9M 2011

Interim Report on September, 30

GK SOFTWARE

Summary of Consolidated Results

	30.9.2011 (not audited)	30.9.2010 (not audited)	31.12.2010 (audited)
Sales (EUR K)	**20,256**	17,078	**27,690**
Operating performance (EUR K)	**21,462**	17,538	**28,338**
Total operating revenues (EUR K)	**22,205**	18,255	**29,706**
EBIT (EUR K)	**2,809**	2,318	**6,435**
EBIT margin (on sales)	**13.9%**	13.6%	**23.2%**
EBIT margin (on total operating revenue)	**12.7%**	12.7%	**21.7%**
EBT (EUR K)	**2,754**	2,214	**6,307**
Net income for the period (EUR)	**1,860**	1,571	**4,471**
Earnings per share (weighted) (EUR)	**1.04**	0.94	**2.11**
Equity ratio (previous year as on 31.12.)	**63.9%**	45.9%	**54.3%**

1 There were 1,790,000 shares in circulation on 30 September 2011, whereas only 1,665,000 shares had been issued on 30 September 2010. Based on 1,665,000 shares, the earnings per share for the first nine months of 2011 would have been EUR 1.12. The diluted earnings per share because of the 12,300 share options issued last year correspond to the non-diluted earnings.

Contents

To the shareholders

Letter from the Management Board

Dear shareholders,

After nine months of fiscal 2011, we are once again able to record very positive results and continue to announce growth as we have done in the previous reports.

The company once again achieved significant growth in sales during the first three quarters of fiscal 2011. Sales rose by more than 18 percent over the comparable figure for the same period in the previous year to EUR 20.26 million (from EUR 17.08 million). The increase in operating performance was even more significant at EUR 21.46 million, in contrast to a figure of EUR 17.54 million, and amounted to more than 20 percent. Despite of the growth investments made by the company, earnings before interest and taxes (EBIT) rose by 21.2 percent to EUR 2.81 million (EUR 2.32 million in 2010), which corresponds to an EBIT margin on sales of 13.9 percent (13.6 percent in 2010).

Despite the various distortions in the overall economic framework and in international politics, 2011 will still be a successful year for the German economy in general and the retail sector in particular. According to the HDE (the German Retail Federation), the retail sector will probably be able to achieve record sales of approx. EUR 417 billion (EUR 404 billion in 2010), even if some weakening in growth levels can now be felt. Nevertheless, growth in sales for the complete year is expected to be about 2.0 percent. There is no forecast for the coming year yet, as there are too many uncertainties, particularly in conjunction with the difficulties in some countries that use the euro. But there is no sign of any massive slump in the economy, at least not in Germany, Austria or Switzerland, as indicators like consumer confidence, purchasing power, jobless figures and even the mood of retailers are all providing positive signals.

The first nine months of the current business year were dominated by huge progress in projects, an intensification of our partner business and the development of new software solutions for GK SOFTWARE AG[1].

A central milestone was reached in the first quarter with the successful pilot launch of the major LUNAR project for EDEKA and this sent a strong message to the sector. Alongside this, several major projects reached the mass roll-out stage with the result that the number of units operating with our software increased by several tens of thousands. The fact that more and more long-standing customers are currently switching to the new major update or are preparing to do so bears testimony to the attractiveness of our solutions and the stability of our customer relations.

As far as winning new customers was concerned, we were able to gain a leading international customer in the shape of a leading sportswear producer based in Herzogenaurach, Germany. In addition, three more EDEKA companies have decided to introduce our POS software in parallel to the LUNAR project. These projects were gained as a result of the success of greater cooperation with SAP, which is reflected in the official launch of sales of three GK SOFTWARE AG solutions in the DACH area (Germany, Austria and Switzerland). Sales in the EMEA and rest of the world will follow in further stages. The first success was that Fressnapf, Europe’s largest specialist chain for pet food and accessories, decided to introduce a wide range of SAP solutions. The solutions sold by SAP within the overall package also include “SAP offline mobile store by GK” and “SAP point-of-sale by GK”, which were developed by GK SOFTWARE AG. The approx. 1,150 Fressnapf stores will be equipped by SAP as part of this project during the next few years.

In terms of our business with partner corporations, our relations with Bizerba and IBM were particularly important, in addition to the expansion of our agreements with SAP already mentioned above. Above all, the further

1 The expression GK SOFTWARE always refers to the corporate group in the following text. The same is true of the term “the company.” When GK SOFTWARE AG is used, this exclusively refers to the individual company.

development of our new scales application in conjunction with Bizerba has progressed very successfully. One new piece of software, which we were able to put into productive use towards the end of the reporting period for the first time, attracted great attention. Parfümerie Douglas was enabled to be the first retailer to directly handle cash payments on iPods and therefore offer special customer services in line with the positioning of its business.

Important changes took place on the company's Management Board towards the end of the reporting period. Stephan Kronmüller, founder and a long-standing member of the Management Board, was replaced at his own request by Michael Jaszczyk as the CTO on 1 November. Stephan Kronmüller will remain associated with the company as an deputy member of the Management Board and he will lead the GK Futurelab in the future. Oliver Kantner became the new COO on the same date, 1 November; he had headed this division of the business for several months on a temporary basis. Ronald Scholz has left the company.

Based on the results that have been achieved, our expectations for fiscal 2011 remain unchanged. We view the good Q3 results as a confirmation of our forecast for 2011 and we continue to expect sales of between EUR 30.5 and 31.5 million for the full year (in 2010 the company recorded sales of EUR 27.7 million).

Profitability levels will probably lie within the target corridor of 18 – 20 percent. This forecast is underlined by the fact that we are involved in extensive negotiations with potential customers both in Germany and abroad and we are continuing to develop all our projects on schedule.

This forecast is subject to the proviso that no extraordinary events occur and that the developments in the eurozone, Japan or North Africa do not lead to any disruption in the overall economy or the retail sector.

We are confident at the moment that we will be able to continue our successful business performance in 2012 too.

