



**Annual financial statement and
management report as at
31 December 2022**

Auditors' Report

GESCO SE

Wuppertal

GESCO SE (formerly GESCO AG), Wuppertal
Balance sheet as at 31 December 2022
(previous year for comparison)

Assets

	Appendix	12/31/2022 €	Previous year T€
A. Non current assets			
I. Intangible assets			
EDP software		66,872.00	43
II. Tangible assets			
Other equipment, operating and office equipment		70,367.62	117
III. Financial assets			
1. Shares in affiliated companies	(1)	163,673,620.07	148,394
2. Participations		5,000.00	5
3. Other loans	(2)	9,371,283.29	9,371
		<u>173,049,903.36</u>	<u>157,770</u>
		<u>173,187,142.98</u>	<u>157,930</u>
Current assets			
I. Receivables and other assets			
1. Trade receivables		415,351.33	
2. Receivables from affiliated companies	(3)	67,551,442.29	59,055
of which with a remaining term of more than one year:			
€ 19,490,099.14 (T€ 20,597)			
3. other assets	(4)	3,383,380.01	3,383
of which with a remaining term of more than one year:			
€ 0.00 (T€ 180)			
		<u>71,350,173.63</u>	<u>62,438</u>
II. Cash in hand, bank balances		<u>10,620,316.14</u>	<u>23,800</u>
		<u>81,970,489.77</u>	<u>86,238</u>
C. Prepaid expenses		<u>149,632.65</u>	<u>110</u>
		<u>255,307,265.40</u>	<u>244,278</u>

Equity and Liabilities

	Appendix	12/31/2022 €	Previous year T€
A. Equity			
I. Subscribed capital	(5)	10,839,499.00	10,839
II. Capital reserve	(6)	73,556,905.46	73,522
III. Retained earnings	(6)		
1. Legal reserve		58,717.27	59
2. Other retained earnings		141,482,638.73	123,269
		<u>141,541,356.00</u>	<u>123,328</u>
IV. Balance sheet profit		<u>13,484,844.03</u>	<u>15,331</u>
		<u>239,422,604.49</u>	<u>223,020</u>
B. Provisions			
I. Provisions for pensions and similar obligations	(7)	2,735,652.00	2,595
II. Tax provisions		604,008.00	374
III. Other provisions	(8)	3,440,406.68	2,921
		<u>6,780,066.68</u>	<u>5,890</u>
C. Liabilities	(9)		
I. Liabilities to credit institutions		8,203,067.85	11,379
II. Liabilities from deliveries and services		241,284.43	237
III. Liabilities to affiliated companies		535,049.12	528
IV. Other liabilities		125,192.83	3,224
thereof from taxes: € 86,271.69 (T€ 495)			
of which within the framework of social security:			
€ 8.435,24 (T€ 6)			
		<u>9,104,594.23</u>	<u>15,368</u>
		<u>255,307,265.40</u>	<u>244,278</u>

GESCO SE (formerly GESCO AG), Wuppertal
Profit and Loss statement
for the financial year from 1 January to 31 December 2022
(previous year for comparison)

	Appendix	2022 €	Previous year T€
1. Sales revenue	(11)	1,746,723.27	1,669
2. Other operating income	(12)	498,330.75	183
3. Personnel expenses			
a) Wages and salaries		-4,540,492.10	-4,143
b) Social security contributions and expenses for Old-age pensions and other benefits of which for old-age provision: € 169,668.00 (€ 256,000)		-576,800.69	-571
		-5,117,292.79	-4,714
4. Amortisation of intangible assets of fixed assets and property, plant and equipment		-96,705.25	-132
5. Other operating expenses	(13)	<u>-5,489,788.18</u>	<u>-4,475</u>
		-8,458,732.20	-7,469
6. income from participations all from affiliated companies: € 17,167,054.83 (T€ 30,217)		17,183,372.33	30,217
7. Income from profit transfer agreements	(14)	20,418,282.84	10,947
8. Income from other securities and loans from financial assets		374,851.33	360
9. Other interest and similar income of which from affiliated companies: € 246,783.35 (T€ 400)		248,887.62	410
10. Depreciation on financial assets	(15)	0.00	-926
11. Interest and similar expenses thereof from affiliated companies: € 4,279.77 (T€ 4) thereof expenses from compounding: € 56,534.00 (T€ 61)		-211,719.87	-241
12. Taxes on income and earnings		<u>-2,582,363.99</u>	<u>-2,635</u>
13. Earnings after taxes		26,972,578.06	30,664
14. Other taxes		<u>-2,890.00</u>	<u>-2</u>
15. Earnings for the year		<u>26,969,688.06</u>	<u>30,662</u>
16. Allocation to retained earnings		<u>13,484,844.03</u>	<u>15,331</u>
17. Retained earnings		<u>13,484,844.03</u>	<u>15,331</u>

GESCO SE (formerly GESCO AG), Wuppertal
Annual financial statements as at 31 December 2022

Appendix

1. General information

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

In October 2021, the then 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 public limited company. The conversion was carried out by merging wkk Beteiligungs AG into GESCO AG with a change in legal form to that of an SE (Societas Europaea). The change of legal form was published in the commercial register on 04 January 2023.

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

The financial year shall be the calendar year.

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

The total cost method was used for the profit and loss account. For reasons of clarity, some of the disclosures required for the balance sheet and the 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 2022 will be submitted electronically to the body maintaining the company register in accordance with § 325 of the German Commercial Code (HGB). As in the previous year, the management report of GESCO SE

was combined with the management report of GESCO Group in application of § 298 (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 acquisition cost. The intangible assets acquired for a consideration and the movable assets of the tangible assets are depreciated according to schedule using the straight-line method over the normal useful life. Low-value assets whose acquisition costs do not exceed € 800 are written off in full in the year of acquisition; their immediate disposal is assumed in the presentation of the fixed asset movement schedule. If necessary, unscheduled write-offs are made.

	Years
Computer software	3 - 7
Other equipment, furniture and fixtures	3 - 10

Financial assets are recognised at acquisition cost, taking into account unscheduled write-downs to adjust to a lower value in the event of a probable permanent impairment. If value adjustments were made in previous years and the reasons for the impairment no longer apply in full or in part in the meantime, the impairment is reversed up to a maximum of the historical acquisition costs.

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

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

Equity items are recognised at nominal value.

The provisions for pensions and similar obligations as well as the purchase price annuity obligation are recognised at the settlement amount according to 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 applied on the basis of an assumed remaining term of 15 years, applying § 253 para. 2 p. 1 and 2 HGB.

The non-cash expense arising from the Company's share option scheme is determined using a standard binomial model, recognised ratably in profit or loss and reported in other provisions.

The other provisions take into account all identifiable risks and uncertain obligations. They are valued at the settlement amount which, according to reasonable commercial judgement, is necessary to cover future payment obligations.

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 the development of fixed assets are attached as an appendix to these notes.

Shares in affiliated companies (1)

In February 2022, GESCO SE acquired the shares in the inactive "Blitz 21-339 GmbH, Munich". The company was subsequently renamed "INEX solutions GmbH". In March 2022, GESCO SE transferred its shares in the companies Hubl GmbH, Vaihingen Enz, Sommer & Straßburger Edelstahlanlagenbau GmbH & Co. KG, Bretten and So-Stra Verwaltungs-GmbH, Bretten to INEX solutions GmbH.

In March 2022, GESCO SE took over the 5% share in Dörrenberg Edelstahl GmbH held by the former managing partner Dr Frank Stahl. GESCO SE now holds 95% of the shares in the company.

In August 2022, GESCO SE acquired the 10 % share in Kesel GmbH & Co KG from the former managing partner Mr Martin Klug. GESCO SE now holds 100% of the shares in the company.

In December 2022, the two companies IV Industrieverwaltungs GmbH & Co. KG and MV Anlagen mbH & Co. KG were transferred to the general partner IMV Verwaltungs GmbH in the form of an accrual with all assets and liabilities due to the withdrawal of the limited partner GESCO SE. The companies were dissolved on 30 December

2022. In the course of restructuring under company law in the 2022 financial year, intragroup receivables amounting to T€ 8,553 were transferred to the financial assets, which were shown in a separate column of the statement of changes in fixed assets.

The list of shareholdings pursuant to 285 sentence 1 no. 11 HGB is attached as an appendix to these notes.

Other loans (2)

Loans with a term of more than one year are recognised as other loans. One of these is 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, among other things, pro rata profit distributions not yet paid out and receivables from profit transfers and loans.

Other assets (4)

Other assets mainly comprise claims from creditable taxes and advance tax payments as well as loans granted.

Subscribed capital (5)

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

The Annual General Meeting of 18 June 2020 authorised the Company, with the consent of the Supervisory Board, to increase the share capital of the Company 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). In certain cases, subscription rights may be excluded. No use was made of this authorisation in the reporting period.

The Annual General Meeting of 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 and sold to employees within the framework of an employee participation programme. In the employee share ownership programme, which usually takes place annually, GESCO Group employees are offered a limited number of discounted GESCO shares.

The Executive Board is also authorised, with the consent of the Supervisory Board, to sell the acquired shares under certain conditions in a manner other than via the stock exchange or through an offer to all shareholders, to use them for the purpose of acquiring a company or an equity interest, or to redeem them in whole or in part. The Executive Board has not made use of this authorisation to date, with the exception of the sale of shares for the purpose of the employee share ownership programme. GESCO SE did not hold any treasury shares as at the reporting date.

Capital reserve / revenue reserves (6)

The reserves developed as follows:

T€	Capital reserve	Legal reserve	Other revenue reserves
Status 12/31/2021	73,522	59	123,269
Acquisition/sale of own shares	35	0	-1
Feed	0	0	18,215
Status 12/31/2022	73,557	59	141,483

In the reporting year, a dividend of € 0.98 per no-par share was distributed on the share capital entitled to dividends at the time of the resolution (10,839,499 shares less 22,000 treasury shares).

Provisions for pensions and similar obligations (7)

T€	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Status 01/01	2,595	2,444
Interest expense	49	52
Change	92	99
Status at the end of the financial year	2.736	2.595

%	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Interest rate*	1.79	1.87
Pension dynamics	2	1,5

*The interest rate used differs by 0.01% from the interest rate of 1.78% published by the Deutsche Bundesbank as at 31 December 2022. The difference according to § 253 para. 6 HGB amounts to T€ 124 (previous year T€ 183).

The provision relates to pension obligations to three former members of the Executive Board.

Other provisions (8)

T€	01/01/2022- 12/31/2022	01/01/2021- 12/31/2021
Personnel provision	1,300	1,190
Purchase price annuity obligation	535	573
Supervisory Board Remuneration	444	278
Other provisions	1,161	880
Status at the end of the financial year	3,440	2,921

The personnel provisions include obligations from performance-related short-term and multi-year share-based remuneration components, holiday pay and the employers' liability insurance association. The purchase price pension obligation was calculated according to actuarial principles on the basis of an interest rate of 1.45 % (previous year 1.35 %). Other provisions mainly include acquisition costs, any non-deductible input taxes 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 GESCO SE employees participation in a share option programme until 2021 as part of the previous remuneration system.

The non-cash expense from this programme is determined using a common binomial model, recognised pro rata in profit or loss and reported in other provisions. The total expense for the ninth to fifteenth tranche amounts to T€ 15 in the reporting year (previous year: T€ 90).

The fair value per option at 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 release of the provision (T€ 112) this year. The provision on the balance sheet date amounts to T€ 28.

T€	12/31/2022 (12/31/2021)	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years
Liabilities to via credit institutions	8,203 (11,379)	2,660 (3,176)	5,543 (8,203)	0 (0)
Liabilities from Deliveries and services	241 (237)	241 (237)	0 (0)	0 (0)
Amounts owed to affiliated companies	535 (528)	535 (528)	0 (0)	0 (0)
Other liabilities	125 (3,224)	125 (3,224)	0 (0)	0 (0)
	9,104 (15,368)	3,561 (7,165)	5,543 (8,203)	0 (0)

Liabilities to banks are secured in the amount of T€ 6,857 by pledging investments.

Deferred taxes (10)

Deferred taxes due to different valuations between commercial law and tax law were calculated on financial assets, pension provisions and other provisions. In addition, deferred taxes were calculated on the existing trade loss carryforward. The valuation differences for financial assets led partly to deferred tax assets and partly to deferred tax liabilities. The valuation differences for 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 tax rate of currently approx. 31 %. This tax rate includes corporate income tax and solidarity surcharge as well as trade tax.

