



**Annual financial statements and  
Management report as at  
31 December 2023**

**Auditors' report**

**GESCO SE**

**Wuppertal**

**GESCO SE, Wuppertal**  
**Balance sheet as at 31 December 2023**  
**(previous year for comparison)**

**Assets**

**Equity and Liabilities**

	Appendix	12/31/2023 €	Previous year T€		Appen	12/31/2023 €	Previous year T€
<b>A. Non current assets</b>			-	<b>Equity capital</b>			
I. Intangible assets				I. Subscribed capital	(5)	10,839,499.00	10,839
IT software		<u>33,026.50</u>	<u>67</u>	Own shares		<u>-11,330.00</u>	<u>0</u>
II. Tangible assets				Issued capital		10,828,169.00	10,839
Other equipment, operating and office equipment		<u>44,241.62</u>	<u>70</u>	II. Capital reserve	(6)	<u>73,556,905.46</u>	<u>73,557</u>
III. Financial assets				III. Retained earnings	(6)		
1. Shares in affiliated companies	(1)	165,318,008.52	163,674	1. Legal reserve		58,717.27	59
2. Shareholdings		5,000.00	5	2. Other retained earnings		<u>143,913,257.94</u>	<u>141,483</u>
3. Other loans	(2)	<u>9,746,134.62</u>	<u>9,371</u>	IV. Balance sheet profit		<u>7,826,599.59</u>	<u>13,485</u>
		<u>175,069,143.14</u>	<u>173,050</u>			<u>236,183,649.26</u>	<u>239,423</u>
		<u>175,146,411.26</u>	<u>173,187</u>	<b>B. Provisions</b>			
<b>B. Current assets</b>				I. Provisions for pensions and similar obligations	(7)	1,660,786.00	2,736
1. Trade Receivables		0.00	415	II. Tax provisions		2,411,524.54	604
2. Receivables from affiliated companies	(3)	67,247,780.08	67,551	III. Other provisions	(8)	<u>3,349,151.84</u>	<u>3,440</u>
of which with a remaining term of more than one year: 16.197.011,05 € (19.490 T€)						<u>7,421,462.38</u>	<u>6,780</u>
3. Other assets	(4)	5,268,185.98	3,383	<b>C. Liabilities</b>	(9)		
of which with a remaining term of more than one year: 0,00 € (0 T€)				I. Liabilities to banks		5,542,660.00	8,203
		<u>72,515,966.06</u>	<u>71,350</u>	II. Liabilities from deliveries and services		550,074.20	241
II. Cash on hand, bank balances		<u>2,948,937.19</u>	<u>10,620</u>	III. Liabilities to affiliated companies		534,127.40	535
		<u>75,464,903.25</u>	<u>81,970</u>	IV. Other liabilities		525,179.06	125
		<u>145,837.79</u>	<u>150</u>	thereof from taxes: 75,330.70 € (86 T€)			
<b>C. Prepaid expenses and deferred charges</b>				of which within the framework of social security: 4.574,15 € (8 T€)		<u>7,152,040.66</u>	<u>9,105</u>
		<u>250,757,152.30</u>	<u>255,307</u>			<u>250,757,152.30</u>	<u>255,307</u>

GESCO SE, Wuppertal

Profit and loss account

for the financial year from 1 January to 31 December 2023

(previous year for comparison)

		2023	Previous year
	Appendix	€	T€
		-	-
1. Sales revenue	(11)	2,123,567.39	1,747
2. Other operating income	(12)	280,610.24	498
3. Personnel expenses			
a) Wages and salaries		-4.025.154,12	-4,540
b) Social security contributions and expenses for Pension scheme and for support of which income (previous year: expenses) for pension schemes:		673.074,93	-577
		958,459.92 € (170 T€)	
		-3,352,079.19	-5,117
4. Amortisation of intangible assets of fixed assets and property, plant and equipment		-65,609.18	-97
5. Other operating expenses	(13)	-10,566,710.14	-5,490
		-11,580,220.88	-8,459
6. Income from investments		11,000,406.76	17,183
all from affiliated companies: 10,850,406.76 € (17,183 T€)			
7. Income from profit transfer agreements	(14)	16,560,239.96	20,418
8. Income from other securities and Loans of financial assets		374,851.33	375
9. Other interest and similar income		490,498.00	249
of which from affiliated companies: 418,700.30 € (247 T€)			
10. Depreciation and amortisation of financial assets	(15)	-6,699,148.09	0
11. Interest and similar expenses		-113,776.18	-212
of which from affiliated companies: 4,514.29 € (4 T€) of which expenses from compounding: 34,029.00 € (57 T€)			
12. Taxes on income and earnings		-2,204,080.31	-2,582
13. Earnings after taxes		7,828,770.59	26,973
14. Other taxes		-2,171.00	-3
15. Earnings for the year		7,826,599.59	26,970
16. Transfer to revenue reserves		0.00	13,485
17. Retained earnings		7,826,599.59	13,485

**GESCO SE, Wuppertal**  
**Annual financial statements as at 31 December 2023**

**Appendix**

**1. General information**

GESCO SE has its registered office in Wuppertal. It is entered in the commercial register of the Wuppertal district court under HRB 33375.

In October 2021, the former GESCO AG acquired 100 % of the shares in the inactive wkk Beteiligungs AG, based in Vienna, Austria. The Annual General Meeting of GESCO AG in August 2022 approved the transformation of GESCO AG into a European Company. The conversion was carried out by merging wkk Beteiligungs AG with GESCO AG and changing its legal form to that of an SE (Societas Europaea). The change in legal form was published in the commercial register on 4 January 2023.

These annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) for large corporations and the supplementary provisions of the SEAG and the German Stock Corporation Act (AktG) under the going concern assumption.

The financial year is the calendar year.

The annual financial statements have been prepared taking into account the partial appropriation of profits.

The nature of expense method was used for the income statement. For reasons of clarity, some of the thereof disclosures required for the balance sheet and income statement have been made in the notes.

As the parent Company, GESCO SE prepares the consolidated financial statements for the smallest and largest group of companies. The consolidated financial statements of GESCO SE as at 31 December 2023 are submitted electronically to the Company register in accordance with Section 325 HGB. As in the previous year, the management report of GESCO SE was combined with the management report of GESCO Group in accordance with Section 298 para. 2 HGB.

**2. Accounting and valuation methods**

The following accounting and valuation methods were used to prepare the annual financial statements.

Fixed assets are recognised at cost. Purchased intangible assets and movable tangible fixed assets are amortised on a straight-line basis over their normal useful life. Low-value assets whose acquisition costs do not exceed € 800 are fully depreciated in the year of acquisition; their immediate disposal is assumed in the statement of changes in fixed assets. Impairment losses are recognised where necessary.

	<b>years</b>
Computer software	3 - 7
Other equipment, operating and Office equipment	3 - 10

Financial assets are recognised at cost, taking into account impairment losses to adjust them to a lower carrying amount in the event of an expected permanent impairment. If impairments were recognised in previous years and the reasons for the impairment no longer apply in full or in part in the meantime, the impairment loss is reversed up to a maximum of the historical cost.

Receivables, other assets and prepaid expenses are recognised at the lower of nominal value or fair value.

Cash on hand and bank balances are recognised at nominal value.

Equity items are recognised at their nominal amount.

The provisions for pensions and similar obligations as well as the purchase price annuity obligation are recognised at the settlement amount in accordance with actuarial principles. The valuation was carried out using the projected unit credit method (PUC method). The calculation is based on the Prof. Dr K. Heubeck 2018 G mortality tables. The interest rate was recognised on the basis of an assumed remaining term of 15 years in accordance with Section 253 (2) sentences 1 and 2 HGB.

Other provisions take into account all recognisable risks and contingent liabilities. They are measured at the settlement amount required to cover future payment obligations according to prudent business judgement.

Provisions with a remaining term of more than one year are discounted at the average market interest rate corresponding to their remaining term in accordance with Section 253 (2) HGB.

Liabilities are recognised at their settlement amount.

### **3. Balance sheet disclosures**

The breakdown and changes in fixed assets are attached to these notes.

#### **Shares in affiliated companies (1)**

In May 2023, GESCO SE acquired the 5 % share in Dörrenberg Edelstahl GmbH held by the former managing partner Mr Gerd Böhner. GESCO SE now holds 100 % of the shares in the Company.

The list of shareholdings in accordance with 285 sentence 1 no. 11 HGB is attached to these notes.

#### **Other loans (2)**

Loans with a term of more than one year are recognised as other loans. This relates to a vendor loan in the amount of € 9 million with a latest maturity date of 21 December 2025 plus capitalised interest.

#### **Receivables from affiliated companies (3)**

This item includes pro rata profit distributions not yet paid out and receivables from profit transfers and loans.

#### **Other assets (4)**

Claims from allowable taxes and tax prepayments are recognised as other assets.

## Subscribed capital (5)

The Company's subscribed capital amounts to € 10,839,499.00, divided into 10,839,499 no-par value registered shares with a notional interest in the capital of € 1.00 each.

The Annual General Meeting on 18 June 2020 authorised the Company, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions until 17 June 2023 by up to a total of € 1,083,949.00 against cash and/or non-cash contributions by issuing up to 1,083,949 new no-par value registered shares (Authorised Capital 2020). Subscription rights could be excluded in certain cases. No use was made of this authorisation in the reporting period.

The Annual General Meeting on 18 June 2020 authorised the Company to acquire treasury shares up to ten percent of the share capital until 17 June 2025, taking into account treasury shares already held by the Company. Treasury shares were only acquired as part of an employee share ownership programme and some were sold to employees. GESCO Group employees are offered a limited number of discounted GESCO shares as part of the employee share ownership programme, which usually takes place annually. As at the reporting date, GESCO SE held 11,330 treasury shares.

The Executive Board is also authorised, with the approval of the Supervisory Board, to sell the acquired shares under certain conditions in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring a Company or participating interest or to withdraw them in whole or in part. The Executive Board has not yet made use of this authorisation, with the exception of the sale of shares for the purposes of the employee share ownership programme.

## Capital reserves / retained earnings (6)

The reserves developed as follows:

T€	Capital reserve	Legal reserve	Other reserves Retained earnings
<b>Status 12/31/2022</b>	73,557	59	141,483
Purchase/sale of treasury shares	0	0	-215
Feed	0	0	2,645
<b>Status 12/31/2023</b>	<b>73,557</b>	<b>59</b>	<b>143,913</b>

In the reporting year, a dividend of € 1.00 per share was distributed on the share capital entitled to dividends at the time the resolution was passed (10,839,499 shares).

## Provisions for pensions and similar obligations (7)

T€	01/01/2023 - 12/31/2023	01/01/2022 - 12/31/2022
<b>Status 01/01</b>	2,736	2,595
Interest expense	33	49
Change	-1,108	92
<b>Status at the end of the financial year</b>	<b>1,661</b>	<b>2,736</b>

%	01/01/2023- 12/31/2023	01/01/2022 -12/31/2022
Interest rate*	1,83	1,79
Pension dynamics	2,00	2,00

\*The interest rate used differs by 0.01% from the interest rate of 1.82% published by Deutsche Bundesbank as at 31 December 2023. The difference in accordance with Section 253 (6) HGB amounts to € 14 thousand (previous year: € 124 thousand).

The provision relates to pension obligations to two (previous year: three) former members of the Executive Board.

### Other provisions (8)

T€	01/01/2023 - 12/31/2023	01/01/2022 - 12/31/2022
Personnel provision	980	1.300
Purchase price annuity obligation	554	535
Supervisory Board remuneration	124	444
Other provisions	1.691	1.161
<b>Status at the end of the financial year</b>	<b>3.349</b>	<b>3.439</b>

The personnel provisions include obligations from performance-related short-term and multi-year share-based payment components, holiday pay and contributions to employers' liability insurance associations. The purchase price pension obligation was calculated according to actuarial principles on the basis of an interest rate of 1.75% (previous year: 1.45%). Other provisions mainly include expenses for acquisition costs, any non-deductible input tax and outstanding invoices.

As a remuneration component with a long-term incentive effect, GESCO SE offered the Executive Board and a small group of senior employees of GESCO SE the opportunity to participate in a share option programme until 2021 as part of the previous remuneration system.

The non-cash expense from this programme is calculated using a standard binomial model, recognised in profit or loss on a pro rata basis and reported under other provisions. The total expense for the ninth to fifteenth instalments amounted to € 0 thousand in the reporting year (previous year: € 15 thousand).

The fair value per option on the balance sheet date may differ from the fair value at the time the option was granted. The fair value adjustment and the expiry of some entitlements led to a reversal of the provision (€ 28 thousand) this year. The provision as at the balance sheet date amounts to € 0 thousand.

## Liabilities (9)

T€	12/31/2023 (12/31/2022)	Remaining term up to 1 Year	Remaining term 1 to 5 years	Remaining term > 5 years
Liabilities to via credit institutions	5,543 (8,203)	2,114 (2,660)	3,428 (5,543)	0 0
Liabilities from Deliveries and services	550 (241)	550 (241)	0 (0)	0 (0)
Liabilities towards via connected sub take	534 (535)	534 (535)	0 (0)	0 (0)
Other liabilities	525 (125)	525 (125)	0 (0)	0 (0)
	<b>7,152</b> <b>(9,104)</b>	<b>3,724</b> <b>(3,561)</b>	<b>3,428</b> <b>(5,543)</b>	<b>0</b> <b>(0)</b>

Liabilities to banks totalling T€ 5,143 are secured by pledging investments.

The liabilities to affiliated companies relate to other liabilities of two companies in liquidation that arose from reorganisation under Company law

### Deferred taxes (10)

Deferred taxes were calculated on financial assets, pension provisions and other provisions due to differences in valuation between commercial law and tax law. In addition, deferred taxes were calculated on the existing trade loss carryforward. The valuation differences in financial assets led in part to deferred tax assets and in part to deferred tax liabilities. The valuation differences in pension provisions and other provisions lead to deferred tax assets, as do the trade tax loss carryforwards.

Deferred taxes are calculated on the basis of a current tax rate of approximately 31%. This tax rate includes corporation tax and solidarity surcharge as well as trade tax.

The calculation of deferred taxes from different investment valuations for partnerships was based solely on the tax rate for corporation tax and the solidarity surcharge (approx. 16%).

In the 2022 financial year, the overall view of deferred taxes resulted in an asset surplus. The capitalisation option was not exercised. For the 2023 financial year, the calculation of deferred taxes will again result in a surplus of assets (T€ 4,386). The capitalisation option is not exercised.

### Contingent liabilities and other financial obligations

GESCO SE has entered into an agreement with a former Executive Board member under which GESCO SE indemnifies this former Executive Board member up to an amount of € 20 million against liability claims arising from certain breaches of duty plus any legal fees arising from or in connection with his activities as managing director of a former subsidiary. This indemnification is subordinate to the insurance cover provided by a D&O insurance policy. As at the balance sheet date, no claims are



currently expected to be asserted due to a lack of recognisable breaches of duty or claims asserted by the Company or third parties.