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

The Management Board

Rainer Gläß
(CEO)

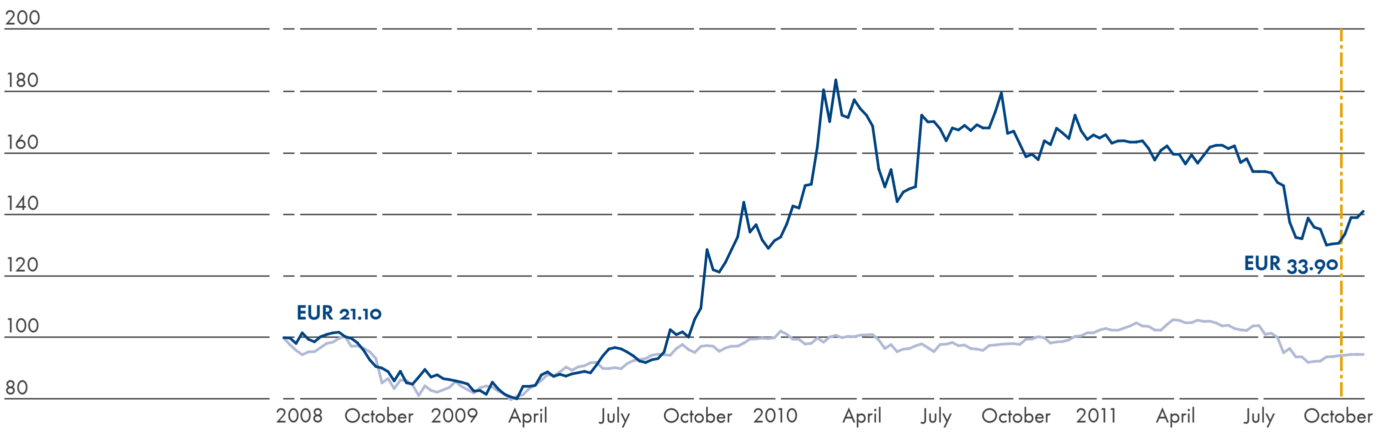
André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

GK SOFTWARE AG Shares

Development of GK SOFTWARE shares in comparison to the TecDax
from 19 June 2008 until 31 October 2011, indexed, in percent



Summary

Basic Data

Basic data	
Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK SOFTWARE AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated Sponsor	ICF Kursmakler AG
Number of shares	1,790.000
Share capital	EUR 1,790.000
Free float	42.49 %
Highest price in 2011	EUR 51.00 (3 January 2011)
Lowest price in 2011	EUR 33.50 (28 September 2011)

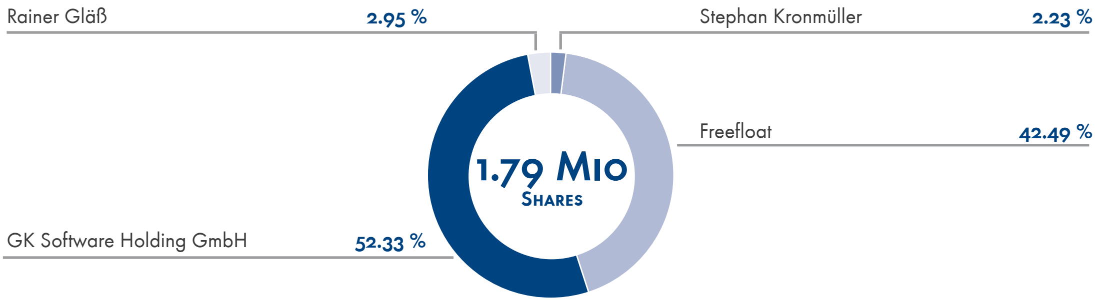
Summary/Share Performance

GK SOFTWARE AG shares, which are listed on the Prime Standard section of the Frankfurt Stock Exchange, followed the general trend and lost value during the first three quarters of fiscal 2011. They were, however, able to recover somewhat after the end of the reporting period. The shares were worth EUR 33.90 at the end of the reporting period on 30 September. This corresponds to market capitalization of approx. EUR 61 million.

Shareholder Structure

GK SOFTWARE AG has a very stable shareholder base, which is allowing the company to develop sustainably in the long term. The following shareholder structure existed on the reporting date on 30 September 2011: The founder and CEO Rainer Gläß directly holds a total of 2.95 percent of the shares. Stephan Kronmüller, also a company founder and former CTO, directly owns 2.23 percent of the shares. 52.33 percent are owned

Shareholder Structure
for GK SOFTWARE AG on 30 September 2011



by GK Software Holding GmbH, half of which are each indirectly held by the company partners Rainer Gläß and Stephan Kronmüller. This gave rise to a free float of 42.49 percent on 30 September 2011.

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

- Universal-Investment-Gesellschaft mbH, Frankfurt am Main – 3.015% (on 26.6.2009)
- Mr. Andreas Bremke GmbH, Arnsberg – 3.99% (on 16.8.2011)
- Scherzer & Co. AG, Cologne – 3.05% (on 18.10.2011)

Directors Dealings

Stephan Kronmüller, CTO (until October, 31)
Purchase: 12.7.2011 2.500 shares at EUR 44.97

André Hergert, CFO
Purchase: 30.8.2011 500 shares at EUR 37.12

Brief Interim Group Management Report

Economic Report

Business and General Conditions for GK SOFTWARE

Market and Competitive Environment

Economic developments within the retail sector in Germany and abroad are extremely important for business developments at GK SOFTWARE AG. They are a significant factor for the investment behavior of potential customers of the company and can play a role in affecting decisions in the short and medium term.

All the forecasts are expecting record sales for the German retail sector in 2011. Assuming growth of 2.0 percent, retail sales of approx. EUR 417 billion are expected for the full year (EUR 404 billion in the previous year).[1] This means that the retail sector reflects the development of the overall economy, which is forecast to grow at approx. 2.9 percent during the current year.[2] Leading economists also expect growth in Germany during the coming year, but this will be far lower due to the situation in the eurozone and other markets. But the number of unemployed, which is an important figure for the retail sector, continues to fall. However, the German Retail Federation (HDE) is not currently daring to issue any forecast for 2012, as it believes there are still too many uncertainties.[3]

Developments in neighboring markets, which are important for GK SOFTWARE AG, have not proceeded in the same way. The strong Swiss franc has led to a fall in sales for the first time for 15 years, as tourists have stayed away and Swiss nationals have purchased more goods abroad. Then there were the effects of much tougher price competition and this led to a fall in prices. However, a recovery and return to the pathway of growth are expected in 2012.[4] In Austria, sales in the retail sector grew by a nominal figure of 2.6 percent during the first nine months of the year, but this figure was below that of the previous year when inflation was taken into account.[5]

In the eurozone overall, the retail sector developed far less strongly than in Germany or Austria. Overall sales in the eurozone fell by 1.5 percent during the first three quarters, although it must be said that only the non-food sector was affected by this.[6]

The retail sector has not yet rediscovered the pathway of growth in Great Britain either in the long term, even if the figures in the fall registered a slight increase.[7] The tendency in the USA was similar, without any clear trend emerging.[8]

All the forecasts for 2012 are currently weighed down by serious uncertainties as a result of the precarious overall economic situation in the eurozone and beyond. But experts are at least expecting a positive trend in Germany. According to the GfK (the German Society for Consumer Research), consumer sentiment remained positive, even in the fall.[9] This tallies with a study of 42 European countries, which shows that the purchasing power not only remains stable despite the overall economic situation, but is continuing to grow.[10] These factors should have a positive effect on the climate within the retail sector.

