARE AG relates to the recommendations in the Code in the version dated 18 June 2009.

The Management and Supervisory Boards at GK SOFTWARE AG declared on 14 April 2010 that the recommendations of the "Government Commission on German Corporate Governance Code" had been satisfied since the release of the last annual statement of compliance in April 2009 with the exceptions noted in the declaration in April 2009 and corresponds to the following exceptions.

- Code Number 2.3.3 In a departure from the recommendation in the Code, the company does not make provision for voting by proxy. The Management and Supervisory Boards believe that there are opportunities to personally fulfill shareholders' rights without the company making any provision for voting by proxy.
- Code Number 2.3.4 The company will not provide any Internet broadcast of the annual shareholders' meeting, as the Management and Supervisory Boards believe that this would not mean that more people would attend the annual shareholders' meeting.
- Code Number 3.8 The company is not at the moment following the decision on an excess amount as part of a Directors and Officers

(D&O) insurance scheme, as the legal requirement for an excess amount as part of a D&O insurance scheme is used to check the level of insurance protection that the company has. The company will, however, introduce a change to the D&O insurance scheme this year so that it conforms to the law. GK SOFTWARE, however, continues to hold the view that the care and responsibility, with which the members of the Supervisory and Management Boards carry out their tasks, cannot be improved by any such excess amount.

- Code Number 4.2.4 The company does not indicate the earnings of the members of the Management Board in the annual accounts by name. The total earnings of the members of the Management Board are disclosed. This departure is made, because the individual naming does not provide a significant contribution towards transparency in the view of the company and serious disadvantages for individual members of the Management Board are prevented.
- Code Number 5.1.2 There is no age limit for the members of the Management Board; in the view of GK SOFTWARE AG, the professional qualifications of the members of the Management Board play a more important role.
- Code Number 5.3 In a departure from Number 5.3 of the Code, the supervisory board at GK SOFTWARE AG does not form any committees, as consistent extensive level of communications between all the members of the Supervisory Board can be guaranteed most efficiently in meetings where all the members of the Supervisory Board are present (the Supervisory Board consists of three members). Any issues can be handled and answered appropriately by the whole body. So no auditing committee (Number 5.3.2) has been set up. The same applies to the nomination committee (Number 5.3.3) or other specialist committees (Number 5.3.4).
- Code Number 5.4.1 There is no provision for an obligatory age limit for the members of the Supervisory Board, as the older members of the Supervisory Board enrich the body as a result of their wide experience and their specialist qualifications are more important.
- Code 5.4.6 Payments for the members of the Supervisory Board are made exclusively according to fixed elements. No remuneration that is dependent on the company's success is granted to the members of the Supervisory Board, as the members of the Supervisory Board must be able to pursue their tasks as a supervisory body for the company without any possible conflicts of interest.
- Code 7.1.2 The consolidated accounts are not published within 90 days after the end of the fiscal year, but after four months in line with the current guidelines published by Deutsche Börse AG. The interim reports are not made available within 45 days, but after two months according to the current guidelines published by Deutsche Börse AG. GK SOFTWARE AG believes that the periods of time set by Deutsche Börse AG are adequate to provide shareholders with sufficient information.

GK SOFTWARE AG Shares

Development of GK SOFTWARE shares in comparison to the TecDax
from 2 January 2009 until 31 March 2010, indexed, in percent

Basic data

Basic data	
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK SOFTWARE AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1.665,000
Share capital	1.665.000 EUR
Free float	24.33 %
Highest price in 2009	EUR 41.49 (30 Nov. 2009)
Lowest price in 2009	EUR 8.50 (12 March 2009)

Summary/Share Performance

GK SOFTWARE AG shares have been listed in the Prime Standard segment of the Frankfurt Stock Exchange since 19 June 2008. The issue price for the shares at the IPO was EUR 21.00 and during initial trading the shares rose to EUR 21.40. After a steep decline as a result of the general uncertainties triggered by the collapse of various banks, the price of the shares was EUR 13.00 on 30 December 2008. The share price fell even further during the first quarter of 2009 and reached a price of EUR 8.50. The shares began their continual climb in March and the stock had reached a price of EUR 34.40 by the end of the year. This corresponds to a rise in value of approx. 400%. The market capitalization therefore amounted to EUR 70 million at the end of the reporting period.

During 2010, the share price has reached a price as high as EUR 60 and so has gained significantly once again. This represents almost three times the issue price at the IPO.

Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which allows the company to pursue sustainable, longterm growth. The company had the following shareholder structure on the reporting date on 31 December 2009: The founder and CEO Rainer Gläß directly held 3.17% of the shares. Stephan Kronmüller, also a company founder and the CTO on the Management Board, directly held 2.25% of the shares. 70.57% of the shares were owned by GK Software Holding GmbH, which was indirectly equally shared by the company partners Rainer Gläß and Stephan Kronmüller. This meant that 24.01% of the shares were in free float on 31 December 2009.

After the end of the reporting period, Rainer Gläß und Stephan Kronmüller each sold 90,000 shares at a price of EUR 50.00 via GK Software Holding GmbH. As a result, the free float rose to 34.82% on 17 March 2010.

The following companies have a shareholding in GK SOFTWARE AG, which exceeds the 3% threshold level:

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

Directors Dealings in 2009

Rainer Gläß, Management Board
Purchase: 22 Dec. 2009
5,292 shares at a price of EUR 34.50 each

Ronald Scholz, Management Board
Purchase: 5 June 2009
5,000 shares at a price of EUR 13.80 each

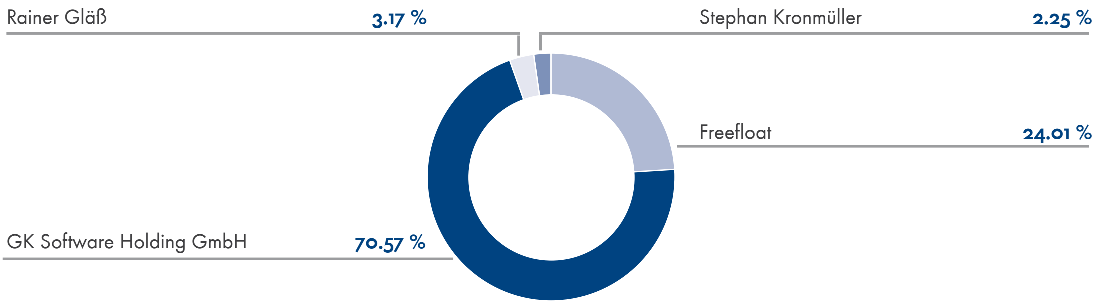
Investor Relations

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

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

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

Shareholder structure
at GK SOFTWARE AG on 31 Dec. 2009



Consolidated Report

Business Report

Business and General Conditions at GK SOFTWARE

Corporate Structures and Shareholdings

- Five business locations in Europe and sales branches in the USA and Great Britain
- Integration of former Solquest staff members at the new business location at St. Ingbert
- Both company founders are members of the Management Board

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

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

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

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

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

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

Group structure
at GK SOFTWARE AG

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

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

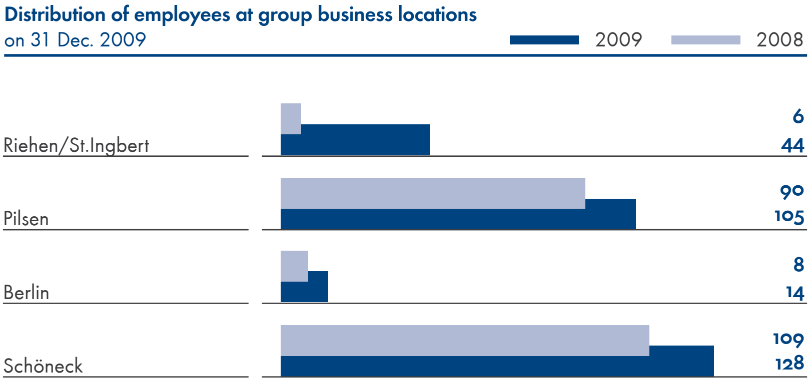
Human Resources

- Growth in human resources by almost 40 percent to a current figure of 291
- Further expansion of company headquarters in Schöneck
- Trainee and further training programs for members of staff

291 members of staff were employed in the group on the reporting date of 31 December 2009 (excluding Management Board members and trainees). This means that the number of employees grew by 78 since the previous year (213). This corresponds to a growth rate of 37%. The project management, software development and support departments in particular hired further staff in 2009. The majority of the group's staff members (128, compared to 109 in the previous year) are employed at the Schöneck site, which is being extended even more at the moment. The Berlin branch has 14 employees. Responsibility for first level support (hotline) was added to the sales & marketing, project and partner management departments already covered there in 2009. 3 members of staff were employed at SQ IT-Services GmbH, which was set up for the takeover of Solquest, at the reporting date.

The Czech subsidiary EUROSOFTWARE s.r.o. in Plzen had 105 employees (90 in the previous year) on the reporting date. Development capacities were further reinforced during 2009.

Distribution of employees at group business locations
on 31 Dec. 2009



StoreWeaver GmbH enjoyed significant growth, as many former Solquest members of staff are now employed with this company. 41 people are now employed at the two business locations in Basel/Riehen (CH) and St. Ingbert (previous year's figure: 6).

One member of staff has been employed at each of the sales offices, which have been opened in Great Britain and the USA as part of the expansion of international sales activities.

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

Huge investments have been made in training and developing employees for years in order to be able to control and boost sales growth at GK SOFTWARE AG from a human resources point of view too. The successful one-year trainee program to deliberately establish qualified members of staff has been continued. Five young people were taking part in this course at the reporting date on 31 December 2009. The program is designed to offer places for five to seven participants on average each year. Two trainees are also currently employed at GK SOFTWARE AG.

Products and Services

Customer

The customer-related business processes include the complete till operations, cash accounting, handling all kinds of gift cards and cou-pons and issuing or accepting bonus points as part of discount systems like Payback or Lufthansa Miles & More. The software package provided by GK SOFTWARE is different from those of its competitors, primarily because it is more technologically advanced, has a broad range of functions and can be used in international contexts.

Goods

The software solutions related to goods were extended to a considerable degree in 2009. They include store merchandise management business processes ranging from inventories to scheduling or stocks and even automatic label printing. GK SOFTWARE has the expertise to dovetail processes in stores with those of a leading central ERP system (like SAP) and make this available in full to mobile units. Solutions for modern advertising in retail stores on a wide variety of digital displays also form part of this.

The solutions provided by GK SOFTWARE provide smooth operations in retail stores. They include a variety of processes related to customers, goods, the technical management of store structures and the availability of tech-nical infrastructure for large local IT landscapes. It is particularly important that the complete software package is contained in a reusable standard product and each new customer project can be based on this. This prevents project islands that deviate from the standard product and product developments can be passed on to existing customers in ongoing sales cycles

Management

The software solutions designed to manage the most complex store structures distributed across international frontiers are one significant unique selling point for GK SOFTWARE in its market environment. They enable the company's customers to centrally manage thousands of stores in very many countries using different languages, currencies or time zones. This is extraordinarily important for local structures as found in store systems in the retail sector, as each till, each printer or even each pair of scales is a critical system for business purposes

Infrastructure

GK SOFTWARE not only supplies the leading front-end software for users in stores and enterprise headquarters in the retail sector. The company's software solutions are also setting standards for the sector in the field of technical infrastructure. GK SOFTWARE's Store-Weaver system provides an integration platform in order to seamlessly network its own and outside software solutions in a store and link them to central systems like ERP or CRM processes.

The range of solutions provided by GK SOFTWARE

- The new major version of the GK/Retail suite is fully based on ABC technology
- Important certifications for GK/Retail from SAP and IBM
- The new store merchandise management software package is opening up additional potential

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

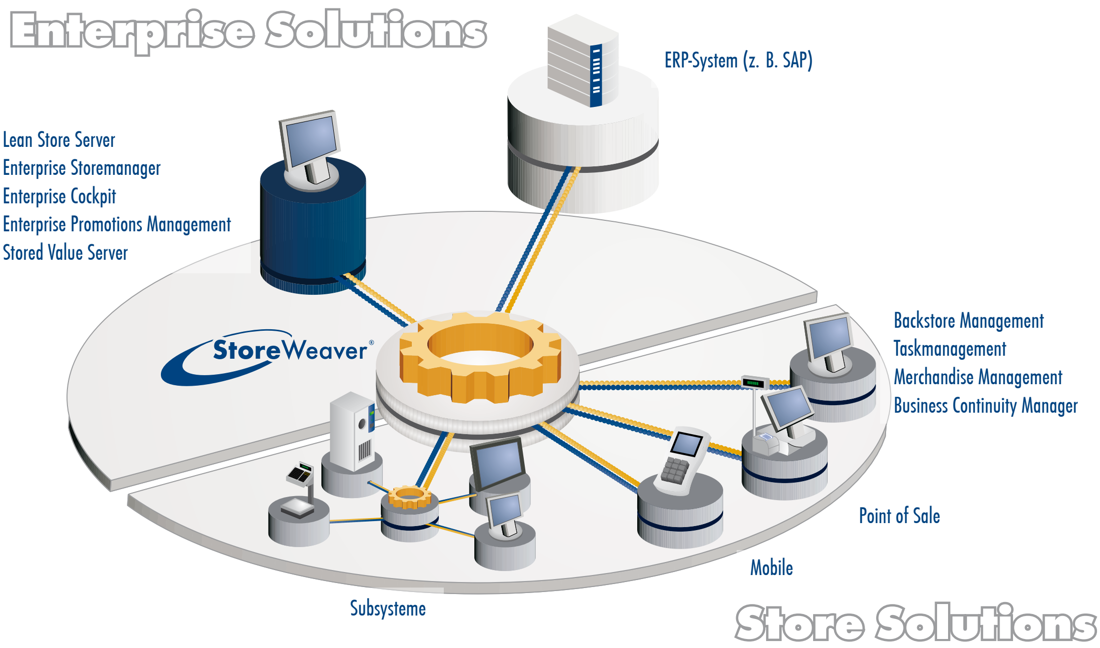
The presentation of the new major version GK/Retail 12 at the EuroCIS trade fair in February 2009 marked an important milestone for the software package. It contains a variety of new features in terms of both functions and technologies. The ABC technology (Advanced Business Components), which was previously used for individual elements, has now been introduced into the standard program as the end-to-end architecture principle for all the individual elements. This means that newly developed or further developed components can be added to the overall program in a simple and precise manner. Decisive improvements have been achieved particularly for customer services at stores in version 12. Two minor releases were given the go-ahead for GK/Retail 12 during fiscal 2009 and they have expanded the standard version with elements, functions and interfaces to subsystems.

The GK SOFTWARE AG solutions have also attracted important certifications during the reporting period – within an international framework too. GK/Retail was tested by SAP and the "Integration with SAP applications" and "Powered by SAP NetWeaver" certificates were issued for the current version 12. The certification process for the retail integration framework took place in conjunction with IBM and certification was issued for GK/Retail. This means that both SAP and IBM have confirmed that GK/Retail can be used seamlessly in conjunction with their software solutions.

Store Solutions

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

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



information and can also be used on mobile units.

- **GK/Retail Merchandise Management** makes merchandise management processes available in stores. It is the ideal supplement to a leading central system (e.g. SAP) and ensures that the information on inventories at stores is always available in real time. Important business processes like orders, inventories, price labels or stock reports can be handled in stores when this software is used.

Enterprise Solutions

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

The following software solutions form part of Enterprise Solutions:

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

Stephan Kronmüller, CTO

The SQRS Software Package

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

StoreWeaver

The StoreWeaver portfolio completes the GK/Retail suite in the areas of store integration and device controls. The primary function consists of downloading and uploading current data to or from various store systems (e.g. scales and tills). StoreWeaver also guarantees that data is uploaded and fed on to central systems.

If the StoreWeaver system is used as the universal data hub and interface to ERP systems (e.g. SAP), it is possible to establish various links and communications to different software and hardware systems (automatic empties machines, scales, tills, mobile terminals etc). But there is only one interface within a store, which handles all the communications. Complex network problems cannot occur at all. Mechanisms like transaction security, central monitoring, automation and configurability guarantee that both small and large networks of stores operate very smoothly.