Only the tax rate for corporation tax and solidarity surcharge (approx. 16 %) was used as the basis for determining deferred taxes from different investment valuations for partnerships.

In the 2021 financial year, the overall assessment of deferred taxes resulted in a surplus of assets. The capitalisation option was not exercised. For the 2022 business year, the calculation of deferred taxes again leads to an asset surplus (T€ 2,812). The capitalisation option was 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 from 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 indemnity is subordinate to the insurance cover on the basis of a D&O insurance policy. As of the balance sheet date, due to the lack of recognisable breaches of duty or claims asserted by the company or third parties, a claim is not expected according to current estimates.

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 called upon as at the balance sheet date.

Furthermore, there are profit transfer agreements with three subsidiaries, which also include obligations to offset losses.

Financial obligations from leasing exist as at 31 December 2022 in the amount of T€ 159, of which T€ 61 up to one year and T€ 98 over one year.

4. Notes to the profit and loss account Revenue (11)

The sales revenues include charges passed on to direct subsidiaries.

Other operating income (12)

Of the other operating income, T€ 374 (previous year: T€ 72) 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, as well as financial statement and audit costs.

Income from profit transfers (14)

In the financial year 2022, GESCO SE concluded a profit and loss transfer agreement with INEX - solutions GmbH, so that profit and loss transfer agreements currently exist with INEX solutions GmbH, Setter Holding GmbH and MAE Maschinen- und Apparatebau Götzen GmbH.

Depreciation on financial assets (15)

All write-downs from the previous year were unscheduled and relate to the write-down of another loan to fair value (cf. note (2)) as well as the write-down of shares in an inactive affiliated company after distribution of the corresponding cash and cash equivalents.

5. Events after the balance sheet date

As of 1 January 2023, IMV Verwaltungs GmbH is in liquidation.

The change in legal form to that of an SE (Societas Europaea) took place through the merger of wkk Beteiligungs AG with GESCO AG. The change in legal form was published in the commercial register on 04 January 2023.

6. Other disclosures 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 § 21 (1) WpHG old version (now § 33 (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 before the share split in the ratio 1:3 was carried out in December 2016.

Crown Sigma UCITS plc notified us on 28 December 2018 (in correction of a notification dated 20 December 2018) pursuant to section 33 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in GESCO AG exceeded the threshold of 3 % on 14 December 2018 and amounted to 3.04 % (corresponding to 330,000 voting rights) on this date.

LBBW Asset Management Investmentgesellschaft mbH informed us on 25 April 2019 in accordance with § 33 (1) WpHG that its share of voting rights in GESCO SE exceeded the threshold of 3 % on 17 April 2019 and amounted to 3.11 % (corresponding to 337,400 voting rights) on this day. Of these, 2.82 % (corresponding to 305,400 voting rights) are attributable to it in accordance with § 34 WpHG.

Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte notified us on 8 October 2020 in accordance with section 33 (1) of the German Securities Trading Act (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 this date.

Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, notified us on 23 December 2020 in accordance with section 33 (1) of the German Securities Trading

Act (WpHG) that its share of voting rights in GESCO SE exceeded the 15 % threshold on 22 December 2020 and amounted to 15.05 % (corresponding to 1,631,009 voting rights) on this date.

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

MainFirst SICAV informed us after the end of the reporting period on 25 January 2022 in accordance with § 33 (1) WpHG that its share of voting rights in GESCO SE fell below the 3 % threshold on 21 January 2022 and amounted to 2.82 % (corresponding to 305,497 voting rights) on this day.

LGT Capital Partners (Ireland) Ltd. informed us on 25 August 2022 in accordance with § 33 (1) WpHG that its share of voting rights in GESCO SE fell below the threshold of 3 % on 22 August 2022 and amounted to 2.96 % (corresponding to 320,945 voting rights) on this day.

Employees

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

Auditor

With regard to the total fee charged by the auditor for the financial year, reference is made to the corresponding disclosures in the consolidated financial statements. The exemption pursuant to § 285 No. 17 of the German Commercial Code (HGB) is applied in this respect. Only services for the audit of financial statements were provided for GESCO SE and the companies it controls.

Executive Bodies

Executive Board

Ralph Rumberg, Witten

CEO / Spokesman of the Board of Directors

Andrea Holzbaur, Düsseldorf

CFO

from 26.09.2022

Kerstin Müller-Kirchhofs, Düsseldorf
CFO

until 30.04.2022

The Executive Board received remuneration totalling T€1,387 (previous year: T€ 1,574) for the 2022 financial year. This includes a multi-year share-based remuneration component in the form of a virtual share programme with an expected 5,700 shares and a fair value of T€ 141, which will be resolved by the Supervisory Board with the approval of the consolidated financial statements. The remuneration system and the remuneration of the Executive Board are explained individually in the remuneration report.

As at 31 December 2022, there are pension provisions of T€ 2,735 (previous year: T€ 2,595) for former members of the Executive Board. One former member of the Executive Board was paid T€ 70 (previous year: T€ 70) in the financial year from the pension commitment granted to him.

Supervisory Board

Klaus Möllerfriedrich, Düsseldorf
Chairman,

Certified Public Accountant

Deputy Chairman of the Supervisory Board:

- TopAgers AG, Langenfeld

Stefan Heimöller, Neuenrade

Deputy Chairman,

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

Jens Große-Allermann, Cologne Member of the Supervisory Board

Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, and Management Board of Fiducia Treuhand AG, Bonn

Deputy Chairman of the Supervisory Board (until 11/02/2022):
- KROMI Logistik AG, Hamburg

Member of the Supervisory Board (until 05/16/2022): - Washtec AG, Augsburg

Dr. Nanna Rapp, Düsseldorf

Member of the Supervisory Board

The remuneration of the members of the Supervisory Board for the 2022 financial year totalled T€ 444 (previous year: T€ 290).

Proposal for the appropriation of earnings

The balance sheet profit is made up as follows:

€	01/01/2022- 12/31/2022	01/01/2021- 12/31/2021
Net profit for the year	26,969,688.06	30,661,851.03
Transfer to other revenue reserves	13,484,844.03	15,330,925.51
Withdrawals from other revenue reserves	0	0
Balance sheet profit	13,484,844.03	15,330,925.52

At the time of the proposal for the appropriation of earnings, the Company does not hold any treasury shares.

At the time of preparing the financial statements, the Board of Directors proposes that the retained earnings for the financial year from 01/01 to 12/31/2022 be appropriated as follows:

Payment of a dividend of € 1.00 per no-par value share on the share capital currently entitled to dividends (10,839,499 shares)	10,839,499.00 €
Transfer to other revenue reserves	<u>2,645,345.03 €</u>
	<u>13,484,844.03 €</u>

Wuppertal, 27 March 2023

Ralph Rumberg

CEO

Andrea Holzbaur

CFO

GESCO SE (vormals GESCO AG), Wuppertal

Entwicklung des Anlagevermögens
für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2022

Anlage 3/14

	Anschaffungskosten					Abschreibungen				Nettobuchwerte	
	1.1.2022	Zugänge	Zugang aus Forderungseinbringung	Abgänge	31.12.2022	1.1.2022	Zugänge	Abgänge	31.12.2022	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
ANLAGEVERMÖGEN											
I. Immaterielle Vermögensgegenstände											
EDV-Software	366.064,61	57.606,00	0,00	0,00	423.670,61	323.147,11	33.651,50	0,00	356.798,61	66.872,00	42.917,50
	<u>366.064,61</u>	<u>57.606,00</u>	<u>0,00</u>	<u>0,00</u>	<u>423.670,61</u>	<u>323.147,11</u>	<u>33.651,50</u>	<u>0,00</u>	<u>356.798,61</u>	<u>66.872,00</u>	<u>42.917,50</u>
II. Sachanlagen											
Andere Anlagen, Betriebs- und Geschäftsausstattung	940.159,52	16.608,25	0,00	44.962,03	911.805,74	823.345,90	63.053,75	44.961,53	841.438,12	70.367,62	116.813,62
	<u>940.159,52</u>	<u>16.608,25</u>	<u>0,00</u>	<u>44.962,03</u>	<u>911.805,74</u>	<u>823.345,90</u>	<u>63.053,75</u>	<u>44.961,53</u>	<u>841.438,12</u>	<u>70.367,62</u>	<u>116.813,62</u>
III. Finanzanlagen											
1. Anteile an verbundenen Unternehmen *	152.891.396,33	32.363.272,71	8.559.357,00	27.401.786,65	166.412.239,39	4.497.433,25		1.758.813,93	2.738.619,32	163.673.620,07	148.393.963,08
2. Beteiligungen	5.000,00	0,00	0,00	0,00	5.000,00	0,00	0,00	0,00	0,00	5.000,00	5.000,00
3. Sonstige Ausleihungen	12.371.283,29		0,00	0,00	12.371.283,29	3.000.000,00		0,00	3.000.000,00	9.371.283,29	9.371.283,29
	<u>165.267.679,62</u>	<u>32.363.272,71</u>	<u>8.559.357,00</u>	<u>27.401.786,65</u>	<u>178.788.522,68</u>	<u>7.497.433,25</u>	<u>0,00</u>	<u>1.758.813,93</u>	<u>5.738.619,32</u>	<u>173.049.903,36</u>	<u>157.770.246,37</u>
	<u>166.573.903,75</u>	<u>32.437.486,96</u>	<u>8.559.357,00</u>	<u>27.446.748,68</u>	<u>180.123.999,03</u>	<u>8.643.926,26</u>	<u>96.705,25</u>	<u>1.803.775,46</u>	<u>6.936.856,05</u>	<u>173.187.142,98</u>	<u>157.929.977,49</u>

* In den Zugängen und Abgängen sind Umgliederungen aus Einbringungen in Höhe von 25.643 TEUR enthalten.

Group companies

Fully consolidated companies ¹⁾	Share in capital in %
GESCO SE, Wuppertal	
AstroPlast Kunststofftechnik GmbH & Co. KG, Meschede ³⁾	100
AstroPlast Verwaltungs GmbH, Meschede ²⁾	100
Dörrenberg Edelstahl GmbH, Engelskirchen	95
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Dörrenberg Special Steels PTE. Ltd., Singapore	90
Dörrenberg International PTE. Ltd., Singapore	90
Doerrenberg Special Steels Taiwan Ltd., Tainan, Taiwan	100
Middle Kingdom Special Steels PTE Ltd., Singapore	60
Jiashan Doerrenberg Mould & Die Trading Co., Jiashan, China	100
Doerrenberg Specialty Steel Corp., Macedonia, Ohio, USA	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern ³⁾	100
Franz Funke Verwaltungs GmbH, Sundern ²⁾	100
Georg Kesel GmbH & Co. KG, Kempten ³⁾	100
Kesel International GmbH, Kempten	100
Georg Kesel Machinery (Jiashan) Co., Ltd., Jiashan, China	100
Kesel North America, LLC, Beloit, Wisconsin, USA	100
Kesel & Probst Verwaltungs-GmbH, Kempten ²⁾	100
INEX-solutions GmbH	100
Hubl GmbH, Vaihingen / Enz	80
Sommer & Strassburger Edelstahlanlagenbau GmbH & Co. KG, Bretten ³⁾	100
So-Stra Verwaltungs-GmbH, Bretten ²⁾	100
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath ⁴⁾	100
MAE International GmbH, Erkrath	100
MAE Machines (Beijing) Co., Ltd., Beijing, China	100
MAE Amerika GmbH, Erkrath	100
MAE-EITEL INC., Orwigsburg, Pennsylvania, USA	100
Molineus & Co. GmbH + Co. KG, Wuppertal ³⁾	100
Grafic Beteiligungs-GmbH, Wuppertal ²⁾	100
Pickhardt & Gerlach GmbH & Co. KG, Finnentrop ³⁾	100
Hekhorn Verwaltungs-GmbH, Finnentrop ²⁾	100
Hekhorn Immobilien GmbH, Finnentrop	100
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich ³⁾	100
Q-Plast Beteiligungs-GmbH, Emmerich ²⁾	100
Setter GmbH & Co. Papierverarbeitung, Emmerich ³⁾	100
Setter Treuhand GmbH, Emmerich	100
Setter Holding GmbH, Emmerich ²⁾	100
HRP-Leasing GmbH, Emmerich ⁴⁾	100
Setter International GmbH, Emmerich	100
Setterstix Inc., Fountain Inn, South Carolina, USA	100
SQG Verwaltungs GmbH, Emmerich	100
Setterstix de México S.A.DE C.V., San Luis Potosi, Mexico	100
SVT GmbH, Schwelm	100
SVT APAC PTE. LTD., Singapore	100

Fully consolidated companies ¹⁾	Share in capital in %
United MedTec Holding GmbH, Bückeburg	100
Amtrion GmbH, Porta Westfalica	100
Haseke Beteiligungs-GmbH, Porta Westfalica ²⁾	100
Tragfreund GmbH	100
IMV Verwaltungs GmbH, Wuppertal ²⁾	100
wkk Beteiligungs AG	100

Associated companies ¹⁾	Share in capital in %
Sagliam Metal Sanayi Ticaret A.S., Istanbul, Turkey	20
Doerrenberg Special Steels Korea Co. Ltd, Jeongwang-dong, South Korea	50

Non-consolidated companies ¹⁾	Share in capital in %
Connex SVT Inc., Houston, Texas, USA	100
Amtrion USA Inc., Fountain Inn, South Carolina, USA	100

¹⁾ Shares in the capital held directly or through majority ownership

²⁾ General partner GmbH

³⁾ Utilisation of the exemption pursuant to section 264b HGB

⁴⁾ Utilisation of the exemption pursuant to section 264 (3) HGB

GESCO SE (formerly GESCO AG), Wuppertal Combined Management Report for the 2022 financial year (01/01 until 12/31/2022)

The GESCO SE management report is combined with the Group management report. This management report is published in the GESCO Annual Report 2022 and together with the Annual Financial Statement of GESCO SE. Unless otherwise stated, the information relates to GESCO Group and GESCO SE together, whereby the notes refer to the Consolidated Financial Statement prepared in accordance with the International Financial Reporting Standards (IFRS). The information on GESCO SE is contained in a separate section and relates to the Consolidated Financial Statement prepared in accordance with the provisions of the German Commercial Code (HGB).