In line with this, the future expectations of retail corporations in Germany remain positive. In comparison with the survey in the fall of last year, the proportion of companies, which rated their

1 http://www.einzelhandel.de/pb/site/hde/node/1245407/Lde/index.html
2 http://de.reuters.com/article/topNews/idDEBEE79J08420111020
3 http://www.einzelhandel.de/pb/site/hde/node/1453047/Lde/index.html
4 http://www.fruchtportal.de/aktuelles/lesen/37072/Schweizer-Detailhandel-verzeichnet-deutliche-Umsatzeinbussen
5 http://www.statistik.at/web_de/presse/059558
6 http://www.welt.de/print/die_welt/wirtschaft/article13704355/Einzelhandel-schwaechelt.html
7 http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2011/10/20/bloomberg_articlesLTD1F66KLVR8.DTL
8 http://www.godmode-trader.de/nachricht/US-Einzelhandel-im-Aufwind,a2686974.html
9 http://www.gfk.com/group/press_information/press_releases/008859/index.de.html
10 http://www.gfk.com/group/press_information/press_releases/008859/index.de.html

current business situation as really rather poor, actually fell to just four percent (9 percent in 2010). However, the proportion of companies, which regarded their situation as consistently good, also fell from 71 percent to 56 percent when compared to the survey in spring. This also has an effect on their readiness to invest; the proportion of those wanting to increase their expenditure declined in favor of those wishing to keep investments at the current level. Only three percent of the retailers questioned, however, are planning to reduce their investments. This reflects a situation where only three percent of retailers are expecting their economic situation to deteriorate.[11]

As the retail sector invests approx. 1.12 percent of its net sales in its IT systems according to a study carried out by the EHI Retail Institute on the subject of IT trends in the sector in 2011 (in the spring of 2011)[12], both the increases in sales this year and the future prospects for the retail sector do not suggest that the trade will place any restrictions on its IT expenditure in the near future.

Retailers are continuing to focus on issues related to improved customer sales contact through e.g. loyalty schemes, multi-channel activities, mobile couponing or smartphone apps. A significant proportion of the investments made during the next few years will also flow into replacing till systems; approx. 30 percent of the retailers questioned are planning to do this.[13] The retail sector still has a huge need to make investments in this field. The average age of store software may be just 5.8 years, but 20 percent of retailers are still using software that is more than ten years old.[14]

In the light of the current trends, GK SOFTWARE is optimistic that the readiness to invest on the part of the retail sector will not nosedive to a huge degree in the short or medium term. This will then open up further opportunities for GK SOFTWARE in the markets that it is actively processing.

The company has continued to increase its sales potential by expanding its sales activities to the USA, Great Britain and Russia and by receiving additional enquiries from markets, which it has not so far been actively working. Foreign retailers will increasingly invest in their IT systems again as the world economy recovers.

GK SOFTWARE currently holds a good position in several ongoing requests for proposals in Germany and abroad and has crucial advantages over its rivals as a result of its broad portfolio of products, the internationality of its solutions and its proven ability to complete projects quickly.

Customer Projects

Work went ahead on all customer projects according to schedule during the first nine months of 2011. One of the most important milestones was the roll-out of the first pilot market in the EDEKA LUNAR Program. But in addition to this, important milestones were reached in other major projects or the rollout process has already begun – which is reflected in the enormous increase in the number of installations equipped with the company's products. This process will continue until end of this year.

Human Resources

GK SOFTWARE employed 424 members of staff on the reporting date of 30 September 2011 (343 on the reporting date in the previous year) – i.e. 81 more than at the end of the comparable period in the previous year. This represents an increase of approx. 24 percent, which is due to the scheduled expansion of staff in order to complete the higher number of projects that the company is processing. As in the previous year, the software development

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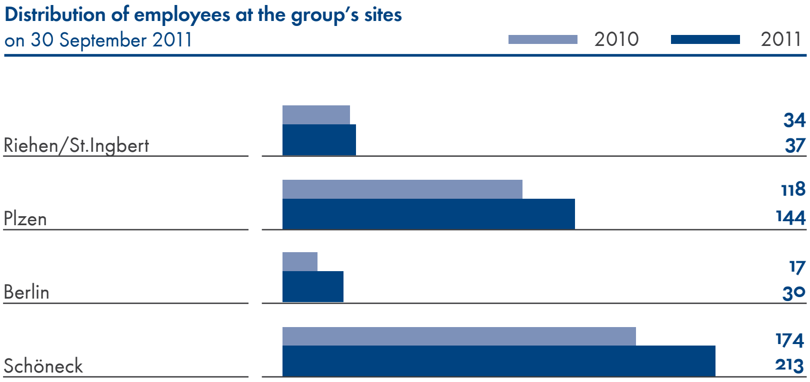
11 http%3A%2F%2Fwww.ey.com%2FPublication%2FvwLUAssets%2FErnst_and_Young_Handelsbarometer_Oktober_2011%2F%24FILE%2FErnst_and_Young_Handelsbarometer_Oktober_2011.pdf&ei=y_G7TteAIcvxsgb3sok_&usg=AFQjCNG7kbBiZ_lCdWF1YQV-nTIGjcVd9A&sig2=34EAYVGpnCiU7weM8ycZmw

12 EHI Retail Institute, IT-Trends im Handel, Köln 2011, S. 18.

13 Ebenda, S. 19.

14 Quelle: EHI Retail Institute, Kassensysteme 2010, Köln 2010

Distribution of employees at the group's sites
on 30 September 2011



and project management departments in particular showed further growth.

The majority of members of staff are employed at corporate headquarters in Schöneck – 213 persons, in comparison with the previous year's figure of 174. There are 30 employees working at the branch in Berlin, mainly in the sales & marketing, project management and partner management, development or the hotline departments (17 employees on the reporting date in the previous year). The Czech subsidiary EUROSOFTWARE s.r.o. current employs 144 people (118 in the previous year). There were 37 employees working at St. Ingbert on 30 September 2011 (previous year: 34).