Services

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

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

New Solutions

GK SOFTWARE once again presented a series of new solutions to the market during fiscal 2009. They have significantly expanded the product portfolio. The new major version 12, which was introduced to a specialist audience at the EuroCIS in Düsseldorf, Europe's leading trade fair for information technology and security in the retail trade, at the beginning of the year is of particular importance. The company has also been further developing its software to take a major step forward in merchandising management in stores in order to significantly expand GK SOFTWARE products and open up new market opportunities

Major Release GK/Retail 12

The most important innovation in this release is the end-to-end availability of all the software solution elements as Advanced Business Components (ABC). The consistent implementation of the ABC concept, which has been developed by GK SOFTWARE, allows customers to freely decide which parts of the software should be used centrally or locally. As a result, customers are able to achieve a higher degree of implementation speed and flexibility in current and future projects. At the same time, GK/Retail Release 12 is based on the current version of Java, which offers new opportunities for developing software and improving security concepts. The integration of retail-optimized Windows and Linux environments and support for other enterprise databases have all been completed with Release 12. Many detailed improvements accelerate work with the software solutions and allow new business processes to be handled. For example, the integration of a mobile payment solution or a "self-checkout" link greatly enhance the attractiveness of GK/Retail and demonstrate the openness of the software for linking in outside applications.

The first two minor releases of GK/Retail were also given the green light in 2009. They introduced improvements and completely new solutions, for example, the new Digital Signage component, GK/Retail Digital Content Management, which can now be fully integrated. A newly developed integrated solution for digital signatures at POS was also cleared for release in 2009.

Merchandise Management

The expansion of the GK/Retail Merchandise Management component and therefore linked solutions was a major focus in 2009. Driven by several major projects where these components are being used, this software component has been further developed to a huge degree. Expertise from the former company, Solquest, was also included in this process. A significant selection of the new merchandise management components were put into productive use in a pilot project for X5 in Russia. Other productive elements will be introduced during the first half of 2010.

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

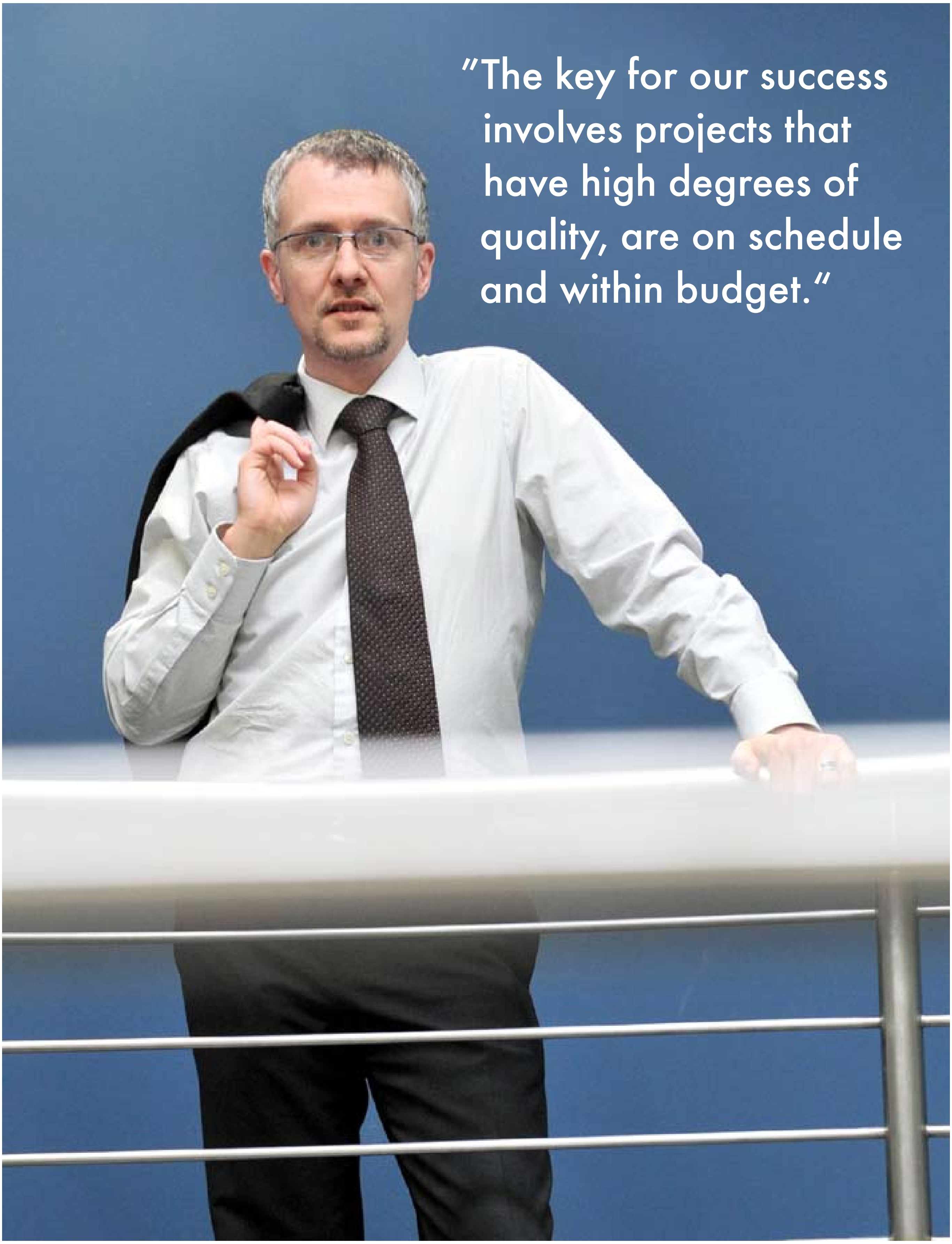
Sustainability

GK SOFTWARE launched its "Green Store Initiative" at the end of 2009; its aim is to reduce energy consumption in retail stores in the long term. This should provide retailers with an opportunity of using natural resources in a responsible way and at the same time tapping into potential to make savings. The solutions provided by GK SOFTWARE are geared for particularly efficient and energy-saving behavior without neglecting the security requirements of critical business systems in the retail sector.

Research and Development

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

The ongoing developing of existing products and the development of new software solutions have been the corporate group´s major focus during the past few fiscal years and they will continue to be a strategic competitive factor in the future too. This is reflected in the continuing growth in the number of employees in this department. The main part of the research and development department is based at the EUROSOFTWARE s.r.o. subsidiary in Plzen. Here, 15 software developers alone are working to exclusively grapple with the latest trends in the software market in order to develop new, ground-breaking products from these. Other impulses for research work come from company managers, sales & marketing, partners and directly from GK SOFTWARE AG's customers. The major emphasis of development work in fiscal 2009 was the ongoing development of the Major Version 12 and particularly the extension of store merchandise management components. Particular attention was



Ronald Scholz, COO

paid at the end of the year to the EDEKA software solutions, which are being provided jointly with SAP in the Lunar project, in addition to other current projects.

Other major focuses were the certifications for the IBM Retail Integration Framework (RIF) and for SAP and SAP NetWeaver. The audit for PA DSS was also continued. This is part of a standard being developed by credit card institutions for the secure handling of card data (PCI-DSS). Retail companies are responsible for following these international rules and checks. GK/Retail is a modern application and is designed in such a way that security risks are excluded from the outset. All the PA DSS rules have been included in GK/Retail.

Important concept work was completed at StoreWeaver GmbH in 2009. In the business year 2009 the research costs of tEUR 222 were immediately taken as expenses (prior year tEUR 431). The activated development costs added up to 2009 tEUR 1,067 (prior year tEUR 815). Important store merchandise management solutions were developed on behalf of GK SOFTWARE AG, e.g. automatic label printing software. StoreWeaver GmbH also took over the implementation work for elements required by former Solquest customers.

Customers and projects

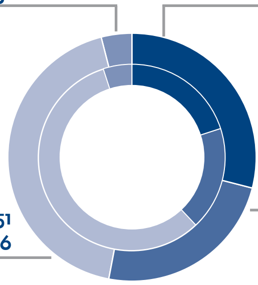
- Expanding market share in the food discount sector as a result of new projects
- Joint major project with SAP at EDEKA
- First pilot project in Russia with the largest Russian retailer, the X5 Retail Group

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

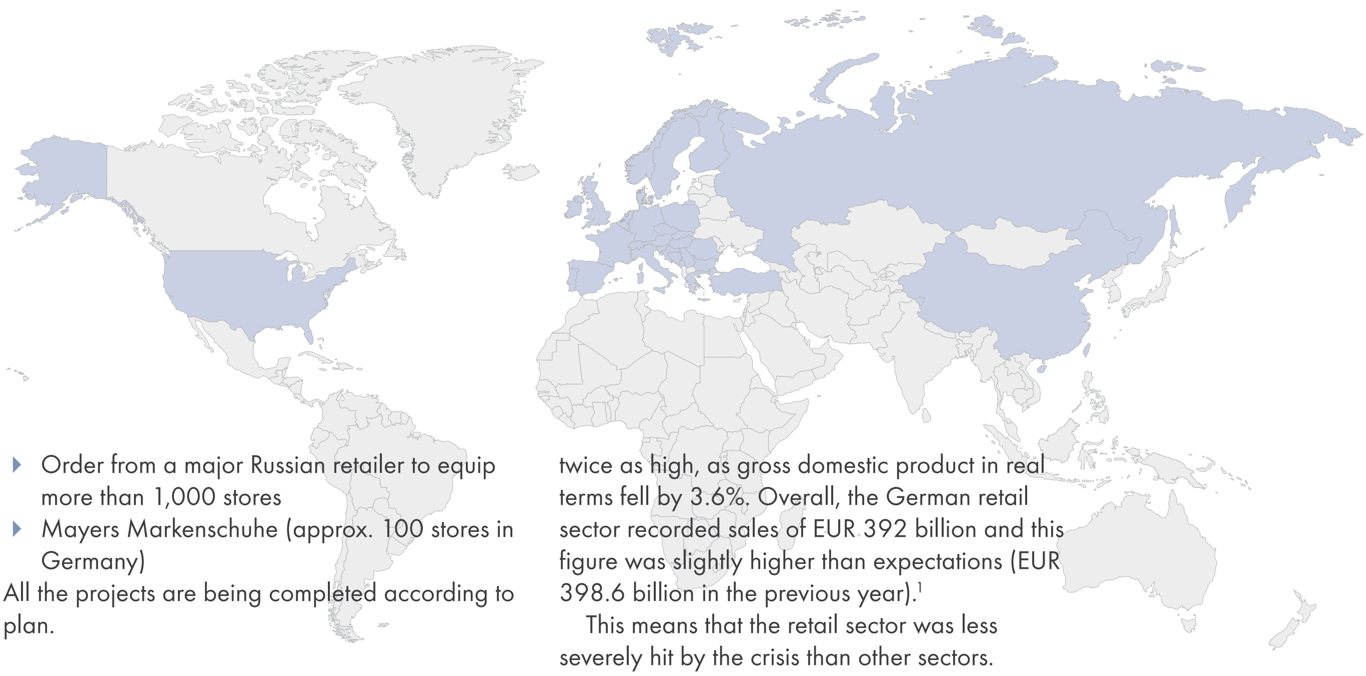
Important new projects in 2009 – a summary:

- Lidl (more than 20 countries in Europe, approx. 8,000 stores)
- Netto Marken-Discount (equipping approx. 2,300 former PLUS stores)
- EDEKA (equipping 6,000 stores with solutions for device controls and mobile handheld applications jointly with SAP)
- X5 (pilot project for Russia's largest retailer)
- Mayers Markenschuhe (approx. 80 stores in Germany)

Development of sales distribution
between 2007 and 2008 in tEUR



Other business	2008	721
	2009	831
Licenses	2008	3,096
	2009	6,756
Maintenance	2008	2,660
	2009	5,697
Services	2008	8,551
	2009	10,006



- Order from a major Russian retailer to equip more than 1,000 stores
- Mayers Markenschuhe (approx. 100 stores in Germany)

All the projects are being completed according to plan.

Market and Competitive Environment

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

Business developments at GK SOFTWARE AG are largely dictated by the economic situation in the retail sector in Germany and Europe. This sector recorded significant declines in sales in Germany in 2009, but its decline of a nominal figure of 1.6% (1.9% in real terms) was a much better situation than that of the economy in general. It was forced to accept a decline that was almost twice as high, as gross domestic product in real terms fell by 3.6%. Overall, the German retail sector recorded sales of EUR 392 billion and this figure was slightly higher than expectations (EUR 398.6 billion in the previous year).[1]

This means that the retail sector was less severely hit by the crisis than other sectors. However, there were clear signs that the readiness to invest on the part of retailers declined. Analysts are expecting the German economy to grow by approx. 2% in 2010. The German Retail Association is, however, expecting the retail sector to stagnate, which would mean a fall of approximately one half of a percent in real terms.[2]

1 Source: HDE, http://www.einzelhandel.de/pb/site/hde/node/9421/Lde/index.html
2 Source: HDE, http://www.einzelhandel.de/pb/site/hde/node/767080/Lde/index.html

Various domestic and international studies are currently forecasting an upward trend in the retail IT sector. According to the latest CIO survey by Martec International, IT budgets will account for 1.3 percent of sales revenues on average in 2010. The figure for 2009 was approximately 1 percent. The major focus will be on investments, which allow a fast return on investments and increase competitiveness, e.g. loyalty systems or multi-channel retailing.

The current trading report by the Association of German Chambers of Industry and Commerce (DIHK) reveals a similar trend. Three quarters of the approx. 7,000 companies surveyed described their situation as good or satisfactory. In the light of the stable situation in the labor market, future prospects are being assessed in a more optimistic way, which should also be reflected in higher IT budgets for the retail sector. Two thirds of those surveyed are therefore expecting their expenditure to remain constant or rise in this sphere. The major companies – and therefore GK SOFTWARE's core customers – are much more optimistic than the small and medium enterprises.

The latest 2010 study published by the EuroHandelsInstitut indicates a need for investments. Store software on average is 5.8 years old, but 20 percent of retailers are still using software that is more than ten years old.

In the light of the very varied forecasts on trends – ranging from stagnation to slight growth – no reliable forecast can be provided for 2010. The development of German consumers' propensity to consume will be an important factor for the coming year. It fell in the first quarter of 2010, as it reflects the muted expectations for income and the labor market just as much as the discussion about the financial crisis in Greece. However, the propensity to consume is still significantly higher than in comparable surveys from last year.

Developments in the coming fiscal year will depend on central areas of the economy once again showing a positive trend and therefore preventing the jobless figures from rising. In conjunction with consumer prices, which have remained stable for some time, this would guarantee that sales in the retail sector would maintain the level of the previous year or even show slight growth. The latest signals from the export sector are very promising in this regard. Rising exports ensured that the German economy grew in the fourth quarter of 2009 more strongly than in the last eighteen months. At the same time, the country's gross domestic product grew again significantly during the last two quarters of 2009.

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

The company has also further increased its sales potential by expanding its sales activities to the USA, Great Britain and Russia and as a result of additional enquiries from markets that are not actively being processed. As the global economy recovers, foreign retailers, some of which have been more severely affected by the financial crisis, will start to invest in their IT systems again.

GK SOFTWARE is currently in a good position in several ongoing bids for tenders in Germany and abroad and has significant advantages over its rivals because of its broad product portfolio, the internationality of its software solutions and its proven ability to implement projects quickly.

André Hergert, CFO

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

Without any question, fiscal 2009 year was the most successful in the company's almost twenty years in existence: Sales rose to a figure slightly more than one and a half times the figure from the previous year, from EUR 15.03 million to EUR 23.28 million. The company retained its profitability at the same time: The EBIT (earnings before interest and taxes) was 76.2% higher than the previous year's figure – rising from EUR 2.77 million (this figure has been corrected in terms of transaction costs) to EUR 4.89 million. The EBIT margin on total operating revenue rose from 14.6% to 20.1%.

The reason for this significant improvement in sales and revenues was the broad customer base, which led to important new projects. At the same time, existing customer relations were intensified and expanded and this resulted in several subsequent orders for major projects, which had already been completed.

The sales revenues and results of the operating business of Solquest GmbH, which was taken over on 28 May 2009, have been included in the last fiscal year for the first time. The business of this subsidiary consists of servicing and adapting the "SQRS" software package (Solquest Retail Solutions) with existing customers.

Earnings Situation

- The most successful year: sales revenues of more than EUR 23.3 million; group profits of approx. EUR 3.5 million
- Growth during the economic crisis: increase in sales of 54.9%
- EBIT margin on total operating revenue 20.1%

Total sales revenues at GK SOFTWARE rose from EUR 15.03 million to EUR 23.28 million i.e. by 54.9% during the year under review. GK

tEUR	2009		2008		Change
Sales with					
GK/Retail	21.372	91,8%	15.029	100,0%	+ 42,2%
SQRS	1.905	8,2%	-	./.	./.
Total	**23.277**	**100,0%**	**15.029**	**100,0%**	**+ 54,9%**
Licences of wich	6.756	29,0%	3.096	20,6%	+ 118,2%
GK/Retail	6.598	28,3%	3.096	20,6%	+ 113,1%
SQRS	158	0,7%	0	./.	./.
Maintenance of wich	5.697	24,5%	2.660	17,7%	+ 114,2%
GK/Retail	4.839	20,8%	2.660	17,7%	+ 81,9%
SQRS	858	3,7%	0	./.	./.
Services of wich	10.006	43,0%	8.551	56,9%	+ 17,0%
GK/Retail	9.196	39,5%	8.551	56,9%	+ 7,5%
SQRS	810	4,2%	0	./.	./.
Other business of wich	831	3,6%	721	4,8%	+ 15,3%
GK/Retail	752	3,2%	721	4,8%	+ 4,3%
SQRS	79	0,3%	0	./.	./.