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 apply to the corporate governance statement pursuant to §§ 289f and 315d HGB.

01 – Fundamentals of the Group

Business model

Founded in 1989, GESCO SE is a long-term investor that acquires economically sound medium-sized industrial companies in order to retain and develop them over the long term. Acquisitions are often made in the course of succession planning, whereby GESCO SE generally acquires a majority stake, usually 100%. In the case of two German companies, their respective managing directors hold a 20% and 5% stake. The subsidiaries operate independently. They are integrated into GESCO Group's reporting and risk management system.

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

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

"NEXT LEVEL 25" strategy

In autumn 2018, the Executive Board and Supervisory Board of GESCO SE developed and approved the "NEXT LEVEL" strategy. 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 to become hidden champions on the other. The strategy was further developed and concretised at the beginning of 2022 to form the current NEXT LEVEL 25 strategy.

The core of the strategy is to expand the portfolio to three anchor investments and twelve basic investments by 2025, to make the portfolio more balanced and resilient. To this end, we want to implement two further anchor investments in addition to the Dörrenberg Group. Their target markets should have as little correlation as possible with Dörrenberg's typical market cycles. The anchor investments can either be acquired or developed on the basis of an existing subsidiary through organic growth and strategic acquisitions. We round off the portfolio with twelve basic holdings with substantial sales and earnings contributions in various target markets. Within the framework of the NEXT LEVEL 25 strategy, we focus our acquisitions on companies with sales of between € 20 million and € 120 million. Strategically motivated supplementary acquisitions for the subsidiaries can also be made in lower sales sizes.

We have newly included the positioning of GESCO as a European and increasingly internationally oriented medium-sized industrial group in the NEXT LEVEL 25 strategy. 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 holdings in other European countries are part of our inorganic growth strategy.

With the portfolio restructuring at the end of 2020 with the sale of six subsidiaries and the management buy-out of a seventh company at the beginning of 2021, we have positioned ourselves well for the NEXT LEVEL 25 strategy. The dependency on the direct automotive business has been reduced. In return, we strengthened our base in the medical technology sector through the acquisition of the United MedTec Group with the operating company Krömker in June 2021.

We consistently continued the transformation and balancing of the portfolio in 2022. The companies Haseke and Krömker, which are bundled under the United MedTec Group, were merged in August 2022 (retroactive to 1 January 2022) and renamed Amtrion. The integration brought together two market leaders at Haseke's previous location in Porta Westfalica: HASEKE, a leader in the development and manufacture of ergonomic, technically sophisticated support arm systems and housing technology, and Krömker, the European market leader for articulated arm systems in medical technology and innovation leader for individual mobile stands. We have thus created a substantial basic holding with sales of almost € 30 million in the health and infrastructure technology segment. At the end of the year, internationalisation was advanced by founding Amtrion US Inc.

With INEX – solutions GmbH, we are strengthening our focus on new solutions and growth potential for stainless steel plants. The reorganisation of Hubl into the Process Technology segment and the merger with Sommer & Straßburger under the umbrella of INEX – solutions GmbH creates a strong and sustainable stainless steel group. The growth sectors of biotech, health care, semiconductors and the food industry are addressed here. The growth drivers for these industries are the growing and ageing world population, increasing digitalisation and the rising demand for food. Synergies arise from the bundling of application knowledge and the process-specific knowledge acquired over many years.

In order to develop the Group's medium-sized companies to the next level, GESCO SE further established the Excellence Programmes initiated in the previous year at the subsidiaries as part of the daily improvement activities as part of the NEXT LEVEL strategy in the reporting period. This was also accompanied by the further development of GESCO SE in its role as an actively supporting owner with increasingly more methods expertise and know-how. This provides our subsidiaries with broad and comprehensive operational experience in 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 established part of the annual strategy review at the subsidiaries and serve to jointly target our activities. Depending on the specific needs and status of the respective subsidiary, we launched or continued a 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 the sales volume and gaining market shares. OPEX serves to optimise processes in all corporate functions and thus to increase efficiency. DIGITEX aims to digitalise work processes and business models.

The LEADEX programmes were launched in 2021 and intensified in 2022. They aim to establish a common corporate culture with a balanced focus on performance.

In the MAPEX projects, Pickhardt & Gerlach has brought the product developments “EMONI” and “Cofin” into series production. Both products are enjoying increasing demand and are thus making a contribution to e-mobility. SVT has received a research contract from the Federal Ministry of Economics for the development of a hydrogen-loading arm, thus laying the foundation for the development of a further market segment. Dörrenberg further expanded its precision flat steel business. Setter relocated within the USA, and increased capacity fivefold with modern machinery in the process. The leading market position in the important American market can thus be secured and expanded with further products.

SVT was the only Company in the group to be affected to a somewhat greater extent by the loss of the Russian sales market. The medium to long-term business outlook is very promising, not least due to the expansion plans for LNG/CNG terminals in Europe pushed forward by politicians. As part of GESCO Group’s M&A strategy, SVT acquired the steel construction division of its long-standing Hungarian supplier BAV Tatabánya Kft. based in Tatabánya (approx. 60 km west of Budapest). With this transaction, SVT increases the security of its supply chains and creates a stable basis for further growth. BAV was previously the most important supplier of SVT steel structures; SVT was BAV’s largest customer.

MAE is also on the road to success internationally and is winning new customers, e. g. in the USA. AstroPlast has reorganised its team and significantly advanced topics such as digitalisation in production. The Kesel Group also underlined its market-leading role in its niche with the launch of its customer platform Kesel connect.

For us, LEADEX also means working with the managing directors of the subsidiaries to develop and implement concepts tailored to GESCO’s “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 figures in sales growth, margin and cash flow.

Significant changes in the scope of consolidation

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

In February 2022, GESCO SE acquired the shares in the inactive “Blitz 21-339 GmbH, Munich”. The Company was subsequently renamed INEX – solutions GmbH. In March 2022, GESCO SE transferred its shares in the companies Hubl GmbH, Vaihingen Enz, Sommer & Straßburger Edeltahlanlagenbau GmbH & Co KG, Bretten and So-Stra Verwaltungs-GmbH, Bretten to INEX – solutions GmbH.

In March 2022, GESCO SE acquired the 5 % share in Dörrenberg Edelstahl GmbH held by the former managing partner Dr Frank Stahl. GESCO SE now holds 95 % of the shares in the company.

In June 2022, UMT Holding founded Amtrion USA Inc. in the USA. This company is expected to improve market access to the American market. The company will commence operations in spring 2023 and will therefore be fully consolidated from the 2023 financial year.

In August 2022, W. Krömker GmbH was merged with Amtrion GmbH (formerly Haseke GmbH & Co. KG) with retroactive effect from 01/01/2022.

In August 2022, GESCO SE acquired the 10 % share in Georg Kesel GmbH & Co KG from the former managing partner Mr Martin Klug. GESCO SE now holds 100 % of the shares in the company.

In December 2022, MAE Amerika GmbH took over the 10 % share in MAE-EITEL Inc. from the managing partner Mr Norm Walker. MAE Amerika GmbH now holds 100 % of the shares in the Company.

In December 2022, the two companies IV Industrierewaltung GmbH & Co. KG and MV Anlagen mbH & Co. KG were transferred to the general partner IMV Verwaltungs GmbH in the form of an accrual with all assets and liabilities due to the withdrawal of the limited partner GESCO SE. The companies were dissolved on 30 December 2022.

In December 2022, Dörrenberg GmbH sold its 40 % share in Fine Metal S.R.L. to the co-shareholder, who now holds 100 % of the shares. Fine Metal S.R.L. was included in the Consolidated Financial Statement as an associated company up to and including November 2022.

In addition to the parent Company, a total of 49 companies are included in the Consolidated Financial Statement according to the principles of full consolidation and two other companies are included according to the equity method.

Control system

GESCO Group's planning and management are carried out at the level of the individual subsidiaries and GESCO SE. The framework for the operating development, staff measures and investments of the subsidiaries is set by an annual plan prepared by the management of the respective company and approved together 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 evaluated at GESCO SE, supplemented by the figures from the financial and accounting system of GESCO SE itself and consolidated. The findings from the reporting system of the subsidiaries are analysed between the responsible investment manager of GESCO SE and the respective managers of the companies in at least monthly discussions 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 sides 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. Within the framework of the annual press conference on financial statements, the Executive Board of GESCO SE provides an outlook for consolidated sales and consolidated net income after minority interests for the new financial year; this outlook is further specified in the quarterly reporting. Other key performance indicators are incoming orders, EBIT and the equity ratio. In the economic report and the forecast report within this management report, the most important indicators for the Group are sales and consolidated net income after minority interests. For the holding company, this applies with regard to income from investments and net profit 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 predominantly market- and customer-related. Technical innovations as well as new products and applications are usually developed in project work within the framework of customer orders. Depending on the task, the companies cooperate with universities and institutes and participate in publicly funded research projects.

In addition to focusing on the various applications of additive manufacturing (3D printing) at Dörrenberg Edelmetall GmbH, strip steel finishing specialist Pickhardt & Gerlach has developed innovative strip steel for the interior of batteries for e-mobility. The strip steel is shaped 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 practically without 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 developments relate to the combination of stainless steel and nickel. SVT started a project focusing on hydrogen loading in 2021 and received a research contract from the Federal Ministry of Economics for a hydrogen-loading arm in 2022. Setter, the world's leading manufacturer of paper sticks, has developed sugar cane-based sticks to expand its product range.

02 – Economic report

Macroeconomic and sector-specific conditions

The economic development in the past year was significantly influenced by the Russian war of aggression against Ukraine and the associated effects and challenges, especially with regard to energy supply. Overall, the German economy proved to be very resilient in the face of supply chain bottlenecks that persisted into the later part of the year, record inflation rates, trade and economic sanctions against Russia, uncertainties about a possible gas shortage in the winter of 2022/23 and the suspension of Russian gas deliveries at the end of August. In the year as a whole, gross domestic product (GDP) grew by 1.9% in price-adjusted terms and the weakening of economic momentum at the turn of the year 2022/23 is likely to be shorter and milder than expected in the autumn, not least thanks to the massive government stabilisation measures for private households and companies and their adjustments to the high energy prices and the associated gas savings.

Acute risks such as a gas shortage over the winter or an aggravation of supply chain bottlenecks as a result of China's previously strict zero-covid policy have not materialised, which is reflected in a more favourable economic starting position at the turn of the year 2022/2023. However, high burdens remain: Russia's war of aggression against Ukraine and its economic consequences, the weak development of the global economy as well as the persistently high energy prices and inflation rates compared to pre-crisis levels.