GESCO SE has undertaken to comply with covenants as part of financing agreements with affiliated companies. Due to the subsidiaries' compliance with the covenants, the Company is not expected to be utilised as at the reporting date.

GESCO SE has also issued a letter of comfort to its subsidiary AstroPlast Kunststofftechnik GmbH & Co. KG. This letter of comfort stipulates that GESCO SE will provide AstroPlast Kunststofftechnik GmbH & Co. KG with sufficient liquidity so that it can fulfil its current and future obligations arising from current business activities. The aforementioned obligation is limited to € 1.1 million and expires on 30 June 2025.

There are also profit and loss transfer agreements with three subsidiaries, which also include obligations to offset losses.

Financial obligations from leases amounted to T€ 168 as at 31 December 2023, of which T€ 77 was for up to one year and T€ 91 for more than one year.

#### **4. Information on the income statement**

##### **Sales revenue (11)**

Sales revenues include recharges to direct subsidiaries.

##### **Other operating income (12)**

Of the other operating income, T€ 157 (previous year: T€ 374) is attributable to income unrelated to the accounting period.

##### **Other operating expenses (13)**

Other operating expenses include legal and consulting costs, expenses for investor relations, insurance, recruitment, the employee share ownership programme and the costs of preparing and auditing the financial statements. In addition, other operating expenses include write-downs on receivables from affiliated companies totalling T€ 4,519.

##### **Income from profit transfers (14)**

As at the balance sheet date, profit and loss transfer agreements were in place with a total of three subsidiaries:

- Setter Holding GmbH
- INEX - solutions GmbH
- MAE Maschinen- und Apparatebau Götzen GmbH

##### **Depreciation and amortisation of financial assets (15)**

All write-downs are unscheduled and relate to the write-down of the shares in AstroPlast Kunststofftechnik GmbH & Co. KG (T€ 5,515) and the write-down of the shares in Franz Funke Zerspanungstechnik GmbH & Co. KG (T€ 1,184).

## **5. Events after the balance sheet date**

No events of particular significance occurred after the end of the financial year.

## **6. Other information**

### **Corporate Governance**

The Executive Board and Supervisory Board of GESCO SE generally comply with the German Corporate Governance Code and have made the current declaration of compliance and the historical declarations of compliance available to shareholders and interested parties on the GESCO SE website. The members of the Executive Board hold a total of 0.05 % and the members of the Supervisory Board a total of 14.2 % of the Company's shares.

### **Information on notifications pursuant to Sections 33 et seq. WpHG**

Mr Stefan Heimöller, Germany, informed us on 11 January 2011 in accordance with Section 21 para. 1 WpHG (now Section 33 para. 1 WpHG) that his share of voting rights in GESCO SE exceeded the threshold of 10 % on 10 January 2011 and amounted to 10.01 % (corresponding to 302,648 voting rights) on 10 January 2011. This number of voting rights relates to the number of shares prior to the 1:3 share split in December 2016.

Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte informed us on 8 October 2020 in accordance with Section 33 para. 1 WpHG that its share of voting rights in GESCO SE exceeded the threshold of 3 % on 6 October 2020 and amounted to 3.34 % (corresponding to 361,500 voting rights) on that day.

Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, informed us on 23 December 2020 in accordance with Section 33 para. 1 WpHG that its share of voting rights in GESCO SE exceeded the threshold of 15 % on 22 December 2020 and amounted to 15.05 % (corresponding to 1,631,009 voting rights) on that day.

Mr Norman Rentrop, Germany, informed us on 23 December 2020 in accordance with Section 33 para. 1 WpHG that his share of voting rights in GESCO SE exceeded the threshold of 15 % on 22 December 2020 and amounted to 15.05 % (corresponding to 1,631,009 voting rights) on that day. Of these voting rights, 15.05% (corresponding to 1,631,009 voting rights) are attributable to him via Investmentaktiengesellschaft für langfristige Investoren TGV in accordance with Section 34 WpHG.

### **Employees**

The average number of employees in the financial year was 16 (previous year: 20).

### **Auditor**

With regard to the total fee charged by the auditor for the financial year, please refer to the corresponding disclosures in the consolidated financial statements. The exemption pursuant to Section 285 No. 17 HGB is utilised in this respect. Only audit services were provided for GESCO SE and the companies it controls.

## **Organs**

### Management Board

Ralph Rumberg, Witten

CEO / Spokesman of the Executive Board

Andrea Holzbaur, Düsseldorf

CFO

The Executive Board received remuneration totalling T€ 1,313 (previous year: T€ 1,387) for the 2023 financial year. This includes a multi-year share-based remuneration component in the form of a virtual share programme with an expected 12,420 shares and a fair value of T€ 211, which will be approved by the Supervisory Board when the consolidated financial statements are adopted. The remuneration system and the remuneration for the Management Board are explained individually in the remuneration report.

As at 31 December 2023, there were pension provisions of T€ 1,661 (previous year: T€ 2,735) for former members of the Executive Board. In the reporting year, two former members of the Executive Board received payments totalling T€ 97 (previous year: T€ 70) from the pension commitment granted to them.

### Supervisory Board

Stefan Heimöller, Neuenrade

Chairman since 12 June 2023,

Deputy Chairman until 12 June 2023,

Managing Partner

Platestahl Umformtechnik GmbH, Lüdenscheid, and  
of Helios GmbH, Neuenrade

Jens Große-Allermann, Cologne

Deputy Chairman since 12 June 2023,

Member of the Supervisory Board until 12 June 2023

Member of the Management Board of Shareholder Value Management AG, Frankfurt am Main  
(since 1 March 2024),

Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn,  
and Management Board of Fiducia Treuhand AG, Bonn (until 29 February 2024)

Klaus Möllerfriedrich, Düsseldorf

Chairman until 12 June 2023,

Member of the Supervisory Board from 12 June 2023

Auditor

Deputy Chairman of the Supervisory Board  
of TopAgers AG, Langenfeld

Dr Nanna Rapp, Düsseldorf

Member of the Supervisory Board

The remuneration of the members of the Supervisory Board for the 2023 financial year totalled T€ 366 (previous year: T€ 444).

## Proposed appropriation of profits

Retained earnings are made up as follows:

€	01/01/2023- 12/31/2023	01/01/2022- 12/31/2022
Earnings for the year	7,826,599.59	26,969,688.06
Transfer to other revenue reserves	0.00	13,484,844.03
Withdrawals from other revenue reserves	0.00	0.00
<b>Retained earnings</b>	<b>7,826,599.59</b>	<b>13,484,844.03</b>

At the time of the proposal for the appropriation of profits, the Company holds 11,330 treasury shares.

At the time of preparing the financial statements, the Executive Board proposes that the net retained profits for the financial year from 1 January to 31 December 2023 be appropriated as follows

Payment of a dividend of € 0.40 per share on the share capital currently entitled to dividends (10,839,499 shares)	4,335,799.60 €
Carried forward to new account	<u>3,490,799.99 €</u>
	<u>7,826,599.59 €</u>

Wuppertal, 27 March 2024

Ralph Rumberg CEO/ Spokesman of the Executive Board	Andrea Holzbaur CFO
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**GESCO SE, Wuppertal**  
**Summarised management report for the 2023 financial year**  
**(01/01 to 12/31/2023)**

**GESCO SE, Wuppertal**  
**Combined Management Report for the 2023 financial year**  
**(01/01 until 12/31/2023)**

The management report of GESCO SE is combined with the management report of the Group. This management report will be published in the GESCO Annual Report 2023 and together with the annual financial statements of GESCO SE. Unless otherwise stated, the information relates to GESCO Group and GESCO SE together, whereby the explanations refer to the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The information on GESCO SE are contained in a separate section and relate to the annual financial statements prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the SEAG and the German Stock Corporation Act (AktG).

The contents of websites or publications to which we refer in the management report are not part of the management report, but merely serve to provide further information. This does not include the corporate governance statement in accordance with Sections 289f and 315d HGB.

## **1. Fundamentals of the Group**

### **Business model**

Founded in 1989, GESCO SE is a long-term investor that acquires economically sound industrial SMEs in order to hold and develop them over the long term. Acquisitions are often made in the course of succession planning, with GESCO SE generally acquiring a majority stake, usually 100 %. In the case of one German company, its managing director holds a 20% stake. The subsidiaries are operationally independent. They are integrated into GESCO Group's reporting and risk management system.

As at the reporting date, GESCO Group consists of GESCO SE, its 10 direct subsidiaries and their subsidiaries in Germany and abroad.

GESCO SE has been listed on the stock exchange since 24 March 1998; the GESCO share is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

### **"NEXT LEVEL 25" strategy**

The Executive Board and Supervisory Board of GESCO SE developed and adopted the "NEXT LEVEL" strategy in autumn 2018. Based on a jointly developed vision for GESCO as a group of "hidden champions", the strategy defines key points for the strategic and operational development of GESCO Group in the coming years. The core elements are the balancing of the portfolio architecture on the one hand and the development of the operating companies into hidden champions on the other. The strategy was further developed at the beginning of 2022 and concretised into the NEXT LEVEL 25 strategy.

The core of the strategy is to expand the portfolio to three anchor investments and twelve basic investments; to make the portfolio more balanced and resilient. In addition to the Doerrenberg Group, we want to implement two further anchor holdings. The target markets should have as low a correlation as possible

with the markets that are important to Doerrenberg. The anchor investments can either be acquired or developed on the basis of an existing subsidiary through organic growth and strategic acquisitions. The focus is on developing existing subsidiaries into anchor investments, whereby one subsidiary has already been identified. We round off the portfolio with twelve basic holdings with substantial sales and earnings contributions in various target markets. As part of the NEXT LEVEL 25 strategy, we focus our acquisitions on companies with sales of between € 20 million and € 50 million. Strategically motivated bolt-on acquisitions of subsidiaries are made at lower sales levels. The plan is to finance acquisitions from equity and borrowed capital.

With the NEXT LEVEL 25 strategy, which was adjusted at the beginning of 2022, we have positioned GESCO as a European and increasingly internationally orientated industrial SME group. In 2022, the conversion of the legal form from a German stock corporation (AG) to a European stock corporation (SE) was initiated. With the entry in the commercial register in January 2023, the conversion of GESCO AG into GESCO SE was completed and has been formally effective since then. The European orientation is thus visible. Acquisitions of basic shareholdings in other European countries as well as acquisitions of supplementary investments outside Europe are now part of our inorganic growth strategy.

The existing portfolio was consistently developed further through the established excellence programmes. The methodological expertise available within GESCO SE provides our subsidiaries with broad and comprehensive operational expertise for the continuous implementation of upcoming activities.

The CANVAS business model analyses, which were carried out for the first time in 2019, have now become an integral part of the annual strategy review at the subsidiaries and serve to jointly align our activities. Depending on the specific needs and status of the respective subsidiary, we launched or continued a large number of MAPEX and OPEX programmes in the past financial year. MAPEX serves to analyse and develop target markets and product portfolios with the focus on expanding sales volumes and gaining market share. OPEX serves to optimise processes in all business functions and thus increase efficiency. DIGITEX aims to digitalise work processes and business models. The LEADDEX programmes were launched in 2021, intensified in 2022 and continued in 2023. They establish a shared corporate culture with a balanced focus on performance.

For us, LEADDEX also means working with the managing directors of the subsidiaries to develop and implement concepts tailored to the "High Performance Teams" target.

The aim of the NEXT LEVEL 25 strategy is to position GESCO Group for the future, generate added value at all levels and thus achieve above-average sales growth, margins and cash flow.

### **Significant changes in the scope of consolidation**

In January 2023, SVT GmbH acquired 100% of the shares in the steel construction division of its long-standing Hungarian supplier BAV Tatabánya Kft. The acquired division of BAV, which was founded in 1992, employs around 60 people.

The previously non-consolidated company Connex SVT Inc., Houston, USA, also a subsidiary of SVT GmbH, was included in the scope of consolidation in January 2023.

In May 2023, Doerrenberg Specialty Steel Corp. acquired 100% of the shares in Tremblay Tool Steels, LLC in Ohio, USA. Tremblay Tool Steels has been a sales partner of the Doerrenberg Group in the USA since 2014 and a supplier of special steel for various industries. As part of the acquisition of Tremblay Tool Steels LLC, 100% of the shares in the associated Doerrenberg Real Estate LLC, Macedonia (OH), USA, which owns a factory building that is leased to Tremblay Tool Steels LLC, were also acquired.

In May 2023, GESCO SE acquired the 5 % share in Doerrenberg Edelstahl GmbH held by the former managing partner Mr Gerd Böhner. GESCO SE now holds 100 % of the shares in the company.

In June 2023, Molineus & Co. GmbH + Co KG was merged with Grafic Beteiligungs-GmbH, both based in Wuppertal.

In addition to the parent company, a total of 51 companies are included in the consolidated financial statements in accordance with the principles of full consolidation and two other companies are included using the equity method. Five companies are in liquidation: GRAFIC Beteiligungs-GmbH, So-Stra Verwaltungs GmbH, Q-Plast GmbH & Co. Kunststoffverarbeitung, Q-Plast Beteiligungs-GmbH and IMV Verwaltungs GmbH.

## **Control system**

GESCO Group is planned and managed at the level of the individual subsidiaries and GESCO SE. The framework for the operational development, personnel measures and investments of the subsidiaries is provided by an annual plan prepared by the management of the respective company and approved jointly with the Executive Board of GESCO SE. As part of regular reporting, GESCO SE receives data from the subsidiaries during the year and at least on a monthly basis. This information is recorded and analysed by GESCO SE, supplemented by figures from the finance and accounting department of GESCO SE itself and consolidated. The findings from the subsidiaries' reporting are analysed between the responsible investment manager at GESCO SE and the respective managers of the companies in at least monthly meetings on site or in video meetings and evaluated with regard to the degree of target achievement. Options for action on both the opportunity and risk side are discussed together in order to be able to react promptly to changes in the market situation.

GESCO SE prepares Group planning based on the planning of the individual subsidiaries. At the annual accounts press conference, the Executive Board of GESCO SE provides an outlook for consolidated sales and consolidated net earnings after minority interest for the new financial year; this outlook is further specified in the course of quarterly reporting. Other performance indicators include incoming orders, EBIT and the equity ratio. In the economic and forecast report within this management report, consolidated sales and consolidated net earnings after minority interests are included in the explanations as the most important indicators. For the holding company, this applies to income from investments and net income for the year as well as the equity ratio.