SOFTWARE AG's previous business accounted for EUR 21.37 million of this figure (an increase of approx. 42%) and the existing business of Solquest (SQRS) accounted for EUR 1.90 million, meaning that this line of business had a share of 8.2% in the group's total sales.

The overall increase can therefore be traced to organic developments in the GK/Retail business, which rose by 42.2% in comparison to the previous year from EUR 15.03 million to EUR 21.37 million (an increase of EUR 6.34 million), and the SQRS business, which had been added since May 2009 (EUR 1.90 million). Another element in the growth in sales of the GK/Retail business is based on the revenue recognition of unfinished work according to the updates on accounting procedures published by IFRS. In line with the individual project structures, EUR 1.38 million was not entered in the inventories of unfinished work, but as sales revenue.

If the sales revenues are broken down according to the type of work, the greatest share of sales revenues continues to come through services related to introducing (customizing) and adapting (change requests) software solutions. These services accounted to EUR 10 million and therefore 43% of total sales; the share of SQRS amounted to 4.2% in terms of total sales.

Sales from licenses accounted for 29% of total sales and therefore exceeded the license revenues in 2008 by more than double, which not least can also be attributed to the special constellations in agreements in the previous year. Contracts for services were signed at the request of customers in 2008 and they did not allow any special reference to license revenues. The contribution played by the SQRS business is low on account of the decision not to continue selling it in parallel to the GK/Retail software and the funds generated relate to relicensing arrangements for existing customers.

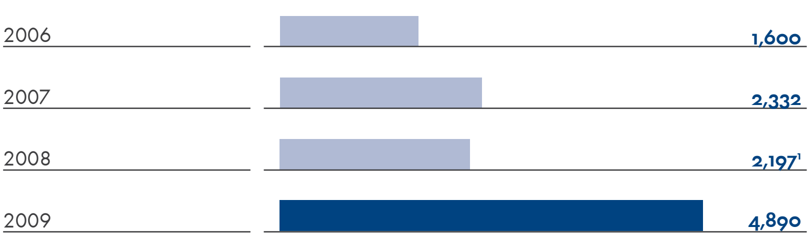
tEUR	2009		2008		Change
Sales revenues	23,277	95.8%	15,029	100.1%	+ 54.9%
Changes in stock of unfini-shed goods	- 873	- 3.6%	- 1,260	- 8.4%	+ 30.7%
Own work capitalized	1,067	4.4%	815	5.5%	+ 30.9%
Operating revenues	**23,471**	**96.6%**	**14,584**	**97.2%**	**+ 60.9%**
Other operating revenues	826	3.4%	424	2.8%	+ 94.8%
Total operating revenues	**24,297**	**100.0%**	**15,008**	**100.0%**	**+ 61.9%**

In line with expectations, the tendency for maintenance sales to register further growth in total sales revenues continued. The share of sales accounted for a total figure of EUR 5.70 or 24.5% of sales, following a figure of 17.7% for the previous year. The increase of 3.1% points in the GK/Retail business confirms the historic growth rate on account of the growing customer base where the software has been installed. The growth from the contribution made by the SQRS business with a share of 3.7% of total sales is a special development in 2009.

Other sales revenues, which were largely the result of purchasing hardware on behalf of customers, only accounted for a share of 3.5% of total sales in the year under review; the figure was 4.8% in the previous year.

If the development of total operating revenue is observed, the growth rate from EUR 15.01 million to EUR 24.27 million is 61.7%. It is significant that the share of sales and the change in unfinished work in terms of the total operating revenue has

Development of the EBIT
between 2006 and 2009 in tEUR



1 Inclusive of costs of equity capital.

remained constant (91.7% in 2008 and 92.2% in 2009).

Own work capitalized, which concerns the further development of the GK/Retail software solution, rose by 30.9% to a figure of EUR 1.07 million from EUR 0.82 million in the previous year as a result of the development of the new components in GK/Retail as part of the cooperation agreement with SAP. This means that operating revenues accounted for a share of 96.6% following a figure of 97.2% in the previous year in terms of total operating revenue.

GK SOFTWARE has expanded its development and project handling capacities in the light of the demands of the future for this work, which has undergone considerable expansion, and has hired other suitably qualified employees. A greater influx of employees occurred as a result of the takeover of operations at Solquest GmbH. The human resources expenditure in the group therefore rose from EUR 8.05 million to EUR 12.12 million. This corresponds to a human resources expenditure quota of 52.1% on sales following a figure of 53.5% in the previous year.

This documents the ongoing improvement in efficiency in providing services. The human resources expenditure of EUR 1.77 million includes human resources costs for carrying on the SQRS existing customer business.

tEUR	2009	Margin on total operating revenues	2008	Margin on total operating revenues	Change
EBIT	**4,890**	**20.1%**	**2,775**	**18.5%**	**+ 76.2%**
Financial results	143	0.6%	89	0.6%	+ 60.7%[1]
EBT	**5,033**	**20.7%**	**2,864**	**19.1%**	**+ 75.7%**
Consolidated net income	3,517	14.5%	2,034	13.6%	+ 72.9%

1 The results in fiscal 2008 have been exempted from the costs of the IPO; including IPO costs, which are included in the expenditure for fiscal 2008, the EBIT is tEUR 2,197, the EBT tEUR 2,287 and the consolidated annual net income is TEUR 1,625.

Write-downs on non-current assets of EUR 1.28 million compare with EUR 0.72 in the previous year. The increase of EUR 0.56 million is explained by the increased scheduled need for depreciation on own work capitalized (an increase of EUR 0.27 million), licenses acquired (EUR 0.09 million) and purchased equipment (EUR 0.04 million). The customer relations acquired with the purchase of the operating customer business were revalued by EUR 0.12 million according to the work involved.

Other operating expenditure amounted to EUR 5.45 million in the year under review, following a figure of EUR 3.53 million in the previous year. This increase of EUR 1.92 million is partly due to non capitalizable expenditure for the purchase of the operations of Solquest GmbH amounting to EUR 0.54 million, the increase in sales costs by EUR 0.42 million and in promotional expenditure of EUR 0.08 million - according to IFRS (the 2008 version). The further increase is due to the increase in mobility costs (expansion of the business area to the USA and Great Britain and Russia) and e.g. the costs for data traffic on account of the increasing internationalization and the development of costs dependent on amounts like the development of overall write-downs of trade accounts receivable.

On the earnings side, GK SOFTWARE achieved an EBIT (earnings before interest and taxes) of EUR 4.89 million. This means that the EBIT, which was adjusted to account for equity capital transaction costs, rose by approximately three quarters over the previous year's figure from EUR 2.77 million.

The financial results were EUR 0.14 million in 2009 (EUR 0.09 in the previous year). Interest payments amounting to EUR 0.12 million particularly occurred as a result of financing the real estate work and funding the purchase of the operating business of Solquest GmbH.

The company was able to increase earnings before tax (EBT) – excluding the previous year's transaction costs – by 75.7% to EUR 5.03 million after a modified figure of EUR 2.86 million in the previous year. After tax, the group's annual net income amounted to EUR 3.52 million after a figure of EUR 1.63 million in the previous year; when compared to the annual net income in fiscal 2008 amounting to EUR 2.03 million, which has been adjusted to take account of the transaction costs, this represents an improvement of approx. 73% over the 2008 figures.

Based on the 1,665,000 shares in circulation on the balance sheet date, this corresponds to earnings per share of EUR 2.11 (EUR 0.98 per share in the previous year).

Assets Situation

The consolidated balance sheet total for GK SOFTWARE increased from EUR 19.63 million (31 December 2008) to EUR 32.37 million on the reporting date of 31 December 2009. The reasons for this increase by EUR 12.74 million are found in the increase of non-current assets (by EUR 8.89 million) and current assets (by EUR 3.86 million). The corresponding changes on the funding side are seen in the increase in equity by EUR 3.52 million, the non-current liabilities by EUR 4.92 million and current liabilities by EUR 4.31 million.

The amount of cash and cash equivalents available (EUR 10.64 million) exceeded the liabilities attracting interest payments (EUR 6.72 million) by EUR 3.92 million.

The increase in non-current assets was largely caused by the acquisition of the operating business at Solquest. The intangible assets grew by EUR 7.70 million, of which EUR 6.40 million is due to goodwill, EUR 0.65 to acquired customer relations and EUR 0.32 million to software that was purchased. The remaining difference is composed of initial payments that were made on the extension building at company headquarters (EUR 0.79 million), which was put into use after the balance sheet date in March 2010, and the normal investments in plant, property and equipment (equipment for workstations, infrastructure investments for IT etc).

While the development of non-current assets depends on two investment projects, the changes in the field of non-current assets demonstrate the expansion of operating business. Trade accounts receivable rose by EUR 1.44 million to EUR 4.47 million or by 47.7%, rather more moderately than sales revenues, which led to a slight fall in the average number of days when Day Sales Outstanding (DSO) had not yet been settled. This number of days was reduced by 3 days to 58.7 days.

Cash and cash equivalents of EUR 8.86 million on the reporting date in the previous year rose to EUR 10.64 million. The maintenance of liquidity is a high priority for the Management Board in order to be able to maintain the ability of GK SOFTWARE and other consolidated companies to operate if surprises occur and in the face of possible crises.

While the increase in reported equity by EUR 3.52 million is due to the operating success of the fiscal year, the increase in non-current liabilities of EUR 4.92 million is largely due to the increase in liabilities towards banks. The liabilities entered in the accounts of EUR 5.98 million serve to fund the investments in the extension at GK SOFTWARE AG headquarters in Schöneck and the purchase of the operating business of Solquest GmbH.

tEUR	2009		2008		Change
Non-current assets	13,133	40.5%	4,244	21.6%	+ 209.4%
Current assets or cash and cash equivalents	8,605	26.6%	6,527	33.3%	+ 31.8%
Cash and cash equivalents	10,637	32.9%	8,855	45.1%	+ 20.1%
Assets	32,375	100.0%	19,626	100.0%	+ 65.0%
Equity	15,300	47.2%	11,782	60.1%	+ 29.9%
Non-current liabilities	7,304	22.6%	2,382	12.0%	+ 206.6%
Current liabilities	9,771	30.2%	5,462	27.9%	+ 78.9%
Liabilities	32,375	100.0%	19,626	100.0%	+ 65.0%

In the area of current liabilities, which rose by EUR 4.31 million, changes in the items "other liabilities" (EUR 2.41 million), "current bank liabilities" (EUR 0.62 million) and "income tax liabilities" (EUR 1.06 million) are the most significant. The increase in income tax liabilities is explained by the provisional tax assessment in 2008 and that of bank liabilities by the investment projects explained in this report. Other liabilities are partly composed of liabilities towards employees amounting to EUR 1.71 million and liabilities from income and sales taxes amounting to EUR 1.47 million. The remaining amounts concern cost accruals and deferrals from the human resources department (assignments of costs for overtime and vacation, the payment of commission and premiums etc).

Financial Situation

The cash flow from operating activities amounted to EUR 5.66 million in 2009, while it was possible to achieve an operating cash flow of EUR 1.43 million during the whole of 2008. The main reason for this increase is accounted for by an increase in the operating cash flow from operating activities in the more narrow sense (consolidated annual net income plus income tax payment and depreciation entered in the accounts) from EUR 3.90 million to EUR 6.31 million.

Investment activities were significantly expanded. The investments in the extension of the building at corporate headquarters in Schöneck and the acquisition of the operating business at Solquest GmbH create liabilities in the cash flow amounting to EUR 9.36 million following a figure of EUR 2.58 million in the previous year – in addition to current investments in office and business equipment.

The inflow of cash and cash equivalents from financing activities amounted to EUR 5.47 million in the year under review following a figure of EUR 7.32 million in the previous year. The funds were acquired by entering into obligations with banks in order to guarantee the funding for the transactions being completed. The cash and cash equivalents of EUR 10.64 million will give the consolidated group company the necessary room to maneuver in order to securely fund its further growth intentions.

Report on Key Events after the Balance Sheet Date

GK SOFTWARE AG was able to win three new projects during the first four months of 2010. The successful pilot project introduced for Hornbach Baumarkt AG led to an order to equip all its stores in eight countries. As a result, the company is successfully tapping into the home improvement stores segment with one of the leading European retailers.

A significant order from the X5 Retail Group in Russia also developed from a successful pilot project. As a result of this, more than 1,000 stores for a Russian retailers will be equipped with GK/Retail. This means that GK SOFTWARE AG has managed to penetrate a new market, Russia, which has a high degree of potential for the company.

The order from Ludwig Beck AG means that the consolidated group will be equipping a high-class department store and its branches. The famous "Kaufhaus der Sinne" on Munich's Marianna Square is a highlight in the German retail sector scene and it placed high demands on the quality of the software needing to be introduced. The order from Ludwig Beck AG has enabled GK SOFTWARE AG to demonstrate its expertise in the fashion world and gain a top-rank customer in the GK/Retail segment.

Report on Risks and Prospects at GK SOFTWARE

Risks

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

The business development of customers of GK SOFTWARE AG depends on the general consumer climate in Germany and Europe. The contradictory signals from the global economy make it difficult to assess overall ongoing economic developments. But it is comforting that estimates predict moderate economic growth of 1.5%, even if this estimate was made without any reference to an external shock – the possibility of a state bankruptcy in one of the PIIGS countries within the euro zone. The relevance of this restriction was made clear to a surprised general public when the state development company in Dubai fell into refinancing difficulties. The decline in total lending from banks to non-banks is less spectacular, even if more significant in our opinion; it is a symptom that can be linked to an – alleged – threatening credit squeeze and this may point to possible problems in further economic developments.

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

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

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

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

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

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

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

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

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

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

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

There was no risk at the end of 2009, which might prove to be a threat to the very existence of GK SOFTWARE AG.

Opportunities

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

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

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

Internal Checking and Risk Management Systems with Regard to the Accounting Process

The tools contained in an internal checking system and risk management with regard to accounting pursue the goals of maintaining assets and recognizing risks in economic developments within society and the consolidated group in good time. The internal checking system for the accounts is particularly focused on ensuring compliance with the relevant rules in accounting.

The internal checking system is being continually developed and monitored by the Supervisory Board. The Management Board dictates the design and scope of the requirements placed on the internal checking system. But it should be noted that no internal checking system can provide absolute certainty – regardless of its scope and type – but it must be designed in such a way that any major incorrect statements on the earnings, assets and financial situation at the company or the consolidated group can be prevented.

This task is the responsibility of the finance department at GK SOFTWARE AG, which is constantly developing the existing tools taking into account the development of the company's and consolidated group´s business operations and the law and accounting standards. The tools cover general instructions and individual rules, which are designed to guarantee that accounting processes are handled properly. The members of staff in the finance department are being continually trained on how to comply with internal rules and legal stipulations.

Compliance with instructions and individual rules is supported by unified notification processes and IT-supported reporting procedures and the ongoing further integration of accounting processes in unified IT systems. Defined, internal checks are embedded in the accounting process and they include measures like manual balancing, separating functions and the principle that four eyes are better than two

Outlook

In the light of a large number of uncertain factors, which the consolidated group is unable to influence, and the fundamental impossibility of making certain predictions about future developments, the Management Board believes that the development of the consolidated group´s financial and earnings situation can be described as follows: The consolidated group´s earnings situation will continue to improve during 2010 and 2011 as a result of further growth in sales and no developments are expected that could threaten the company's existence from the financial situation.

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

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

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

Other Information According to Section 315 of the German Commercial Code

Principles of the Company's Remuneration System

The members of the Management Board not only receive a fixed salary, but also a component that is dependent on results and they are coupled to qualitative targets and mainly relates to the development of the company. These qualitative goals are set by the Supervisory Board for the members of the Management Board every year. The following applies to the complete Management Board – if the targets that are set are fully met, their total earnings are divided up into a 70% share for the fixed part and a 30% share for variable earnings.

In a departure from these general principles, the company's gross earnings are used as the basis for commission payments for the COO, where the gross earnings are defined as the surplus funds from project sales above project-related costs. The COO also receives an annual profit-sharing bonus depending on the annual net income generated by GK SOFTWARE AG. The company has also made pension commitments to two members of the Management Board.

