

## Report by the Supervisory Board

Dear  
shareholders,

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The report by the Supervisory Board for the 2017 financial year at GK Software SE, which I am able to present to you here, once again relates to a successful year, even if we had to record a decline in profits, despite significant developments in turnover once again. The reason for this was largely to be found in the fact that one significant project materialised as a subscription agreement, where the appropriate payments will be distributed over a period of several years. However, overall, we are back on the road to achieving the good results that we were able to record in the highly successful years following our listing on the stock exchange. But we are fully aware that the interim difficult phase has not yet been completely overcome. We have learned that success is not automatic and therefore huge efforts are required to fully return to the pathway of success. Following the excellent intermediate results during the course of 2017, we continue to be convinced that the turnaround that is being sought has actually materialised and we hope that our expectations in terms of results will soon be fulfilled.



### Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board consists of three members. During the 2017 financial year, they were:

- Uwe Ludwig (Chairman)
- Thomas Bleier (Deputy Chairman) and
- Herbert Zinn.

The complete Supervisory Board will need to be re-elected at the annual shareholders' meeting in 2018 because of the change to a Societas Europaea (SE). In line with this stipulation, all the members of the Supervisory Board are only appointed until the end of the annual shareholders' meeting in 2018.

## Meetings

The Supervisory Board met for ordinary sessions on 27 February, 24 April, 28 August and 4 December 2017. Four meetings of the Supervisory Board were held as telephone conferences during 2017, when major decisions were about to be taken. They took place on 17 January, 19 April, 27 April and 18 October. The supervisory body also held separate preliminary meetings before each meeting of the Supervisory Board for the purposes of coordinating matters internally.

All the members of the committee were present for all the ordinary meetings and conferences. It is customary practice at GK Software that the representatives of the Management Board are always involved in the meetings. Beyond these meetings, the members of the Supervisory Board were also regularly in contact with each other - and the Chairman of the Supervisory Board was particularly in contact with the Management Board and the members of the Group Management Board too. Decisions were made during meetings or by a circulation procedure. During its meetings, the Supervisory Board was briefed in detail about the company's economic and financial situation and the fundamental corporate policy by means of verbal and written reports from the Management Board. In addition to this, the Management Board reported on the course of business by providing interim reports at regular intervals and promptly forwarded the minutes of the Group Management Board meetings.

## Functions of the Supervisory Board

During the 2017 financial year, the Supervisory Board fulfilled the tasks incumbent upon it according to the law, the articles of association, the recommendations of the government's "German Corporate Governance Code" commission and the Supervisory Board's latest rules of procedure and it continually monitored the company's managers.

Following the personnel changes on the Management Board and the further management level during the two previous years, it was primarily necessary to continue to closely support the restructuring process that had been completed. Above all, the new process conditions on the Group Management Board had to be consolidated in order to be able to fully achieve the associated goals for the Company. It continued to be necessary for Mr Jaszczyk to not only press ahead with the development of the North American business, but also play an important role for the corporate group in developing our products as CTO in 2017.

The ongoing development and adaptation of the risk management systems has been a matter that has been urgently pursued by the Supervisory Board for years. As a result, the Supervisory Board called for reports on the progress of the implementation of the security concept, which is being continually expanded, and on the ongoing establishment of formalised administrative processes, revised procedures in the controlling department and the work of the data protection officer. The Supervisory Board welcomed the progress achieved and the further fundamental improvement of the planning processes, which has since become an integral part of annual planning procedures.

The Supervisory Board also fully focused on the appropriateness of the remuneration for members of the Management Board as part of the necessary changes to the

existing contracts of employment and pensions agreements. As in previous years, our attention was focused on the relationship between the remuneration payments and the Company's economic situation and on the conditions prevalent at other companies, the soundness of the overall structure of remuneration within GK Software and the composition of fixed and variable salary elements. After it had been established that there were significant deviations from the economic targets set for the 2017 financial year, the Supervisory Board markedly reduced the variable salary components for the Management Board and Group Management Board members in two cases and otherwise recognised the originally agreed amounts in terms of providing additional motivation.

In order to monitor the management team, the Supervisory Board was guided by the annual budget passed for 2017 and called for reports from the Management Board particularly regarding the ongoing business policy and corporate planning, profitability, the course of business and important individual measures adopted by the Company. The Supervisory Board also received a number of additional reports on the development of business throughout the whole financial year. This was particularly the case towards the end of the year when the expected and sought business results did not materialise as signalled, despite the positive developments in the course of business. The Management Board supplied the Supervisory Board with information throughout the year, both during and outside meetings, and the Supervisory Board discussed these reports and checked them with a critical eye.

### 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 therefore in the best interests of shareholders and equity markets. The Management Board and Supervisory Board issued their annual declaration of compliance according to Section 161 of the German Companies Act in April 2018. The wording of this is printed in this business report as part of the Corporate Governance Report. The Management Board and the Supervisory Board have pledged to follow the recommendations of the German Corporate Governance Code as far as possible. A decision was made on the legal stipulation to have equal representation of women and men in management positions on 31 August 2015 and this continues to apply. No conflicts arose in terms of conflicts of interest in the members of the Supervisory Board in 2017.

### Sustainability reporting

In line with the statutory provisions, an independent sustainability report is being published by GK Software SE for the first time together with this report. The Supervisory Board received explanations about the principles of reporting and the content of the sustainability report from the Management Board at the same time as the annual accounts and consolidated accounts in line with this stipulation.

## 2017 audit of annual accounts

The GK Software SE annual accounts compiled by the Management Board in line with the guidelines set by the German Commercial Code and the IFRS consolidated accounts and the respective management report were audited by the auditing company, PriceWaterhouseCoopers GmbH, Erfurt and were given an unqualified audit certificate. Taking into account these audit reports, the Supervisory Board examined the annual accounts compiled by the Management Board, the consolidated accounts, the dependency report, the management report for GK Software SE and for the Group and the suggestion for using the profits from the Management Board for 2017. During its meeting on 24 April 2018, the Supervisory Board asked the Management Board to explain the 2017 annual and consolidated accounts with their not completely positive figures and report on profitability, the Company's equity, the interim course of business and the Company's ongoing situation. All the Supervisory Board members received the necessary paperwork and documents prior to this meeting.

During the meeting, the auditors commented on the Management Board's presentation, explained the audit findings using the audit reports and answered all the questions on these reports. The auditors were able to satisfactorily answer all the issues that were raised during the meeting. There are no doubts about the auditors' independence. The Supervisory Board therefore approved the annual accounts for GK Software SE at its meeting on 24 April 2018 and endorsed the consolidated accounts for GK Software. The annual accounts have therefore been approved.

The Management Board also prepared a report on relations with associated firms in line with Section 312 of the German Companies Act. The auditors checked this and provided a verbal report on the results of their audit during the meeting on 24 April 2018. The review by the Supervisory Board did not give rise to any reasons for objections to be raised. Accordingly, it did not have any objections to the final declaration by the Management Board in its report according to Section 312 of the German Companies Act either and expressed its agreement by voting in favour during its meeting on 26 April 2018.

The Supervisory Board would like to thank the Management Board, the Group Management Board, the complete management team and all the employees for the work that they performed in 2017. It joins with them in recording its delight that a return to a successful pathway has been achieved in the Company's results following the huge efforts made during the last few years; this then opens up the opportunity to achieve improved results in future. Its wish for all of them is that it will be possible to provide confirmation of their hard and successful work in the long term by the further improvements that are being sought.

Schöneck, 26 April 2018



Uwe Ludwig  
Chairman of the Supervisory Board