## **Research and development**

Most of our subsidiaries are small and medium-sized companies whose research and development activities are largely market- and customer-driven. Technical innovations as well as new products and applications are generally developed in project work as part of customer orders. Depending on the task at hand, the companies cooperate with universities and institutes and take part in publicly funded research projects.

In addition to focussing on the various applications of additive manufacturing (3D printing) at Doerrenberg Edelstahl GmbH, steel strip finishing specialist Pickhardt & Gerlach has developed innovative steel strip for the inner workings of batteries for e-mobility. The steel strip is moulded and welded for the battery module in such a way that it connects the various cells of the lithium-ion battery. It conducts the electrical energy generated in the cells with virtually no loss. At the same time, it emits as little heat as possible so that the battery does not overheat. Pickhardt & Gerlach developed its own brand name for this: EMONI®. Together with a spin-off from RWTH Aachen University, EMONI® was tested for use in e-bike batteries, with the result that the electrical efficiency is even slightly better than the market standard. Further devel-

opments relate to the combination of stainless steel and nickel. SVT started a project focussing on hydrogen charging in 2021 and received a research contract from the Federal Ministry of Economics for a hydrogen charging arm in 2022. This is to be presented to the first customers in the course of the 2024 financial year. Setter, the world's leading manufacturer of paper sticks, has developed sticks based on sugar cane in order to expand its product range.

## **2. Economic report**

### **Macroeconomic and sector-specific framework conditions**

The German economy treaded water in the 2023 financial year. High inflation eroded the purchasing power of private households and prompted the European Central Bank to raise key interest rates sharply. The consumer and construction sectors suffered as a result, as real household incomes fell and financing costs rose. However, the industrial economy also ran out of steam. The supply-side bottlenecks, which were still noticeably hampering production last year, became increasingly less significant. On the demand side, however, the slowdown in the global economy became increasingly noticeable. In many places, central banks put the brakes on the economy by raising key interest rates quickly and sharply in order to get inflation under control. In addition, a noticeable turnaround in production in the energy-intensive industries in Germany has so far failed to materialise despite a sharp fall in energy prices.

Consumers benefited from the fall in energy prices. This is the main reason why consumer prices have fallen in recent months. On the other hand, the rise in prices for other goods and services proved to be sluggish. Here, the significant rise in labour costs is likely to have counteracted a faster decline. The economic slowdown also left its mark on the labour market. The number of unemployed is also rising as a result of increasing company insolvencies and business deregistrations.

The mood in the German economy has not improved as expected over the course of the year. Almost all sectors of the economy are reporting gloomy business prospects. The construction industry in particular, and especially the residential construction sector, is slowly running out of orders, as the extensive cancellations of existing orders and the decline in new orders have continued until recently. It is therefore to be expected that construction output will continue to decline in the coming quarters.

Last year, economic momentum in Germany was still clearly characterised by the after-effects of the previous crises. The massive rise in energy prices, which also had a delayed impact on downstream stages of the value chain, led to a sharp rise in consumer prices across the board. The resulting significant loss of purchasing power in particular had a noticeable dampening effect on domestic demand. The central banks' monetary policy responses to high inflation also weakened economic momentum in key trading partners, which had a noticeable negative impact on external demand. This was exacerbated by an exceptionally high level of sick leave among the labour force in the past year, which is likely to have had a negative impact on value added through a reduced volume of work. After economic output in Germany virtually stagnated over the course of 2023, it declined at the end of the year according to the available data. This results in a year-on-year decline in price-adjusted GDP of 0.3% for the year as a whole.

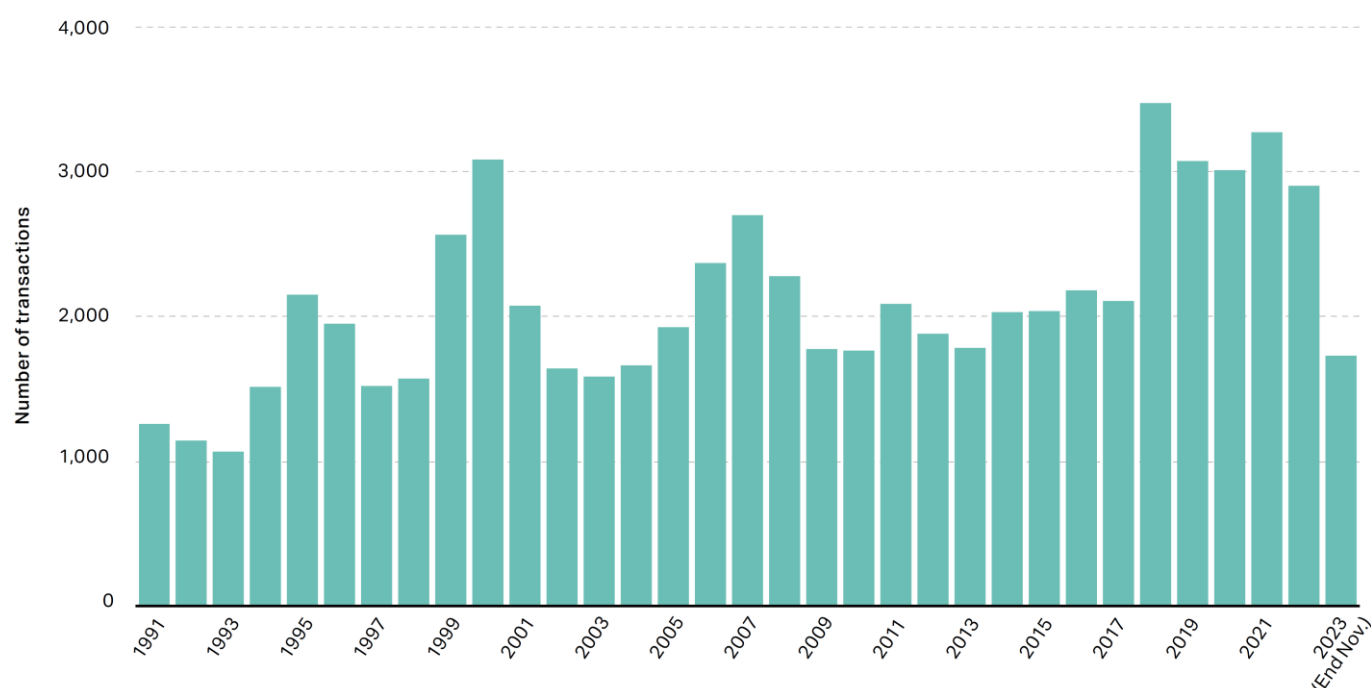
According to the German Engineering Federation (VDMA), the mechanical and plant engineering industry can look back on another mixed year in 2023. While the high order backlog in the first half of the year meant that production was still well utilised and growth of 2.5% was recorded, this supporting effect diminished more and more as the year progressed. The third quarter saw a decline of 1.7% and the fourth quarter even saw a drop of 5.4%. This results in a decline of around 1% for the year as a whole. There is no improvement in sight for the first half of 2024 either. Orders in the German mechanical and plant engineering sector continued to fall at the start of the year. In January, incoming orders were 10% below the



previous year's level in real terms, as reported by the VDMA in February 2024. Domestic orders were down 11%, while foreign orders fell by 9% compared to the same month last year. At 19%, the drop in orders from euro countries was much sharper than the 5% decline from non-euro countries. In the less volatile three-month period from November 2023 to January 2024, orders fell by 10% in real terms compared to the previous year. There were 13% fewer orders from Germany and 8% fewer orders from abroad. Orders from euro countries fell by 13%, while orders from non-euro countries were down 6%. For 2024 as a whole, the VDMA anticipates a decline in production of 1%.

In terms of the number of M&A deals, the M&A market slumped significantly in the 2023 financial year. The sharp rise in financing costs due to higher interest rates and the fact that valuations for attractive target companies remained very high led to this significant decline.

**Number of M&A deals in Germany from 1991 to 2023**



Source: Institute for Mergers, Acquisitions and Alliances (IMAA), 2023

In addition, the trends and developments of previous years are continuing: the topic of sustainability (ESG) is becoming increasingly important in M&A deals, the professionalization of the people involved continues to increase and the virtual handling of deals has established itself as the norm.

Furthermore, high demand meets limited supply. In this environment, GESCO is increasingly focussing on actively approaching entrepreneurs both for basic investments and, increasingly, for potential bolt-on acquisitions.

## Business performance

GESCO Group countered the economic turbulence and macroeconomic conditions in financial year 2023 with a wide range of measures that demonstrate our high speed of adaptation, especially in adverse conditions. We have demonstrated our resilience in difficult times and achieved a decent result in the face of a wide range of challenges.

Business with stainless steel products for biotechnology, the semiconductor industry and supplies for bio-gas plants continued to be key drivers. The Setter Group's ongoing international business expansion with

paper sticks to avoid plastic waste also continued unabated. Our mechanical engineering companies also performed satisfactorily on the whole. With the exception of Setter, however, the Healthcare and Infrastructure Technology segment fell well short of our expectations for the year as a whole.

Like the entire German mechanical engineering sector, GESCO Group companies are confronted with a number of challenges.

On the one hand, there are the energy costs, which continue to be significantly higher than abroad despite the decline. In addition to energy costs, material prices are also highly volatile depending on international commodity prices and material availability. Supply chain disruptions (currently: disruption to international shipping in the Gulf of Aden) play an important role here.

The high price increases have not only led to significantly higher interest rates, but are now also being reflected with a time lag in considerably higher labour costs.

Increased production and labour costs, in turn, are putting pressure on companies' margins. We have deliberately taken a less resolute approach to reducing working capital than originally planned. In addition to the availability of materials, which is so important to our customers, we have also established new business areas that require a corresponding level of stock. However, it remains our goal to significantly reduce working capital in the future by successively reducing inventories.

Overall, the majority of subsidiaries were unable to escape these difficult conditions. As a result, all GESCO Group segments will ultimately report a slight to significant deterioration in business figures in financial year 2023.

GESCO last updated its sales and earnings forecasts in November 2023. The Executive Board then expected consolidated sales of € 555 - 575 million and consolidated net earnings after minority interest of approximately € 19.5 - 21.5 million after non-cash impairment losses of € 5 - 6 million for financial year 2023.

Overall, this adjusted forecast was achieved.

## **Position of the Group**

### **Earnings situation**

In terms of incoming orders, GESCO Group was unable to match the record level of the previous year. Both the Healthcare and Infrastructure Technology segment and the Process Technology segment recorded significantly lower incoming orders, while the Resource Technology segment, which generates the highest sales, recorded a slight increase. Incoming orders at GESCO Group totalled € 542.7 million in the financial year (previous year: € 588.8 million), 7.8 % less than in the previous year.

Consolidated sales totalled € 560.7 million, down 3.7% on the previous year (€ 582.3 million). The financial year ended with an order backlog of € 196.4 million (previous year: € 220.6 million).

Due to the only moderate decline in prices over the course of the year, the cost of materials ratio of 57.1% is only slightly below the previous year (58.8%).

The personnel expenses ratio rose from 20.9% to 22.5%, primarily due to the higher number of employees (+3.2% to 1,899) and wage increases in the workforce.

Other operating income was above the previous year's level, which was partly due to income from the reversal of provisions and income from derecognised impaired receivables.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached € 59.0 million (€ 67.7 million). Depreciation and amortisation amounted to € 23.1 million (€ 18.3 million) in the reporting period and includes scheduled depreciation and amortisation as well as impairment losses of € 5.1 million.

Earnings before interest and taxes (EBIT) totalled € 35.9 million (€ 49.4 million). The EBIT margin thus totalled 6.4% (8.5%), which is below our target corridor of 8-10%.

The financial result of € -3.5 million (previous year: € 0.0 million) is primarily due to the significant increase in interest rates. The result from equity investments is reported at € 0.0 million (previous year: € 1.3 million), as the companies responsible for this have been fully consolidated since the beginning of 2023. Interest and similar expenses increased significantly by € 2.2 million to € 4.7 million.

Earnings before taxes (EBT) totalled € 32.4 million (€ 49.5 million). At 31.6%, the tax rate was higher than in the previous year (26.7%). Among other things, this is due to impairment losses that are not tax-effective.

After minority interests in the profit of € 1.3 million (previous year: € 2.4 million), consolidated net earnings after minority interests totalled € 20.9 million, compared to € 33.8 million in the previous year. Earnings per share in accordance with IFRS totalled € 1.93 (previous year: € 3.12).

## Sales and earnings by segment

In the **Process Technology segment**, the wait-and-see attitude of market participants due to uncertainty about future economic developments is particularly evident. Due to the marked reluctance to place orders, incoming orders fell to just € 93.3 million in the 2023 financial year (2022: € 121.8 million). This resulted in an order backlog of € 56.5 million as at the reporting date (2022: € 72.7 million).

Segment sales increased by 2.4% from € 105.1 million in the previous year to € 107.6 million. EBIT totalled € 12.0 million in the reporting period after € 13.9 million in the previous year, which corresponds to an EBIT margin of 11.2% (2022: 13.2%). Higher other operating expenses were responsible for the decline.

The **Resource Technology segment** continued to perform robustly in the reporting period, although the decline in material prices had a significant impact on the key figures. Incoming orders totalled € 321.8 million, an increase of 1.2% compared to the previous year. Sales fell slightly by 2.8% from € 330.0 million (2022) to € 321.0 million. Segment EBIT totalled € 28.1 million after € 34.9 million in the same period of the previous year. In addition to the decline in material prices, lower alloy surcharges in particular played an important role here. Alloy surcharges are now back to or even below the level at the end of 2021. The segment's EBIT margin fell accordingly from 10.6% (2022) to 8.8%.

The somewhat subdued demand in the tool and strip steel area, as well as an absolute increase in personnel costs compared to the previous year, are having a moderate negative impact on the outlook in this segment. However, we have initiated product expansions and won new projects with our MAPEX programmes. We are also stepping up our expansion into non-European countries.

The companies in the **Healthcare and Infrastructure Technology segment** experienced very heterogeneous business development in the 2023 financial year. Paper stick production continues to play a special role and is benefiting from the global sustainability movement. Falling paper prices are leading to sales at around the previous year's level. However, profitability is not suffering as a result. The situation is different for the other companies in the segment. A significant drop in incoming orders led to a lower order backlog and thus to inefficient utilisation of production capacity. A number of measures were therefore implemented over the course of the year, including personnel adjustments. This is also reflected in the 6.5% reduction in the number of employees compared to the previous year.

Incoming orders in the segment fell by 14.4% compared to the previous year to € 127.6 million. The decline reflects the restraint in the construction and healthcare sectors. In this segment, orders are generally awarded as longer-term framework agreements and are therefore subject to market cyclicality. The fact that incoming orders were lower than sales is a visible sign of the difficult market conditions and creates corresponding pressure to adjust. The Executive Board is vigorously supporting this process. In line with the lower order intake, the order backlog also fell to € 34.1 million at the end of the year (2022: € 43.5 million).