The members of the Supervisory Board receive a fixed annual payment according to the articles of incorporation. There is no provision for any performance-related remuneration.

Information according to Section 315 Paragraph 4 of the German Commercial Code

GK SOFTWARE AG is the parent company of the GK Software group and participates in an organized market in the sense of Section 2 Paragraph 7 of the German Securities Acquisition and Takeover Act as a result of the shares it has issued with voting rights. The company therefore has to report its results according to Section 315 Paragraph 4 of the German Commercial Code.

1. Capital ratios. The equity capital at GK SOFTWARE amounted to TEUR 1,665 on 31 December 2009 and is divided up into 1,665,000 individual share certificates. Each individual share certificate represents one vote

according to Section 4 of the articles of incorporation.

2. **Restrictions that affect voting rights or the transfer of shares.** What is known as a "soft lockup" exists for Mr. Rainer Gläß, Mr. Stephan Kronmüller and GK Software Holding GmbH, according to which they may only sell shares with the agreement of ICF Wertpapierhandelsbank AG. This agreement ends on 17 June 2010.
3. **Shareholders' rights and obligations.** The same rights and obligations are linked to each share. Shareholders are entitled to asset and administrative rights. The asset rights include the right to share in the profits and the buying option to purchase shares in any increase in capital stock. The shareholders' participation in the company's profits is also defined by their share in the equity capital. Their administrative rights include the right to take part in the company's annual shareholders' meeting, speak there and ask questions or make applications and exercise voting rights.
4. **Equity shareholdings.** The following direct or indirect shareholdings that exceed 10% were known on the reporting date:
   a. Mr. Rainer Gläß directly or indirectly has 640,292 shares, of which 587,500 shares are indirectly held through GK Software Holding GmbH.
   b. Mr. Stephan Kronmüller directly or indirectly has 625,000 shares, of which 587,500 shares are indirectly held through GK Software Holding GmbH.
   c. GK Software Holding GmbH directly has 1,175,000 shares. Mr. Rainer Gläß and Mr. Stephan Kronmüller each own half of this company.

   The Management Board members Rainer Gläß and Stephan Kronmüller announced on 18 March 2010 that GK Software Holding GmbH had placed 180,000 shares on to the market. The shareholding ratios are now as follows:
   a. Mr. Rainer Gläß directly or indirectly has 550,292 shares, of which 497,500 shares are indirectly held through GK Software Holding GmbH.
   b. Mr. Stephan Kronmüller directly or indirectly has 535,000 shares, of which 497,500 shares are indirectly held through GK Software Holding GmbH.
   c. GK Software Holding GmbH directly has 995,000 shares. Mr. Rainer Gläß and Mr. Stephan Kronmüller each own half of this company.
5. **Appointments to the Management Board or amending the articles of incorporation.** Appointing or dismissing members of the Management Board are issues that are governed by Sections 84 and 85 of the German Stock Companies Act. Members of the Management Board are appointed by the Supervisory Board for a maximum period of five years and an extension of their time in office is permissible for a maximum period of five years each time. According to the articles of incorporation, the number of members of the Management Board is determined by the Supervisory Board, but the Management Board must consist of at least two persons. The Management Board at GK SOFTWARE AG currently has four members.

   The articles of incorporation can only be amended by the annual shareholders' meeting according to the rules of the German Stock Companies Act. The Supervisory Board may decide on the version of the articles of incorporation – i.e. only make grammatical amendments to the articles of incorporation. Any decisions taken by the annual shareholder's meeting only require a simple majority of votes cast, if the law does not specify anything different
6. **The Management Board's powers to issue and repurchase shares.**

   Contingency capital. According to Section 4a of the articles of incorporation, the Management Board is entitled to grant purchase options on up to 37,000 individual share certificates to members of the Management Board, company managers, where GK SOFTWARE AG already has a direct or indirect shareholding ("associated companies"), and managers at the company and their associated companies on one or more occasions until 14 May 2013, provided that the Supervisory Board approves of these measures. A share option program has not yet been introduced.

Approved capital. According to Section 4b of the articles of incorporation, the Management Board is empowered until 14 May 2013 to increase the company's equity capital on one or more occasions by up to tEUR 625 – by issuing up to 625,000 individual share certificates. Purchasing rights must be granted to the shareholders; the Management Board is, however, entitled to exclude any purchasing rights for one or several increases in capital stock as part of the approved capital in order to balance out fractional amounts, in the case of increases in capital stock against non-cash contributions, particularly when purchasing companies, if the increase in capital stock takes place through cash contributions and the proportion of the new shares issued according to Section 186 Paragraph 3 Sentence 4 of the German Stock Companies Act, which excludes any purchasing rights, does not exceed 10% of the equity capital.

7. The "SOFTWARE LICENSE AND RESELLER AGREEMENT" between SAP AG and GK SOFTWARE AG may be terminated by SAP AG for an important reason, if the majority of the shares in GK SOFTWARE AG are sold to someone, who is a direct competitor of SAP AG.
8. There are no compensation agreements for the members of the Management Board or employees if the company should be taken over.

Schöneck, 30. April 2010

Der Vorstand

Rainer Gläß
(Vorstandsvorsitzender)

Stephan Kronmüller
(Vorstand für Technologie und Entwicklung)

Ronald Scholz
(Vorstand für Operatives Geschäft)

André Hergert
(Vorstand für Finanzen)


Reserves
5%
Dividends
41%
Loans
$900
800
27,655,014
3,599,566

Consolidated financial statements 2009

Consolidated Balance Sheet

on 31 December 2009

Assets

EUR	Notes No.	31.12.2009 (audited)	31.12.2008 (audited)
Non-Current Assets			
Property, Plant and Equipment	2.1.; 3.1.	3,410,158.36	2,593,082.45
Intangible Assets	2.2.; 2.13.; 3.2.	9,332,576.95	1,633,248.88
Financial Assets		300.00	0.00
Active Deferred Taxes	2.11.;4.9.	389,714.48	17,836.30
Total Non-Current Assets		13,132,749.79	4,244,167.63
Current Assets			
Inventories	2.3.; 3.3.	0.00	738,100.00
Trade Accounts Receivable	2.4.; 3.4.	4,466,188.73	3,023,201.58
Accounts Receivable from Ongoing Work		1,380,200.00	0.00
Accounts Receivable from Associated Companies		11,383.50	0.00
Other Accounts Receivable and Assets	2.4.; 3.7.	2,747,257.76	2,765,481.55
Cash and Cash Equivalents	2.5.; 3.8.	10,637,185.86	8,854,938.53
Total Current Assets		19,242,215.85	15,381,721.66
Balance Sheet Total		**32,374,965.64**	**19,625,889.29**

Liabilities

EUR	Notes No.	31.12.2009 (audited)	31.12.2008 (audited)
Equity Capital	3.9.		
Subscribed Capital		1,665,000.00	1,665,000.00
Capital Reserves		7,845,779.92	7,845,779.92 [1]
Retained Earnings		31,095.02	31,095.02 [1]
Balance Sheet Profits		5,757,708.53	2,240,538.27
Total Equity Capital		15,299,583.47	11,782,413.21
Non-Current Liabilities			
Provisions for Pensions and Similar Obligations	2.6.; 3.10.	45,062.36	48,719.12
Non-Current Bank Liabilities	2.7.; 3.11.	5,983,000.00	1,140,434.50
Deferred Public Sector Subsidies	2.8.; 3.12.	707,978.74	749,652.03
Deferred Tax Liabilities	2.11.; 4.9.	567,812.07	443,405.05
Total Non-Current Liabilities		7,303,853.17	2,382,210.70
Current Liabilities			
Current Provisions	2.9.; 3.14.	801,766.60	798,640.70
Current Bank Liabilities	2.10.	740,500.00	115,503.60
Trade Accounts Payable	2.10.; 3.15.	773,950.21	525,974.39
Initial Payments Received	2.10.; 3.16.	2,238,527.85	2,271,498.24
Income Tax Liabilities	3.17.	1,272,994.04	211,149.47
Other Current Liabilities	2.10.; 3.18.	3,943,790.30	1,538,498.98
Total Current Liabilities		9,771,529.00	5,461,265.38
Balance Sheet Total		**32,374,965.64**	**19,625,889.29**

1 Correction in accordance with IAS 8.41

Consolidated Income Statement

for the fiscal year until 31 December 2009

EUR	Notes No.	31.12.2009 (audited)	31.12.2008 (audited)
Ongoing Business Divisions			
Sales Revenues	4.1.	23,276,625.57	15,028,546.88
Changes in Stocks of Unfinished Work		-873,452.10	-1,259,500.00
Own Work Capitalized	4.2.	1,066,612.46	814,637.21
Other Operating Revenues	4.3.	826,450.46	424,386.79
		24,296,236.39	15,008,070.88
Materials Expenditure	4.4.	-561,285.02	-513,628.62
Human Resources Expenditure	4.5.	-12,116,566.57	-8,046,862.15
Depreciation and Amortization	4.6.	-1,280,989.79	-718,885.63
Other Operating Expenditure	4.7.	-5,447,836.56	-3,531,299.00 [1]
		-19,406,677.94	-12,810,675.40 [1]
Operating Results		4,889,558.45	2,197,395.48 [1]
Financial Income		259,196.04	230,773.46
Financial Expenses		-115,813.31	-141,044.39
Financial Results	4.8.	143,382.73	89,729.07
Results before Income Taxes		5,032,941.18	2,287,124.55 [1]
Income Taxes	2.11.; 4.9.	-1,515,770.92	-662,078.33
Consolidated net income for the year/Overall result		3,517,170.26	1,625,046.22 [1]
Profits Carried Forward		2,240,538.27	615,492.05
Consolidated Net Profits		5,757,708.53	2,240,538.27 [1]
Non-Diluted Earnings per Share (EUR/share)	4.10.	**2.11**	**1.10** [2]

1 Correction in accordance with IAS 8.41

2 Calculated for the average figure of 1,472,240 shares issued in 2008. Earnings per share on the basis of the 1,665,000 individual share certificates that have been issued since 19 June 2008 were EUR 0,98

Consolidated Cash Flow Statement

on 31 December 2009

Cash Flows from Operating Business

EUR	Notes No.	31.12.2009 (audited)	31.12.2008 (audited)
Cash Flows from Operating Business			
Consolidated net profit		3.517	1,625 [1]
Income Taxes Affecting Results		1.516	662 [1]
Correction in Tax Expenditure		0	355 [1]
Interest Income/Expenses Affecting Results		-143	-90
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment		-2	18
Reversals of Deferred Public Sector Subsidies		-34	-36
Write-Downs Recognized for Receivables		185	68
Write-Ups Recognized for Receivables		-35	-8
Amortization/Depreciation		1.281	719
Other Non-Cash Income and Expenditure		-58	4
		6.227	3,317 [1]
Changes in Net Current Assets			
Changes in Trade Accounts Receivable and Other Receivables		-2.773	-1.182
Changes in Inventories		738	1.261
Changes in Trade Accounts Payable and Other Liabilities		1.892	116
Changes in Initial Payments Received		-33	-1.227
Changes in Provisions		-1	270
Influx of Cash Provided by Operating Business		6.050	2,555 [1]
Interest Payments Received		151	231
Interest Paid		-116	-141
Income Taxes Paid		-423	-1.440
Net Cash Flow Provided by Operating Business(Transfer)		5.662	1,205 [1]

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

EUR	Notes No.	31.12.2009 (audited)	31.12.2008 (audited)
Net Cash Flow Provided by Operating Business(Transfer)		5.662	1.205
Cash Flow from Investment Activities			
Payments for Property, Plant and Equipment and Non-Current Assets		-8.806	-1.215
Proceeds from disposals of fixed assets		11	0
Investment Subsidies Used		0	8
Disbursed Loans		-568	-1.372
Net Cash Outflow for Investment Activities		**-9.363**	**-2.579**
Cash Flow from Financing Activities			
Dividend Payments		0	-184
Incoming Payments from Allocations of Equity Capital		0	8,074 [1]
Redemption Silent Partner's Interest		0	-450
Loans Taken Out		5.748	0
Repayment Installments for Loans		-280	-120
Net Income in Cash and Cash Equivalents from Financing Activities		**5.468**	**7,320** [1]
Net Income in Cash and Cash Equivalents		**1.767**	**5.946**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	5.	8.855	2.904
Impact of Changes in Exchange Rates on Cash and Cash Equivalents		15	5
Cash and Cash Equivalents at the end of the accounting year	**5.**	**10.637**	**8.855**
Limited Available Funds		2.010	10

A bank guarantee worth tEUR 2 provided as collateral in connection with the acquisition of the operating business of Solquest GmbH was pledged on the reporting date on 31 December 2009. The guarantee has been granted until 30 June 2010. The pledging as collateral ends when the guarantee expires. tEUR 10 were also pledged as collateral for a guarantee as part of the rental contract from business premises for the GK SOFTWARE AG branch in Berlin.

1 Correction in accordance with IAS 8.41

Development of Consolidated Equity Capital

on 31 December 2009

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Balance Sheet Profits	Total
Figures on 1 January 2008	155,000.00	0.00	207,134.07	1,718,753.00	2,080,887.07
Consolidated Net Income for the Year	0.00	0.00	0.00	1,625,046.22 [1]	1,625,046.22 [1]
Dividend Payments	0.00	0.00	0.00	-184,300.00	-184,300.00
Allocation to Retained Earnings to Increase Capital	0.00	0.00	918,960.95	-918,960.95	0.00
Capital Increase out of retained	1,095,000.00	0.00	-1,095,000.00	0.00	0.00
Increase in Capital Stock (IPO)	415,000.00	8,300,000.00	0.00	0.00	8,715,000.00
Offsetting Equity Procurement Costs with the Capital Reserve Less Tax Effect	0.00	-454,220.08 [1]	0.00	0.00	-454,220.08 [1]
Figures on 31 December 2008	**1,665,000.00**	**7,845,779.92** [1]	**31,095.02**	**2,240,538.27** [1]	**11,782,413.21**
Consolidated Net Income for the Year	0.00	0.00	0.00	3,517,170.26	3,517,170.26
Figures on 31 December 2009	**1,665,000.00**	**7,845,779.92** [1]	**31,095.02**	**5,757,708.53**	**15,299,583.47**

Notes on the Consolidated Accounts

for Fiscal 2009

1. Principles of Reporting

1.1. General Information

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

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

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

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

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

The consolidated group's major customers include:

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

1.2. Principles of Presentation

The GK SOFTWARE AG consolidated accounts have been prepared according to the International Financial Reporting Standards (IFRS), as they are used within the European Union (EU), and according to the commercial law regulations that also need to be followed according to Section 315a, Paragraph 1 of the German Commercial Code. All the IFRS standards issued by the International Accounting Standards Board (IASB) and in force at the time that these consolidated accounts were prepared and used by GK SOFTWARE AG have been accepted by the European Commission for use in the EU. As a result, the consolidated accounts presented by GK SOFTWARE AG also comply with the IFRS published by the IASB. The term IFRS is therefore used consistently in the following text.

The accounts for GK SOFTWARE AG and its subsidiaries have been incorporated in the consolidated accounts taking into consideration the approaches and assessment methods that apply to the group.

All the official statements or changes to official statements listed in the following table and published by the IASB, which were used for the first time in fiscal 2009, did not have any or any major effects on the presentation of the assets, financial and earnings situation or the cash flows at GK SOFTWARE AG.

Official statement	Date of publication by the IASB	Title
IFRIC 13	28 June 2007	Customer Loyalty Programmes
IFRS 2	17 January 2008	Share-based Payment
IAS 7	April 2009	Statements of Cashflows
IAS 32	14 February 2008	Financial Instruments Presentation
IAS 20	May 2008	Accounting for government grants and disclosure of government assistance
IAS 23	May 2008	Borrowing Costs
IAS 38	April 2009	Intangible Assets
IAS 40	May 2008	Investment property
IFRS 1/IAS 27/ IAS 28	22 May 2008	First-time Adoption of International Financial Reporting Standards/Consolidated and Separate Financial Statements/Investments in associates
IFRS 5	April 2009	Non-current assets held for sale and discontinued operations
IFRS 7	5 March 2009	Financial Instruments: Disclosures
IFRIC 15	3 July 2008	Agreements for the Construction of Real Estate
IFRIC 16	3 July 2008	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	28 November 2008	Distributions of Non-cash Assets to Owners
IFRIC 18	29 January 2009	Transfer of Assets from Customers
IFRIC 9/IAS 39	12 March 2009	Reassessment of Embedded Derivatives/Financial Instruments: Recognition and Measurement

The IASB published the revised standards entitled IFRS 3 "Business Combinations" and IAS 27 entitled "Consolidated and Separate Financial Statements" in January 2008. These standards are the result of the second phase of the project conducted jointly with the Financial Accounting Standards Board (FASB) in order to reform balance sheet accounting in the case of corporate mergers. The revised versions of IFRS 3 and IAS 27 were taken over by the European Union into European law in June 2009.