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

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

Earnings Situation

The company was able to continue the positive developments during fiscal 2011 in the third quarter too. Sales rose during the first nine months of 2011 by more than 18% compared to the same period in the previous year to a figure of EUR 20.26 million. It was even possible to increase operating performance by more than one fifth to a figure of EUR 21.46 million following a figure of EUR 17.54 million during the comparable period in 2010.

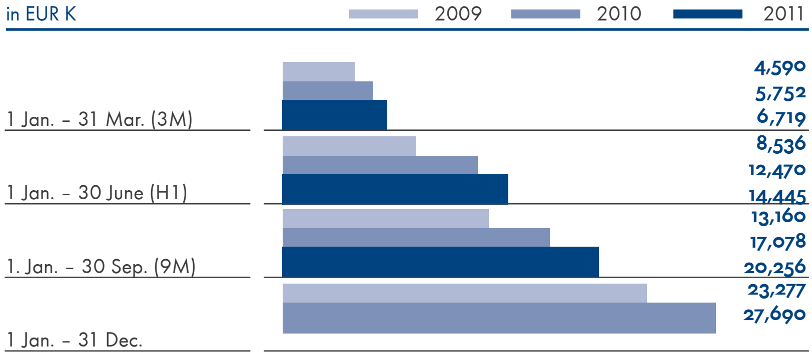
Earnings before interest and taxes (EBIT) rose by 21.2% to a figure of EUR 2.81 million following a figure of EUR 2.32 million in the same period in the previous year so that the EBIT margin related to sales reached a figure of 13.9% during the first nine months of 2011. The consolidated results for the period exceeded the previous year's figure of EUR 1.57 million by EUR 0.29 million, rising to EUR 1.86 million. In line with this, earnings per share increased to EUR 1.04, following a figure of EUR 0.94 during the same period in the previous year.

Total sales during the reporting period rose by EUR 3.18 million. This is due to the strong organic growth in the company's core business associated with the GK/Retail software of more than EUR 28% or by EUR 4.10 million. This rate of growth is supported by the expansion of maintenance sales by EUR 1.13 million (+31.3%) to a figure of EUR 4.74 million and the services revenues from introductory and adjustment services by EUR 4.43 million (+59.1%) to a figure of EUR 11.92 million. These positive trends were somewhat offset by declines in licensing sales by EUR 1.04 million to a figure of EUR 1.75 million (-37.3%) and other sales by EUR 0.42 million to a figure of EUR 0.15 million. While the Management Board is confident that the licensing sales will recover significantly during the fourth quarter in comparison with the sums recorded in the previous year on account of the timing of projects that are currently being processed, similar developments are not expected in the case of other sales. The development of total sales is also weighed down by the ongoing decline in sales in the SQRS segment, which fell by EUR 0.92 million to EUR 1.69 million compared to the same period in the previous year. The decline is mainly due to services sales, which fell by EUR 0.58 million or by just over one half to EUR 0.51 million; the remaining shortfall results from the sales from relicensing arrangements, which were achieved in the previous year on a one-off basis; there have not been any similar business transactions during the current year. Maintenance sales in the SQRS segment have continued to record a figure of EUR 1.16 million in line with expectations and this almost exactly mirrors the previous year's amount.

Four fifths of the strong increase in operating performance of 22.4% or EUR 3.92 million to a figure of EUR 21.46 million are due to the considerable growth in sales and the remainder to the increase in the capitalization of own work because of the intensification of product developments during the year. Own work capitalized accounted for EUR 1.21 million following a figure of EUR 0.46 million in the same period in the previous year. Total operating revenues grew by EUR 3.95 million to a figure of EUR 22.21 million or by 21.6% compared to the same period in the previous year. In line with this, other operating revenues at EUR 0.74 million remained at approximately the same level as in the previous year (EUR 0.72 million).

The expansion of work described here made it necessary to increase the company's human resources, so that expenditure on human resources (EUR 13.34 million) exceeded the previous year's figure by EUR 3.15 million or 30.9%. The personell expenses/revenue rose from 61.7% (the figure after the first six months of 2011) to 65.9% on account of the intense further development of products.

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



Depreciation and amortization during the reporting period amounted to EUR 1.40 million following a figure of EUR 1.14 million in the previous year. The increase of EUR 0.26 million is due to the increased depreciation of business and operating equipment (+EUR 0.11 million) and amortization of immaterial assets (+EUR 0.03 million) on account of the expansion of business activities and own work capitalized (+EUR 0.16 million).

Other operating expenditure rose by EUR 0.39 million in comparison with the same period in the previous year from EUR 3.77 million to a figure of EUR 4.16 million. In addition to various fairly small items, an increase in travel expenses (+EUR 0.23.

EUR K	30.9.2011		30.9.2010		Change
Sales revenues	20,256	91.2%	17,078	93.6%	18.6%
Changes in stock of unfinished goods	–	0.0%	–	0.0%	–
Own work capitalized	1,206	5.4%	460	2.5%	162.1%
Operating revenues	**21,462**	**96.6%**	**17,538**	**96.1%**	**22.4%**
Other operating revenues	743	3.4%	717	3.9%	3.7%
Total operating revenues	**22,205**	**100.0%**	**18,255**	**100.0%**	**21.6%**

EUR K	9M 2011		9M 2010		Change		2010	
Sales with								
GK/Retail	18,570	91.7%	14,472	84.7%	4,098	28.3%	24,380	88.0%
SQRS	1,686	8.3%	2,606	15.3%	−920	−35.3%	3,310	12.0%
TOTAL	**20,256**	**100.0%**	**17,078**	**100.0%**	**3,178**	**18.6%**	**27,690**	**100.0%**
Licenses of which	**1,751**	**8.6%**	**3,075**	**18.0%**	**−1,324**	**−43.1%**	**8,277**	**29.9%**
GK/Retail	1,751	8.6%	2,794	16.4%	−1,043	−37.3%	7,981	28.8%
SQRS	–	0.0%	281	1.6%	−281	−100.0%	296	1.1%
Maintenance of which	**5,907**	**29.2%**	**4,776**	**28.0%**	**1,131**	**23.7%**	**6,951**	**25.1%**
GK/Retail	4,744	23.4%	3,612	21.2%	1,132	31.3%	5,461	19.7%
SQRS	1,163	5.7%	1,164	6.8%	−1	−0.1%	1,490	5.4%
Services of which	**12,426**	**61.3%**	**8,573**	**50.2%**	**3,853**	**44.9%**	**11,752**	**42.4%**
GK/Retail	11,921	58.9%	7,493	43.9%	4,428	59.1%	10,335	37.3%
SQRS	505	2.5%	1,080	6.3%	−575	−53.2%	1,417	5.1%
Other business of which	**172**	**0.8%**	**669**	**3.9%**	**−497**	**−74.3%**	**710**	**2.6%**
GK/Retail	154	0.7%	573	3.4%	−419	−73.1%	603	2.2%
SQRS	18	0.1%	81	0.5%	−63	−77.8%	107	0.4%

million), human resources advertising expenditure (+EUR 0.19 million) and rising expenditure on sales (+EUR 0.11 million) were the main elements behind this process and all of these are due to the expansion of business activities.