In view of these burdens, the federal government expects only slight growth in price-adjusted GDP of 0.2% for the annual average in 2023.

One of the most obvious economic effects of the Russian war of aggression against Ukraine is the drastic increase in energy and food prices, which has recently also been reflected in a rising core inflation rate. As a consequence, significantly higher inflation rates are to be expected this year, although they will decline over the course of the year. For the annual average of 2023, the Federal Government expects consumer prices to rise by 6.0% compared to the previous year. The brakes on electricity and gas prices will have a dampening effect on the inflation rate. The real loss of income and purchasing power associated with the high price increases will weigh on domestic economic development despite the relieving effects of the extensive government support measures. Private consumption in particular is likely to decline noticeably after the pandemic-related catch-up effects last year. In addition, energy-intensive industrial companies in particular could make further capacity cuts as a result of the rise in energy prices, which would also dampen investment and employment development in these sectors.

With a weakening of the high inflation dynamics in the course of the year, the impulses of the fiscal stabilisation measures and the expected moderate global economic recovery, economic development should then gain momentum again in the course of the year.

In view of the significant rise in energy and food prices, the resulting loss of real income and the noticeable tightening of monetary policy as a result of accelerated inflation in almost all industrialised countries at the beginning of 2023, the global economic environment is very subdued. After halving global growth to a good 3% last year, the International Monetary Fund expects a further slowdown to an annual average of +2.9% in 2023 and 3.1% in 2024. An even more significant decline in growth rates is expected for world trade, from +4.3% in 2022 to +2.5% this year.

The Federal Government's annual projection for 2023 is slightly more optimistic than the forecast of the German Council of Economic Experts (SVR) from November 2022. The SVR had forecast a decline in real GDP of 0.2% for 2023, although some measures, such as the electricity price brake, were not yet taken into account. Moreover, economic indicators such as production, value added and sentiment surveys have since developed somewhat more favourably than expected at the time. The official figures of the Federal Statistical Office on the gross domestic product in 2022 were also more favourable than expected in the SVR's forecast. From the underlying economic picture of a weak winter half-year with an economic revival in the further course of the year – with initially still subdued consumption and investment dynamics – the projection of the SVR does not differ significantly from that of the Federal Government.

According to the German Engineering Federation (VDMA), the mechanical and plant engineering sector can look back on a mixed year in 2022. An initial double-digit increase in orders was reversed in the course of the year into a total price-adjusted decline of 4% compared to the previous year. Domestic orders declined by 5% and foreign orders by 4%.

While the first three quarters of 2022 still saw an increase in orders, demand for capital goods subsequently fell. For the entire fourth quarter of 2022, the decline in orders amounts to 16% compared to the previous year. Domestic orders shrank by 10% and foreign orders by 18%.

In December 2022 alone, the industry fell short of the previous year's result by minus 18% in real terms. Domestic orders were down by 8%, while orders from abroad were down by 22%. This means that the recent less negative reports from the economic environment are not yet reflected in the orders placed by companies in the mechanical and plant engineering sector. In January 2023, new orders were 18% below the previous year's level in real terms. Domestic orders were down 16%, while foreign orders were down 19% compared to the same month last year. It should be noted that January was exceptionally strong last year, with orders up almost 20%. However, many customers are still holding back on new investments in view of the considerable uncertainties. Although the situation in the supply chains has eased somewhat, the Ukraine war, high inflation and the long-lasting weak Chinese economy continue to dampen the economy.

The M&A market was again very active in the 2022 financial year, even if it did not reach the record year of 2021. Due to the fact that investment pressure only eased towards the end of the year and liquidity remained high overall, valuations for attractive target companies are still at a very high level. Well-positioned industrial companies are currently still being sold for double-digit EBITDA multiples. However, with rising interest rates, multiples should become lower in the foreseeable future.

Other trends and developments are also emerging: The issue of sustainability (ESG) is slowly making its way into M&A deals, the professionalisation of the people acting has increased further and the virtual handling of deals has become established.

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

Business performance

GESCO Group met the economic turbulence and macroeconomic challenges in the financial year 2022 with a high degree of adaptability. We demonstrated our resilience and achieved the best result in the Company's history.

The main drivers were the business with stainless steel products for biotechnology, the semiconductor industry and the supply of biogas plants. The continuous international expansion of the Setter Group's business with paper sticks to avoid plastic waste also continues unabated. Our mechanical engineering companies also recorded significant growth: they expanded their business considerably compared to the same period of the previous year. Overall, all segments recorded a positive development.

The challenges of the material shortages (steel, plastics, control components) and price increases, which were already pronounced in 2021 as a result of the Corona pandemic, increased dramatically again with the Russian war of aggression against Ukraine. In addition to significant price spikes, this brought the fundamental security of energy supply into general focus for the first time. Companies had to develop plans on how they would cope with shortages. The issue of adequate material supply also became more of a focus for the subsidiaries and led to a turnaround in inventories. While good progress had been made in previous years to reduce inventories in relative terms – the so-called working capital Ratio – this trend was broken in the past year in order to maintain the ability to deliver throughout.

Overall, the good management of delivery difficulties and price burdens had a positive effect over the course of the year, supported by robust demand. Ultimately, all GESCO Group segments reported significantly improved business developments in the financial year 2022.

Situation of the Group

Earnings situation

After the first Corona year in 2020, GESCO Group recorded a significant increase in demand overall in 2021, from which all segments benefited. GESCO Group's incoming orders reached € 588.8 million in the financial year, i. e. 8.1% more than in the previous year (€ 544.5 million). Group sales totalled € 582.3 million, 19.3% higher than in the previous year (€ 488.1 million). The financial year closed with an order backlog of € 220.6 million (previous year: € 209.3 million).

Due to the significant price increases in many areas in 2022, the cost of materials ratio increased overall from 54.4% to 58.8%.

The reduction in the personnel cost ratio from 23.1% to 20.9% is not only due to the price increase in sales, but also reflects the efficiency gain, especially through the reduction of non-value-added activities. With an increase in sales of 19.3%, the average number of employees rose by just 3.3%.

Other operating income was slightly below the level of the previous year, which was partly due to lower subsidies in the USA, which were granted as support for Corona personnel costs of the previous year.

At 10.8%, other operating expenses increased significantly less than sales.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached € 67.7 million (€ 62.2 million).

Depreciation in the reporting period was € 18.3 million (€ 17.6 million). Unscheduled depreciation amounted to € 0.3 million (€ 0.0 million).

Earnings before interest and taxes (EBIT) reached € 49.4 million (€ 44.6 million). The EBIT margin was 8.5% (9.1%) and thus still within our target range of 8 – 10%.

The balanced financial result (previous year: –€ 1.9 million) does not include any unscheduled value adjustments on financial assets (previous year: € 0.9 million), which were directly related to the sale of companies in the previous year. At € 1.3 million, the result from investments was significantly higher than in the previous year (€ 0.0 million), while interest and similar expenses rose only moderately by T€ 400 to € 2.4 million.

Earnings before taxes (EBT) amounted to € 49.5 million (€ 42.7 million). At 26.7%, the tax rate was significantly below the tax rates of recent years. GESCO concluded another profit and loss transfer agreement and carried out restructuring within subsidiaries, and the corresponding companies contributed with positive results to the fact that expenses and loss carryforwards could or will be offset for tax purposes.

After minority interests of € 2.4 million (previous year: € 2.6 million), the consolidated net income for the year after minority interests reached € 33.8 million, compared to € 26.9 million in the previous year. Earnings per share according to IFRS amounted to € 3.12 (previous year: € 2.48).

In the previous year's Consolidated Financial Statement, we assumed an increase in sales of at least 10% for the 2022 financial year. We also expected a significant increase in earnings, which should be somewhat higher in percentage terms than in sales. We had concretised the outlook to a sales range of € 565 – 585 million with a consolidated net income after minority interests of € 28.0 – 30.5 million. After the pleasing first three quarters, we had narrowed the sales forecast slightly upwards to € 575 – 585 million with an increased result of € 30.7 – 32.2 million. The decisive factor for the development of earnings during the year was the continuous ability to deliver despite the supply bottlenecks and the positive effect from the profit transfer agreements concluded. In addition, the companies were able to compensate for the considerable price increases in materials by anticipatory price adjustments.

Overall, the 2021 forecast was met. The 2022 sales growth was 19% compared to the 2021 forecast sales growth of at least 10%. Net profit after minority interests increased by 26% and was thus higher than the increase in sales.

Sales and result by segment

The development in the **Process Technology** segment was characterised by catch-up effects in various industries, while demand for stainless steel equipment remained very positive. In the first half of the year, the demand for investment goods increased, only to weaken again somewhat in the second half of the year. Incoming orders for all companies in this segment reached € 121.8 million (€ 116.0 million in the previous year; corresponds to an increase of 5.0%). Sales totalled € 105.1 million, 19.6% above the previous year (€ 87.9 million). All companies supported the increase in sales. EBIT reached € 13.9 million (previous year: € 11.6 million) with an unchanged EBIT margin of 13.2%.

The **Resource Technology** segment enjoyed robust demand throughout the year. Our companies in the tool and strip steel segments reacted to the solid demand situation combined with a significant price increase with a skilful supply and appropriate pricing policy in order to satisfy customers as best as possible on the one hand and not to neglect their own margins on the other. SVT was the only GESCO Group company that was noticeably affected by Russia's war of aggression, as Russia was an important sales market until 24 February 2022. As the year progressed, however, SVT was also able to fill its order books as decision-makers in Europe in particular realised that they had to free themselves from their dependence on Russian energy as quickly as possible and build and expand the corresponding loading capacities on the coasts.

Overall, the high order intake level from 2021 could be increased even further and thus the segment's order intake reached € 317.9 million (€ 292.2 million); an increase of 8.8%. Sales in this segment was € 330.0 million (€ 277.7 million). With an EBIT of € 34.9 million (€ 35.5 million), the EBIT margin fell from 12.8% to 10.6%.

The second largest segment, **Health and Infrastructure Technology**, is usually characterised by a less cyclical nature with stable sales and positive margins. However, growth was also achieved here in the 2022 business year. Particularly noteworthy is the market position of the stainless steel division, not least in the biotech and semiconductor industries, where it has been able to further establish itself as a valued partner of globally operating groups. The Setter Group, a manufacturer of paper sticks for the hygiene and confectionery industries in a dynamic market, also continued its rapid business development and again recorded record sales and earnings. Incoming orders totalled € 149.1 million (€ 136.3 million) and sales reached € 147.2 million (€ 122.6 million). The EBIT amounted to € 11.9 million (€ 11.7 million), whereby the EBIT margin fell from 9.6% to 8.1%.

The **GESCO SE / other companies** segment includes GESCO SE and a number of companies of minor importance. The **reconciliation** item shows consolidation effects and the reconciliation to the corresponding IFRS consolidated values. The significantly reduced reconciliation item of € - 2.4 million (previous year: - 6.9 million) included one-off effects from the first-time consolidation of the United MedTech Group as well as the purchase price adjustment for a past acquisition of € 2.7 million.

Sales by regions

The foreign share of Group sales was 51.7% (previous year: 48.2%). Europe (excluding Germany) accounted for 30.2% (28.7%) of sales, with France and Italy being the most important individual markets. Asia's share was 10.9% (9.6%), of which China accounted for 3.7 (3.2) percentage points. The USA, with a share of 8.0% (7.3%), 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%.

When considering this regional distribution of sales, it should be taken into account that many of our companies' domestic customers are export-oriented. GESCO Group is therefore likely to have a significant indirect export business, although it is not possible to put an exact figure on this.