The major changes in contrast to the previous version of IFRS 3 and the effects of these on GK SOFTWARE AG can be summarized as follows:

- When it comes to dealing with the shares of other partners on the balance sheet, the new version of IFRS 3 provides the option of either assessing at the fair value or the pro rata identifiable net assets. This option can be individually exercised for each corporate merger.
- Contingent acquisition price payments or other contingent considerations are assessed at the time of acquisition at their fair value and are either classified as equity capital or as an asset or liability at the time of acquisition. The subsequent balance sheet accounting for agreed contingent considerations takes place according to the classification selected at the time of acquisition.
- Ancillary costs incurred in conjunction with corporate purchases must be entered as expenditure.
- It is no longer possible to adjust the goodwill on subsequent balance sheets to cover any possible adjustments to the acquisition costs depending on future contingent considerations, which must be entered as liabilities at the time of acquisition.

The major changes in contrast to the previous version of IAS 27 can be summarized as follows:

- Changes to percentage holdings without any loss of control must exclusively be entered as equity capital transactions.
- If a company loses control of a subsidiary, the consolidated assets and liabilities must be adjusted. The new rules state that any remaining shareholdings in the former subsidiary must be assessed as a fair value on the first time of entry and that any differences that result must be entered on the balance sheet.

- If the losses apportioned to the shareholdings of other shareholders exceed the share of the other shareholders in the equity capital of the subsidiary, they must be entered as minority holdings despite the negative balance that occurs.

There are no effects on GK SOFTWARE AG's consolidated accounts arising from the change to IAS 27.

The new version of IFRS 3 has to be used prospectively with regard to corporate mergers, if their time of acquisition occurs at annual reporting periods, which start on or after 1 July 2009. Earlier use is permissible, but must be restricted to annual reporting periods, which start on or after 30 June 2007. The changes to IAS 27 must be used for annual reporting periods, which start on or after 1 July 2009. Earlier use is permissible. Earlier use of one of the two standards, however, means that the other standards must also be used for earlier reports at the same time. GK SOFTWARE AG has used the changes to IFRS 3 and IAS 27 from 1 January 2009 onwards.

Because GmbH business segments existed for the first time as a result of the acquisition of the operating business of Solquest GmbH, IFRS 8 was used.

The IASB published "Improvements to IFRSs" in April 2009 – a collection of non-urgent, but necessary changes to existing IFRSs. This is the second official statement published as part of the Annual Improvements Project, which contains changes to twelve existing standards and interpretations. The changes have not yet been adopted by the European Commission into European law. If nothing else is defined in the relevant standard, the changes must be used for fiscals, which start on or after 1 January 2010. The changes will probably not have any effect on the asset, financial and earnings situation or cash flows at GK SOFTWARE AG.

The IASB published an amendment to IAS 1 "Presentation of Financial Statements" in September 2007. The changes to IAS 1 were adopted by the European Union into European law in December 2008 and must be applied to fiscals, which start on or after 1 January 2009. The group retrospectively adapted the presentation of the assets, financial and earnings situation as follows in line with the requirements laid down in IAS 1:

The overall results not only show the annual net income, but also total results, which are as high as the annual net income in the consolidated income statement. As there were no changes to equity capital due to transactions with share owners in the past fiscal, the company has not provided any consolidated financial statements.

The changes to IAS 1 were used by the group in fiscal 2009 and the presentation of the annual accounts were adapted accordingly.

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

The group accounts are presented in euros.

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

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

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

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

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

GK SOFTWARE AG is currently submitting to a voluntary inspection of its consolidated accounts and group management report at 31 December 2008 and its annual accounts and management report at 31 December 2008 by the German Financial Reporting Enforcement Panel (DPR) in line with Section 342b, Paragraph 2, Sentence 3, No. 3 of the German Commercial Code (HGB) (Random inspections). The inspection had not yet been completed at the time when these consolidated accounts were prepared. But the DPR has presented its rulings. The company will agree to these error detection processes in order to prevent further costs.

The rulings by the DPR lead to a change in the subdivision of the consolidated equity capital, as the annual consolidated net income for fiscal 2008 amounting to tEUR 409 has been reduced in favor of capital reserves. A correction was made according to IAS 8.41. Other operating expenditure increased by tEUR 577. Incomes taxes were reduced by tEUR 168. Because of the inapplicable treatment of transaction costs in conjunction with the company's IPO in fiscal 2008, the consolidated annual net income in 2008 was tEUR 409 too high. The company has recorded an increase in the cash flow from operating business (tEUR 355) to the detriment of the cash flow from funding activities in the cash flow statement for fiscal 2008. A correction in line with IAS 8.41 was made in the cash flow statement.

Other rulings concern a lack of details on benefits to employees in line with IAS 19,120/IAS 19.1201 and details on financial instruments according to IFRS 7. The DPR also ruled that the earnings of members of the Management Board were not shown with their individual details. One note concerns details in the group management report.

These conclusions have already been taken into account for the annual statements and consolidated accounts being presented for fiscal 2009 with the exception of the individual itemization of the earnings of members of the Management Board.

1.4. Consolidated Companies

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

The consolidated companies not only include the parent company, but also three companies based abroad (EUROSOFTWARE s.r.o., Plzen/Czech Republic, StoreWeaver GmbH, Riehen/Switzerland and GK Soft GmbH, Zurich/Switzerland). StoreWeaver GmbH, Riehen/Switzerland, and GK Soft GmbH, Zurich/Switzerland, were set up as 100 percent subsidiaries of GK SOFTWARE AG in 2008. SQ IT-Services GmbH, Schöneck, which was founded to acquire the business operations of Solquest GmbH and is totally owned by GK SOFTWARE AG, and 1. Waldstraße GmbH, Schöneck, which was set up in preparation to absorb new business activities and is also a 100 percent subsidiary of GK SOFTWARE AG, have both been included among the consolidated companies for the first time.

1.5. Principles of Consolidation

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

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

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

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

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

1.6 Currency Conversion

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

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

2. Balance Sheet and Assessment Principles

2.1. Property, Plant and Equipment

The balance sheet values of property, plant and equipment are based on purchase costs or production costs plus additional purchase costs, reduced by scheduled depreciation. These assets depreciate in a linear and pro rata fashion in line with their economic serviceable life. The records take into account any probably long-term reductions in value, which go beyond any depreciation linked to an item's use, by means of unscheduled depreciation. If the reasons for the unscheduled depreciation cease to apply, relevant write-ups are made. So far, unscheduled depreciation has not been necessary.

Depreciation in the case of buildings takes place in a linear fashion over a useful serviceable period of 33 years. Non real estate fixed assets depreciate in a linear fashion as a matter of principle; the useful serviceable life for technical equipment and machines amounts to between three and ten years and the same period for other equipment, operating and business fixtures.

Fully depreciated property, plant and equipment assets are shown under purchasing and production costs and accumulated depreciation until the assets in question are removed from operation. When assets are disposed of, the purchasing and production costs and the accumulated depreciation are deducted and the results of disposing of assets (disposal revenues minus residual carrying amounts) are shown in the income statement under other operating revenues or other operating expenditure.

2.2. Intangible Assets

2.2.1. Intangible Assets Acquired in Return for Payment

Intangible assets that have been acquired in return for payment are entered at purchasing or production costs minus any accumulated amortization and write-down value. The amortization expenditure is entered in a linear fashion across the expected useful serviceable life as expenditure. The expected useful serviceable life and the method of amortization are checked at the end of each fiscal year and any changes to estimates are taken into account prospectively.

Intangible assets developed in-house are valued in just the same way as individually purchased intangible assets by their purchase or production costs minus any accumulated amortization and write-down value. The amortization starts in the year of their capitalization with the pro rata amount.

2.2.2. Intangible Assets Developed In-House – Research and Development Costs

Costs for research activities are entered as expenditure during the period in which they are incurred.

An intangible asset that has been developed in-house, which is the result of development work (or the development phase of an internal project) is entered if the following evidence can be provided accumulatively

- The technical feasibility of the completion of the intangible asset value exists in order to make it available for use or for sale.
- The company does intend to complete the intangible asset and use it or sell it.
- There is a capability for using or selling the intangible asset.
- There is evidence of how the intangible asset will achieve probably achieve some economic benefits in the future.
- There is some availability of adequate technical, financial or other resources in order to complete the development and be able to use or sell the intangible asset and
- There is an ability to reliably determine the expenditure that can be allocated within the framework of developing the intangible asset.

The amount, with which an intangible asset, which has been developed in-house, is entered as an asset for the first time is the amount of expenditure that has been incurred from the day when the intangible asset met the conditions outlined above. If an in-tangible asset, which has been developed in-house, cannot be entered as an asset, the development costs are entered to affect the results during the period in which they were incurred.

2.2.3. Goodwill

With regard to allocating a purchase price, the purchase of the operating business of Solquest GmbH led to the formation for the first time of a "goodwill" intangible asset as that part of the purchase price, which cannot be assigned to capitalized assets.

The goodwill is checked at least once a year. If results or circumstances provide evidence that the carrying amount may have fallen, a check will also take place. Any reduction would be determined by discovering the expected, achievable amount for the units that would generate cash and cash equivalents. If this amount falls below the carrying amount of the assigned goodwill, the impairment change is entered and this may not be reversed during the following reporting periods. Regular checks are made on 31 December each year.

2.2.4. Customer Base

The purchase of the operating business of Solquest GmbH led to the formation for the first time of a "customer base" intangible asset by assigning the purchase price. The valuation was determined according to the expected influx of funds from the unit, which generates cash and cash equivalents and to which the customer base is allocated.

The performance-related amortization method is used for the customer base. As soon as there are some signs that the carrying amount of the customer base exceeds the expected influx of funds, the customer base is revalued with this lower figure. Any impairment charges are entered under the item "Extraordinary amortization." The expected influx of funds is the lower of the two values from the fair value minus any sales expenditure and the value in use. The value in use is the cash flow reduced to its cash value minus any interest for the unit, which could generate cash and cash equivalents and to which the customer base is assigned.

2.2.5. Write-Downs of Property, Plant and Equipment and Intangible Assets with the Exception of Goodwill

At each reporting date, the group checks the carrying amounts of property, plant and equipment and intangible assets in order to determine whether there are any indications of the need to write down these assets. If these indications are seen, the achievable value of the asset is assessed in order to determine the scope of any possible write-down expenditure. If the achievable amount for the individual asset cannot be estimated, an estimate is made of the achievable value of the unit that generates cash and cash equivalents, to which the asset belongs. If an appropriate and constant basis can be determined for allocation, the joint assets are allocated to the units that generate the individual cash and cash equivalents. Otherwise, an allocation to the smallest group of units generating cash and cash equivalents takes place, for which an appropriate and constant principle of allocation can be determined.

The achievable amount is the higher amount arising from the fair value minus any sales costs and the value in use. When determining the value in use, the estimated future flows of cash are discounted by a pre-tax interest rate. On the one hand, this pre-tax interest rate takes into account the current market assessment above the fair value of the money and, on the other hand, the risks inherent in the asset, if they have not been included in the flows of funds.

If the estimated achievable amount of an asset (or a unit generating cash and cash equivalents) is less than the carrying amount, the carrying amount of the asset (or unit generating cash and cash equivalents) is reduced to the achievable amount. The expenditure for the write-down is entered immediately in the accounts.

If the expenditure on write-downs should reverse subsequently, the carrying amount of the asset (or unit generating cash and cash equivalents) is increased to the latest estimate of the achievable amount. The increase in the carrying amount is restricted to the value, which would have occurred if no write-down expenditure had been entered for the asset (unit generating cash and cash equivalents) in previous years. Any write-up is directly entered in the accounts.

2.3. Inventories

Unfinished and finished work is entered under inventories.

The unfinished and finished work is entered at its purchasing or production costs. To provide greater detail, the production costs not only include the directly attributable costs , but also the production-related material and production costs including production-related depreciation and appropriate portions of the necessary overheads. Loan capital costs are not capitalized as part of the purchase or production costs, as there is no direct connection between the two.

If required, the stocks with the lower achievable net sales value are entered.

Projects were launched during fiscal 2009, where individual project milestones are a long way from each other in terms of time. As a result, revenue recognition for these new projects according to the procedure used in the past diverges too far from the procedure required according to IFRS (cf. 2.12.2 below). In the light of the requirements in IAS 18.20 in connection with IAS 18.26 and for the purposes of treating this matter in a unified way for all the projects, we have decided to enter the items, which were previously entered on the balance sheet as changes to inventories of unfinished work, as sales in line with IAS 18.26.

2.4. Trade Accounts Receivable and Other Accounts Receivable

Accounts receivable and other assets are valued at their nominal value. Any recognizable individual risks are taken into account by means of write-downs.

2.5. Cash and Cash Equivalents

Cash and cash equivalents have been entered at their nominal value.

Cash and cash equivalents include credit amounts in bank accounts and cash holdings.

2.6. Provisions for Pensions and Similar Obligations

Provisions for pensions are entered on the balance sheet according to the projected unit credit method. Any future obligations are valued on the basis of actuarial assessments.

There are reinsurance policies, which are pledged to the beneficiaries. As the conditions for entering them as plan assets are met, their capitalized value is balanced out with the provision.

However, the company not only includes in the accounting any known contingent rights on the balance sheet date, but also any expected increase rates in salaries and pensions for the future and the inflation rate. The discount factor is governed according to the IFRS by the long term investment rates. The corridor method has been used. In other matters, calculations are based on the biometric probability values in the 2005 Guideline Tables published by Prof. Klaus Heubeck.

2.7. Non-Current Liabilities

The non-current interest-bearing liabilities have been entered on the balance sheet as the amount that has to be repaid.

2.8. Public Sector Subsidies

Public sector subsidies are not included in the figures until appropriate collateral exists for them that the group will meet the conditions attached to the subsidies and the subsidies are actually granted.

Public sector subsidies, the most important condition for which is the sale, construction or other kind of purchase of non-current assets, are entered on the balance sheet as accruals and deferrals and are entered on a systematic and reasonable basis so that they affect the income statement over the term of the relevant asset.

Other public sector subsidies are entered as a type of revenue over the period, which is necessary to allocate them on a systematic basis to the relevant expenditure that they are designed to balance out. Public sector subsidies, which are collected in order to compensate expenditure or losses that have already been incurred or for the purpose of providing immediate financial support to the group, for which there will not be any corresponding costs in the future, are entered in the income statement during the period in which the claim for their entitlement arose

2.9. Current Provisions

Provisions are formed for uncertain obligations that could arise towards third parties, if these obligations will probably create a decline in resources in the future. They are set at the probable settlement amount, taking into account all the recognizable risks and are not allocated with any right of recourse. No provisions are laid aside for future expenditure, which does not relate to third-party obligations.

2.10. Other Current Liabilities

Current liabilities are entered as the amount for repayment or settlement.

2.11. Taxation

The expenditure on income tax represents the total current tax expenditure and deferred taxes.

2.11.1. Current Taxes

The current tax expenditure is determined on the basis of the income that is subject to tax during the year. The income, on which tax is to be paid, is different from the annual net income from the group income statement, as it excludes expenditure and revenues, which will not attract tax in later years or at any time or can be offset against tax. The group's liability for current taxes will be calculated on the basis of current tax rates that apply or those that will apply in the near future from the point of view of the balance sheet date.

2.11.2. Deferred Taxes

Deferred taxes are entered to cover the differences between the carrying amount of assets and liabilities in the consolidated accounts and the relevant tax valuation rates as part of calculating the taxable income and they are entered on the balance sheet according to the asset and liability method. Deferred tax debts are generally entered on the balance sheet for all temporary differences in tax terms and deferred claims for taxes are entered if it is probably that taxable profits will be available, for which these temporary differences can be used to offset tax payments. These assets and liabilities are not entered if the temporary differences result from goodwill or from the initial entry of other assets and liabilities (except in the case of company mergers), which result from events, which do not affect the taxable income or the annual net income.

Deferred tax liabilities are formed for temporary differences in tax payments, which arise from shareholdings in subsidiary companies, unless the group can manage the reversal of the temporary differences and it is probable that the temporary difference will not reverse within the foreseeable future. Deferred tax claims arise through temporary differences in connection with those investments and shareholdings, which are only entered to the degree to which it is probable that sufficient taxable income will be available so that the claims from the temporary differences can be used and an assumption has been made that they will be reversed within the foreseeable future.