The Group was therefore able to achieve earnings before interest and taxes (EBIT) of EUR 2.81 million following a figure of EUR 2.32 million during the previous year, which amounts to an increase of 21.2%.

It was possible to increase the financial results by more than 46%, although expenditure on interest at EUR 0.21 million still exceeded the income from interest by EUR 0.15 million and the financial results now amounted to –EUR 0.06 million (–EUR 0.10 million in the previous year)

This gives rise to results before income tax of EUR 2.75 million following a figure of EUR 2.21 million for the same period in the previous year or an increase by 24.4%. After tax, the net income for the period amounted to EUR 1.86 million, which exceeded the figure for the previous year (EUR 1.57 million) by EUR 0.29 million.

Based on the 1,790,000 shares in circulation on the reporting date, this represents earnings per share of EUR 1.04 (the figure for the same period in the previous year based on the number of shares in circulation at the current time was EUR 0.94 per share).

EUR K	9M 2011		9M 2010		Changes
EBIT	**2.810**	**13,9%**	**2.318**	**13,6%**	**21,2%**
EBT	**2.754**	**13,6%**	**2.214**	**13,0%**	**24,4%**
Consolidated net income	**1.860**	**9,2%**	**1.571**	**9,2%**	**18,4%**

Assets Situation

The consolidated balance sheet amount on the reporting date of 30 September 2011 had fallen by EUR 5.00 million (−11.2%) to EUR 39.80 million compared to the reporting date on 31 December 2010. In terms of assets, these changes were mainly due to the decline in current assets by EUR 6.13 million (−39.7%) to a figure of EUR 11.54 million with an increase in non-current assets of EUR 0.54 million (+4.0%) to a figure of EUR 14.24 million at the same time and an increase in cash and cash equivalents of EUR 0.59 million (+4.4%) to a figure of EUR 14.03 million. On the funding side, there was a decline in current liabilities of EUR 5.79 million (−44.8%) to a figure of EUR 7.14 at the reporting date and also a decline in the non-current liabilities from EUR 0.33 million (−4.4%) to EUR 7.21 million. At the same time equity increased by EUR 1.12 million (4.6%) to a figure of EUR 25.45 million.

The provision with cash and cash equivalents amounting to EUR 14.03 million accounted for a proportion of 35.2% of the balance sheet total. At the same time, the cash and cash equivalents on hand exceeded the liabilities encumbered with interest payments (EUR 5.43 million) by EUR 8.60 million. The maintenance of liquidity provisions is a high priority for the Management Board in order to be able to retain GK SOFTWARE's and the consolidated companies' capacity to act in the face of any opportunities or crisis situations.

The increase in non-current assets is primarily due to the rise in costs for own work capitalized (+EUR 0.51 million) and operating and business equipment (+EUR 0.10 million) and the immaterial assets that were purchased (+EUR 0.05 million), while the acquired customer relations declined by −EUR 0.10 million on account of the scheduled amortization in their carrying amount. The rise in capitalized development costs is due to the increased expenditure on developments related to the new software solutions, while the increase in carrying amounts for operating and business equipment and the acquired intangible assets is primarily due to the expansion of human resources within the Group.

The decline in current assets is the result of a reduction in trade accounts receivable by EUR 4.30 million as a result of customer payments and the accounts receivable from work in progress by EUR 2.04 million because customers have accepted goods.

The increase in the balance sheet equity is due to the net income from the period that was achieved amounting to EUR 1.86 million and the increase in capital reserves by EUR 0.15 million on account of the share option program and the payment of the dividend in 2011 (EUR 0.90) at the same time; this was based on the relevant decision taken at the annual shareholders' meeting on 16 June 2011.

The non-current liabilities fell by EUR 0.63 million primarily as a result of the scheduled

EUR K	30.9.2011		31.12.2010		Change	
Non-current assets	14,236	35.8%	13,695	30.6%	541	4.0%
Current assets or cash and cash equivalents	11,538	29.0%	17,668	39.4%	−6,130	−34.7%
Cash and cash equivalents	14,029	35.2%	13,442	30.0%	587	4.4%
Assets	**39,803**	**100.0%**	**44,805**	**100.0%**	**−5,002**	**−11.2%**
Equity	25,451	63.9%	24,332	54.3%	1,119	4.6%
Non-current liabilities	7,211	18.2%	7,541	16.8%	−330	−4.4%
Current liabilities	7,141	17.9%	12,932	28.9%	−5,791	−44.8%
Liabilities	**39,803**	**100.0%**	**44,805**	**100.0%**	**−5,002**	**−11.2%**

repayment of non-current bank liabilities, which was partly compensated for by an increase in deferred tax liabilities of EUR 0.33 million on account of the rise in own work capitalized. The increase in deferred tax assets and liabilities can mainly be explained by the allocations to own work capitalized.

The current liabilities mainly fell by almost one half (-44.8%) to a figure of EUR 7.14 million, mainly as a result of a decline in advance payments received by EUR 3.86 million (-59.5%) because of work that had been completed for customers and the fall in current liabilities by EUR 1.73 million (-42.0%) as a result of the payment of turnover tax liabilities dating from the end of 2010.

Financial Situation

The cash flow from operating business totaled EUR 4.11 million during the first nine months of fiscal 2011 and exceeded the figure for the previous year (EUR 0.69 million) by a huge amount. While the operating cash flow in the narrower sense at EUR 4.07 million only rose slightly by EUR 0.59 million in comparison with the same figure for the previous year (EUR 3.48 million), the changes in net current assets increased the operating cash flow by EUR 1.24 million during the reporting period, after these changes had weighed on the cash flow (EUR 0.58 million) during the same period in the previous year. The balanced interest and income tax payments weighed on the operating cash flow (EUR 1.21 million) during the reporting period, while the encumbrance during the same period in the previous year still amounted to EUR 2.20 million.