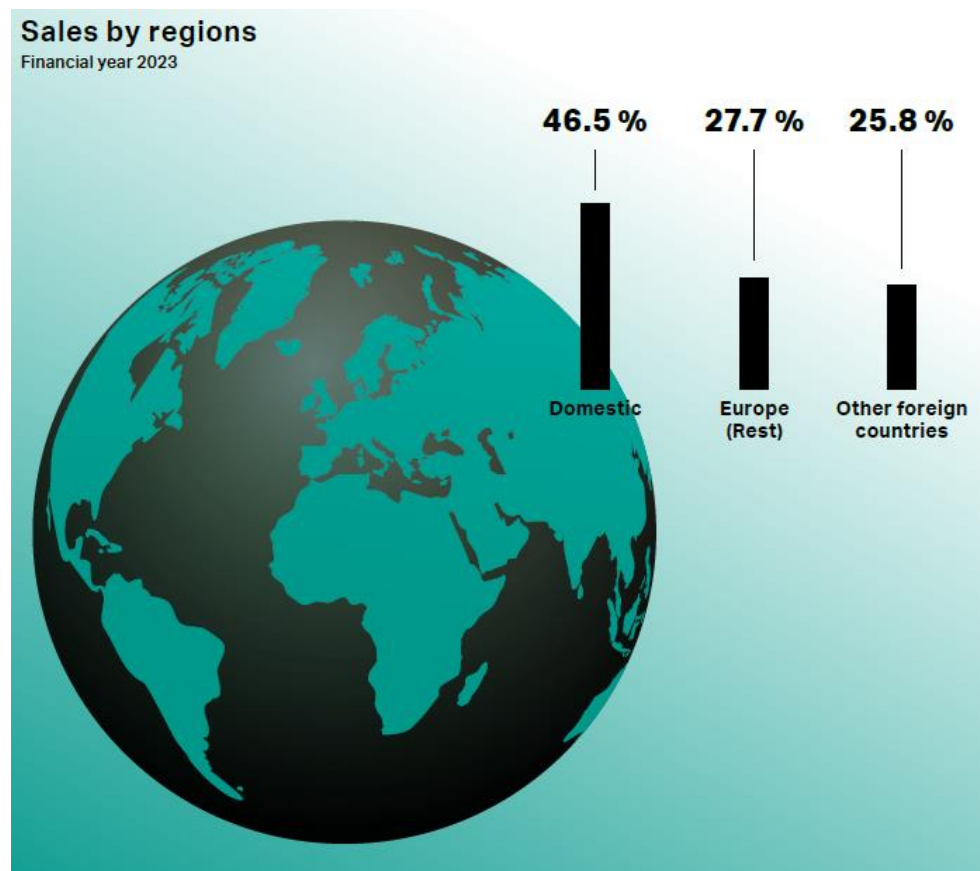
In addition to GESCO SE, the **GESCO SE / other companies** segment includes a number of companies of minor importance. The **reconciliation** item shows consolidation effects and the reconciliation to the corresponding IFRS Group figures.

## Sales by region

The foreign share of consolidated sales totalled 53.5% (previous year: 51.7%). Europe (excluding Germany) accounted for 27.7% (30.2%) of sales, with France and Italy being the most important individual markets. Asia accounted for 9.8% (10.9%), of which 2.8 (3.7) percentage points were attributable to China. With a share of 12.9% (8.0%), the USA was the most important market outside Germany.

The foreign shares of the individual companies vary greatly depending on the respective business model; several subsidiaries have export quotas of over 70%.

With regard to this regional distribution of sales, it should be noted that many of our companies' domestic customers are themselves export-orientated. GESCO Group is therefore likely to have significant indirect exports, although this cannot be quantified precisely.



## Financial position

### Capital structure

GESCO Group's balance sheet shows strong balance sheet ratios with high equity. At 14.0 % (14.2 %) of equity, goodwill is at a low level. Overall, GESCO Group has the necessary financial resources for internal and external growth.

On the liabilities side, equity totalled € 277.7 million, up on the level of € 274.7 million at the beginning of the financial year, which was due in particular to the positive consolidated net earnings for the year. Due to the repayment of current liabilities, the balance sheet total remained at the previous year's level; the equity ratio changed from 58.0% to 59.2% as a result of the increase in equity.

### Investments

As a long-term investor, GESCO SE supports regular investments by the subsidiaries in their technical equipment in order to strengthen their competitiveness. This includes investments in property, plant and equipment as well as modern information technology and, in particular, systems for efficient production planning and control.

Overall, investments in property, plant and equipment and intangible assets for all companies totalled € 20.3 million compared to € 15.6 million in the previous year. This includes right-of-use assets recognised as investments in accordance with IFRS 16 of € 3.2 million in the reporting period and € 3.1 million in the previous year.

In the reporting year, the total volume was spread across various replacement, modernisation and expansion investments. This year, investment focussed on the Resource Technology segment. Pickardt & Gerlach carried out capacity expansions. The plastic mould steel business area was established at Doerrenberg. Further investments were made at Setter. In the previous year, investment focussed on the Setter Group, which had significantly expanded its machinery and equipment in the USA as part of the relocation of the site.

As at the balance sheet date, there were order commitments of € 1.0 million (previous year: € 0.5 million). This mainly relates to machinery and technical equipment that has been ordered but not yet delivered. The investments are expected to be completed in the 2024 financial year.

Depreciation of property, plant and equipment, working capital and amortisation of intangible assets amounted to € 23.1 million in the reporting period (previous year: € 18.3 million).

### Liquidity and net debt

Cash and cash equivalents totalled € 34.5 million on the balance sheet date, slightly below the previous year's figure of € 36.3 million.

Current and non-current liabilities to banks increased by € 10.7 million to € 87.1 million in total. Current and non-current lease liabilities decreased by € 0.6 million from € 18.6 million to € 18.0 million.

Net debt has thus risen from € 40.1 million to € 52.6 million. Taking lease liabilities into account, this results in a deterioration from € 58.7 million to € 70.6 million.

In relation to EBITDA of € 59.0 million, the net debt-to-EBITDA ratio is therefore 0.9, or 1.2 including IFRS 16.

At the end of the financial year, there were committed but unutilised credit lines amounting to € 58.9 million. The Group was able to fulfil its payment obligations at all times.

Based on the positive result for the period of € 22.1 million, the operating cash flow increased to € 32.2 million (€ 10.7 million) compared to the previous year. Working capital fell slightly by € 4 million compared to the previous year. The working capital ratio deteriorated from 35.6% at the end of 2022 to 37.6% as at 31 December 2023. The cash flow from investing activities of € 21.8 million primarily includes investments in property, plant and equipment. The repayment of loans totalling € 22.8 million is offset by new borrowings of € 33.5 million.

### **Financial position**

GESCO Group's total assets amounted to € 469.0 million as at the reporting date, compared to € 473.9 million in the previous year. Non-current assets increased only slightly by € 1.7 million to € 187.5 million due to significantly higher property, plant and equipment (€ +4.0 million) and a further reduction in intangible assets (€ -3.4 million). Inventories increased by € 2.9 million, while trade receivables fell by € 9.3 million.

The ratio of property, plant and equipment to total assets was 23.3% (previous year's reporting date: 22.2%). The ratio of non-current capital to non-current assets remained unchanged at 1.8 as at the reporting date.

### **Economic development of GESCO SE**

The notes refer to the separate financial statements of GESCO SE prepared in accordance with the German Commercial Code (HGB). GESCO SE has holding company functions within the Group.

At € 11.0 million, GESCO SE's income from investments in 2023 was below the level of the previous financial year (€ 17.2 million). Distributions are determined individually, taking into account the earnings, net assets and liquidity position of the subsidiaries as well as the optimisation of liquidity within GESCO Group.

As in the previous year, no loss transfers had to be recognised in 2023. Income from profit and loss transfer agreements fell from € 20.4 million to € 16.6 million in the reporting year. As at the balance sheet date, there were a total of three profit and loss transfer agreements with the following subsidiaries:

- INEX-solutions GmbH
- Setter Holding GmbH and
- MAE Maschinen- und Apparatebau Götzen GmbH.

The write-downs on financial assets totalling € 6.7 million (€ 0.0 million in 2022) relate to the impairment losses recognised on the carrying amount of the investments in the subsidiaries AstroPlast and Funke.

The slight year-on-year increase in sales of € 2.1 million (previous year: € 1.7 million) is due to the re-charging of expenses to the associated companies and consultancy services.

Other operating income totalled € 0.3 million in the reporting year (previous year: € 0.5 million). Other operating expenses increased from € 5.5 million to € 10.6 million. In the 2023 reporting year, other operating expenses included in particular legal and consulting costs, personnel search and acquisition costs as well as value adjustments on receivables from AstroPlast and Funke totalling € 4.5 million.

In the 2023 financial year, the annual result totalled € 7.8 million (€ 27.0 million).

In the management report for financial year 2022, GESCO SE had forecast income from investments and net income for the new financial year 2023 at approximately the same level as in 2022. In November 2023, GESCO SE revised its forecast for the Group figures for 2023 downwards, meaning that the original forecast figures for GESCO SE could no longer be achieved. The significantly lower income from the equity

investments and profit and loss transfer agreements as well as write-downs on financial assets in financial year 2023 consequently led to net income for the year that was below the original forecast.

GESCO SE's total assets amounted to € 250.8 million as at the reporting date (previous year: € 255.3 million).

On the assets side, financial assets increased by a total of € 2.0 million due to the increase in shares in affiliated companies. Other loans totalling € 9.7 million (previous year: € 9.4 million) relate to a vendor loan due in two years at the latest in connection with the transaction carried out at the end of 2020.

Cash and cash equivalents totalled € 2.9 million as at the reporting date (previous year: € 10.6 million). In view of the very pleasing result in the 2022 financial year, a dividend of € 1.00 per share - corresponding to a total of € 10.8 million - was distributed to the Company's shareholders in the reporting period.

On the liabilities side, equity fell slightly to € 236.2 million (previous year: € 239.4 million), while the equity ratio rose from 93.8% to 94.2%.

The decrease in liabilities to banks by € 2.7 million to € 5.5 million is due to the repayment of bank loans.

Overall, GESCO SE's balance sheet had very healthy ratios as at the reporting date, with a very high equity ratio, low debt and sufficient cash and cash equivalents. Against this backdrop, GESCO SE continues to have sufficient access to debt capital at attractive conditions. The Company is therefore fully capable of acting both in terms of its equity base and its debt capital.

In the management report for financial year 2022, GESCO SE had forecast an equity ratio of over 80 % for the new financial year, and this is clearly being met with an equity ratio of 94.2%.

At the end of the financial year, GESCO SE had committed but unutilised credit lines amounting to € 20.7 million.

## **Overall assessment of business performance**

Against the backdrop of the many challenges, we consider business performance and the economic situation to be solid overall. This applies to both the Group and GESCO SE, even though developments within the Group were very mixed. At the beginning of 2023, we were still confident and expected an increase in annual sales and earnings roughly on a par with the previous year. This assessment proved to be incorrect, as the general conditions deteriorated significantly over the course of the year. With the exception of Setter, the companies in the Healthcare and Infrastructure Technology segment in particular were unable to fulfil expectations and had to pay tribute to the massively gloomier business prospects in their sectors, above all the construction industry.

There were no other significant events or transactions with a material impact on the net assets, financial position and results of operations of GESCO SE or within the Group during the reporting period.

## **Non-financial performance indicators**

### **Environmental protection**

GESCO Group's commitment to environmental protection is firmly anchored in its self-image, even beyond legal requirements and regulations. This applies to production as well as to the life cycle of the individual product through to its recycling. At the same time, aligning development and production with environmental concerns can open up attractive market opportunities for companies, as resource conservation and energy efficiency represent additional sales arguments. However, it is not only products that are relevant from an

environmental perspective; energy aspects are also taken into account in construction measures and investments in machinery and equipment at GESCO Group in order to reduce follow-up costs and emissions. As a performance indicator, climate-relevant emissions are calculated as CO2 equivalents per € million in sales.

Further information on environmental protection is provided in the non-financial Group report in accordance with Section 315b (3) HGB, which is published as a separate report in the annual report and disclosed together with the Group management report. Since 2021, the report has been prepared in accordance with the German Sustainability Code.

## Employees

As at the reporting date, GESCO Group employed a total of 1,899 people (previous year: 1,841).

In the fourth quarter of 2023, GESCO offered all domestic employees of GESCO Group the opportunity to purchase employee shares at preferential conditions as part of an employee share ownership programme for the twenty-fourth time. As GESCO SE sees this programme as an important instrument for employee retention, the continuation of the programme is planned.

The future viability of GESCO Group companies depends crucially on attracting and retaining qualified and motivated employees. Training and further education are highly valued within the Group. In addition, the subsidiaries position themselves as attractive long-term employers with a wide range of activities. These activities range from involvement in school activities such as Girls' Days and dual study programmes to cooperation with universities and other educational institutions. For many years, Doerrenberg Edelstahl GmbH has presented the "Doerrenberg Award", an established, high-calibre competition for students in the fields of materials technology/engineering. The training rate, training costs and training hours are determined as performance indicators.

Further information on the topic of employees can be found in the separate non-financial Group report in accordance with Section 315b HGB.

## Employees by segment (end of financial year)

Financial year 2023 vs. financial year 2022

	2023	Anteil	Veränderung zum VJ	2022	Anteil
<b>GESCO-Holding</b>	16	1%	-15,8%	19	1%
<b>Prozess-Technologie</b>	521	27%	-3,9%	542	30%
<b>Ressourcen-Technologie</b>	859	45%	16,2%	739	40%
<b>Gesundheits- und Infrastruktur-Technologie</b>	504	27%	-6,5%	539	29%



### **3. Other information**

#### **Remuneration report**

Information on the remuneration of the Executive Board and Supervisory Board can be found in the remuneration report for financial year 2023, which was prepared separately and published on the GESCO SE website in accordance with Section 162 AktG.

#### **Own shares**

As part of an employee share ownership programme, 36,000 treasury shares were acquired and largely resold in the financial year. As at the reporting date, the company held 11,330 treasury shares. Please refer to the notes for information in accordance with Section 160 AktG.

### **4. Forecast, opportunity and risk report**

#### **Forecast report**

Based on the developments of the past year, key factors point to a stabilisation of the economic situation in 2024: Inflation fell significantly over the course of 2023 and stood at 2.9% in January 2024. The labour market is remarkably robust: the number of people in employment in Germany recently peaked at over 46 million. The current high nominal wage growth combined with easing inflation - following the sharp losses in 2022/23 - is leading to an increase in real purchasing power again. This should also strengthen domestic demand. The German government is therefore forecasting slight overall economic growth of 0.2 per cent for 2024 despite the continuing difficult conditions, for example with regard to the global economy. At the start of 2024, however, the German economy is still in difficult waters. Economic sentiment, as measured by the ifo Business Climate Index, the Purchasing Managers' Index for industry and the GfK Consumer Confidence Index, remains at a very low level at the turn of 2023/24. Although some of the negative factors from the previous year, such as the high consumer price increases and the resulting loss of purchasing power, are easing, inflation is likely to remain above the two per cent threshold for some time due to base effects from the expiry of temporary relief measures, among other things.