The carrying amount of the deferred tax claims is checked every year on the balance sheet date and is lowered, if it is no longer probable that sufficient taxable income will be available in order to realize the claim completely or in part.

Deferred tax claims and tax liabilities are determined on the basis of the expected tax rates (and tax laws), which will probably apply at the time when the liability has to be paid or when the asset value is realized. The valuation of deferred tax claims and tax liabilities reflects the tax consequences, which would arise from the manner that the group is expecting on the balance sheet date in order to settle the liability or realize the asset value.

Deferred tax claims and tax liabilities are balanced out if there is an enforceable right to offset current tax claims with current tax liabilities and if they are related to income taxes that are collected by the same tax authority and if the group intends to settle its current tax claims and tax liabilities on a net basis.

2.11.3. Current and Deferred Taxes in the Period

Current and deferred taxes are entered as expenditure or earnings in the income statement unless they relate to items, which were directly entered under equity. In this case, the tax is also entered directly under equity.

2.12. Revenue Recognition

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

2.12.1. Verkauf von Gütern

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

- The group has transferred the major risks and opportunities from the ownership of the goods to the purchaser.
- The group neither retains an ongoing right of disposal, such as is usually connected to ownership, nor does it have any effective

power of disposal over the sold goods and products.
- The amount of sales revenues can be reliably determined.
- It is probable that the economic benefits from the business transaction will flow to the company and
- the expenditure incurred or still being incurred in connection with the sale can be reliably determined.

2.12.2. Providing Services

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

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

Revenues from services (customizing) and revenues from adjustments outside the contractually agreed service (change request):
In the past, revenue recognition took place at the time when the agreed service was handed over to or accepted by the customer. In a departure from this rule, services have been valuated this year according to IAS 18.20 in conjunction with IAS 18.26 because the times of acceptance lay too far apart to guarantee revenue recognition in line with the IFRS rules (IAS 18). As the results of services business cannot be reliably estimated – in particular the degree of completion is hard to determine – we have decided to only include this item when the repayment of costs incurred can be expected.

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

2.13. Management Estimates and Appraisals

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

2.13.1. Main Sources of Uncertainty Regarding Estimates

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

Intrinsic value of intangible assets developed in-house

Management once again assessed the intrinsic value of the intangible assets developed in-house as a result of the group's development of software. These intangible assets have been taken into account at a value of EUR 1.949,000 on the consolidated balance sheet dated 31 December 2009.

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

Intrinsic value of goodwill

As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the group has entered an intangible asset worth EUR 6.403,000 as goodwill for the very first time. The intrinsic value of this goodwill was checked on 31 December 2009 for the very first time. There were no indications that the expected and achievable influx of funds from the unit generating cash and cash equivalents being assigned to this goodwill figure might fall below the carrying amount of the goodwill.

Intrinsic value of accounts receivable from ongoing work

The accounts receivable from ongoing work amounting to EUR 1.380,000 and entered on the balance sheet in line with IAS 18.27 are subject to continuing project monitoring as regards their intrinsic value. The course of the projects concerned largely matches the planning work and even the opportunity arising from recognition difficulties has not created a situation where an adjustment of the intrinsic value of accounts receivable from ongoing work needs to be made.

Intrinsic value of customer base

As a result of the acquisition of the operating business of Solquest GmbH by SQ IT-Services GmbH, the group has entered an intangible asset worth tEUR 777 under customer base for the very first time. The depreciation of the customer base takes place in a performance-related way and has been entered as tEUR 655 on the consolidated balance sheet on the balance sheet date. There were no indications of a need to correct the value beyond this figure.

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

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3. Notes on the Consolidated Balance Sheet

3.1. Property, Plant and Equipment

EUR	Real estate and buildings	Technical equipment and machines	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs					
Figures on 1 January 2008	2,533,434.05	214,260.07	726,504.65	0.00	3,474,198.77
Accruals	6,634.15	32,111.79	260,836.46	0.00	299,582.40
Disposals	-2,288.10	0.00	20,000.00	0.00	22,288.10
Figures on 31 December 2008	2,537,780.10	246,371.86	967,341.11	0.00	3,751,493.07
Accumulated depreciation					
Figures on 1 January 2008	281,604.66	183,907.51	388,543.33	0.00	854,055.50
Accruals	81,311.51	24,208.81	202,723.69	0.00	308,244.01
Disposals	0.00	0.00	3,888.89	0.00	3,888.89
Figures on 31 December 2008	362,916.17	208,116.32	587,378.13	0.00	1,158,410.62
Carrying amounts on 31 December 2008	**2,174,863.93**	**38,255.54**	**379,962.98**	**0.00**	**2,593,082.45**

EUR	Real estate and buildings	Technical equipment and machines	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs					
Figures on 1 January 2009	2,537,780.10	246,371.86	967,341.11	0.00	3,751,493.07
Accruals	56,026.96	37,419.88	324,629.73	794,346.10	1,212,422.67
Disposals	0.00	5,298.01	29,946.20	0.00	35,244.21
Figures on 31 December 2009	2,593,807.06	278,493.73	1,262,024.64	794,346.10	4,928,671.53
Accumulated depreciation					
Figures on 1 January 2009	362,916.17	208,116.32	587,378.13	0.00	1,158,410.62
Accruals	80,679.14	60,695.93	245,643.82	0.00	387,018.89
Disposals	0.00	5,298.01	21,618.33	0.00	26,916.34
Figures on 31 December 2009	443,595.31	263,514.24	811,403.62	0.00	1,518,513.17
Carrying amounts on 31 December 2009	**2,150,211.75**	**14,979.49**	**450,621.02**	**794,346.10**	**3,410,158.36**

Contractual obligations amounting to approx. tEUR 250 have been taken out for the completion of the extension building at GK SOFTWARE AG headquarters. Procurement obligations for other office and business equipment existed and amounted to approx. tEUR 15.

3.2. Intangible Assets

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer relations	Total
Purchasing or production costs					
Figures on 1 January 2008	1,428,181.87	135,383.34	0.00	0.00	1,563,565.21
Accruals	814,637.22	100,904.66	0.00	0.00	915,541.88
Disposals	0.00	0.00	0.00	0.00	0.00
Figures on 31 December 2008	2,242,819.09	236,288.00	0.00	0.00	2,479,107.09
Accumulated amortization					
Figures on 1 January 2008	353,559.53	81,657.06	0.00	0.00	435,216.59
Accruals	367,100.10	43,541.52	0.00	0.00	410,641.62
Disposals	0.00	0.00	0.00	0.00	0.00
Figures on 31 December 2008	720,659.63	125,198.58	0.00	0.00	845,858.21
Carrying amounts on 31 December 2008	**1,522,159.46**	**111,089.42**	**0.00**	**0.00**	**1,633,248.88**

EUR	Capitalized development costs	Industrial property rights and similar rights and values	Goodwill	Customer relations	Total
Purchasing or production costs					
Figures on 1 January 2009	2,242,819.09	236,288.00	0.00	0.00	2,479,107.09
Accruals	1,066,612.46	346,901.27	6,402,785.24	777,000.00	8,593,298.97
Disposals	0.00	0.00	0.00	0.00	0.00
Figures on 31 December 2009	3,309,431.55	583,189.27	6,402,785.24	777,000.00	11,072,406.06
Accumulated amortization					
Figures on 1 January 2009	720,659.63	125,198.58	0.00	0.00	845,858.21
Accruals	639,537.21	132,833.69	0.00	121,600.00	893,970.90
Disposals	0.00	0.00	0.00	0.00	0.00
Figures on 31 December 2009	1,360,196.84	258,032.27	0.00	121,600.00	1,739,829.11
Carrying amounts on 31 December 2009	**1,949,234.71**	**325,157.00**	**6,402,785.24**	**655,400.00**	**9,332,576.95**

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

Research costs of tEUR 222 (tEUR 413 in fiscal 2008) were entered immediately as expenditure in fiscal 2009.

The goodwill involves the acquisition of the operating business of Solquest GmbH. The attainable amount was determined using the value in use. A detailed sales and costs plan for the unit generating cash and cash equivalents was drawn up to assess the intrinsic value of the carrying amount of the goodwill and the resulting flow of cash and cash equivalents was determined from this. The assumptions in the sales and costs plan match the normal conditions for the group. The major condition for calculating the cash flow is the successful integration of the staff of the former company, Solquest GmbH, and the successful handling of projects (on time, within budget and with correct specifications), which are to be gained and completed using the expertise available in the members of staff. Any major loss of employees represents a risk to the success of these plans. Risk surcharges have been used in a departure from normal planning in order to show the expenditure involved in the integration process. The influx of cash and cash equivalents has been set until 2011 and then discounted with an interest rate of 7.9%. This figure has been derived from historical interest costs. A growth rate has not been set.

3.3. Inventories

EUR	31.12.2009	31.12.2008
Unfinished work	0.00	738,100.00
Finished products	0.00	0.00
Total	**0.00**	**738,100.00**

In line with the individual project structures, tEUR 1,380 were not entered under the inventories of unfinished work in 2009, but as additional sales revenues on a cost basis according to IAS 18.26.

3.4. Trade Accounts Receivable

The trade accounts receivable have a term of less than one year. The carrying amounts of the trade accounts receivable match their fair values. The total write-downs amount to tEUR 235 in all (tEUR 61 in fiscal 2008). The write-downs have been entered under other operating expenditure.

Accounts receivable in a foreign currency (CZK) amounting to tEUR 13 (tEUR 15 in the previous year) existed on the balance sheet date.

3.5. Accounts Receivable from Ongoing Work

Sales can only be recognized in terms of the expected repayable costs according to IAS 18.27 if the result of the business cannot be reliably estimated, but if it is probable that the costs for this business will be repaid. This item amounted to EUR 1,380,200.00 on the balance sheet date.

3.6. Accounts Receivable from Associated Companies

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

3.7. Other Accounts Receivable and Assets

EUR	31.12.2009	31.12.2008
Accounts receivable from members of the Management Board	94,648.19	377,534.29
Tax receivables	0.00	408,986.99
Loans paid to third parties	2,381,297.38	1,813,363.58
Others	271,312.19	165,596.69
Total	**2,747,257.76**	**2,765,481.55**

The accounts receivable from members of the Management Board relate to loans (tEUR 86) and salary advances (tEUR 88). The loans are current and have interest charges of 5% p.a.

Other accounts receivable amounting to tEUR 88 existed in CZK on the balance sheet date (previous year: tEUR 32).

3.8. Cash and Cash Equivalents

Cash and cash equivalents are entered at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. Bank credits amounting to tEUR 2 are pledged in favor of a bank guarantee (tEUR 2). A further tEUR 10 was pledged as part of rent collateral with the bank providing the guarantee.

3.9. Equity Capital

We refer you to the equity change accounting for more information on changes to the equity at GK SOFTWARE AG on the 2009 balance sheet date.

The company's share capital amounted to EUR 1,665,000.00 at the start of 2009 and was divided into 1,665,000 individual share certificates. No changes to the share capital took place, so that the share capital was still EUR 1,665,000.00 on 31 December 2009 and was divided into 1,665,000 individual share certificates with a nominal value of EUR 1.00 in the equity capital.

EUR	31.12.2009	31.12.2008
Subscribed capital		
1.665,000 fully paid up individual share certificates	1,665,000.00	1,665,000.00
Total	**1,665,000.00**	**1,665,000.00**

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

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

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

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

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

3.10. Provisions for Pensions

Actuarial profits and losses are amortized immediately.

In the income statement, the current service costs are entered under expenditure for pension schemes, the interest expenditure in the financial results and the revenues from re-insurance policies under other operating revenues. The assumptions from fiscal 2008 have been adopted in the same way on the 2009 balance sheet date.

The pension commitment is invested as a life-time fixed old-age pension, which is paid when a member of staff retires from the company on reaching the age of 65. A contingent right to a widow's pension amounting to 60% of the old-age pension exists if the member of staff suffers invalidity or dies.

The calculations are based on the following assumptions:

Pensionable age (m/f)	65/65
Actuarial interest rate / discount on 1 January 2009	5.50 % p.a.
Actuarial interest rate / discount on 31 December 2009 and for 2010	5.70% p.a.
Salary development / rate of benefit increase	0.00% p.a.
Rate of pension increase	1.50% p.a.
Expected yield from the plan assets	4.30% p.a.
Probability of fluctuation	none

The assets in question here are 100% insurance policies. The returns from the insurance companies are therefore used.

The calculations are based on the "2005 G Guideline Tables" published by Klaus Heubeck. The expected yields from the plan assets are exclusively achieved by insurance policies. The expected yields of the insurance company are used for the calculation work. The plan assets exclusively consist of re-insurance policies.

A reconciled financial statement of the opening and final balances of the cash value of the defined benefit obligation with the reasons for changes provides the following picture:

EUR	2009	2008
Account balance on 1 January 2009:	126,520	122,331
+ Interest expenditure	+ 6,957	+ 6,536
+ Working Period Costs	+ 6,753	+ 7,086
- Actuarial Profits	- 8,624	- 9,433
Account balance on 31 December 2009:	131,606	126,520

The development of the plan assets is shown as follows:

EUR	2009	2008
Plan assets on 1 January 2009:	77,801	69,340
+ Expected Yields from Plan Assets	+ 3,529	+ 2,982
+ Contributions	+ 8,544	+ 8,544
- Actuarial Losses	- 3,330	- 3,065
Balance on 31 December 2009:	86,544	77.801

It is therefore clear that a sum amounting to EUR 45,062.00 in the plan is not financed by a fund.

The items that have been entered, which affect the commitment to pension payments during the year under review, are divided as follows:

EUR	2009	2008
Current Service Costs	6,753	6,536
Interest Costs	6,957	7,086
Expected Yields from Plan Assets	3,529	2,982
Actuarial Profits and Losses	8,624	9,433

All the items have been entered under "Expenditure for Old-Age Pensions."

The cash value of the defined benefit obligation is only distinguished by the amount of actuarial profits, which have not yet been entered on the balance sheet.

EUR	2009	2008
Cash Value of the Defined Benefit Obligation	131,606	126,520
- Account Balance of the Actuarial Change in Results	- 45,062	48,719
Fair Value of the Plan Assets	86,544	77,801

The cash value of the defined benefit obligation and the fair value of the plan assets have developed as follows:

EUR	Cash value of the defined benefit obligation	Fair value of the plan assets
2009	131,606	86,544
2008	126,520	77,801
2007	122,331	69,340
2006	126,300	61,215
2005	110,198	53,373
2004	119,830	45,799

The adjustments based on experience can be represented as follows during the last five years:

EUR	Liabilities of the plan	Assets of the plan
2009	2,666	3,330
2008	9,433	3,065
2007	2,369	3,112
2006	2,453	3,317
2005	7,992	2,573
2004	2,537	2,706

We assume that contributions amounting to EUR 8,544 will be paid into the plan during 2010. The actual revenues from the planned assets during the fiscal year amounted to EUR 199 following a figure of - EUR 83 in the previous year.

3.11. Non-Current Bank Liabilities

Two investments loans (original amounts: tEUR 750 and tEUR 450) were taken out with the Commerzbank AG Plauen in fiscal 2007. The company also took over a loan (original amount: tEUR 225) from Gläß & Kronmüller OHG, Schöneck in the course of the merger. The loan, which was taken over during the course of the merger, was rescheduled during fiscal 2009. The two other loans were valued at tEUR 956 on the balance sheet date. Three other loans were taken out during fiscal 2009 as a result of the new extension building, the above mentioned rescheduling and the acquisition of SOLQUEST (DZ Bank tEUR 748, KfW Bank tEUR 180 and KfW Bank 5,000). These loans were valued at tEUR 5,983 on 31 December 2009 with their non-current share (due date after 31 December 2010).

3.12. Public Sector Subsidies Charges to Subsequent Accounting Years

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

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

3.13. Deferred Taxes

Please refer to section 4.9.

3.14. Current Provisions

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

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

EUR	Human resources department	Production department	Other departments	Total
Figures on 1 January 2008	299,878.32	150,000.00	74,100.00	523,978.32
Amounts used	294,802.18	150,000.00	60,726.73	505,528.91
Amortization	5,076.14	0.00	13,373.27	18,449.41
New funds	425,236.70	279,264.00	94,140.00	798,640.70
Figures on 31 December 2008	**425,236.70**	**279,264.00**	**94,140.00**	**798,640.70**
Figures on 1 January 2009	425,236.70	279,264.00	94,140.00	798,640.70
Amounts used	425,236.70	104,264.00	70,835.10	600,335.80
Amortization	0.00	0.00	5,165.00	5,165.00
Allocation	338,415.50	90,600.00	179,611.20	608,626.70
Figures on 31 December 2009	**338,415.50**	**265,600.00**	**197,751.10**	**801,766.60**

3.15. Trade Accounts Payable

Accounts receivable are due to settled within one year.