Financial position

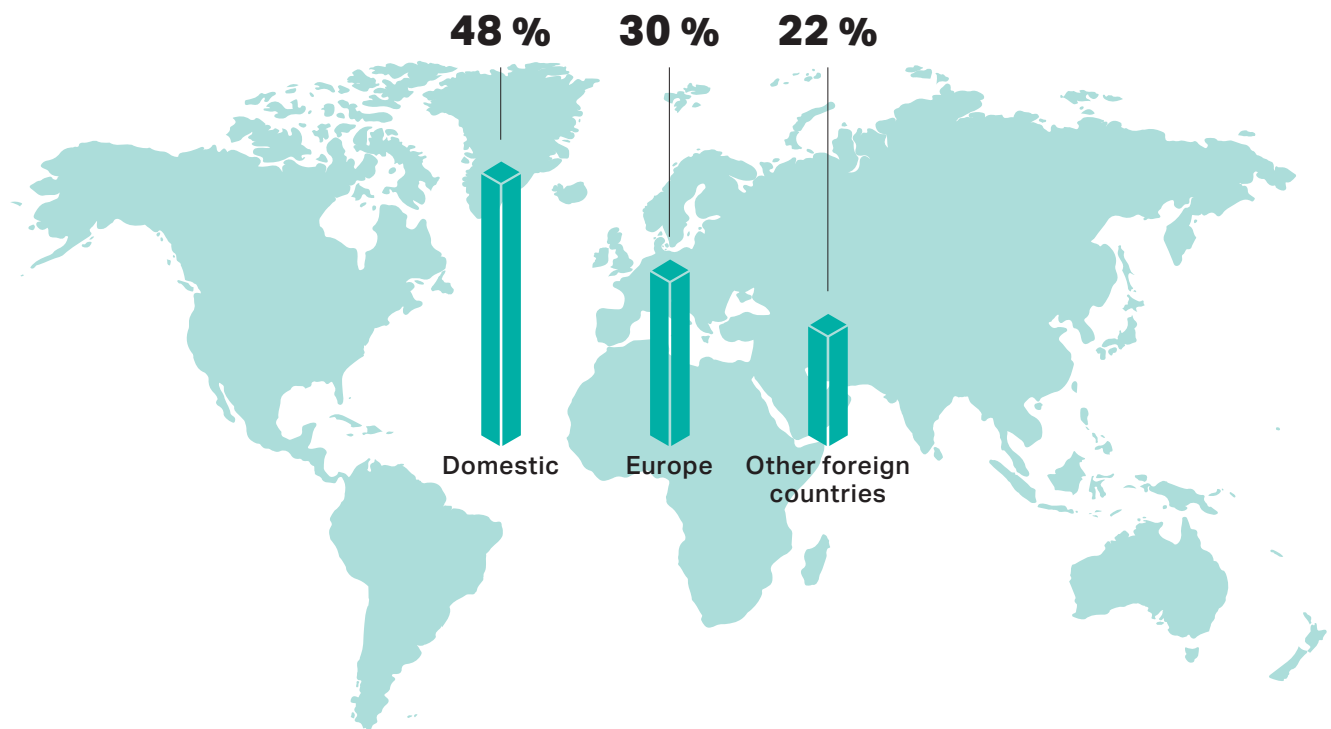
Capital structure

GESCO Group's balance sheet shows strong balance sheet ratios with high equity and above-average cash and cash equivalents as at 31 December 2022. At 14.2% (15.2%) of equity, goodwill is at a low level. Overall, GESCO Group has the necessary financial prerequisites for internal and external growth.

On the liabilities side, the equity capital of € 274.7 million was above the level at the beginning of the financial year of 255.7 million, resulting in particular from positive consolidated earnings for the year. As the balance sheet total increased mainly due to the increase in equity, the equity ratio changed from 56.9% to 58.0%.

Sales by regions

Financial year 2022



Investments

As a long-term investor, GESCO SE supports regular investments by subsidiaries in their technical equipment in order to strengthen their competitiveness. Investments in tangible assets are just as much a part of this as modern information technology, especially systems for efficient production planning and control.

In total, investments in tangible assets and intangible assets of all companies amounted to € 15.6 million compared to € 13.8 million in the previous year. This includes rights of use reported as investments in accordance with IFRS 16 of € 3.1 million in the reporting period and € 5.9 million in the previous year.

In the reporting year, the total volume was distributed among a number of smaller and medium-sized replacement and modernisation investments. As in the previous year, the focus of investment was on the Setter Group, which significantly expanded its machinery and equipment in the USA in the course of relocating the site.

As of the balance sheet date, there are order commitments of T€ 506 (previous year: T€ 676). 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 2023 financial year.

Depreciation on tangible assets and amortisation of intangible assets in the reporting period amounted to € 18.3 million (previous year: € 17.6 million).

Liquidity and net debt

Cash and cash equivalents as at the balance sheet date amounted to 36.3 million, significantly below the value of € 57.7 million on the previous year's reporting date.

Current and non-current liabilities to banks changed only slightly, totalling € 76.4 million. Short- and long-term leasing liabilities decreased by € 0.6 million from € 19.3 million to € 18.6 million.

Net debt thus increased from € 18.6 million to € 40.1 million. Taking into account leasing, liabilities deteriorated from € 37.9 million to € 58.7 million.

In relation to the EBITDA of € 67.7 million, the net debt-to-EBITDA ratio is therefore 0.6, or 0.9 including IFRS 16.

At the end of the financial year, there were committed but unused credit lines of € 53.4 million. The Group was able to meet its payment obligations at all times.

Based on the positive result for the period of 36.3 million, the operating cash flow decreased to € 11.0 million (€ 51.7 million) compared to the previous year. The very good result in the reporting year was contrasted by a strong increase in working capital of € 46.3 million due to the significantly higher business volume and the pronounced supply chain problems. The working capital ratio deteriorated from 32.9% at the end of 2021 to 35.6% as at 31 December 2022. The cash flow from investing activities of € 10.4 million mainly includes investments in tangible assets. In the previous year, the self-financed acquisition of the United MedTec Group accounted for € 32.0 million. The repayment of loans in the amount of € 16.9 million corresponded exactly to the new borrowings.

Net assets

Total assets in GESCO Group amounted to € 473.9 million as at the reporting date, compared to € 449.5 million in the previous year. Non-current assets declined by 2% to € 185.8 million due to lower intangible assets compared to the previous year. Inventories and trade receivables increased by € 49.7 million.

The ratio of tangible assets to total assets was 22.2% (previous year: 23.7%). The ratio of non-current capital to non-current assets was 1.8 (1.7) on the balance sheet date.

Position of GESCO SE

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

At € 17.2 million, GESCO SE's income from investments in 2022 was below the level of the previous financial year (€ 30.2 million). Distributions are determined individually, taking into account the earnings, asset and liquidity situation of the subsidiaries as well as the aspect of optimising liquidity within GESCO Group.

As in the previous year, no losses had to be absorbed in 2022. Income from profit transfer agreements increased from € 10.9 million to € 20.4 million in the reporting year. In the 2022 financial year, GESCO SE concluded a profit and loss transfer agreement with INEX - solutions GmbH, so that profit and loss transfer agreements have been in place with INEX - solutions GmbH, Setter Holding GmbH and MAE Maschinen- und Apparatebau Götzen GmbH since then.

The write-downs on financial assets totalling € 0.9 million in 2021 mainly relate to the value adjustment on a liquidity support granted to a former subsidiary for a limited period until 31 December 2021. No write-down of financial assets was made in 2022.

The slightly higher revenue sales of € 1.7 million compared to the previous year is the result of passing on expenses to the affiliated companies and consulting services.

Other operating income amounted to € 0.5 million in the reporting year (previous year: € 0.2 million). Other operating expenses increased from € 4.5 million to € 5.5 million. In the reporting year 2022, other operating expenses included in particular the usual consulting, support and financial statement costs.

In the 2022 financial year, annual earnings amounted to € 27.0 million (€ 30.7 million).

In the management report for the 2021 financial year, GESCO SE had forecast income from investments and net income for the new 2022 financial year at approximately the same level as in 2021 or slightly below. The significantly lower income from investments in the 2022 financial year could not be fully compensated for by the higher income from profit transfer agreements. Consequently, the net profit for the year was also below expectations.

GESCO SE's total assets amounted to € 255.3 million as at the balance sheet date (previous year: € 244.4 million).

On the assets side, financial assets increased by a total of € 15.3 million due to the increase in shares in affiliated companies. Additions and disposals include reclassifications from contributions in the amount of € 25.6 million. The other loans of € 9.4 million (previous year: € 9.4 million) relate to a vendor loan due in three years at the latest, which is connected to the transaction carried out at the end of 2020.

Cash and cash equivalents amounted to € 10.6 million on the balance sheet date (previous year: € 23.8 million). In view of the pleasing result in the 2021 financial year, a dividend of € 0.98 per share – corresponding to a total of € 10.6 million – was distributed to the Company's shareholders in the reporting period.

On the liabilities side, equity increased to € 239.4 million (previous year: € 223.2 million) as a result of the net profit generated, and the equity ratio rose from 91.3% to 93.8%.

The decrease in liabilities to banks from € 3.2 million to € 8.2 million is due to the repayment of bank loans.

Overall, GESCO SE's balance sheet as at the balance sheet date shows very healthy ratios 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 with regard to both its equity base and its debt capital.

In the management report for the 2021 financial year, 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 93.8%.

At the end of the financial year, GESCO SE had committed but unused credit lines of € 53.4 million.

Overall assessment of the business performance

Against the backdrop of the current challenges, we consider the course of business and the economic situation to be positive overall. This applies to both the Group and GESCO SE. The Group's sales and earnings have developed favourably. Furthermore, there were no special events or transactions with a significant impact on the earnings, asset and financial position in the reporting period, either in GESCO SE's environment or within the Group.

Non-financial performance indicators

Environmental protection

GESCO Group's commitment to environmental protection is firmly anchored in the Company's self-image, even beyond legal requirements and obligations. This applies to production as well as to the life cycle of the individual product up 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 are additional selling points. 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.

Further information on the topic of environmental protection is provided in the non-financial Group report pursuant to Section 315b (3) of the German Commercial Code (HGB), which is published as a separate report in the annual report and is published together with the Group management report. For 2021, the report was prepared for the first time in accordance with the German Sustainability Code.

Employees

GESCO Group employed a total of 1,841 people as at the balance sheet date (previous year: 1,783).

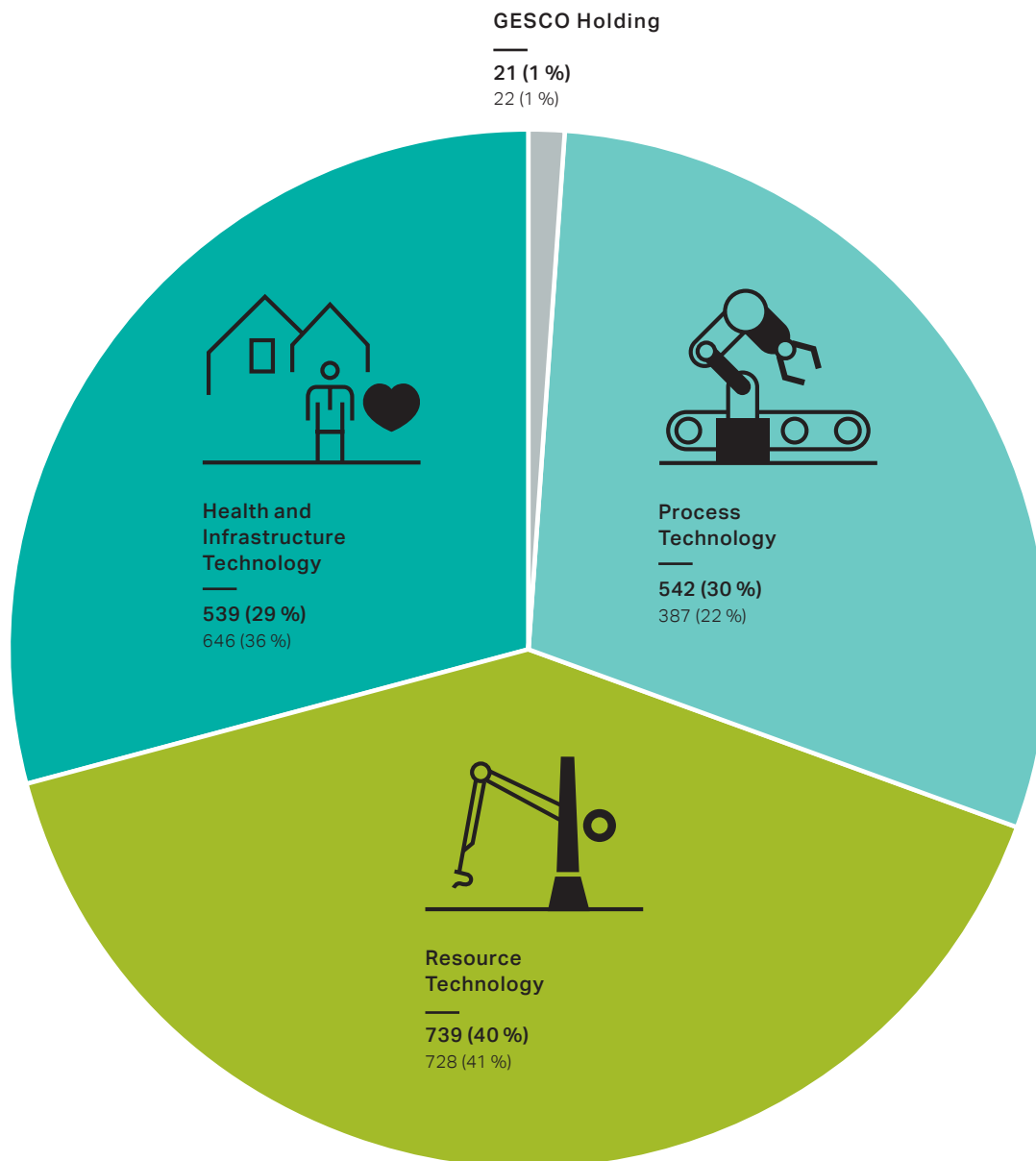
In autumn 2022, GESCO offered all domestic employees of GESCO Group the opportunity to purchase employee shares at a preferential rate for the twenty-third time as part of an employee share ownership programme. As GESCO SE considers this programme to be an important instrument for retaining employees, it is planned to continue the programme.