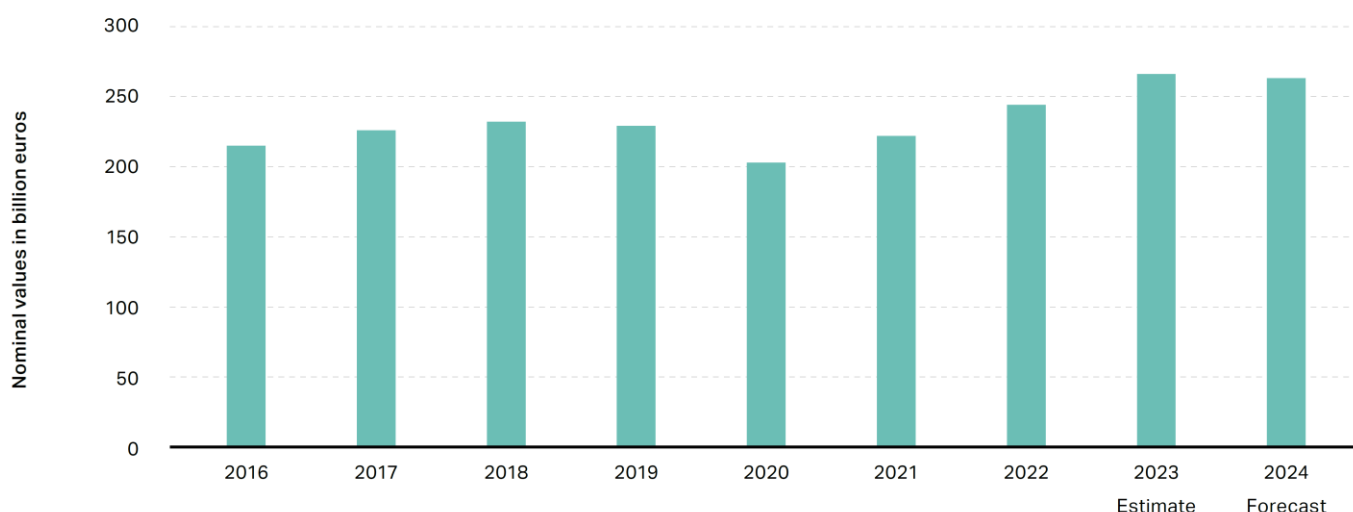
Rising real wages and the robust labour market trend in particular are likely to promote a domestic economic recovery over the course of the year. In contrast, the outlook for foreign trade remains subdued in view of the many geopolitical crises and tensions as well as the lingering, growth-dampening effects of monetary policy tightening in key trading partners. In addition, there are new national challenges, such as the need to adjust or prioritise the federal government's financial planning as a result of the ruling by the Federal Constitutional Court. Nevertheless, the German government assumes that the negative influences will tend to ease over the course of 2024 and that the positive domestic economic factors will increasingly take effect. A slight increase in price-adjusted GDP of 0.2 per cent is expected for 2024 as a whole.

The forecast for 2024 is based on the prevailing conditions. It is subject to a high degree of uncertainty due to the possible risks arising from the further course of the war in Ukraine, general geopolitical tensions, impaired supply chains and continued high level of interest rates.

According to the VDMA, the ongoing slump in the global economy is also increasingly leaving its mark on the mechanical and plant engineering sector. In 2023, many mechanical engineering companies and the majority of GESCO Group companies were still benefiting from a relatively high order backlog and fewer bottlenecks in supply chains. However, the industry has weakened massively since the second half of 2023 and already fell short of the previous year's level by 1.6 % in the third quarter. According to the VDMA, the fourth quarter of 2023 and the first quarter of 2024 will also be weak. The VDMA is forecasting a real decline of 4%.

In the medium term, however, investment in machinery and equipment should increase despite relatively high nominal interest rates, also against the backdrop of the high investment requirements in the course of the transformation to a climate-neutral economy, whereas construction investment is likely to continue to decline.

#### Germany: Sales in Mechanical engineering



We expect demand to remain weak in the first half of 2024 and expect economic activity to pick up in the second half of the year. The increased labour costs that are now increasingly taking effect will lead to higher production costs and could have a negative impact on earnings. We will endeavour to counteract this by consistently focusing on our MAPEX excellence programmes to expand market share and OPEX to increase efficiency. We expect our financial performance indicators to develop as follows in the 2024 financial year:

Consolidated sales are expected to increase moderately in 2024. We expect an increase in the single-digit percentage range. We also expect a moderate increase in consolidated net earnings after minority interests for the 2024 financial year (excluding impairments).

The ongoing tense geopolitical situation, the increased price level, high interest rates and generally subdued growth expectations may have a significant impact on some of our subsidiaries. Our subsidiaries may also be affected to varying degrees by continued high and volatile energy prices. We have taken individual direct effects into account in our expectations, but the dynamic and current nature of the situation does not currently allow us to make any more precise statements regarding the extent of all direct and possible indirect effects.

GESCO SE is essentially subject to the same opportunities and risks as GESCO Group. GESCO SE expects the following developments for the performance indicators in financial year 2024:

Income from investments and net income are expected to remain at roughly the same level as in 2023. GESCO SE's equity ratio should remain at a level of over 80 % in financial year 2024, provided there are no significant changes in the group of shareholdings.

GESCO SE continues to strive for external growth through the acquisition of medium-sized industrial companies. As part of the NEXT LEVEL 25 strategy, we are looking for acquisition targets with sales of between € 20 million and € 50 million. Strategically motivated bolt-on acquisitions of subsidiaries can also be made at a lower sales level. Overall, GESCO pursues a balanced portfolio with three anchor investments and twelve basic investments. The primary objective is to achieve a balanced portfolio across many sectors, with the anchor holdings in particular forming the main pillars, which are dependent on different market cycles. The core investments, on the other hand, offer the opportunity to gain a foothold in new sectors and applications in order to benefit from various trends. We continue to generate a continuous deal flow through our existing network and by approaching entrepreneurs directly.

The statements on future development made in the forecast report are based on assumptions and estimates that were available to GESCO SE from information at the time the report was prepared. These statements are subject to risks and uncertainties, which is why actual results may differ from the expected results. No guarantee can therefore be given for these statements.

### **The management of opportunities and risks**

GESCO SE's business model is entrepreneurial in nature. Entrepreneurial activity is inherently associated with risks - they cannot be ruled out, but they can be handled with appropriate risk management. GESCO Group's concept is geared towards recognising, evaluating and exploiting opportunities on national and international markets on the one hand, and identifying and limiting risks on the other. The management of risks and opportunities is a continuous entrepreneurial process. GESCO Group is structured in such a way that negative developments at individual companies do not jeopardise the Group as a whole.

An overall assessment of the company's situation is carried out both in the planning meeting and in the monthly meetings and annual strategy meetings. On the one hand, this involves analysing the business opportunities and courses of action for expanding the volume of business in Germany and abroad and for increasing profitability, and on the other hand, the respective risks are assessed.

### **Management of opportunities**

For GESCO SE, there are significant opportunities in the acquisition of further medium-sized industrial companies and the expansion of existing corporate structures. By maintaining the network, increasing awareness of GESCO SE as an investor and approaching interesting companies directly, we generate a deal flow that is evaluated and processed in step-by-step analyses. There are also major opportunities for GESCO SE in the positive operating performance of the portfolio companies and the associated investment income and distributions. To this end, the holding company offers its subsidiaries intensive advice and support in order to leverage and utilise synergy effects for the entire Group in the future.

For the operating subsidiaries, it is essential to constantly identify opportunities on national and international markets and to turn them into successful business activities. Strategy development, sales and marketing, product development as well as quality and innovation management are decisive factors here.

### **Risk management in the GESCO Group**

GESCO Group has an internal risk management system. GESCO Group uses a software-supported system to record risks. Risks are assessed and categorised in the risk statistics by estimating the impact on earnings before interest and taxes (EBIT) and the probability of occurrence, with a focus on the net impact of risk after mitigating measures. Risks are weighted on a company-specific basis, taking into account the sales volume and earnings power of the respective company. Specific categorisations are defined at Group

level. The combination of risk impact and probability of occurrence results in an assessment of the risks according to the following matrix, with red indicating the highest risk level.

#### Risk matrix

Impact	extraordinary (T€ 10,000 – 100,000)	low	medium	high
	high (T€ 5,000 – 10,000)	low	medium	high
	medium (T€ 2,000 – 5,000)	low	medium	high
	low (T€ 0 – 2,000)	low	medium	high
		low (0 – 30 %)	medium (30 – 70 %)	high (70 – 100 %)
		Probability of occurrence		

The risks reported by the subsidiaries are included in monthly reporting. The risks are reported by the managing directors in consultation with the respective investment managers in the finance department. High risks are also reported by the subsidiaries to GESCO SE on an ad hoc basis.

As at 31 December 2023, there are no individual risks that fall into the red category. The focus of the individual risks recognised within the yellow category was on legacy risks and warranty risks, each with a low impact.

Risk management is the responsibility of the Executive Board and is monitored by the Supervisory Board. The GESCO SE employee responsible for risk management informs the Supervisory Board about the development of risks in quarterly meetings. The Supervisory Board is informed of major risks on an ad hoc basis.

In addition to the individual risks recognised, we see risks for future development in the following areas in particular:

#### Risks and opportunities when acquiring companies

GESCO SE strives for internal growth based on its existing portfolio as well as external growth through the acquisition of further industrial SMEs. The search for new companies is a continuous process in which analysing opportunities and risks is naturally of particular importance as part of an acquisition due diligence. Prior to the acquisition, the companies are subjected to due diligence in order to identify the risks associated with each company acquisition, insofar as they are recognisable. Key aspects here are financial, tax, technological, market-related and environmental risks, as well as corporate culture, the age structure of the workforce and legal risks. GESCO SE utilises both internal and external expertise.

Every acquisition harbours the risk that the newly acquired company will not develop as planned and expected and that the EBIT margin target set by GESCO will not be achieved. There is also the risk that the company's potential is not sufficient to develop into a hidden champion, i.e. a global market leader in

its niche. A critical success factor for GESCO, particularly in succession solutions, is the appointment of a new managing director upon the departure of the previous owner-manager and the cultural change that this often entails.

Following the acquisition, the companies will be integrated into GESCO Group's reporting system in a structured process. The companies will also be integrated into GESCO Group's risk management, compliance, data protection and insurance management systems.

Opportunities may arise from a better development of the acquired company compared to the plan. In addition to positive market influences, the rapid introduction and implementation of the Excellence programmes by GESCO can also contribute to this. The departure of a previous owner-manager can also open up opportunities. A new managing director can utilise his experience to leverage additional potential and promote the development of the company through new perspectives and approaches.

### **Risks and opportunities in relation to the operating business**

In their operating business, all GESCO SE subsidiaries are subject to the typical opportunities and risks of their respective industries as well as general economic risks. As an industrial group with significant direct and indirect exports, we are affected by economic fluctuations in Germany and abroad. Through our strategy of diversification, particularly with regard to customer industries, we endeavour to offset economic fluctuations in individual sectors to a certain extent and thus reduce the risks arising from economic cycles.

In addition to the economic situation, there are risks as well as opportunities for the subsidiaries in the strategic orientation of the companies, taking into account technological and social change. In particular, these include digitalisation, the emergence of new competitors, the political and economic development of regional markets, changing social values, the political goal of reducing CO2 emissions, the energy transition, geopolitical risks and the tightening regulatory framework. GESCO Group responded to this in financial year 2023 by expanding the MAPEX (Market & Product Excellence) programme to advance market share and the OPEX (Operational Excellence) programme to increase efficiency at the subsidiaries. Regular meetings between the Executive Board of GESCO SE, the investment managers and the managing directors of the subsidiaries and their teams also serve to analyse and continuously exchange information on strategic issues. Significant regulatory tightening and legislative changes that affect GESCO SE as a Group are managed and implemented centrally by GESCO SE.

In principle, there is a risk of customer complaints and claims due to poor quality, non-fulfilment of promised services or failure to meet agreed deadlines. The companies counter this risk with diligence in their processes, quality management and close contact with their customers.

Risks typical of the respective business model exist in plant engineering in particular. Here, the corresponding Group companies are repeatedly confronted with customer requirements whose technical realisation possibilities in terms of time and costs can only be calculated in advance to a limited extent, meaning that there is a risk of loss-making orders. On the other hand, this can lead to opportunities, as challenging customer projects repeatedly result in innovative approaches that can lead to marketable product innovations.

In order to counter procurement risks, the subsidiaries endeavour to gain planning security by concluding framework agreements with their suppliers and service providers or agreeing price escalation clauses with customers and suppliers. A relationship based on partnership and long-term cooperation with key suppliers supports security of supply.

GESCO Group companies utilise the instrument of trade credit insurance to hedge trade receivables where this is deemed sensible and appropriate. If relevant customers cannot be insured, the subsidiaries analyse

the respective situation and define the next steps, usually in direct dialogue with the customer. Significant uninsured risks are coordinated with GESCO SE and the legal department in particular. This is naturally always a balancing act between endeavouring to limit the risks and the need to exploit business opportunities and not lose the customer. This balancing act is further complicated by the instrument of insolvency avoidance, which is, however, covered by group insolvency avoidance insurance.

Currency risks from the operating business are generally hedged at the level of the respective subsidiaries for significant order volumes.

## **Geopolitical risks**

In addition to the typical economic fluctuations and the other operating risks mentioned above, we currently see the greatest risk to our operating business in the generally high level of political uncertainty. Further developments in Ukraine and the generally tense geopolitical situation with its diverse effects on the business development of the subsidiaries and the economy as a whole are naturally difficult to predict. Should there be any significant changes, expansions or intensifications, further sanctions and effects on energy and commodity markets could affect our subsidiaries in various ways.

The strategic competition between the USA and China also harbours further risks. Trade tensions, technological advances and the impact on the energy sector are issues that affect the global economy. Increasing reliance on renewable energy can lead to tensions as countries with fossil fuels resist.

This has led to the emancipation of European foreign trade, energy and environmental policy, the high regulatory and economic requirements of which present European companies with major challenges and will continue to do so in the future.

Climate change has become a highly political issue worldwide, affecting national security and global stability. Extreme weather events, rising sea levels and water shortages are already making themselves felt.