Accounts payable in a foreign currency (CZK) amounting to tEUR 9 (tEUR 108 in the previous year) existed on the balance sheet date.

3.16. Initial Payments Received

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

3.17. Income Tax Liabilities

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

3.18. Other Current Liabilities

EUR	31.12.2009	31.12.2008
Liabilities from wages and salaries	1,171,256.50	350,076.80
Other liabilities towards members of staff	14,065.88	16,366.34
Liabilities regarding the purchase prices of the operating business of Solquest GmbH	1,000,000.00	0.00
Tax liabilities	1,473,107.75	1,029,476.00
Others	285,360.17	142,579.84
Total		
Summe	**3,943,790.30**	**1,538,498.98**

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

Other liabilities in a foreign currency (CZK) amounting to tEUR 167 (tEUR 87 in the previous year) existed on the balance sheet date.

3.19. Secured Liabilities

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

4. Notes on the Consolidated Income Statement

4.1. Sales Revenues

The sales revenues exclusively result from the sales of hardware and software and the provision of services in Europe.

4.2. Own Work Capitalized

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

4.3. Other Operating Revenues

EUR	2009	2008
Write-ups of receivables written down	35,295.55	8,461.03
Earnings from investment grants	6,707.88	0.00
Earnings from reversals of deferred public grants	27,604.00	35,215.96
Reversals of provisions	5,164.90	18,449.41
Expense allowances	0.00	8,399.77
Vehicle use	230,325.25	160,554.00
Employee contributions towards food allowances	31,125.03	24,439.84
Earnings from other periods	168,717.66	59,166.83
Others	321,510.19	109,699.95
Total	**826,450.46**	**424,386.79**

4.4. Materials Expenditure

EUR	2009	2008
Expenditure on raw materials, consumables and supplies and goods purchased	338,904.62	258,665.30
Expenditure on purchased services	222,380.40	254,963.32
Total	**561,285.02**	**513,628.62**

4.5. Human Resources Expenditure

EUR	2009	2008
Wages and salaries	10,327,986.29	6,945,558.94
Social security contributions	1,723,519.34	1,055,826.05
Expenditure on retirement benefits	65,060.94	45,477.16
Total	**12,116,566.57**	**8,046,862.15**

On average, 270 people were employed during fiscal 2009 (185 in the previous year). 219 people were employed on the balance sheet date of 31 December 2009.

4.6. Depreciation and Amortization

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

4.7. Other Operating Expenditure

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

Because of the rulings issued by DPR, other operating expenditure in fiscal 2008 rose by tEUR 577. This involves equity capital procurements costs, which may not be treated in a neutral way on the balance sheet.

4.8. Financial Results

EUR	2009	2008
Interest income	259,196.04	230,773.46
Interest expenditure	-115,813.31	-141,044.39
Total	**143,382.73**	**89,729.07**

4.9. Income Taxes

EUR	2009	2008
Current tax liabilities	1,763,242.08	345,428.76
Deferred tax liabilities	-247,471.16	316,649.57 [1]
Total	**1,515,770.92**	**662,078.33** [1]

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

The deferred taxes are included in the following items:

	31.12.2009		31.12.2008	
EUR	Assets	Liabilities	Assets	Liabilities
Intangible assets	0.00	567,812.07	0.00	443,405.05
Provisions for pensions	1,159.08	0.00	2,426.53	0.00
Inventories / Accounts receivable from ongoing work	37,286.40	0.00	15,409.77	0.00
Acquired intangible assets through purchasing Solquest (goodwill and customer relations)	351,269.00	0.00	0.00	0.00
Tax impact of offsetting the cost of acquiring equity for capital reserves	186,428.83 [1]	186,428.83 [1]	186,428.83 [1]	186,428.83 [1]
Offsetting the tax effect of the costs of acquiring equity	–186,428.83 [1]	-186,428.83 [1]	-186,428.83 [1]	-186,428.83 [1]
Total according to balance sheet	**389,714.48**	**567,812.07**	**17,836.30**	**443,405.05**

Deferred tax claims / liabilities result from:

	31.12.2009			31.12.2008		
EUR	Initial balance	Recognized as earnings	Final balance	Initial balance	Recognized as earnings	Final balance
Temporary differences						
Provisions for pensions	2,426.53	-1,267.45	1,159.08	2,046.67	379.86	2,426.53
Intangible assets –in-house developed software	-443,405.05	-124,407.02	-567,812.07	-313,037.49	-130,367.56	-443,405.05
Intangible assets acquired through the Solquest purchase (goodwill and customer relations)	0.00	351,269.00	351,269.00	0.00	0.00	0.00
Inventories / Accounts receivable from ongoing work	15,409.77	21,876.63	37,286.40	15,642.81	-233.04	15,409.77
Total	**-425,568.75**	**247,471.16**	**-178,097.59**	**-295,348.01**	**-130,220.74**	**-425,568.75**

1 Corrected according to IAS 8.41.

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

Transfer of tax expenditure/EUR	2009	2008
Pre-tax earnings	5,032,941.18	2,287,124.55 [1]
Anticipated tax expenditure 29.1%	1,464,585.88	665,553.24 [1]
Tax impact on non-deductible company spending	12,061.35	0.00
Tax impact on tax-free income	0.00	0.00
Other tax effects	39,123.68	-3,474.91 [1]
Actual tax expenditure	1,515,770.92	662,078.33 [1]
Effective tax rate	**30.1%**	**29.0 %**

4.10. Earnings per Share

The earnings per share can be determined as the earnings from the group annual net income divided by the weighted average number of shares in circulation during the fiscal year. On average, the 1,665,000 (1,472,000 in the previous year) shares were in circulation during fiscal 2009. The group annual net income on the balance sheet date amounted to tEUR 3,517 (tEUR 1,625 on 31 December 2008 [1]). So the basic earnings per share were EUR 2.11 (EUR 1.10 on 31 December 2008). There were no shares outstanding on 31 December 2009 or 31 December 2008, which could dilute earnings per share.

4.11. Use of Profits

The Supervisory and Management Boards are intending to suggest to the main shareholders' meeting in 2010 that a dividend of EUR 1 should be paid out from the balance sheet profits at GK SOFTWARE AG, which have been determined according to the principles in German trading law. This dividend is made up of a sum amounting to EUR 0.50 to mark the 20th anniversary of the existence of GK SOFTWARE AG and its predecessor company and a further sum amounting to EUR 0.50 to mark the extraordinarily good consolidated results. As there are 1,665,000 shares in circulation, the company would have to make dividend payments of EUR 1,665,000.00 to its shareholders, if the main shareholders' meeting agrees to this proposal.

5. Notes on the Cash Flow Statement

The cash and cash equivalents involve cash in hand and bank balances. A correction has been made in the cash flow statement according to IAS 8.41. The cash flow from operating business in fiscal 2008 has been increased to tEUR 355 and the cash flow from funding activities has been reduced by tEUR 355. This involved the cash income tax reduction impact on the transaction costs that were part of the IPO

6. Corporate Mergers

SQ IT-Services GmbH, Schöneck, acquired the complete operating business of Solquest GmbH by way of a singular succession (asset deal) on 25 May 2009.

Using Solquest Retail Solutions, Solquest GmbH provided solutions for store integration, peripherals management, mobile store processes, online inventory management and promotions. These solutions are successfully being used by major German and Swiss retailers like Coop, Dohle, EDEKA Südwest, Feneberg, Hammer, Prodega or tegut. The expertise for linking, for example, a central SAP merchandise management system with processes in stores provides ideal launching pads for close cooperation with SAP or providers of

1 Corrected according to IAS 8.41.

similar central systems. We assume that the purchase of a major independent competitor will further extend GK SOFTWARE's technology and innovation leadership in the market place.

The purchasing costs have been subdivided as follows:

tEUR	Carrying Amount	Fair Value
Non-Current Assets	117	117
Current Assets, Unfinished Work	263	263
Current Assets, Goods	26	26
Initial Payments Received	-171	-171
Fair Value of Net Assets	**235**	**235**
Customer Base	0	777
Software Solquest Retail Solutions (SQRS)	0	240
Goodwill	0	6,403
Acquisition Costs	**235**	**7,655**
Outflow of Cash and Cash Equivalents for Company Acquisition		
Outflow of Cash and Cash Equivalents	6,500	
Liabilities Still Outstanding	1,000	
Outflow of Funds for Acquisition of Company	**7,500**	

The difference in amounts from the value of the net assets and the purchase price was allocated to the identified assets of customer base (tEUR 777) and SQRE software (tEUR 240). Goodwill amounting to tEUR 6,403 was also created. The difference between the purchasing costs and outflow of funds results from the contractually agreed takeover of the operating business on 1 May 2009, which differs from the entry to meet IFRS standards, which did not take place until 25 May 2009.

The goodwill, which can probably be completely offset against tax, primarily arose from the expectation that it would be possible to link the specialist expertise of Solquest members of staff with GK SOFTWARE AG's software: The addition of major functional elements to the GK/Retail software means that the company is expecting an expanded market environment for GK SOFTWARE AG's software. The addition of detailed merchandise management functions and their inclusion in central ERP systems will cover further needs that customers have and so expand the market range of the software to a considerable degree.

The trade-off consisted of a cash payment amounting to tEUR 500 and other cash payments, which were linked to one condition. This condition consisted of concluding an agreement between one company in the group and a particular customer in a project, where the existing expertise at Solquest formed an essential component. If this condition had been met, a sum amounting to tEUR 7 would have had to be paid in cash. At the time when the company was acquired, the payment was provisionally entered on the balance sheet with a fair value of tEUR 350; the fair value at the time of purchase, however, amounted to tEUR 7, so it was necessary to make a correction in line with IFRS 3.45. The trade-off that was owed from the postponed condition had the digital resulting values of 0 or tEUR 7. The postponed condition for increasing the purchasing price was met. A further tEUR 1 still has to be paid.

As accounts receivable were not transferred in the case of a singular succession, fair values for these receivable were not named or gross amounts of accounts receivable or the expected shortfall in cash flow from these receivables at the time of purchase.

Advisory services were used for the purchase of the operating business of Solquest GmbH and they amounted to a total figure of tEUR 540. This expenditure was entered under other operating expenditure.

We refer to the segment reporting results for a presentation of the part played by the operating business that has been acquired in terms of the total EBIT of the group. The revenues and results situation of the "SQRS" business section is the most accurate approximation to the contribution to the results played by the operating business that has been acquired since the time of purchase. The figures are summarized here once again:

tEUR	SQRS 2009
Sales with Third Parties	**1.905**
Licenses	158
Maintenance	858
Services	810
Other Business	79
Revenue Reductions	-
Sales with the Other Segment	**394**
Segment EBIT	**499**
Assets	**2.984**
Cash and Cash Equivalents	**282**

It is not possible to present the figures from the start of the year, as GK SOFTWARE does not have any reliable information about the accounts from 1 January 2009 until 25 May 2009. The operating business was not acquired in total, but only with the necessary assets required to operate it as a business.

7. Segment Reporting

Now that the operating business of Solquest GmbH has been taken over, the group no longer offers just one software solution – GK/Retail – but two products. The Solquest Retail Solution (SQRS), which is made available to the market with dedicated resources, is provided alongside the group's main software.

The segments were reported and monitored for the first time at the start of the fourth quarter during fiscal 2009. The key components requiring controlling include the segment sales with third parties and the total operating performance of a segment and its earning power, which is determined on the basis of the results for financial yields and income taxes (EBIT).

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

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

	GK/Retail		SQRS		Eliminations		Group	
tEUR	2009	2008	2009	2008	2009	2008	2009	2008
Sales with third parties	**21,372**	**15,028**	**1,905**	**-**	**-**	**-**	**23,277**	**15,028**
Licenses	6,598	3,096	158	-	-	-	6,756	3,096
Servicing work	4,839	2,660	858	-	-	-	5,697	2,660
Services	9,196	8,551	810	-	-	-	10,006	8,551
Other matters	752	721	79	-	-	-	831	721
Revenue reductions	-13	-	-	-	-	-	-13	-
					-	-		
Sales with the other segment	**1**	**0**	**394**	**-**	**- 395**	**-**	**-**	**-**
EBIT segment	**5,488**	**2,774**	**499**	**-**	**-1,097**	**-**	**4,890**	**2,774**
Assets	**30,168**	**19,626**	**2,984**	**-**	**-777**	**-**	**32,375**	**19,626**
Cash and cash equivalents	**10,356**	**8,855**	**282**	**-**	**-**	**-**	**10,638**	**8,855**

The SQRS solutions will not be sold in future in order to keep the group's product portfolio tight.

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

Sales revenues with customers, which have their headquarters outside Germany, were shown separately from sales with customers, which have their headquarters in Germany, for the first time in fiscal 2009. These sales revenues amounted to tEUR 635 in the year under review.

Sales revenues with customers, which have a share in revenues of more than 10%, were achieved in fiscal 2009 at a figure of tEUR 6,400. These sales concerned the GK/Retail segment.

8. Other Information

8.1. Financial Instruments

The financial instruments include original and derivative financial tools.

The original financial instruments largely comprise accounts receivable on the assets side, the other financial assets and financial resources. On the liabilities side, the original financial instruments largely contain the liabilities assessed at ongoing acquisition costs. The portfolio of original financial instruments is shown on the balance sheet. If any default risks are recognizable within the financial assets, these risks are entered by means of write-downs.

Two investment loans were taken out from the Commerzbank AG Plauen during fiscal 2007 (original amounts: tEUR 750 and tEUR 450). The interest payments for the two investment loans are secured by an interest rate ceiling mechanism in the form of a cap. This security mechanism has a term until 30 June 2010 and is secured using a cap rate of 5.2% p.a. An interest rate ceiling mechanism was agreed with a maximum rate for the loan from the Commerzbank from ERP funds amounting to tEUR 180. This security mechanism has a term that runs until 30 September 2019 with a cap rate of 4%.

The market value of these interest capping mechanisms on a nominal volume of tEUR 1,126 – derived from the mid-market price – amounted to a total figure of EUR 2,254.62 on the balance sheet date. All the capping mechanisms had a positive market value.

The conversion of the balance sheet items to assessment categories in line with IAS 39 can be shown as follows:

IAS 7.8	Categories	Balance Sheet Items	Amount EUR 000	Previous year Amount EUR 000
a)	Financial Assets Assessed on the Balance Sheet at Fair Values	N/A		
b)	Financial Investments to be Retained until Final Due Date	N/A		
c)	Loans and Accounts Receivable	Trade accounts receivable, accounts receivable from ongoing work, part sum for other accounts receivable according to individual statement in no. 3.7 (accounts receivable from Management Board members; loans made available to third parties)	8,321	5.214
d)	Financial Assets Available for Sale	N/A		
e)	Financial Liabilities Assessed on the Balance Sheet at Fair Values	N/A		
f)	Financial Liabilities Assessed at their Residual Carrying Amount	Non-current and current bank liabilities, accounts payable, part sum for current provisions according to individual statement in no. 3.14 (human resources department, other departments), part sum for other liabilities according to no. 3.17 (Liabilities from wages and salaries, other liabilities towards employees, liabilities from the acquisition price for the operating business of Solquest GmbH)	9,562	2.667

The financial assets of GK SOFTWARE are subject to a write-down of tEUR 235 (tEUR 61 in the previous year) on 31 December 2009. Of this sum, tEUR 133 (tEUR 46 in the previous year) applies to individual write-downs of accounts receivable. Write-downs of tEUR 102 (tEUR 15 in the previous year) applied to the blanket write-downs on trade accounts receivable.

The assessment categories in IAS 39 provide the following: “Other Earnings” and “Other Expenditure.” We have entered here write-downs, revaluations (write-ups, amortization of write-downs), completed disposals and subsequent entries from depreciated financial instruments.

The group only has the financial instruments entitled loans and accounts receivable and financial liabilities, which have been valued at their carrying amounts.

The following gains and losses have emerged in relation to these categories:

Loans and Accounts Receivable	EUR 000	Vorjahr TEUR	Reference
Write-ups for Amortized Accounts Receivable	35	8	Notes No. 4.3
Expenditure from the Allocation of Write-ups	-185	-29	Notes No.. 3.4 (Difference)
Balance	-151	-21	
Financial Liabilities Valued at Residual Carrying Amounts	N/A	N/A	N/A

Revaluations expected to have a neutral effect on the results are omitted on the grounds of the assessment categories at hand.

The maximum default risk for the financial assets corresponds to their gross carrying amount minus write-downs, therefore leaving the net carrying amount that is shown. As a result, the circumstances at GK SOFTWARE correspond to what IASB assumes to be the normal case (IFRS 7.B9). Securities and other risk-reducing understandings do not need to be considered at this point.