The future viability of GESCO Group companies depends crucially on attracting and retaining qualified and motivated employees. Training and further education are very important within the Group. In addition, the subsidiaries position themselves as attractive employers in the long term with a wide range of activities. These activities range from participation in school activities such as Girls' Days to dual study programmes and to cooperations with universities and other educational institutions. For many years, Dörrenberg Edelstahl GmbH has presented the "Dörrenberg Award", a high-profile competition for students in the fields of materials technology/engineering that is well established in the professional world.

Further information on the topic of employees can be found in the separate non-financial Group report pursuant to § 315b of the German Commercial Code (HGB).

Employees by segment (end of financial year)

Financial year 2022 vs. financial year 2021



03 – Other information

Remuneration report

Information on the remuneration of the Executive Board and the Supervisory Board is provided in the remuneration report prepared separately for the financial year 2022 and published on the GESCO SE website in accordance with § 162 of the German Stock Corporation Act (AktG).

Own shares

As part of an employee share ownership programme, treasury shares were acquired and sold in full during the financial year, so that no treasury shares were held as at the reporting date. For information pursuant to § 160 of the German Stock Corporation Act (AktG), please refer to the Notes.

04 – Forecast, opportunity and risk report

Forecast report

In the Federal Government's Annual Economic Report, slight economic growth of 0.2% is expected for 2023. This figure is exactly in line with the forecast made by the German Council of Economic Experts in November 2022. The Federal Government therefore expects the German economy to be adversely affected by the war in Ukraine in 2023 as well. Increased volatility is to be expected in particular for energy and material prices. In contrast, the end of the Corona pandemic in Germany and worldwide should provide positive economic impulses.

The forecast for 2023 is based on the given framework conditions. It is subject to a high degree of uncertainty due to possible risks arising from the further course of the Ukraine war, general geopolitical tensions, impaired supply chains and inflationary pressure.

The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V. – VDMA) assumes that mechanical and plant engineering will not reach the sales level of before the Corona crisis in 2022 with a real production increase of only 1%. A slight real decline in production of 2% is expected for 2023. This is a far cry from the setbacks of earlier years and shows the robustness of German industry. In particular, the goal of a climate-neutral economy is a great opportunity for medium-sized mechanical and plant engineering companies and their innovative technologies. The prerequisite for this is however, that companies can count on a reliable and affordable supply of materials and energy.

For 2023, we expect a slightly weaker, but equally robust demand situation. Continuing inflation and the associated increases in labour costs and prices will lead to higher production costs and a burden on results. We will counteract this by consistently focusing on our NEXT LEVEL 25 strategy with our Excellence programmes MAPEX (Market & Product Excellence) to expand market share and OPEX (Operative Excellence) to increase efficiency. For our financial performance indicators, we expect the following development for the 2023 financial year:

Group sales is expected to increase moderately in 2023. We expect an increase in the single-digit percentage range.

We expect the consolidated net profit after minority interests for the 2023 financial year to be at a comparable level to 2022.

The still tense geopolitical situation, high inflation rates, especially in the industrialised countries, and subdued growth expectations with simultaneously rising prices can have a significant impact on individual subsidiaries. Our subsidiaries can also be affected to varying degrees by volatile energy prices. We have considered individual direct possible effects in our expectations, but the dynamics and topicality of the situation do not currently allow for 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 the financial year 2023:

Income from investments and net income are expected to remain at around the same level as in 2022. The equity ratio of GESCO SE should remain at a level of over 80% in the financial year 2023, if 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 adhering to the recently increased sales target of € 20 to 120 million. Strategically motivated acquisitions of subsidiaries can also be made with a lower sales volume. Overall, GESCO is pursuing the balancing of the portfolio with three anchor investments and twelve basic investments. The primary goal is to achieve a balanced portfolio across many industries, with the anchor investments in particular forming the mainstays that are dependent on different market cycles. The basic holdings, on the other hand, offer the opportunity to gain a foothold in ever-new industries and applications in order to profit from various trends. We continue to generate a continuous deal flow through our existing network and by directly approaching entrepreneurs.

The statements made in the forecast report on future developments are based on assumptions and estimates that GESCO SE had from information available at the time the report was prepared. These statements are subject to risks and uncertainties, which means that actual results may differ from the expected results. Therefore, no guarantee can be given for these statements.

The management of opportunities and risks

GESCO SE's business model is entrepreneurial. 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. The structure of GESCO Group is designed in such a way that negative developments at individual companies do not jeopardise the entire Group.

In the planning meeting as well as in the monthly meetings and in annual strategy meetings, an overall assessment of the company's situation is made. On the one hand, this includes an analysis of the entrepreneurial opportunities and the courses of action for expanding the business volume at home and abroad and for increasing profitability, and on the other hand, the respective risks are assessed.

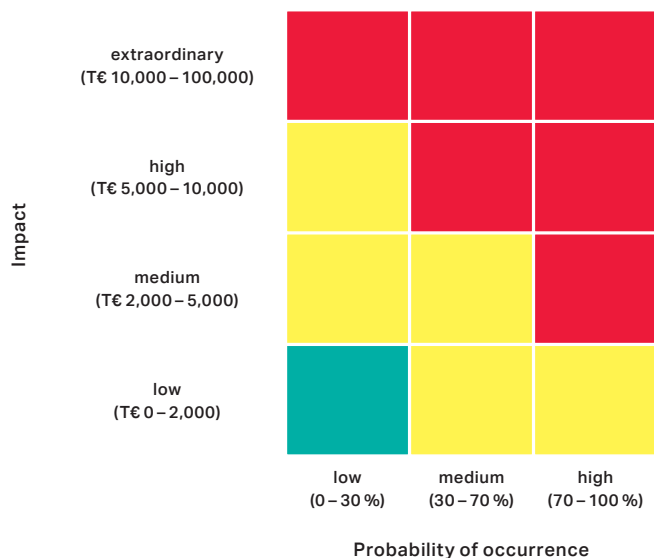
Opportunity management

There are significant opportunities for GESCO SE in the acquisition of further medium-sized industrial companies. By cultivating the network, increasing the level of awareness of GESCO SE as an investor and directly approaching interesting companies, we generate a deal flow that is evaluated and processed in systematic analyses. GESCO SE also sees opportunities in the positive operating performance of its portfolio companies and the associated investment income and distributions. To this end, the holding Company offers its subsidiaries intensive advice and support, which has been further expanded as part of the NEXT LEVEL 25 strategy.

For the **operating subsidiaries**, it is constantly important to identify opportunities in 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 at GESCO Group

Risk matrix



GESCO Group has an internal risk management system. GESCO Group uses a software-based system to record risks. Risks are evaluated and grouped in the risk statistics by assessing the impact on earnings before interest and taxes (EBIT) and the probability of occurrence, with a focus on the net impact of the risk after mitigating measures. Risks are weighted on a company-specific basis, taking into account the sales volume and earning power of the respective company. Specific classifications are defined at the group level. From the combination of risk impact and probability of occurrence results an assessment of the risks according to the following matrix, where red expresses the highest risk level.

The reported risks of the subsidiaries are included in monthly reporting; high risks are also reported by the subsidiaries to GESCO SE on an ad hoc basis.

As of 31 December 2022, there are no individual risks that fall into the red category. The focus of the individual risks recorded within the yellow category was on warranty risks, each with a low impact.

The Executive Board is responsible for risk management, which is monitored by the Supervisory Board. In quarterly meetings, the GESCO SE employee responsible for risk management informs the Supervisory Board about the development of risks. In the event of major risks, the Supervisory Board is informed on an ad hoc basis.

Beyond the individual risks recorded, we see risks for future development in the following areas in particular:

Risks and opportunities in the acquisition of companies

GESCO SE strives for internal growth based on its existing portfolio as well as external growth through the acquisition of further medium-sized industrial companies. The search for new companies is a continuous process in which the analysis of opportunities and risks is naturally of particular importance. Prior to acquisition, companies are subjected to due diligence to identify the risks associated with any business acquisition, to the extent identifiable. Key aspects here are financial, tax, technology, market and environmental risks, but also the corporate culture and age structure of the workforce. GESCO SE uses both internal and external expertise to achieve this.

Inherent in every acquisition is the risk that the newly acquired company will not develop as planned or expected and that GESCO's target EBIT margin will not be achieved. There is also the risk that the company's potential is not sufficient to become a hidden champion, i. e. a global market leader in its niche. A critical success factor for GESCO, particularly in the case of succession solutions, is the appointment of a new managing director when the previous owner-manager leaves the company and the cultural change this often entails.

Following the acquisition, the companies will be swiftly integrated into GESCO Group's planning and reporting, as it is explained in the section "Control system". In addition, the companies are integrated into GESCO Group's risk management system.

Opportunities can 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 GESCO's Excellence Programmes can also contribute to this. The departure of a previous owner-manager can also open up opportunities. A new managing director can leverage additional potential with his or her experience 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 notable direct and indirect exports, we are affected by economic fluctuations in Germany and abroad. Through our strategy of diversification, especially with regard to the customer industries, we try to compensate for economic fluctuations in individual economic sectors to a certain extent and thus reduce the risks 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 change. These include, in particular, the displacement of the combustion engine by other types of propulsion, digitalisation, the emergence of new competitors, the political and economic development of regional markets, the change in social values, the politically targeted reduction of CO₂ emissions, the energy transition and the regulatory framework conditions. GESCO Group is addressing these issues by implementing the MAPEX (Market & Product Excellence) excellence programme to expand market share and OPEX (Operational Excellence) to increase efficiency in the subsidiaries. Regular discussions 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 topics.

There is a fundamental 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, their quality management and close contact with their customers.

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

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

GESCO Group companies use trade credit insurance to hedge trade receivables where this is deemed sensible and appropriate. If relevant customers are not insurable, the subsidiaries analyse the respective situation and define the next steps, usually in direct dialogue with the customer. In the case of significant uninsured risks, GESCO SE is consulted. Naturally, this is always a balancing act between the desire to limit risks and the need to take advantage of entrepreneurial opportunities and not lose the customer. This balancing is made even more difficult by the instrument of avoidance in insolvency.

Currency risks from the operating business are generally hedged for significant order sizes.

Geopolitical risks and Corona

The expiring Corona pandemic should pose only an insignificant risk to global supply chains and economic development in the various countries and sectors in the future.

Beyond the typical economic fluctuations and the other operating risks mentioned above, we currently see the greatest risk for the operating business in the generally high level of political uncertainty. The further development in Ukraine and the generally tense geopolitical situation with its manifold effects on the business development of the subsidiaries as well as the economy as a whole is naturally difficult to forecast and cannot be conclusively assessed at present. The consequences of the sanctions imposed on Russia and the effects on the global energy and raw materials markets in particular affect our subsidiaries in different ways.

These risks are offset by opportunities. Government aid, such as the energy price brake in Germany, contributes to the stabilisation of the energy markets. The market leadership of many of our subsidiaries in conjunction with further internationalisation secures and offers opportunities for the further expansion of market shares.

However, thanks to its consistent focus on the NEXT LEVEL 25 strategy, GESCO Group considers itself well positioned against this backdrop and ready to master these challenges. In 2022, GESCO Group has already demonstrated a high speed of adaptation and proven its resilience.