Having available and accessible energy resources is crucial for a country's economic development. Several of the issues mentioned above - namely climate change, cybersecurity threats and the current war in Ukraine - have caused a great deal of concern worldwide about energy security in Europe. This remains one of the relevant geopolitical problems and risks for 2024.

The trade conflict between the US and China and the effects of the coronavirus pandemic have led to a noticeable dismantling of supply chains and a new national industrial policy. A possible victory for Donald Trump in the November elections would make a significant intensification of the trade conflict with China and possibly also with the EU more likely. This could have a negative impact on the global production of goods and services. The European Union is currently pursuing its own legislative mechanisms, such as the CBAM, which provides for a CO2 border tax and will be directly relevant to the business of GESCO Group sectors.

A potential military conflict between China and Taiwan would have a dramatic economic impact, as Taiwan is an important producer of semiconductors and microchips. A loss of production could lead to a severe global recession.

It is to be feared that increasing international protectionism and escalating trade conflicts will remain constant challenges.

The subsidiaries may be directly and indirectly affected by the global impact to varying degrees. Direct effects may result from a lack of energy supply and rising energy prices. Some subsidiaries are energy-intensive and the availability of energy at competitive prices is crucial for business development. Some subsidiaries have a high export ratio or are partially dependent on international suppliers. They may be

directly affected by general geopolitical effects. Indirect effects affect subsidiaries with major international customers. If customers' supply chains are disrupted or general developments have an impact on direct customers, this can lead to changes in customers' purchasing behaviour.

These general geopolitical risks are followed by specific effects for the subsidiaries' operating business, which are referred to as "decoupling" or "derisking" effects and affect the entire industry.

In terms of regulation, there is an enactment of mutually exclusive and often extraterritorial local laws and rules, which, if disregarded, can lead to exclusion from public tenders, fines and even a ban on activities (e.g. CBAM import ban).

In terms of raw materials, this means export and import restrictions on rare earths or export restrictions (e.g. on PV modules).

In terms of sales markets, this means punitive tariffs and non-tariff trade barriers, import and export bans for chips, network equipment and basic materials such as rare earths or certain chemicals, as well as market entry barriers.

With regard to data, this means a ban on the transfer of data to other countries, the obligation to make data and algorithms available to government agencies and related counter-legislation (e.g. the US Cloud Act and the GDPR).

In technological terms, this means setting solely valid norms and standards per region, defining different interfaces and prohibiting the use of business-relevant software.

For environmental protection, this means different environmental standards and the resulting competitive advantages and disadvantages.

As part of the internationalisation strategy and for subsidiaries with existing international locations and international customers, the decoupling effects lead to increased risks. Risks include rising procurement and production costs due to "multiple regional sourcing" instead of "single global sourcing" from the world's cheapest supplier, multiple costs for research and development, procurement and lower economies of scale due to regional differences in norms and standards. Furthermore, this can lead to additional costs for various compliance management systems, high implementation costs and high implementation effort.

In terms of personnel, this means an impediment or ban on the employment of foreign expats or travel restrictions for business trips (e.g. through work visa restrictions, tax disadvantages and travel restrictions), as well as a ban on the employment of foreign researchers in research institutes. Travel restrictions pose risks for subsidiaries with international customers and international service business in particular, as trade fair and customer visits and, above all, the deployment of service technicians are no longer permitted.

These overall decoupling effects will intensify in the future.

However, these risks are also offset by opportunities. Aid decided by governments, such as the energy price brake in Germany, is helping to stabilise the energy markets. The market leadership of many of our subsidiaries in conjunction with further internationalisation and the establishment of sustainable supply chains secures and offers opportunities for the further expansion of market shares. For example, the information gained through the implementation of the national Supply Chain Duty of Care Act can be used to stabilise global supply chains and for more effective risk management and the development of resilient supply chains.

In addition, the subsidiaries of GESCO SE source raw materials, materials and services from suppliers/service providers predominantly from Germany and countries in the European Union, which significantly reduces the overall decoupling effects and geopolitical risk.

Against this backdrop, GESCO Group believes that it remains well positioned and ready to master these challenges through consistent risk management and the diversification of its subsidiaries' business activities. GESCO Group has already demonstrated its resilience in 2023 and will continue to do so in financial year 2024.

### **Compliance risks**

Compliance risks include corruption, breaches of human rights and environmental due diligence obligations, antitrust offences and criminal activity and the resulting fines and claims for damages. These risks can lead to significant financial damage as well as considerable reputational damage. GESCO Group counters these risks with a compliance management system that includes, in particular, a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rulebook) for GESCO Group employees, accompanying training, case-related spot checks and a whistleblower system for employees and external parties, as well as a complaints system in accordance with the German Supply Chain Compliance Act (LkSG). The managing directors of the subsidiaries are responsible for anchoring the respective requirements and principles in their companies.

Compliance management is conceptualised and managed centrally by the Group compliance officer at GESCO SE. Closer cooperation with the subsidiaries and, in particular, the expansion of a compliance governance structure is planned for financial year 2024.

Such a structure will enable the subsidiaries to concentrate more on their core business again, as regulatory requirements are becoming increasingly strict and will become even stricter in the future.

The development of such a structure began in the 2023 financial year with the establishment of an LkSG governance structure and an LkSG compliance management system as part of the compliance management system.

This system is primarily the responsibility of the legal department, which is accountable to and reports to the Executive Board of GESCO SE. To this end, a compliance report on the previous financial year is prepared annually by the fourth month of the financial year and presented to the Executive Board of GESCO SE.

This report also presents the compliance strategy and the specific targets for the current financial year.

### **Risks and opportunities in relation to personnel**

Qualified personnel are of considerable importance for the current performance and future viability of the subsidiaries. For the manufacturing industry in Germany, there is a general risk of finding and retaining sufficiently qualified personnel in the future. Demographic change is further exacerbating this situation. The mechanical engineering industry needs a highly qualified workforce to keep pace with technological developments and drive forward innovative solutions.

GESCO Group companies are meeting this challenge with various measures to position themselves as attractive employers in their respective regions. There is also a risk of a loss of expertise if existing knowledge and skills within the company are inadequately transferred from more experienced to less experienced employees. This can be remedied by measures for the targeted transfer and appropriate documentation of expertise.

The recruitment and retention of suitable managing directors is of particular importance to the companies of GESCO SE. Managers who do not fulfil the expectations placed in them or frequent personnel changes



in these key functions represent a considerable risk with negative consequences both internally and externally. GESCO SE counters this risk with great care when selecting personnel in a multi-stage selection process involving the Supervisory Board.

Difficulties in recruiting and retaining qualified employees at GESCO SE can also have a negative impact on the company's success. When it comes to building a trusting, resilient working relationship within the holding company and, in particular, with the subsidiaries, as well as building up expertise, personnel consistency and transparency with regard to the storage of knowledge is both advantageous and necessary.

On the other hand, the right appointment of managing directors and management positions can also result in opportunities. A good management culture leads to low staff turnover, high employee motivation and contributes to the overall success of the company. We see a further opportunity in the LEADDEX (Leadership Excellence) programme. With LEADDEX, GESCO SE supports the development of leadership skills in the subsidiaries and the holding company. At the same time, the programme strengthens working relationships within the companies and the holding company as well as with the subsidiaries. Three modules on the topics of teams, tools and high-performance teams contribute to the continuous development of leadership skills and teamwork.

In addition, there are plans to sensitise and train managers with regard to employee compliance and specific labour law issues in the 2024 financial year.

GESCO SE's employee share ownership programme regularly offers GESCO Group employees in Germany the opportunity to participate in the Company by purchasing discounted GESCO shares and thus accumulate assets for their retirement provision. GESCO SE sees this programme as an important instrument for employee retention.

### **Risks and opportunities from information technology**

Cyber-attacks are a growing geopolitical risk that threatens companies and national security. Numerous countries have already fallen victim to attacks that jeopardise critical infrastructure. Co-operation to combat cyber-attacks is a challenge given the complex geopolitical relationships and leads to a tense insurance market.

Information technology risks relate in particular to the failure of IT systems at GESCO Group companies and the associated downtime, industrial espionage and loss of expertise, data misuse and unauthorised access to data. GESCO SE counters IT risks by investing in modern hardware and software as well as an information security management system that is regularly reviewed.

Staff training conveys both a basic awareness of IT risks and specific guidelines for the practical handling of these risks.

IT security guidelines govern in particular the handling of the Company's own hardware and software as well as data security issues. In addition, GESCO SE obliges our external IT service providers to comply with specified security standards. In cooperation with an external IT security officer, information security management is regularly developed further and subjected to tests.

Within GESCO Group, GESCO SE conducts regular surveys at its subsidiaries on the status of their information security management.

Another mammoth task is the transformation towards digital technologies and Industry 4.0, which requires considerable investment and a rethink of production processes. Companies must invest in the digitalisation of their production in order to remain competitive and meet market requirements. This can result in risks if competitors succeed in making the change faster and better.

Opportunities arise for GESCO Group from the automation and digitalisation of processes and workflows. These include, for example, the digitalisation of workflows along the value chain and a modern and efficient way of working through mobile working, paperless offices and the associated fast access to data and information that is available at all times. We want to strengthen these opportunities through the Excellence Programme DIGITEX (Digital Excellence). In addition to the digitalisation of internal processes, the digitalisation of business models is another aspect of DIGITEX, which can also result in opportunities for GESCO Group.

### **Risks in connection with data protection**

Risks in the area of data protection lie in the loss or disclosure of confidential internal information, business secrets and personal data and the associated loss of reputation and risk of fines. Violations may result in the imposition of fines and the assertion of lawsuits due to the disclosure of personal or otherwise sensitive data of third parties. GESCO SE works with an external data protection officer in the area of data protection.

### **Risks and opportunities from financing**

Financing risks could arise from the holding company's lack of access to equity and/or debt capital. Access to debt capital at adequate conditions is largely dependent on the operating success of GESCO Group and the associated ability to make interest and redemption payments as agreed. The subsidiaries have a direct influence on this and the holding company has an indirect influence as part of its acquisition decisions and in its reporting and support of the subsidiaries. In the event of negative economic developments at individual subsidiaries, there is a risk of bottlenecks in the supply of debt capital for the respective subsidiary. There is also a risk that the reputation of GESCO SE and possibly other subsidiaries as debtors could deteriorate as a result of such a negative development. In order to limit the interest rate risk associated with variable interest rates, the companies enter into interest rate swaps as required, thereby swapping a variable interest rate for a fixed interest rate. The central banks have been combating the sharp rise in inflation since the first quarter of 2022 to date with significant interest rate hikes since the second half of 2022. It is possible that the central banks will not lower interest rates in 2024. The higher interest rates will increase financing costs in the medium term.

When it comes to accessing equity by way of possible capital increases by GESCO SE, the condition of the capital market at the relevant time, the economic development of GESCO Group, the reputation of GESCO SE and continuous, credible investor relations are key elements. We currently see no need to raise new equity.

With regard to financing structures, GESCO Group is structured in such a way that a negative development of individual companies should not jeopardise the entire Group. For this reason, we largely refrain from using instruments such as cash pooling or contingent liabilities. In the interest of financial stability, GESCO SE refrains from speculative elements both in the investment of free financial resources and on the financing side. GESCO Group works with around two dozen different banks in order to limit its dependence on individual institutions.

Opportunities in the area of financing arise from GESCO's access to the capital market. This gives GESCO access to both new equity and debt capital. A solid balance sheet and good equity ratio enable easy access to debt capital.

### **Environmental risks**

Environmental damage can entail considerable financial and reputational risks and, in extreme cases, can threaten the existence of the company in question. Depending on the respective business model, the subsidiaries pursue different approaches. Doerrenberg Edelstahl GmbH, for example, introduced an environmental management system back in 1997, which is further developed and regularly audited. Regular environmental audits are carried out at Pickhardt & Gerlach Group due to its categorisation as a hazardous incident company. GESCO SE encourages its subsidiaries to ensure that permits and licences are obtained and, in financial year 2023, recorded and evaluated environmental risks using individual questionnaire catalogues in the analysis of its own business area for the implementation of the obligations of the LkSG and transferred them to the LkSG risk management system. In the course of non-financial reporting (particularly with regard to the implementation of the CSR-RUG), environmental risks will also be reported more intensively in future and monitored using software.

### **Risks at the level of GESCO SE**

At the level of GESCO SE, there is a risk that investments and receivables from affiliated companies may not be recoverable. This is typically caused by operating developments at the subsidiaries concerned that fall short of the premises and expectations underlying the original purchase price determination or the current investment valuation. GESCO SE endeavours to counteract negative developments through sustainable investment management in its support of the subsidiaries.

### **Risks and opportunities from the insurance cover**

GESCO Group's insurance cover is regularly reviewed in order to ensure appropriate cover at adequate conditions. A dualistic insurance management of Group and individual insurance policies is currently in place.

Opportunities arise where synergy effects are possible and insurance policies are concluded as group insurance policies. These include, for example, D&O insurance, insolvency contingency insurance, cyber risk insurance and group accident insurance.

With regard to insurance, GESCO SE, like the entire industry and industrial insurers, is affected by the "decoupling" and "derisking" described above. This leads to risks from rising insurance premiums or risks that are no longer insurable. GESCO Group is endeavouring to counteract this by strengthening and intensifying its insurance management.

The term "decoupling" or "derisking" refers to a long-term trend that has been increasingly fuelled by "America first" and China's strategy of "two cycles" and increasing geopolitical risks in recent years, and which is particularly affecting the insurance market.

### **Legal risks**

GESCO Group companies are confronted with a variety of potential legal risks. For the operating companies, this relates in particular to product liability and warranty claims as well as risks from customs and foreign trade law and from sanctions imposed by third countries on potential export destinations. There are also risks in the areas of antitrust and competition law, human resources and the environment, among others. Another legal risk relates to due diligence obligations with regard to supply chains in accordance with the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG).

GESCO Group companies counter legal risks from their operating business with prudent project management, including appropriate documentation and adequate quality management, including the involvement of the legal department and the case-by-case involvement of specialised experts. GESCO SE supports

the subsidiaries in part by providing internal (legal) advice and by procuring external legal advice. In addition, the instruments described in the compliance section are used to counter a wide range of risks.

In terms of the legal framework, we are currently seeing strong regulatory developments at national and supranational, i.e. European, level, which have a significant impact on the Group. In financial year 2023, GESCO Group was heavily involved in implementing the Supply Chain Duty of Care Act and preparing for the CSR Directive Implementation Act (CSR-RUG).

Other European legislation such as the Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation-free Supply Chain Regulation (EUDR) and many other national and supranational legislative acts will also require strong implementation, conceptualisation and management by GESCO SE vis-à-vis the subsidiaries in 2024 and beyond.