The cash flow from investment activities weighed on the cash and cash equivalents to the tune of EUR 2.07 million (EUR 1.35 million during the previous year) during the reporting period. The increase is mainly due to the outgoing payments for own work capitalized, which had risen by EUR 0.51 million compared to the figure for the previous year. In return, the encumbrance on the cash flow from funding activities fell by exactly this amount because the dividend payment was EUR 0.77 million less than the figure in the previous year.

Overall, the cash and cash equivalents rose during the first nine months of the business year by EUR 0.58 million. The decrease in the previous year amounted to EUR 2.88 million.

Report on Key Events after the End of the First nine month in 2011

The following personnel changes took place on the Management Board at the end of the 3d quarter. Mr. Oliver Kantner took over as COO within the company on 1 November, the division that he had been managing on a temporary basis prior to this; he replaced Mr. Ronald Scholz, who left the company. Mr. Michael Jaszczyk took over as CTO on the Management Board from Mr. Stephan Kronmüller, who will remain closely associated with the company as an assistant member of the Management Board and as the head of GK Futurelabs.

The new GK/Retail Mobile POS product was successfully introduced by a customer on iPods with the productive launch of a proof of concept at Parfümerie Douglas.

Opportunities and Risks for GK SOFTWARE

No major changes to the risk situation at GK SOFTWARE, which could have a significant effect on the development of the company's business during the remaining months of the current business year, have taken place in the current course of business during fiscal 2011 when compared to the statements made in the group management report for fiscal 2010 and the interim report for the first half of 2011. Therefore, the description of the potential with regard to opportunities and risks in future developments at GK SOFTWARE made in the group management report on fiscal 2010 continue to be valid without any major changes.

Outlook

Despite the extraordinary developments in the global economy, the Management Board still believes that the Group's financial and revenue situation will develop in such a way that the Group's revenue situation will continue to improve during the current business year and in 2012 too as a result of further growth in sales and that no developments arising from the financial situation are expected, which could pose a threat to the company's existence.

We stand by the strategy of continuing the course of internationalization during fiscals 2011 and 2012 and achieving significant shares of sales with corporations, which have their management headquarters 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.

The Management Board therefore continues to stand by the forecast that it made in the group management report for fiscal 2010: If we follow the estimates on the development of the overall economy and the retail sector, it is probable that the company will be able to expand its sales on a double digit percentage basis. The Management Board therefore assumes that the significant degree of profitability that has been achieved in the past will be maintained.

If developments are particularly positive, the Management Board believes that the sales growth in the GK/Retail business could reach approx. 20 percent. We do not expect any growth in the SQRS business, but consistency or even a slight decline. This would result in overall sales of roughly EUR 30.5 to 31.5 million for fiscal 2011. This growth level should be achieved with the same profitability of previous years with an approximate operating profit margin of round about 18 to 20 percent in relation to sales.

Forecasts for fiscal 2012 are inevitably less certain. In our opinion, however, there are no reasons which make it likely that business developments will be any different from those of the previous years: we are therefore expecting further double digit growth for the GK/Retail business sector in 2012. However, we are expecting further declines in the SQRS business sector during 2012. In terms of profitability, we are expecting the current margin level to be maintained. Based on this development, we are not expecting any negative impact on the current excellent financial situation.

Consolidated Accounts

Consolidated Balance Sheet on 30 September 2011

Assets

EUR	30.9.2011 (not audited)	31.12.2010 (audited)
Non-Current Assets		
Property, Plant and Equipment	4,123,751.80	4,049,560.55
Intangible Assets	9,583,159.39	9,116,134.65
Financial Assets	300.00	300.00
Deferred Taxes	528,766.61	528,599.94
Total Non-Current Assets	**14,235,977.80**	**13,694,595.14**
Current Assets		
Trade Accounts Receivable	4,823,058.60	9,123,243.52
Accounts Receivable from Ongoing Work	2,948,246.06	4,986,663.20
Income Tax Assets	944,938.74	684,000.72
Other Accounts Receivable and Assets	2,821,371.97	2,874,184.58
Cash and Cash Equivalents	14,029,139.28	13,442,168.51
Total Current Assets	**25,566,754.65**	**31,110,260.53**
Balance Sheet Total	**39,802,732.45**	**44,804,855.67**

Liabilities

EUR	30.9.2011 (not audited)	31.12.2010 (audited)
Equity		
Subscribed Capital	1,790,000.00	1,790,000.00
Capital Reserves	14,100,951.73	13,947,106.73
Retained Earnings	31,095.02	31,095.02
Balance Sheet Profits	9,529,134.48	8,563,767.60
Total Equity	**25,451,181.23**	**24,331,969.35**
Non-Current Liabilities		
Provisions for Pensions and Similar Obligations	351,337.00	335,970.00
Non-Current Bank Liabilities	4,617,000.00	5,242,500.00
Deferred Public Sector Subsidies	1,008,243.30	1,053,528.25
Deferred Tax Assets and Liabilities	1,234,636.58	909,461.04
Total Non-Current Liabilities	**7,211,216.88**	**7,541,459.29**
Current Liabilities		
Current Provisions	619,767.36	585,223.65
Current Bank Liabilities	810,625.00	740,500.00
Trade Accounts Payable	251,453.65	476,271.33
Initial Payments Received	2,629,637.60	6,486,525.82
Income Tax Liabilities	441,488.10	528,211.87
Other Current Liabilities	2,387,362.64	4,114,694.36
Total Current Liabilities	**7,140,334.35**	**12,931,427.03**
Total Liabilities	**14,351,551.23**	**20,472,886.32**
Balance Sheet Total	**39,802,732.45**	**44,804,855.67**