Compliance risks

Risks related to compliance concern, among other things, corruption, antitrust violations as well as criminal activity and the resulting obligations to pay fines as well as claims for damages. These risks can lead to considerable financial damage, but also to considerable damage to the Company's reputation. 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 (rule-book) for GESCO Group employees, accompanying training, case-related spot checks and a reporting system for employees and outsiders. It is the task of the managing directors of the subsidiaries to anchor the respective requirements and principles in their companies.

Risks and opportunities in relation to personnel

Qualified personnel is of considerable importance for the current performance as well as for the future viability of the subsidiaries. For the manufacturing industry in Germany, there is a general risk that it will not be able to find and retain sufficient qualified personnel in the future. Demographic change is further exacerbating this situation. GESCO Group companies are responding to this challenge with various measures to position themselves as attractive employers in their respective regions. There is also a risk of a loss of know-how if existing knowledge and skills within the company are not adequately transferred from more experienced to less experienced employees. Measures for the targeted transfer and appropriate documentation of know-how provide a remedy.

The recruitment and retention of suitable managing directors is particularly important for GESCO SE companies. Managers who do not meet 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 can also affect the success of the Company at GESCO SE level. Personnel constancy is an advantage in establishing trusting, resilient working relationships within the holding company and in particular with the subsidiaries, as well as in building up expertise.

On the other hand, opportunities can also arise from the fitting filling of managing director and management positions. A good management culture leads to low staff fluctuation, high employee motivation and contributes to the overall success of the company. We see another opportunity in the Excellence Programme LEADDEX (Leadership Excellence). With LEADDEX, GESCO SE supports the development of leadership skills in the subsidiaries and the holding company. At the same time, this strengthens working relationships within the companies and the holding company, but also 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.

The GESCO SE employee share ownership programme regularly offers GESCO Group employees in Germany the opportunity to acquire a stake in the Company through the purchase of discounted GESCO shares, thereby building up assets for their retirement. GESCO SE sees this programme as an important instrument for retaining employees.

Risks and opportunities from information technology

Risks from information technology relate in particular to the failure of IT systems at GESCO Group companies and the associated downtime, industrial espionage and loss of know-how, data misuse and unauthorised data access.

GESCO SE counters IT risks by investing in state-of-the-art hardware and software and with an information security management system that is regularly reviewed. Staff training provides both a basic awareness of IT risks and concrete guidelines for the practical handling of these risks. IT security guidelines regulate in particular the handling of the Company's own hardware and software as well as data security issues. GESCO SE also 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 and tested. Within GESCO Group, GESCO SE conducts regular surveys at the subsidiaries on the status of the respective information security management.

Opportunities in the area of information technology arise from the automation and digitalisation of processes and workflows. These include, for example, the digitalisation of workflows along the value creation processes 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 DIGITEX (Digital Excellence) Excellence Programme. In addition to the digitalisation of internal processes, the digitalisation of business models is another point 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 on the one hand in the loss or disclosure of confidential internal information and the associated loss of reputation. On the other hand, violations could result in the imposition of fines and the assertion of claims 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 inadequate supply of 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 payments and repayments as agreed. The subsidiaries have a direct influence on this and the holding company has an indirect influence within the scope of its acquisition decisions, reporting and support for the subsidiaries. In the event of negative economic developments of individual subsidiaries, there is a risk of bottlenecks in the supply of debt capital for the respective subsidiary. In addition, there is a risk that such a negative development could worsen the reputation of GESCO SE and, if applicable, other subsidiaries as debtors. In order to limit the interest rate risk associated with variable interest rates, the companies enter into interest rate swaps where necessary, thereby exchanging 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 with significant interest rate increases since the second half of 2022. It is likely that the central banks will continue to raise interest rates somewhat in 2023. The higher interest rates will increase financing costs in the medium term.

When accessing equity through possible capital increases of 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 core elements. We currently see no need to raise new equity.

With regard to financing structures, GESCO Group is structured in such a way that negative developments at individual companies do not jeopardise the entire Group. For this reason, we largely refrain from using cross-investment 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 allow easy access to debt capital.

Environmental risks

Environmental damage can entail considerable financial and reputational risks and, in extreme cases, threaten the existence of the company concerned. Depending on the respective business model, the subsidiaries pursue different approaches. Dörrenberg Edelstahl GmbH, for example, introduced an environmental management system as early as 1997, which is being further developed and regularly audited. At Pickhardt & Gerlach Group, regular environmental audits are carried out due to its classification as a major incident company. GESCO SE encourages its subsidiaries to ensure that permits and licences are obtained.

Risks at GESCO SE level

At GESCO SE level, there are risks of a lack of recoverability of investments and receivables from affiliated companies. 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 by providing support and assistance to its subsidiaries.

Insurance cover

Insurance coverage in GESCO Group is regularly reviewed to ensure adequate coverage at adequate conditions.

Legal risks

GESCO Group companies are confronted with a large number of potential legal risks. In the case of the operating companies, this relates in particular to product liability and warranty claims as well as risks from customs and foreign trade law and sanctions imposed by third countries on potential export destinations. In addition, there are risks in the areas of antitrust and competition law, human resources and the environment. GESCO Group companies counter legal risks from their operating business with prudent project management, including appropriate documentation and adequate quality management. Contract management is also of particular importance; GESCO SE supports its subsidiaries in this area, partly by providing internal advice and partly by arranging external legal advice. In addition, a wide range of risks are countered with the instruments described in the Compliance section.

We do not see any developments in the legal framework that have a significant influence on the group of companies.

Reputational risks

Reputational risks could hinder GESCO SE both in its ability to acquire further medium-sized industrial companies 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 human resources work. GESCO Group counters this risk with a high level of diligence in its business processes, with a compliance system and with open, trust-building communication both internally and externally.

Final risk assessment

The composition of GESCO Group's investment portfolio, which operates with different business models in many different markets, must be taken into account. The highly diversified structure of the Group is 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, so that risks tend to occur selectively rather than across companies. This also reduces the risk to the value 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. In addition, other possible sources of liquidity or the realisation of hidden reserves would be available.

We see the greatest challenges in the geopolitical framework conditions and in the area of information technology and data protection. In our view, geopolitical insecurities have increased significantly over the past year and could continue to worsen. We see a global increase in cyber security threats, which according to various sources have intensified during Corona and the outbreak of war in Ukraine.

Corporate risks	Risk significance	Change compared to previous year
Risks in the acquisition of companies	low	–
Risks in relation to the operating business	medium	–
Geopolitical risks and Corona	high	worsened
Compliance risks	medium	–
Risks in relation to personnel	medium	–
Risks from information technology	high	worsened
Risks in connection with data protection	high	worsened
Risks from financing	low	–
Environmental risks	low	–
Recoverability of the investments	medium	–
Insurance cover	low	–
Legal risks	medium	–
Reputational risks	low	–

At present, we have not identified any specific risks that could endanger or significantly impair the continued existence of GESCO SE and the Group, either individually or in aggregate.

Report of the Supervisory Board for the 2022 financial year



Klaus Möllerfriedrich, Chairman



Stefan Heimöller, Deputy Chairman



Jens Große-Allermann



Dr Nanna Rapp

The financial year 2022 was marked by events that have significantly influenced and changed the world and, above all, the economy and also presented GESCO Group with numerous challenges. These included the effects of the war in Ukraine, impending energy shortages, material shortages and price fluctuations rarely seen before. GESCO's turning point several years ago, with a changed strategy and, above all, closer and more targeted support for the subsidiaries, resulted in the desired high degree of adaptability in critical economic and corporate phases. The Executive Board and the managing directors of the subsidiaries were thus largely able to successfully implement the objectives and achieve the best result in the Company's history despite the economic turbulence.

Against the backdrop of the war in Ukraine and its global impact on the economy, an outlook for the current financial year is subject to considerable uncertainty. However, the stable order situation at the end of 2022 makes us confident for the 2023 business year.

Organisational and legal measures were also implemented in the financial year 2022 to ensure the success of GESCO Group in future financial years. These include restructuring and additions to the Group, but above all the more international orientation of the Company through the conversion of the stock corporation into an SE.

GESCO intends to build on this solid foundation over the next few years as part of the NEXT LEVEL 25 strategy.

In this report, the Supervisory Board provides information about its activities in the 2022 financial year. The explanations focus on the topics of its continuous dialogue with the Executive Board as well as the audit of the Annual Financial Statement and the Consolidated Financial Statement.

Cooperation between the Executive Board and the Supervisory Board

The Supervisory Board and the Executive Board were again able to ensure intensive and trusting cooperation. Throughout the year under review, the Supervisory Board performed its supervisory and advisory duties with due diligence in accordance with the law, the Articles of Association and the Rules of Procedure. This includes the regular exchange of information with the Executive Board and the monitoring of the management of the Company with regard to its legality, regularity, appropriateness and economic efficiency.

The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. In particular, the economic situation of GESCO SE and its subsidiaries was discussed continuously and in detail. As in previous years, one focus of the Supervisory Board's work was the appointment of new management positions at the subsidiaries and the replacement of the CFO of GESCO SE. Another focus was the monitoring of possible acquisition targets and internal restructuring under company law in 2022.

The Executive Board regularly informed the Supervisory Board in a timely and comprehensive manner, both orally and in writing, about all relevant issues of corporate planning and strategic development, about the course of business, the situation of the Group and the individual subsidiaries, including the risk situation, as well as about risk and compliance management. The Supervisory Board was also kept informed between meetings by means of written reports and verbal reports on all projects and plans that were of particular importance to the Company. In 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 GESCO SE officer responsible for this area. The Supervisory Board dealt with the structure and content as well as the functionality of these systems as planned. In all cases, the members of the Supervisory Board dealt intensively and critically with the reports submitted to them and made their own suggestions. The scope as well as the manner of risk reporting are thus updated on an ongoing basis. The issue of ESG has also become increasingly important, which is reflected in the comprehensive 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 the Supervisory Board. The members of the Supervisory Board, and in particular the Chairman, were also in regular contact with the Executive Board outside of the Supervisory Board meetings and kept themselves informed about the current development of the business situation and the most important business transactions. The Supervisory Board comprehensively reviewed the reports and proposed resolutions of the Executive Board and, to the extent required by law and the Articles of Association, voted on them.

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

After the suspension during the Corona pandemic, a meeting of managing directors with personal participation of the Supervisory Board took place again, which gave the Supervisory Board the opportunity to exchange ideas directly with the individual managing directors of the GESCO SE subsidiaries. Supervisory Board members also visited the subsidiaries again in 2022.

Changes in the management of subsidiaries were discussed in detail by the Supervisory Board and the Executive Board. In the case of new appointments, the candidate was interviewed by the Supervisory Board prior to the decision to approve the appointment.

Organisation of the work of the Supervisory Board

The Supervisory Board of GESCO SE 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 members of the Supervisory Board remained unchanged: Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman), Dr Nanna Rapp and Mr Jens Große-Allermann.

The Supervisory Board of GESCO SE is deliberately kept small to enable efficient work and intensive discussions on both strategic and detailed issues. We therefore do not consider the formation of Supervisory Board committees to be sensible or expedient. Supervisory Board committees were therefore not formed in the 2022 financial year. This does not apply to an audit committee, the formation of which was resolved by the Supervisory Board in 2021 in accordance with the amended statutory provisions with effect from 1 January 2022. The Chairman of the Audit Committee is Mr Jens Große-Allermann, who has extensive knowledge in this area. The deputy chairman is Klaus Möllerfriedrich, a certified public accountant with auditing experience. Another member is Dr Nanna Rapp.

The audit committee began its work for the first time with the audit of the 2021 financial statements and also prepared the audits for the 2022 financial year with the elected auditors.

In addition, the Supervisory Board as a whole has delegated partial tasks to individual members who work on the relevant topics and prepare them for a final discussion and decision by the Board. This applies in particular to the areas of acquisitions, personnel decisions and auditing. The four members of the Supervisory Board have different areas of expertise that complement each other in a meaningful way, thus ensuring appropriate professional diversification from GESCO SE's perspective. The Supervisory Board has compiled a matrix of competencies, which is part of the published Corporate Governance Statement.

In February 2022, the Chairman of the Supervisory Board conducted a self-evaluation of the efficiency of the Supervisory Board's work. For this purpose, the Chairman of the Supervisory Board held discussions with the other members of the Supervisory Board on the basis of a structured catalogue of questions. Overall, the audit confirmed the efficient work of the Supervisory Board. The approaches for improvement gained during the audit were taken into account in the future work of the Supervisory Board.

In 2023, it is planned to set up a database with all documents relevant to the Supervisory Board, which will be accessible to all Supervisory Board members.