This results in both risks and opportunities. Risks lie in the high implementation effort and rising costs for governance and compliance. Opportunities arise from rapid implementation and targeted realisation with the support of GESCO SE. The subsidiaries can concentrate on their core business and at the same time qualify as strategic suppliers to their customers through rapid implementation.

It must be assumed that the trend towards stricter regulation will continue in the future due to the ambitious European climate policy.

### **Reputational risks**

Reputational risks could hinder GESCO SE both in its ability to acquire further industrial SMEs and in its relationship with the capital market. They could also limit the Company's ability to recruit qualified personnel. The subsidiaries could be restricted in their operating business and in their personnel work. GESCO Group counters this risk with great care in its business processes, a compliance system, active LkSG management and open, confidence-building communication both internally and externally.

### **Final risk assessment**

At GESCO Group, the composition of the investment portfolio, which operates with different business models in often different markets, must be taken into account. The highly diversified structure of the Group represents an effective mitigating factor in the aggregation of risks of the individual subsidiaries. On the one hand, the identified risks are of a very different nature due to the business activities and, on the other hand, the companies operate largely independently of each other, meaning that risks tend to occur selectively rather than across companies. This also reduces the risk to the recoverability of the carrying amounts of the investments at GESCO SE as a whole, whereby the high equity ratio in the holding company would ensure stability even in the event of higher risk-related impairments of individual investments. When assessing risk, we also look in particular at the financial situation of the respective companies and the holding company and their currently available credit lines. The assessment is therefore based on GESCO Group's overall financial risk-bearing capacity - understood as the ability to cover potential losses from equity and liquidity. Other possible sources of liquidity are also available in the form of debt capital such as loans or bonds.

We see the greatest challenges in the geopolitical environment and in the areas of information technology, data protection and increasingly stringent regulatory requirements and the insurability of these risks. In our view, geopolitical uncertainties have increased significantly over the past year and could deteriorate further. We are seeing a global increase in threats to cyber security, which according to various sources have intensified during coronavirus and the outbreak of war in Ukraine. Furthermore, the decoupling and derisking trend will intensify.

<b>Business risks</b>	<b>Significance of risk</b>	<b>Change compared to previous year</b>
Risks associated with the acquisition of companies	low	-
Risks in relation to the operating business	medium	-
Geopolitical risks	high	-
Compliance risks	medium	-
Risks in relation to personnel	medium	-
Risks from information technology	high	-
Risks in connection with data protection	high	-
Risks from financing	low	-
Environmental risks	low	-
Recoverability of the investments	medium	-
Insurance cover	medium	deteriorated
Legal risks	medium	-
Reputational risks	low	-

At present, we have not identified any specific risks that could jeopardise or significantly impair the continued existence of GESCO SE and the Group, either individually or collectively, but we are aware of the increasing risks and want to counter these by strengthening risk management at GESCO SE level.

## **5. Internal control and risk management system in relation to the accounting process**

The internal control and risk management system in relation to the accounting process (ICS) is designed and overseen by the Executive Board and monitored by the Supervisory Board. It comprises principles, procedures and measures that serve to ensure the correctness of internal and external accounting and compliance with legal regulations as well as the timely identification of accounting risks. The ICS is continuously developed further.

The subsidiaries are responsible for their own accounting. Group accounting is carried out by the responsible employees of GESCO SE on the basis of the subsidiaries' reporting. Detailed Group guidelines, which are set out in a manual, define a binding standard for all Group companies and all auditors. Changes to laws, accounting standards or other regulations are reviewed with regard to their relevance to the accounting process and, if necessary, are incorporated into the internal guidelines. If necessary, external service providers are consulted, for example for the valuation of pension obligations.

The responsible employees of GESCO SE are available to the managing directors, the financial officers and the relevant employees of the subsidiaries as contacts and advisors in all matters relating to accounting. The responsible employees receive regular training. To avoid risks from the accounting process, IT-supported and manual plausibility checks, the principle of segregation of duties and the principle of dual control are implemented. The functionality and effectiveness of the ICS is assessed by the auditors as part of the audit of the annual financial statements.

## **6. Takeover-relevant information**

### **Disclosures in accordance with Sections 289a, 315a (1) of the German Commercial Code (HGB)**

#### **No. 1: Composition of the subscribed capital**

As at the reporting date, the share capital of GESCO SE totalled € 10,839,499.00 and is divided into 10,839,499 no-par value registered shares. The shares are fully paid up. All shares carry the same rights and obligations. The rights and obligations of shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a ff, 118 ff and 186 AktG.

## **No. 2: Restrictions affecting voting rights or the transfer of shares**

Each share grants one vote at the Annual General Meeting and is decisive for the shareholders' share in the Company's profit. This does not apply to treasury shares held by the Company, which do not entitle the Company to any rights. In the cases of Section 136 AktG, voting rights from the shares concerned are excluded by law.

## **No. 3: Shareholdings exceeding 10 % of the voting rights**

Information on shareholdings exceeding 10 % of the voting rights is included in the notes.

## **No. 4: Holders of shares with special rights conferring powers of control**

There are no shares in the Company with special rights conferring powers of control.

## **No. 5: Control of voting rights in the case of employee shareholdings**

There is no control of voting rights in the event that employees hold shares in the capital of GESCO SE and do not exercise their control rights directly.

## **No. 6: Appointment and dismissal of members of the Executive Board; amendments to the Articles of Association**

Members of the Executive Board are appointed and dismissed on the basis of Article 39 SE Regulation, Section 16 para. 1 SE Implementation Act, Sections 84, 85 AktG and Article 7 of the Articles of Association of GESCO SE. Accordingly, Executive Board members are appointed by the Supervisory Board for a maximum of five years. Reappointment or extension of the term of office, in each case for a maximum of five years, is permitted. Appointments may be revoked by the Supervisory Board for good cause. In accordance with Section 7 para. 1 of the Articles of Association of GESCO SE, the Executive Board consists of one or more persons. In accordance with Section 7 para. 2 of the Articles of Association and within the framework of the statutory provisions, the Supervisory Board appoints the members of the Executive Board and determines their number; it may also appoint deputy members of the Executive Board.

Amendments to the Articles of Association are governed by Article 59 para. 1 SE Regulation, Section 179 AktG and Article 18 of the Articles of Association of GESCO SE. In accordance with Article 59 para. 1 SE Regulation and Section 179 para. 1 sentence 1 AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting. Pursuant to Section 179 para. 1 sentence 2 AktG in conjunction with Section 18 para. 2 of the Articles of Association. § Section 18 para. 2 of the Articles of Association, however, the Supervisory Board is authorised to make amendments to the Articles of Association that only affect their wording. Otherwise, amendments to the Articles of Association require a majority of two-thirds of the votes cast when the resolution is passed in accordance with Article 59 para. 1 SE Regulation and, unless mandatory statutory provisions require otherwise, in accordance with Section 18 para. 1 of the Articles of Association in conjunction with Section 179 para. 2 sentence 2 AktG. § Section 179 para. 2 sentence 2 AktG of the simple majority of the share capital represented when the resolution is passed.

## **No. 7: Authorisation of the Executive Board to issue or buy back shares**

The Company currently has no authorised capital.

The Company may only repurchase treasury shares on the basis of an authorisation by the Annual General Meeting or in the few cases expressly regulated in the German Stock Corporation Act. The Annual General Meeting on 18 June 2020 authorised the Company, with the approval of the Supervisory Board, to acquire treasury shares of up to ten percent of the share capital until 17 June 2025, taking into account treasury shares already held by the Company. The authorisation may be exercised for any legally permissible purpose; trading in treasury shares is excluded. At the discretion of the Executive Board, the shares may be acquired via the stock exchange or by means of a public purchase offer to all shareholders, subject to the conditions specified in the authorisation resolution. The Executive Board is also authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares on the stock exchange or by means of a public offer to all shareholders. Shareholders have no subscription rights if the shares are sold via the stock exchange. In the event of a sale by means of a public offer, the Executive Board is authorised to exclude shareholders' subscription rights for fractional amounts. In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to use the acquired treasury shares as follows, excluding shareholders' subscription rights, subject to the conditions specified in the authorisation resolution:

- Sale to third parties for cash at a price that is not significantly lower than the market price of the Company's shares at the time of sale (exclusion of subscription rights limited to 10% of the share capital in accordance with Section 186 (3) sentence 4 AktG);
- Sale to third parties for the purpose of acquiring companies, parts of companies and/or equity interests in companies or to service bonds with warrants and/or convertible bonds;
- in the event of an offer to all shareholders for the purpose of granting subscription rights to the shares to the holders of any bonds with warrants and/or convertible bonds issued by the Company or a Group Company to the extent to which they would be entitled after exercising their option or conversion rights or after fulfilment of their conversion obligation.

The Executive Board is also authorised, with the approval of the Supervisory Board, to withdraw some or all of the treasury shares acquired without a further resolution by the Annual General Meeting.

These authorisations may be exercised once or several times, in full or in partial amounts, individually or jointly by the Company or its affiliated companies or by third parties for the account of the Company or its affiliated companies.

In connection with its employee share ownership programme, the Company acquired 36,000 treasury shares in the reporting period in accordance with Section 71 para. 1 no. 2 AktG, of which 24,670 shares were distributed to the securities accounts of employees participating in the programme in December 2023. As at the reporting date, GESCO SE held the remaining 11,330 treasury shares.

## **No. 8: Material agreements of the Company that are subject to the condition of a change of control following a takeover bid**

The Company has not entered into any agreements that are subject to the condition of a change of control following a takeover bid.

## **No. 9: Compensation agreements between the Company and members of the Executive Board or employees in the event of a takeover bid**

The Company has not entered into any compensation agreements with members of the Management Board or employees in the event of a takeover bid.

## **7. Declaration on corporate governance**

The corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code (HGB) is published on our website at [www.gesco.de/investor-relations/financial-reports](http://www.gesco.de/investor-relations/financial-reports).

Wuppertal, the 27 March 2024

Ralph Rumberg  
CEO

Andrea Holzbaur  
CFO



## **Assurance of the legal representatives**

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report of the Company and the Group includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal opportunities and risks associated with the expected development of the Company and the Group.

Wuppertal, the 27 March 2024

Ralph Rumberg	Andrea Holzbaur
CEO	CFO

## **Report of the Supervisory Board for the 2023 financial year**

**In the 2023 financial year, the Supervisory Board concerned itself intensively with the situation of the Company and fulfilled the obligations incumbent upon it in accordance with the law, the Articles of Association and the rules of procedure. These include consultations on the basis of regular, timely and comprehensive information from the Executive Board, the involvement of the Supervisory Board in decisions of material importance to the Company and the necessary monitoring of management. The Executive Board provided the Supervisory Board with detailed written and verbal reports on all key issues relating to the Company in and outside of Supervisory Board meetings in accordance with legal requirements. The reporting included information on the economic development and financial situation, the intended business policy, sustainability targets and other fundamental aspects of corporate planning and also included information on the situation of the Company and the Group (including the risk situation, risk management and compliance). The Supervisory Board granted its approval for individual business transactions where this was required by law, the Articles of Association or its own regulations. In addition, the Chairman of the Supervisory Board was in regular contact and exchanged information and ideas with the Executive Board and, in particular, with its CEO. The CEO informed the Chairman of the Supervisory Board continuously and promptly about important developments and upcoming decisions.**

In this report, the Supervisory Board provides information on its activities in the 2023 financial year, focusing on the topics of its ongoing dialogue with the Executive Board and the audit of the annual and consolidated financial statements.

### **Personnel continuity on the Supervisory Board and Management Board**

There were no changes to the members of the Supervisory Board or the composition of the committees in the 2023 financial year. Stefan Heimöller, Jens Große-Allermann, Dr Nanna Rapp and Klaus Möllerfriedrich were members of the Supervisory Board for the full year in the 2023 financial year. After the Annual General Meeting on 12 June 2023, the functions were reorganised. Mr Heimöller was elected to succeed Mr Möllerfriedrich as Chairman of the Supervisory Board and Mr Jens Große-Allermann was elected Deputy Chairman of the Supervisory Board. Mr Möllerfriedrich and Dr Rapp continue to serve on the Supervisory Board.

The Company's Executive Board consisted of CEO Ralph Rumberg and CFO Andrea Holzbaur throughout the 2023 financial year.

## **Cooperation between the Management Board and the Supervisory Board**

The intensive and trusting cooperation between the Supervisory Board and the Executive Board continued at all times, both before and after the new appointments to the Supervisory Board. Throughout the reporting year, the Supervisory Board conscientiously fulfilled its supervisory and advisory duties in accordance with the law, the articles of association and the rules of procedure. This included the regular exchange of information with the Management Board and the monitoring of the Company's management with regard to legality, regularity, expediency and economic efficiency.

The Supervisory Board was directly involved in all fundamental company decisions. In particular, the economic situation of GESCO SE and its subsidiaries was discussed in detail. The appointment of new management positions at the subsidiaries of GESCO SE was a focal point of the Supervisory Board's work, as was the monitoring of potential acquisition targets and internal reorganisations under company law in 2023.

The Management Board informed the Supervisory Board regularly, both verbally and in writing, promptly and comprehensively about all relevant issues relating to corporate planning and strategic development, the course of business, the situation of the Group and the individual subsidiaries, including the risk situation, as well as risk and compliance management. Between meetings, the Supervisory Board was also continuously informed in detail by means of written reports and verbally about all projects and plans that were of particular importance to the Company. At the regular quarterly meetings, the Supervisory Board received a detailed report on the compliance management system and the internal control and risk management system from the responsible person at GESCO SE. The Supervisory Board dealt with the structure and content as well as the functionality of these systems as scheduled. In all cases, the members of the Supervisory Board analysed the reports submitted to them intensively and critically and made their own suggestions. The scope and nature of risk reporting are thus constantly updated. The topic of ESG is becoming increasingly important and was dealt with extensively in the non-financial statement.

The course of business was discussed in detail with the Executive Board. Deviations in the course of business from the respective annual plans and targets were explained to the Supervisory Board in detail at the meetings and analysed jointly by the Executive Board and Supervisory Board. The members of the Supervisory Board, and the Chairman in particular, were also in regular contact with the Executive Board outside of the Supervisory Board meetings and were kept informed of current developments in the business situation and significant business transactions. The Supervisory Board examined the Executive Board's reports and proposed resolutions in detail and voted on them to the extent required by law and the Articles of Association.

Significant strategic investments at the subsidiaries were accompanied by extensive discussions based on detailed investment calculations. Companies that were more severely affected by the economic situation were scrutinised in particular by the Supervisory Board.

Changes in the management of subsidiaries were discussed in detail by the Supervisory Board and the

Management Board. In the case of new appointments, candidates were interviewed by the Supervisory Board prior to the authorisation resolution.