Consolidated Income Statement on 30 September 2011

EUR	30.9.2011 (not audited)	30.9.2010 (not audited)	31.12.2010 (audited)
Ongoing Business Divisions			
Sales Revenues	20,255,713.52	17.078.089,68	27.689.567,41
Own Work Capitalized	1,206,377.92	460.346,11	648.834,32
Other Operating Revenues	742,962.70	716.569,71	1.368.069,07
	22,205,054.14	**18.255.005,50**	**29.706.470,80**
Materials Expenditure	−491,603.08	−842.806,93	−1.540.029,30
Human Resources Expenditure	−13,344,685.41	−10.191.933,81	−14.839.757,45
Depreciation and Amortization	−1,396,664.77	−1.135.457,29	−1.547.870,47
Other Operating Expenditure	−4,162,303.00	−3.766.946,58	−5.344.249,10
	−19,395,256.26	**−15.937.144,61**	**−23.271.906,32**
Operating Results	**2,809,797.88**	**2.317.860,89**	**6.434.564,48**
Financial Results	−55,821.73	−103.564,36	−127.804,74
Results before Income Taxes	**2,753,976.15**	**2.214.296,53**	**6.306.759,74**
Income Taxes	−893,609.27	−643.231,80	−1.835.700,67
Net Income for Period	**1,860,366.88**	**1.571.064,73**	**4.471.059,07**
Profits Carried Forward	**8,563,767.60**	**5.757.708,53**	**4.092.708,53**
Dividend Payments	−895,000.00	−1.665.000,00	−1.665.000,00
Consolidated Balance Sheet Profits	**9,529,134.48**	**5.663.773,26**	**8.563.767,60**
Number of Shares Issued (Average Figure)	1,790,000.00	1.665.000	1.790.000
Non-Diluted Earnings per Share (EUR/Share)	**1.04**	**0,94**	**2,68**

Consolidated Results Accounts on 30 September 2011

EUR	30.9.2011 (not audited)	30.9.2010 (not audited)	31.12.2010 (audited)
Consolidated annual net income	**1,860,366.88**	**1,571,064.73**	**4,471,059.07**
Equity procurement costs	–	–	−178,125.00
Tax effect of equity procurement costs	–	–	51,887.81
Other results	–	–	**−126,237.19**
Total results	**1,860,366.88**	**1,571,064.73**	**4,344,821.88**
Allocation of total results to the owners of the parent company	**1,860,366.88**	**1,571,064.73**	**4,344,821.88**

Development of Consolidated Equity Capital on 30 September 2011

EUR	Subscribed Capital	Capital Reserves	Retained Earnings	Balance Sheet Profits	Total
Figures on 1 January 2010	**1,665,000.00**	**7,845,779.92**	**31,095.02**	**5,757,708.53**	**15,299,583.47**
Dividend Payments	0.00	0.00	0.00	−1,665,000.00	−1,665,000.00
Quarterly Net Income	0.00	0.00	0.00	1,571,064.73	1,571,064.73
Figures on 31 March 2010	**1,665,000.00**	**7,845,779.92**	**31,095.02**	**5,663,773.26**	**15,205,648.20**
Net Income from 1 April until 31 December 2010	0.00	0.00	0.00	3,739,035.30	3,739,035.30
Capital Increase	125,000.00	6,125,000.00	0.00	0.00	6,250,000.00
Stock Option Program	0.00	102,564.00	0.00	0.00	102,564.00
Offsetting Equity Procurement Costs with the Capital Reserve Less Tax Effect	0.00	−126,237.19	0.00	0.00	−126,237.19
Figures on 31 December 2010	**1,790,000.00**	**13,947,106.73**	**31,095.02**	**8,563,767.60**	**24,331,969.35**
Stock Option Program	0.00	153,845.00	0.00	0.00	153,845.00
Dividend Payments	0.00	0.00	0.00	−895,000.00	−895,000.00
Quarterly Net Income	0.00	0.00	0.00	1,860,366.88	1,860,366.88
Figures on 30 September 2011	**1,790,000.00**	**14,100,951.73**	**31,095.02**	**9,529,134.48**	**25,451,181.23**

Consolidated Cash Flow Statement on 30 September 2011

Cash Flows from Operating Business

EUR K	30.9.2011 (not audited)	31.12.2010 (audited)
Cash Flows from Operating Business		
Consolidated Results for the Period	1,860	4,471
Income Taxes Affecting Results	894	1,836
Stock Option Program (non-cash expenses)	154	102
Correction in Tax Expenditure	0	52
Interest Income/Expenditure Affecting Results	56	128
Profit/Loss from the Sale or Disposal of Property, Plant and Equipment	−3	5
Reversals of Deferred Public Sector Subsidies	−48	−65
Write-Downs Recognized for Receivables	2	200
Write-Ups Recognized for Receivables	−239	−286
Amortization/Depreciation	1,397	1,548
	4,073	**7,991**
Changes in Net Current Assets		
Changes in Trade Accounts Receivable and Other Receivables	6,925	−8,457
Changes in Trade Accounts Payable and Other Liabilities	−1,873	1,007
Changes in Initial Payments Received	−3,857	4,248
Changes in Provisions Affecting Results	50	−104
Influx of Cash from Operating Business	**5,318**	**4,685**
Interest Payments Received	67	41
Interest Paid	−202	−298
Income Taxes Paid	−1,077	−2,760
Net Cash Flow Provided by Operating Business	**4,106**	**1,668**
Cash Flows from Investment Activities		
Payments for Property, Plant and Equipment and Non-Current Assets	−1,938	−2,980
Proceeds from disposals of fixed assets	3	4
Investment Subsidies Used	44	411
Disbursed Loans	−181	−144
Net Outflow of Cash and Cash Equivalents from Investment Activities (Transfer)	**−2,072**	**−2,709**

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

EUR K	30.9.2011 (not audited)	31.12.2010 (audited)
Transfer (Net Outflow of Cash and Cash Equivalents from Investment Activities)	**–2,072**	**–2,709**
Cash Flows from Financing Activities		
Dividend Payments	–895	–1,665
Incoming Payments from Allocations of Equity Capital	0	6,250
Repayment Installments for Loans	–555	–741
Net Income in Cash and Cash Equivalents from Financing Activities	**–1,450**	**3,844**
Net Income in Cash and Cash Equivalents	**584**	**2,803**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	13,442	10,637
Impact of Changes in Exchanges Rates on Cash and Cash Equivalents	3	2
Cash and Cash Equivalents on the Reporting Date	**14,029**	**13,442**

EUR 19K were pledged as security as part of a leasing contract for business accommodation for the Berlin branch of GK SOFTWARE AG.

Notes on the Consolidated Accounts on 30 September 2011

Principles of Reporting

1. General Information

The brief interim consolidated accounts for GK SOFTWARE AG have been prepared in line with the International Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that applied on the accounts reporting date. Any standards or interpretations, which have been published, but are not yet in force, have not been used for these interim consolidated accounts. The company managers assume that the effects on the annual accounts during the year that they first apply will not be major. The International Accounting Standards Board (IASB) did not publish any new accounting standards, which need to be applied for the first time in the current fiscal year.