Meetings and resolutions of the Supervisory Board

A total of 8 Supervisory Board meetings were held in the 2022 business year. In addition, the Supervisory Board held various internal telephone and video conferences.

When the Corona pandemic subsided, the Supervisory Board meetings were again held in person or as a hybrid conference with personal attendance and video link. All members of the Supervisory Board participated in all meetings.

The Supervisory Board continuously discussed the economic development of the GESCO Group, the development of individual subsidiaries, personnel matters at the subsidiaries and GESCO SE, the achievement of targets in relation to the annual plan and ongoing transaction projects. On a quarterly basis, a GESCO SE employee reported to the Supervisory Board on the compliance management system and the internal control and risk management system. In addition, the Supervisory Board discussed the following key topics and passed resolutions where necessary:

- Discussion of the Annual Financial Statement and Consolidated Financial Statement of GESCO SE as at 31 December 2021; adoption of the Annual Financial Statement and approval of the Consolidated Financial Statement as at 31 December 2021
- Annual planning 2023
- Agenda of the Annual General Meeting 2022
- Implementation of the NEXT LEVEL 25 strategy at the GESCO SE and the GESCO Group
- Supervisory Board, Management Board and personnel matters
- Declaration of Conformity and Corporate Governance
- Internal control, risk management and compliance management system
- Investments in subsidiaries
- Acquisition of (shares in) companies
- New regulation of Executive Board remuneration
- Conversion of GESCO AG into an SE

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 twice in 2022. The meetings focused primarily on the work and results of the auditor and the proposal of the auditor for 2022.

Corporate Governance

The Supervisory Board has continuously monitored the 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 also included in the Annual Report.

In December 2022, the Executive Board and Supervisory Board submitted and published the legally required declaration of compliance with the German Corporate Governance Code. According to this, 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 conformity.

In the reporting year, one member of the Supervisory Board took part in an external training course on ESG; all members dealt with current Supervisory Board topics through journals, articles and publications of the Supervisory Board associations. In addition, individual members participated in web seminars and lectures as well as member meetings of the Supervisory Board organisations (FEA, AdAR, Armid).

Executive Board remuneration

The 2022 financial year is a transition year from a remuneration perspective. The new remuneration system adopted in 2021 applies to all Executive Board employment contracts that have been concluded or extended since 1 July 2021 or will be concluded in the future, as long as no other remuneration system is adopted. For 2022, this concerns the employment contract of Ms Holzbour and the contract extension with Mr Rumberg as of 1 July 2021. Accordingly, for the period from 1 January 2022 to 30 June 2022, the original remuneration system for Mr Rumberg's remuneration shall apply, which was applicable to all contracts concluded until 30 June 2021. The same applies to Ms Müller-Kirchhofs until her departure on 30 April 2022.

The two remuneration systems differ essentially with regard to the structure of the performance-related remuneration elements. In both systems, the members of the Executive Board receive a non-performance-related component consisting of a basic remuneration as well as additional benefits and retirement benefits that are not linked to the achievement of specific performance targets.

The Annual General Meeting of 30 June 2021 approved the new remuneration system presented by the Supervisory Board, which takes into account the changes made by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the new recommendations of the German Corporate Governance Code.

Detailed information on the system of Executive Board remuneration 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 system of Supervisory Board remuneration 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 with a majority of 93.26% and newly regulated in the Articles of Association.

Audit of Annual Financial Statement and Consolidated Financial Statement

In accordance with the statutory provisions, the auditor elected by the Annual General Meeting on 24 August 2022, Mazars GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, was commissioned to audit the Annual Financial Statement and the Consolidated Financial Statement.

The Annual Financial Statement of GESCO SE prepared by the Executive Board in accordance with the German Commercial Code (HGB) for the financial year from 1 January to 31 December 2022 and the management report were audited by the auditor. The auditor issued an unqualified audit opinion on 27 March 2023.

The Consolidated Financial Statement and the Group management report for the financial year from 1 January till 31 December 2022 were prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRS) in accordance with § 315e of the German Commercial Code (HGB) and audited by the auditor. The auditor issued an unqualified audit opinion on the Consolidated Financial Statement and the Group management report 2022.

This year, the audit of the individual Financial Statement of GESCO SE focused on the value of shares in affiliated companies and the recoverability of receivables from affiliated companies. The focus of the audit of the Consolidated Financial Statement was on the impairment of goodwill and subsequent investment risks from disposals, the impairment of customer bases, sales realisation, inventory valuation and legal risks in individual subsidiaries as well as pension provisions, deferred taxes, the combined management report and notes to the Consolidated Financial Statement. The focal points of the audit were agreed with the auditor prior to 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 the desired audit areas from the Supervisory Board's point of view. The Chairman of the Audit Committee and the auditor remained in personal contact during the ongoing audit work to exchange information about the audit. In the final phase of the audit, the audit committee intensively exchanged information with the auditor on the status of the audit in order to further prepare the decision of the full Supervisory Board. In two audit committee meetings on

3 March 2023 and 10 March 2023, 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 of companies and the risk management system were also the subject of discussion with the auditors.

The complete financial statements and the corresponding auditor's reports were sent to all members of the Supervisory Board in good time prior to the balance sheet meeting and were included in the Supervisory Board's audit procedures. They were also the subject of intensive discussions at the Supervisory Board meeting on 27 March 2023. The auditors took part in this meeting, reported comprehensively on the main results 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 comprehensively by the auditors. According to the final results of the audit carried out by the Supervisory Board, no objections are to be raised against the Annual Financial Statement and the management report, which is combined with the Group management report, as well as the Consolidated Financial Statement with the Group management report. After its own examination of the Annual Financial Statement, the Consolidated Financial Statement

and the summarised management report, the Supervisory Board approved the results of the audit by the auditor and unanimously approved the Annual Financial Statement and the Consolidated Financial Statement at the meeting on 31 March 2023. The Annual Financial Statement of GESCO SE for 2022 are thus adopted. The Supervisory Board concurred with the Executive Board's proposal for the appropriation of the balance sheet profit, taking into account the Company's earnings and financial position.

Thanks for the work done

The key success factor at GESCO Group is its people. The Supervisory Board would therefore like to thank the Executive Board, the managing directors of the subsidiaries and all GESCO Group employees for their great loyalty and dedication in the past financial year. The managing directors and the employees of the subsidiaries have succeeded in further developing the business operations and thus contributing to GESCO Group's pleasing overall result.

Wuppertal, 1 April 2023

For the Supervisory Board
Klaus Möllerfriedrich
Chairman of the Supervisory Board

INDEPENDENT AUDITOR'S REPORT

To GESCO SE, Wuppertal

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of GESCO SE, which comprise the balance sheet as at 31 December 2022 and the income statement for the financial year from 1 January 2022 to 31 December 2022, and the notes to the financial statements, including a description of the accounting policies. We have also 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 2022 to 31 December 2022. In accordance with German legal requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to corporations and give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in accordance with German principles of proper accounting; and
- the enclosed 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 accurately presents the opportunities and risks of future development. Our opinion on the management report does not extend to the content of the components of the management report mentioned in the section "Other information".

In accordance with § 322 para. 3 sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the annual financial statements and the management report.

Basis for the audit judgements

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those regulations and standards is further described in the "Auditor's responsibility for the audit of the annual financial statements and the management report" section of our auditor's report. We are independent of the Company in accordance with European law as well as German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare

that we have not performed any prohibited non-audit services in accordance with Article 5 (1) EU-APrVO. 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 the management report.

Particularly important 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 financial statements for the year ended 31 December 2022. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Impairment of shares in affiliated companies and receivables from affiliated companies

Related information in the financial statements

For the accounting and valuation methods applied to the shares in affiliated companies, we refer to the information 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 fixed 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 and valuation methods applied to receivables are presented in section 2.

Facts and risk for the audit

GESCO SE's balance sheet shows shares in affiliated companies amounting to € 164 million and receivables from affiliated companies amounting to € 68 million, which together account for around 91 % of the balance sheet total and around 97 % of the company's equity.

The shares in affiliated companies and receivables from affiliated companies are subjected to annual impairment tests by the company in order to determine a possible need for write-downs/write-downs or reversals of write-downs. Expenses from write-downs and income from reversals of previous write-downs were not incurred in the reporting year. With regard to value adjustments on receivables from affiliated companies, neither additions nor reversals were made in the reporting year. The result of these valuations is largely dependent on how the legal representatives estimate future cash inflows and derive the respective discount rates used or estimate default expectations. Against the background of the underlying complexity of the valuation as well as the discretionary scope available in the context of the valuation, the recoverability of shares in affiliated companies and receivables from affiliated companies is a particularly important issue in the context of our audit.

Audit approach and findings

As part of our audit, we analysed the process implemented by 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 possible risks of error and obtained an understanding of the process steps and the internal controls implemented. We assessed the Company's approach to the determination of discount rates and the derivation of 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 understood the key assumptions regarding the future development of the business model and corporate planning with regard to further business development and growth by discussing them in detail with the legal representatives of GESCO SE. On this basis, we assessed their appropriateness.

The appropriateness of the other significant 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 in determining the discount rates with regard to their appropriate derivation and traced their calculation in compliance with the requirements of commercial law.

We used sensitivity analyses to assess impairment risks in the event of changes in key valuation assumptions. Furthermore, we checked the mathematical accuracy of the valuation models in compliance with the requirements of commercial law.

With regard to receivables from affiliated companies, we analysed whether default expectations of the company were adequately taken into account. For this purpose, we also looked at available annual financial statements and information on past payment behaviour.

Based on 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 well-founded and balanced.

Other information

The legal representatives or the supervisory board are responsible for the other information. The other information comprises the following components of the management report that have not been audited as to their content:

- the corporate governance statement pursuant to § 289f and § 315d of the German Commercial Code (HGB), to which reference is made in the management report,
- the separate non-financial group report pursuant to § 315b (3) of the German Commercial Code (HGB), to which reference is made in the management report, and
- the remuneration report pursuant to § 162 AktG, to which reference is made in the management report.

The other information also includes:

- the assurances pursuant to § 264 section 2 sentence 3 and § 289 section 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 supervisory board report. In all other respects, the legal representatives are responsible for the other information.

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

In connection with our audit, we have a responsibility to read the other information and, in doing so, assess whether the other information:

- are materially inconsistent with the financial statements, management report or our knowledge obtained in the audit; or
- otherwise appear to be materially misrepresented.

Responsibility of the legal representatives and the supervisory board for the annual financial statements and the management report

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless this is precluded by factual or legal circumstances.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made 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 responsibility for the audit of the annual financial statements and the management report

Our objective is 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 a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and the audit findings,

complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with § 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements 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 financial statements and management report.

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the financial statements and 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 audit opinion. 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 because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the financial statements and of the arrangements and actions 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 those systems of the Company.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by management 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 our auditor's report to the related disclosures in the financial statements and the management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Company being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the understanding of the Company's position given by it.

- We perform audit procedures on the forward-looking statements made by management in the management report. On the basis of sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

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

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

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of the electronic reproductions of the annual financial statements and the management report prepared for the purpose of disclosure in accordance with section 317 (3a) HGB

Audit opinion

Pursuant to section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance engagement to obtain audit evidence about the amounts and disclosures contained in the file "894500DZXXD0LOZYIC55-JA-2022-12-31-en.zip" (MD5 hash value: "6476f3a1ec393140514759f701220504") and prepared for disclosure purposes (hereinafter also referred to as "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") pursuant to section 328 para. 1 HGB. In accordance with German statutory provisions, this audit only covers the transfer of the information of the annual financial statements and the management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the annual financial statements and the management report contained in the aforementioned file and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 (1) HGB regarding the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 contained in the preceding "Report on the audit of the annual financial statements and management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned file in accordance with section 317 (3a) HGB and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 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 with the electronic reproductions 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 the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 (1) HGB.

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 non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- 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 audit opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 those controls.
- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification for that file.
- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited financial statements and the audited management report.

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on 24 August 2022. We were commissioned by the Supervisory Board on 6 October 2022. We have been the auditor of GESCO SE without interruption since the financial year 2021.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee pursuant to Article 11 EU-APrVO (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 to the ESEF format - including the versions to be entered in the register of companies - are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the ESEF note and our opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

AUDITOR IN CHARGE

The auditor responsible for the audit is Heiko Wittig.

Düsseldorf, 27 March 2023

Mazars GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Marcus Borchert Heiko Wittig
Certified Public Accountant Certified Public Accountant