### **Organisation of the Supervisory Board's work**

The organisation of the Supervisory Board work at GESCO SE remained unchanged. The Supervisory Board continues to consist exclusively of shareholder representatives, who were re-elected for the next five years by the Annual General Meeting on 18 June 2020. In the reporting year, the Supervisory Board consisted of Mr Klaus Möllerfriedrich (Chairman until 12 June 2023, ordinary member since then), Mr Stefan Heimöller (Deputy Chairman until 12 June 2023, Chairman since then), Mr Jens Große-Allermann (ordinary member until 12 June 2023, Deputy Chairman since then) and Dr Nanna Rapp.

The deliberate limitation of the size of the Supervisory Board enables efficient work and intensive discussions on both strategic and detailed issues. For this reason, no Supervisory Board committees are formed. No committees were formed in the 2023 financial year, with the exception of the Audit Committee, the establishment of which was resolved by the Supervisory Board in 2021 and came into effect on 1 January 2022. Mr Jens Große-Allermann, who has extensive knowledge in this area, chairs the Audit Committee, supported by auditor Klaus Möllerfriedrich and Dr Nanna Rapp.

The Supervisory Board as a whole delegates certain tasks to individual members, who prepare them and present them to the Board for final discussion and decision. This relates in particular to acquisitions, personnel decisions and the audit of the financial statements. The four members of the Supervisory Board contribute different, complementary competences and thus ensure appropriate professional diversification, as set out in a competence matrix published in the corporate governance declaration.

Since 2023, the Supervisory Board has had access to a database containing all documents relevant to the Supervisory Board.

### **Meetings and resolutions of the Supervisory Board**

A total of 9 Supervisory Board meetings were held in the 2023 financial year. In addition, the Supervisory Board held various internal telephone and video conferences and, if necessary, made decisions by circular resolution.

All Supervisory Board meetings were held in person. All members of the Supervisory Board attended all meetings.

The Supervisory Board's ongoing discussions focussed on the economic development of GESCO Group, the development of individual subsidiaries, personnel matters at the subsidiaries and GESCO SE, the achievement of targets in relation to the annual planning and ongoing transaction projects. An employee of GESCO SE reported to the Supervisory Board on the compliance management system and the internal

control and risk management system on a quarterly basis. The Supervisory Board also discussed the following key topics and, where necessary, passed resolutions:

- Discussion of the annual financial statements and consolidated financial statements of GESCO SE as at 31 December 2022; adoption of the annual financial statements and approval of the consolidated financial statements as at 31 December 2022
- Report of the Supervisory Board; Corporate Governance Statement; Non-Financial Statement; Declaration of Conformity and Corporate Governance
- Preparation/follow-up of the 2023 Annual General Meeting
- Annual planning 2023/2024
- Implementation of the NEXT LEVEL 25 strategy at GESCO SE and in GESCO Group
- Supervisory Board, Executive Board and personnel matters
- Internal control, risk management and compliance management system
- Investments in subsidiaries
- Acquisition/disposal of (shares in) companies
- Changes under company law
- Insurance topics, including cyber-security
- Employee participation programme 2023

Between meetings, the Supervisory Board was also informed in detail by means of written reports about all projects and plans that were of particular importance to the Company.

The Audit Committee met four times in 2023. The subject of the meetings in the first quarter was the work and results of the auditor and the auditor's proposal for 2023 and in the fourth quarter the vote on the audit of the 2023 annual financial statements and an interim report on the 2023 audit.

### **Corporate Governance**

The Supervisory Board has continuously monitored the further development of corporate governance standards. The Executive Board and Supervisory Board report on corporate governance at GESCO SE in their joint declaration on corporate governance, which is published both on the website and in the latest annual report.

In December 2023, the Executive Board and Supervisory Board submitted and published the statutory declaration of compliance with the German Corporate Governance Code as required by law. Accordingly, GESCO SE complies with the recommendations of the "Government Commission on the German Corporate Governance Code" with the exception of the deviations listed and justified in the declaration of compliance.

One member of the Supervisory Board took part in an external training programme on the topic of ESG in the reporting year; all members read journals and articles on current Supervisory Board topics. In addition, individual members took part in seminars and lectures.

### **Executive Board remuneration**

The remuneration system adopted in 2021 applies to all Executive Board employment contracts that have been concluded or extended from 1 July 2021 or will be concluded in the future, as long as no other remuneration system is adopted. The employment contracts of Mr Rumberg and Ms Holzbaur are both based on the remuneration system adopted in 2021.

The Annual General Meeting on 30 June 2021 approved the remuneration system presented at the time, which took into account the changes resulting from the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the then new recommendations of the German Corporate Governance Code.

Detailed information on the Executive Board remuneration system can be found in the remuneration report and the notes to the financial statements of GESCO SE and the Group.

### **Remuneration system for the Supervisory Board**

The Supervisory Board remuneration system was revised in 2020 and, with the exception of a few Company-relevant regulations, largely adapted to the requirements of the GCGC. The modified remuneration system was approved by the 2020 Annual General Meeting and reorganised in the Articles of Association.

### **Audit of annual and consolidated financial statements**

In accordance with the statutory provisions, the auditor elected by the Annual General Meeting on 12 June 2023, Mazars GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, was commissioned to audit the annual financial statements and the consolidated financial statements. The auditor confirmed its independence in its letter dated 30 August 2023. It also provided us with evidence that it is authorised to audit listed companies following its successful participation in a quality control audit conducted by the Chamber of Public Accountants.

The annual financial statements of GESCO SE for the financial year from 1 January to 31 December 2023 prepared by the Executive Board in accordance with the German Commercial Code (HGB) and the management report were audited by the auditor. The auditor issued an unqualified audit opinion on 22 March 2024.

The consolidated financial statements and Group management report of GESCO Group for the financial year from 1 January to 31 December 2023 were prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRS) in accordance with Section 315e of the German Commercial Code (HGB) and audited by the auditor. The auditor issued an unqualified audit opinion on the consolidated financial statements and Group management report 2023.

This year, the audit of the separate financial statements of GESCO SE focused on the recoverability of shares in affiliated companies, the recoverability of receivables from affiliated companies, taxes, the management report and the merger of wkk into GESCO AG as part of the conversion into an SE and the

corporate conversion of Sommer und Strassburger Edeltstahlanlagenbau GmbH & Co. KG into a GmbH. The focal points of the audit of the consolidated financial statements were the recoverability of goodwill (impairment tests) and initial consolidations, the recoverability of customer bases, the acquisition of minority interests, sales realisation, inventory valuation and legal risks in individual subsidiaries as well as pension provisions, deferred taxes, the management report and the notes to the consolidated financial statements including the ESEF. The focal points of the audit were agreed with the auditor before the start of the audit. The Supervisory Board did not issue any special instructions to the auditor this year. The focal points of the audit determined by the auditor already included desired audit areas from the perspective of the Supervisory Board. There was also personal contact between the Chairman of the Audit Committee and the auditor during the ongoing audit work with regard to the exchange of information about the audit. During the audit and in the final phase of the audit work, the Audit Committee held intensive discussions with the auditor on the status of the audit in order to further prepare the decision of the full Supervisory Board. At three Audit Committee meetings on 15 December 2023, 23 February 2024 and 11 March 2024, the auditor informed the committee members in detail about the performance of the audit at GESCO SE, the Group and the individual subsidiaries and answered questions. The ICS in the Group and the risk management system were also discussed with the auditors.

The complete financial statements and the associated auditor's reports were sent to all members of the Supervisory Board in good time before the balance sheet meeting and were included in the Supervisory Board's audit activities. They were also the subject of intensive discussions at the Supervisory Board meeting on 28 March 2024. The auditors attended this meeting, reported extensively on the key findings of the audits and were available to the Supervisory Board to answer questions and provide additional information. All of the Supervisory Board's questions were answered in detail by the auditors. Based on the final results of the audit conducted by the Supervisory Board, no objections were raised to the annual financial statements, the management report, the consolidated financial statements or the Group management report. Following its own review of the annual financial statements, the consolidated financial statements and the combined management report, the Supervisory Board approved the result of the audit by the auditor and unanimously approved the annual financial statements and the consolidated financial statements at the meeting on 28 March 2024. The 2023 annual financial statements of GESCO SE are thus adopted. The Supervisory Board concurred with the Executive Board's proposal for the appropriation of net retained profits, taking into account the Company's earnings and financial position.

### **Thanks for the work done**

The success of GESCO Group depends on the people who work for it. The Supervisory Board would therefore like to thank the Executive Board, the managing directors of the subsidiaries and all GESCO Group employees for their contribution to the successful development of the Group.

Wuppertal, the 28. March 2024

For the Supervisory Board

Stefan Heimöller

Chairman of the Supervisory Board



## **OPINION OF THE INDEPENDENT AUDITOR**

To GESCO SE, Wuppertal

### **REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT**

#### **Audit judgements**

We have audited the annual financial statements of GESCO SE, which comprise the balance sheet as at 31 December 2023 and the income statement for the financial year from 1 January 2023 to 31 December 2023, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of GESCO SE, which is combined with the Group management report of the Company, for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other information" section of our auditor's report.

In our opinion, based on the findings of our audit

the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German Legally Required Accounting Principles, and

the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those parts of the management report listed in the "Other information" section.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

#### **Basis for the audit judgements**

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

#### **Key audit matters in the audit of the annual financial statements**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Recoverability of shares in affiliated companies and receivables from affiliated companies*

#### **Related information in the annual financial statements**

For information on the accounting and valuation methods applied to shares in affiliated companies, please refer to the disclosures on financial assets in section 2 of the notes to the Company's annual financial statements. The development of shares in affiliated companies is shown in the statement of changes in non-current assets in the notes; further explanations can be found in section 3 (1) of the notes. Explanations on receivables from affiliated companies can be found in section 3 (3) of the notes. The accounting policies applied to receivables are presented in section 2 and the valuation allowances recognised in the 2023 financial year are presented in section 3 (13) of the notes.

#### **Facts and risk for the audit**

GESCO SE's balance sheet shows shares in affiliated companies totalling € 165 million and receivables from affiliated companies amounting to € 67 million, which together account for around 93 % of the balance sheet total and around 98 % of the Company's balance sheet equity.

The shares in affiliated companies and receivables from affiliated companies are subject to annual impairment tests by the Company in order to determine a possible need for amortisation/impairment or reversal of impairment. In this context, recognised impairment losses of € 6.7 million on shares in affiliated companies and € 4.5 million on receivables from affiliated companies in the 2023 financial year. The result of these valuations depends to a large extent on how the legal representatives estimate future cash inflows and derive the discount rates used in each case or estimate default expectations. In view of the complexity underlying the valuation and the scope for judgement involved in the valuation, the recoverability of shares in affiliated companies and receivables from affiliated companies is a particularly important matter in the context of our audit.

#### **Audit approach and findings**

As part of our audit, we analysed the process implemented by the legal representatives of GESCO SE as well as the accounting and valuation guidelines for determining the fair values of shares in affiliated companies and receivables from affiliated companies for potential risks of error and obtained an understanding of the process steps and the internal controls implemented. We assessed the Company's approach to determining the discount rates and deriving the expected future profits and losses on receivables for compliance with commercial law and professional pronouncements.

We analysed the corporate planning by comparing it with the results actually achieved in the past and current developments in the business figures. We analysed the key assumptions regarding the future development of the business model and corporate planning with regard to further business development and growth by discussing these in detail with the legal representatives of GESCO SE. On this basis, we assessed their appropriateness.

The appropriateness of the other key valuation assumptions, such as the discount rate and the growth rate, was examined with the support of specialists from our Company on the basis of an analysis of market

indicators. We analysed the parameters used to determine the discount rates with regard to their appropriate derivation and verified their calculation in accordance with the relevant requirements of commercial law.

We used sensitivity analyses to assess impairment risks in the event of changes to key valuation assumptions. We also verified the mathematical accuracy of the valuation models in accordance with the requirements of commercial law.

With regard to receivables from affiliated companies, we analysed whether the Company's default expectations were adequately taken into account. To this end, we also examined the available annual financial statements and information on past payment behaviour.

On the basis of our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the legal representatives with regard to the recoverability of the shares in affiliated companies and the receivables from affiliated companies are justified and balanced.

### **Other information**

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises the following non-audited components of the management report:

- the declaration on corporate governance pursuant to Sections 289f and 315d HGB, to which reference is made in the management report,

- the separate non-financial Group report pursuant to Section 315b (3) HGB, to which reference is made in the management report, and

- the remuneration report pursuant to Section 162 AktG, to which reference is made in the management report.

The other information also includes

- the assurances pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB on the annual financial statements and the management report, and

- the report of the Supervisory Board.

The legal representatives and the Supervisory Board are jointly responsible for the remuneration report. The Supervisory Board is responsible for the report of the Supervisory Board. Otherwise, the legal representatives are responsible for the other information.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information:

- are materially inconsistent with the annual financial statements, management report or our knowledge obtained in the audit, or

- otherwise appear to be materially misstated.

## **Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report**

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there are factual or legal circumstances to the contrary.

Furthermore, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

## **Auditor's responsibilities for the audit of the annual financial statements and of the management report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and management report.

During the audit, we exercise professional judgement and maintain professional scepticism. In addition, we

identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.

conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS**

**Report on the audit of the electronic reproduction of the annual financial statements and the management report prepared for publication purposes in accordance with section 317 (3a) HGB**

### **Audit judgement**

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the information contained in the file "894500DZXDXD0LOZYIC55-JA-2023-12-31-en.zip" (MD5 hash value: "ad117359e0017e3773457784979757fe") and the reproduction of the annual financial statements and the management report (hereinafter also referred to as "ESEF documents") prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the annual financial statements and management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

### **Basis for the audit opinion**

We conducted our audit of the reproduction of the annual financial statements and of the management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit practice has applied the quality management system requirements of the International Standard on Quality Management (ISQM 1).

### **Responsibility of the legal representatives and the Supervisory Board for the ESEF documents**

The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 no. 1 HGB.

Furthermore, the Company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### **Auditor's responsibility for the audit of the ESEF documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgement and maintain professional scepticism. In addition, we

identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

obtain an understanding of internal control relevant to the audit of the ESEF documentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents fulfils the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.

evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

### **Other information pursuant to Article 10 EU-APrVO**

We were elected as auditor by the annual general meeting on 12 June 2023. We were engaged by the Supervisory Board on 11 September 2023. We have been the auditor of GESCO SE without interruption since financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (audit report).

### **OTHER MATTERS - USE OF THE AUDIT OPINION**

Our audit opinion should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted into ESEF format - including the versions to be filed in the Company register - are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

### **RESPONSIBLE AUDITOR**

The German Public Auditor responsible for the engagement is Heiko Wittig.

Düsseldorf, 27 March 2024

Mazars GmbH & Co KG  
Auditing Company  
Tax consulting Company

Dr Marcus Borchert  
German Public Auditor

Heiko Wittig  
German Public Auditor