The consolidation, balance sheet and assessment methods used in these brief interim consolidated accounts are based on the same consolidation, balance sheet and assessment methods, which were also used in the consolidated accounts in fiscal 2010, unless any different procedure is mentioned here.

2. Consolidated Companies

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

In addition to the parent company, SQ IT-Services GmbH and 1 Waldstraße GmbH, the companies within the consolidated Group comprise four foreign firms (EUROSOFTWARE s.r.o., Plzen/Czech Republic, StoreWeaver GmbH, Riehen/Switzerland, GK Soft GmbH, Zurich/Switzerland and GK SOFTWARE RUS GmbH, Moscow/Russia). StoreWeaver GmbH, Riehen/Switzerland, and GK Soft GmbH, Zurich/Switzerland, were both set up in 2008. SQ IT-Services GmbH, Schöneck, which was set up to coincide with the acquisition of the operating business of Solquest GmbH, and 1. Waldstraße GmbH, Schöneck, which was set up to prepare for the intake of new business activities, were first included in the list of companies within the consolidated Group in 2009. GK SOFTWARE RUS GmbH, which was set up to handle the business activities carried out in the Russian Federation, was founded in 2011. All the companies within the consolidated Group are the exclusive property of GK SOFTWARE AG.

3. Sales Revenue

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

During the reporting period, sales amounting to EUR 978 K (assets side balance sheet entry) were realized with regard to revenues, which are entered according to IAS 18.20 in conjunction with IAS 11 (customized software). The entry was made according to the degree of completion and the volume of the order. The degree of completion is made according to the principles shown in the 2010 consolidated accounts. Costs amounting to EUR 284 K (profits: EUR 694 K) have been incurred so far for these revenues. Advanced payments amounting to EUR 158 K for these orders have been made so far. The company has also realized revenues amounting to EUR 1,970 K, which have been entered in the accounts according to IAS 18.27.

Overall, all the customer orders received have an asset-sides balance sheet entry and are shown as an amount under the item entitled "Trade accounts receivable from ongoing work."

We would refer you to the section entitled "Segment reporting" for the make-up of the total sales according to the major categories.

Warranty provisions amounting to EUR 372 K exist for this work.

4. Earnings per Share

Earnings per share are calculated as the earning from the group's reporting period's net income divided by the weighted average number of shares in circulation. The number of shares in circulation was on average 1,790,000 in the reporting period 1,665,000 on 30 September 2010). The group's net income in the reporting period amounted to EUR 1,860 K. According to this, the earnings per share are EUR 1.04 (EUR 0.94 in the third quarter of 2010). The results of the third quarter in 2011 have been diluted to EUR 1.04 per share as a result of the share option program and therefore reflect the undiluted earnings per share. There were no outstanding shares on 30 September 2011.

5. Segment Reporting

The structure of the segment reporting has not changed since the consolidated annual accounts were published. The group continues to offer its GK/Retail and SQRS products and services associated with them. The structure of the sales can be subdivided in both business areas according to the sale of licenses, maintenance and introductory and adaptation services. Hardware for store IT operations continues to be sold on a small scale – this hardware is manufactured by third parties.

The following summary represents the subdivision of sales according to products and business departments:

The company is continuing to stand by its decision to no longer sell any SQRS software solutions in the future in order to keep the Group product portfolio streamlined.

Services provided between the various segments are charged by invoices based on services agreements, which are directed by the normal revenues for the segments in outside markets. Administrative services are charged on the basis of general services agreements. The amount charged corresponds to the basic costs of providing the administrative services derived from an estimate of the time involved in line with experience in the past.

Sales with customers, which have their business management centers outside Germany, amounted to EUR 2,524 K. The proportion of sales from the SQRS business sector amounted to EUR 214 K here. In addition, the company registered sales with customers, which have their business management centers within Germany, but asked the company to render accounts directly with the relevant national companies that received the services. These sales amounted to EUR 323K, but are classified as domestic sales because of the basis of the agreement and are fully allocated to the GK/Retail business sector.

	GK/Retail			SQRS			Eliminations			Group		
K EUR	9M 2011	9M 2010	FY 2010	9M 2011	9M 2010	FY 2010	9M 2011	9M 2010	FY 2010	9M 2011	9M 2010	FY 2010
Sales with third parties	**18,570**	**14,472**	**24,380**	**1,686**	**6,606**	**3,310**	**–**	**–**	**–**	**20,256**	**17,078**	**27,690**
Licenses	1,751	2,794	7,981	–	281	296	–	–	–	1,751	3,075	8,277
Servicing work	4,744	3,612	5,461	1,163	1,164	1,490	–	–	–	5,907	4,776	6,951
Services	11,921	7,493	10,335	505	1,080	1,417	–	–	–	12,426	8,573	11,752
Other matters	172	588	631	18	81	119	–	–	–	190	669	750
Revenue reductions	−18	−15	−28	–	–	−12	–	–	–	−18	−15	−40
Sales with the other segment	**1,531**	**1,224**	**1,615**	**–**	**6**	**–**	**−1,531**	**−1,230**	**−1,615**	**–**	**–**	**–**
EBIT segment	**2,974**	**1,399**	**5,379**	**−165**	**919**	**1,056**	**–**	**–**	**–**	**2,809**	**2,318**	**6,435**
Assets	**39,546**	**30,838**	**44,309**	**2,384**	**3,897**	**2,861**	**−2,127**	**−1,581**	**−2,365**	**39,802**	**33,154**	**44,805**
Cash and cash equivalents	**12,947**	**6,479**	**11,802**	**1,083**	**1,283**	**1,640**	**–**	**–**	**–**	**14,030**	**7,762**	**13,442**

Sales with customers, which captured more than 10 percent in proportion to the total figure, amounted to approx. EUR 4,474 K or 22.1 percent of the total sales. These sales related to the GK/Retail segment.

6. Major events

There are no major events to report after 30 September 2011.

7. Approval of the brief interim accounts

The brief interim accounts were approved by the company managers at a meeting held on 24 November 2011 and were released for publication.

Schöneck, November 2011

Der Vorstand

Rainer Gläß
(CEO)

André Hergert
(CFO)

Michael Jaszczyk
(CTO)

Oliver Kantner
(COO)

Imprint/Information

Imprint

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Notes

Note to the Report

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

Note regarding the rounding of figures

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

Disclaimer

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

Financial Calendar

2011 Annual Report	25 April 2012
Q1 Interim Report for 2012	24 May 2012
Annual Shareholders' Meeting in 2012	28 June 2012
H1 Interim Report for 2012	29 August 2012
9M Interim Report for 2012	28 November 2012

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