The amount of trade accounts receivable due on 31 December 2009 amounted to tEUR 1,412. Of this figure, accounts receivable amounting to tEUR 401 were overdue by more than 30 days.

The remaining financial claims were not fully due for payment by the balance sheet date.

The accounts receivable that are overdue by more than 30 days do not provide any reason for write-downs in their intrinsic value. The generally high degree of payment practices in the retail sector has almost completely enabled the company to avoid default situations during its corporate history. The customers have not issued any formal complaints with regard to the overdue accounts receivable, which would signify that they wished to contest them.

On 31 December 2009, there were no financial assets, for which a major write-down was needed by the balance sheet reporting date. The total value of individual write-downs amounted to tEUR 133.

The due dates for financial liabilities, which need to be shown, concern the loans taken out by the company. The remaining financial liabilities (mainly accounts payment and payments to employees) have very short remaining terms of less than 3 months – in line with normal practice.

The company had taken out the following loans by 31 December 2009:

loan from the KfW Bank has a term until 30 September 2017 and is being repaid with an annual installment of tEUR 625. No installments have to be paid on the loan from the DZ Bank, which has a term until 1 October 2019, until 1 January 2012 and it will then be repaid on schedule with installments of EUR 93,500.

The interest payments for the two investment loans are secured by means of a maximum rate agreement (cap). The hedging mechanism has a term until 30 June 2012 and is secured with a capping rate of 5.2%.

Quantitative information on risk exposure has not been included, as it was not possible to identify these kinds of risks. This is made clear by a subdivision into individual risk classes:

Loan default risks. The maximum loan default risk, as shown above, corresponds to the carrying value of the financial assets. The Management Board, however, does not expect any loan defaults, which are not covered by the (low) write-downs, because of its experience and ongoing contacts with debtors (customers).

Liquidity risks. In the light of the group's liquidity situation and its negative debt (surplus of cash and cash equivalents over liabilities with banks and other interest-bearing liabilities), the Management Board has not identified any liquidity risks.

Market risks:

Loan	Amount EUR	Value (EUR) 31.12.2009	Value (EUR) 31.12.2008
Investitionsdarlehen bei der Commerzbank Plauen:	750,000.00	562,500.00	637,500.00
Investitionsdarlehen bei der Commerzbank Plauen:	450,000.00	393,750.00	416,250.00
ERP-Darlehen der Commerzbank Plauen:	180,000.00	175,500.00	198,025.46
Darlehen der KfW, Frankfurt:	5,000,000.00	4,843,750.00	0.00
Darlehen der DZ-Bank:	748,000.00	748,000.00	0.00
	7,128,000.00	6,723,500.00	1,251,775.46

The investment loans with the Commerzbank Plauen will be repaid on schedule with constant installments by 30 June 2017 (annual repayment of tEUR 75) and 30 March 2027 (annual repayment of EUR 22,500). The KfW-Commerzbank loan from ERP funds has a term until 30 September 2019 and is being repaid with an annual amount of tEUR 18. The

- Currency risks: The Company only has a small amount of foreign currency accounts receivable and payable in CZK. They are specified in the annex and under no. 3.4, 3.15 and 3.18. As a result, the company does not believe it is necessary to report any foreign currency risks.

- Interest risks: With the exception of the loans that have been taken out, all the financial instruments are current. There are therefore no interest risks that need to be reported. Interest of EURIBOR + 1.8 percentage points is payable on the investment loans taken out at the Commerzbank Plauen before 1 January 2009. For commercial reasons, the loans have been hedged using interest ceiling mechanisms, as reported above. No security has been provided for the loans taken out during fiscal 2009 on account of the current capital market situation. But the situation is being constantly monitored.

The assessment of the market risks provides the following picture: Currency risks could only result from exposure to the Czech crown and they are restricted to section 3.4 (Trade Accounts Receivable amounting to tEUR 13), section 3.7 (Other Accounts Receivable and Assets amounting to tEUR 88), section 3.15 (Trade Accounts Payable amounting to tEUR 9) and section 3.18 (Other Current Liabilities amounting to tEUR 167). This assessment was made on the balance sheet date at an exchange rate of CZK 26.425 for one euro. A change in this exchange rate by one percent changes the value of these assets and liabilities by tEUR 1 on the balance sheet. This only has an effect on the assessments of the inflow and outflow of cash and cash equivalents, which take place in Czech crowns, as the assets and liabilities in Czech crowns exist and are paid using Czech crowns. In the light of this and because these changes in value have a neutral effect ton equity capital, the company did not carry out a sensitivity analysis.

The interest risks are the result of the agreed interest payments in loan contracts. There is no link here with the currency risk, because the loans have been listed in euros. Interest payments amounting to tEUR 116 were made during the current year and entered on the balance sheet. The interest rate from the KfW loan agreement covering tEUR 5 was fixed until 30 September 2009 and the rate for the DZ Bank is fixed throughout the whole term, so there are no interest risks linked to these loans. The interest for the investment loans with the Commerzbank worth tEUR 750 and tEUR 450 are fixed quarterly at a rate 1.8 percentage points above the EURIBOR. The interest risk has been restricted by interest capping mechanisms set at 5.2%. The interest rate for the loan from Commerzbank Plauen of tEUR 180 is also set quarterly at a rate of 1.5 percentage points above the EURIBOR. An interest capping mechanism restricts the risk here to a term with 4%. If the EURIBOR rate changed by one percentage point, this would result in a change in the interest payments of tEUR 9 in fiscal 2009 (determined using the actual interest burden in fiscal 2009 and changing the interest rate).

Based on the type of financial instruments used, there are no **other risks.**

8.2. Contingent Liabilities

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

Two credits by way of bank guarantees amounting to tEUR 10 and tEUR 2 as far as contingent liabilities are concerned and these loans were granted by Volksbank Vogtland e.G. The guarantee for tEUR 10 is part of the normal collateral for leasing payments at the Berlin office and the guarantee for tEUR 2 was to secure the increase in the purchase price from the purchase of the operating business of Solquest GmbH. Both guarantees are secured by the pledging of cash deposits. The guarantee used to secure the increase in the purchase price is restricted until 30 June 2010. The Management Board does not expect it to be necessary to make use of the two guarantees.

8.3. Operating Leasing Agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for fiscal 2009 amount to EUR 355.000.

8.4. Other Financial Obligations

Payment obligations from leasing contracts amounting to tEUR 342 (tEUR 216 are due for payment within one year and tEUR 126 within five years) exist.

8.5. Subsidiaries

Name of the subsidiary	Headquarters	Capital share	Voting rights share	Main business
		%	%	
EUROSOFTWARE s.r.o.	Plzen/Czech Republic	100.0	100.0	Software development, software programming
GK Soft GmbH	Zurich/Switzerland	100.0	100.0	Software development, software programming
StoreWeaver GmbH	Riehen/Switzerland	100.0	100.0	Software development, software programming
SQ IT-Services GmbH	Schöneck	100.0	100.0	Software development, software programming
1. Waldstraße GmbH	Schöneck	100.0	100.0	Software development, software programming

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

8.6. Details of Associated Persons and Corporations

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

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

Parent Company
The direct parent company is GK Software Holding GmbH, Schöneck. Expenditure to a small degree was incurred on behalf of this company, but was then repaid (tEUR 11). No other business relations existing during fiscal 2009.

Management Board
The following people are members of the Management Board:

- Mr. Rainer Gläß, Schöneck, CEO, Dipl.-Ingenieur
- Mr. Stephan Kronmüller, Schöneck, CTO, Dipl.-Ingenieur
- Mr. Ronald Scholz, Rodewisch, COO, Dipl.-Ingenieur
- Mr. André Hergert, Hamburg, CFO, Dipl.-Kaufmann

The earnings of the members of the Management Board in fiscal 2009 amounted to tEUR 1,844.

The members of the Management Board directly held the following shareholdings in GK SOFTWARE AG on 31 December 2009:

Mr. Rainer Gläß	52,792 shares	3.2 %
Mr. Stephan Kronmüller	37,500 shares	2.3 %
Mr. Ronald Scholz	12,300 shares	0.7 %

Supervisory Board

The following people are members of the Supervisory Board:

- Mr. Uwe Ludwig, Neumorschen, management consultant, Chairman of the Supervisory Board
- Mr. Heinrich Sprenger, Iserlohn, entrepreneur
- Mr. Thomas Bleier, Oelsnitz, businessman

Mr. Bleier was a member of the Supervisory Board until the end of the 2009 annual shareholders' meeting. Mr. Bleier was once again appointed a member of the Supervisory Board at this annual meeting.

The total earnings of the Supervisory Board at GK SOFTWARE AG in fiscal 2009 amounted to tEUR 40 (tEUR 9 in the previous year).

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

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

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Loans to associated corporations and persons::

tEUR	31.12.2009	31.12.2008
Loans to members of the Management Board	86	277
Loans to associated companies, which are not part of the consolidated group	1,514	1,261
Total	**1,600**	**1,538**

The loans were granted for an unlimited period and interest of 4% or 5% is being charged. Salary claims from Mr. Rainer Gläß to GK SOFTWARE AG serve as collateral for the loans. The loans were granted for an unlimited period and can be terminated with a period of notice of three months to the end of any year.

8.7. Auditor's Fee

Expenditure amounting to tEUR 40 is included in the annual audit of the accounts and consolidated accounts for 2009. The fee for accountancy services amounted to tEUR 51.

8.8. Statement of Compliance

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

8.9. Authorization of the Annual Accounts

The annual accounts were authorized by the company managers on 30 April 2010 and were released for publication.

Schöneck, 30 April 2010

The Management Board

Audit Opinion

The translation of the auditor's certificate relates to the German version of the consolidated accounts.

We have audited the consolidated accounts of GK SOFTWARE AG, Schöneck – which consist of the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes on the consolidated accounts – in addition to the consolidated annual report for the business year from 1 January until 31 December 2009. The company's Management Board is responsible for compiling the consolidated annual accounts and the consolidated annual report in line with the International Financial Reporting Standards (IFRS) to match EU practice and the additional commercial law regulations as set out in Section 315 a, Paragraph 1 of the German Commercial Code. It is our task to provide an appraisal of the consolidated accounts and the consolidated annual report when we carry out our audit.

We have carried out our audit of the consolidated accounts in line with Section 317 of the German Commercial Code, taking into consideration the German principles for the proper auditing of accounts laid down by the German Institute of Auditors.

According to these, the audit must be planned and carried out in such a way that any errors and infringements, which would have a major effect on the presentation of the asset, financial and earnings situation, which is communicated by the consolidated accounts – taking into consideration the accounting principles that need to be used – and the consolidated annual report, will be recognized with sufficient certainty. When defining the auditing work, the auditors take into account their knowledge of the business involved, the group's economic and legal framework and their expectations of possible errors. During the audit, the effectiveness of the internal control system related to the accounts and evidence of the information provided in the consolidated accounts and consolidated annual report are mainly assessed by using random inspections. The audit includes an appraisal of the annual accounts of the companies included in the consolidated accounts, the definition of the companies to be included in the consolidation, the balance sheet and consolidation principles that are used, the major estimates provided by the Management Board and an appraisal of the complete presentation of the consolidated accounts and consolidated annual report. We believe that our audit provides sufficiently certain grounds for our assessment.

With the exception of the following restriction, our audit did not lead to any objections. Contrary to Section 315 a, Paragraph 1 of the German Commercial Code in conjunction with Section 314, Paragraph 1, Number 6, Letter a) Sentences 5 to 8 of the German Commercial Code, the salaries of each of the members of the Management Board were not specified in the notes on the consolidated accounts, broken down according to components that are dependent on or independent of the company's performance with long-term incentives.

In our opinion, which is based on the knowledge that we have gained through the audit, the consolidated accounts of GK SOFTWARE AG, Schöneck, meet the demands of the IFRS, as they are to be applied in the EU, and also the commercial law regulations that are to be used according to Section 315 a of the German Commercial Code, with the one exception mentioned above. They therefore provide a picture of the group's assets, finances and earnings, which reflects the real circumstances. The consolidated annual report is consistent with the consolidated accounts and overall provides an appropriate picture of the situation in the group and adequately illustrates the opportunities and risks of future developments.

Dresden, 30 April 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Karmann)	(ppa. Kahlert)
Auditor	Auditor

Assurance by the legal representatives

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

Schöneck, 30 April 2010

The Management Board

Rainer Gläß
(CEO)

Stephan Kronmüller
(CTO)

Ronald Scholz
(COO)

André Hergert
(CFO)

Imprint/Notes

Imprint

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Notes

Note to the Annual Report

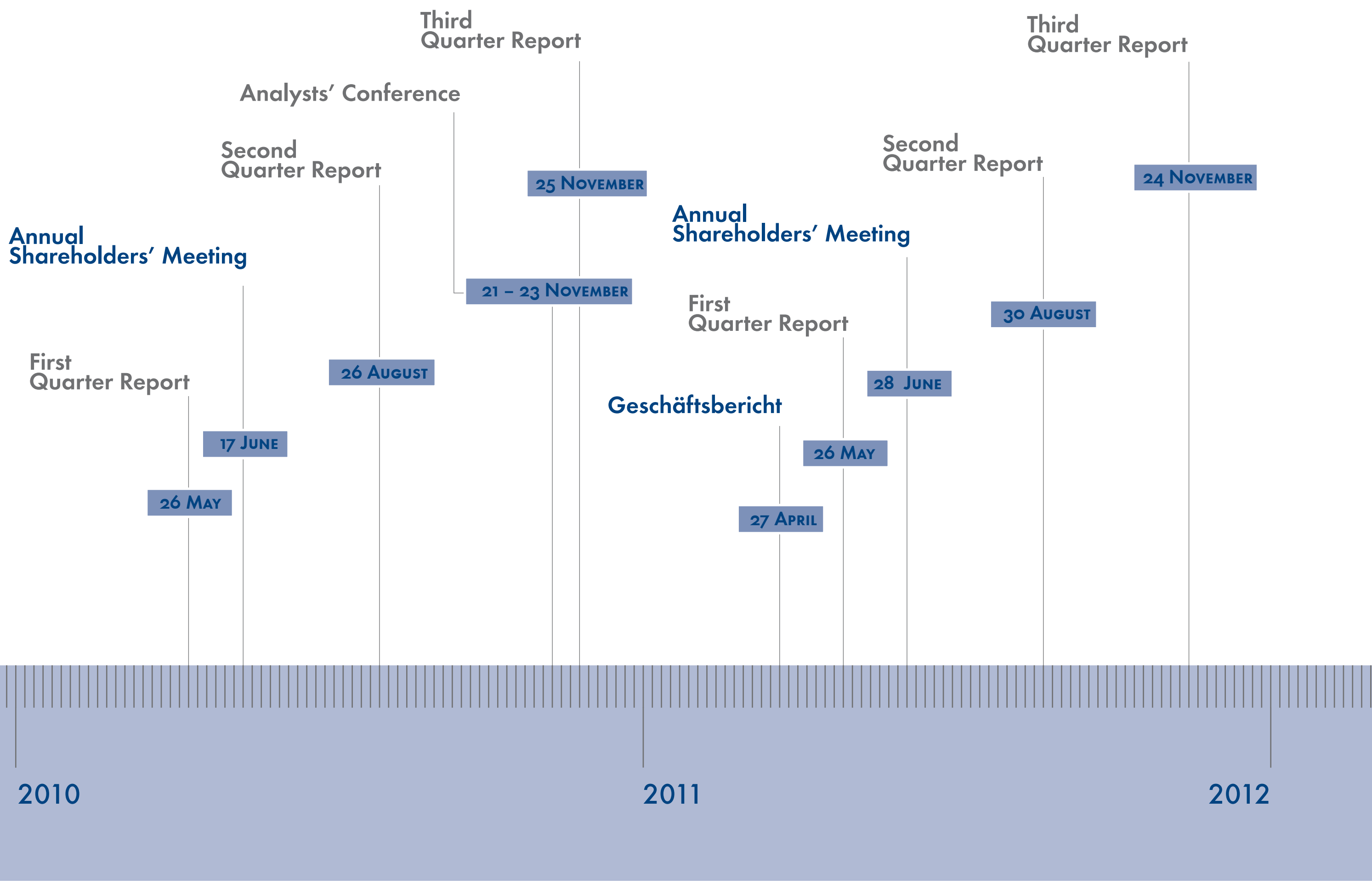
This Annual Report is the English translation of the original German version. In case of deviations between these two the German version prevails. This Annual Reports is in both languages can be downloaded at **http://investor.gk-software.com**.

Note regarding the rounding of figures

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

Disclaimer

Financial Calendar



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