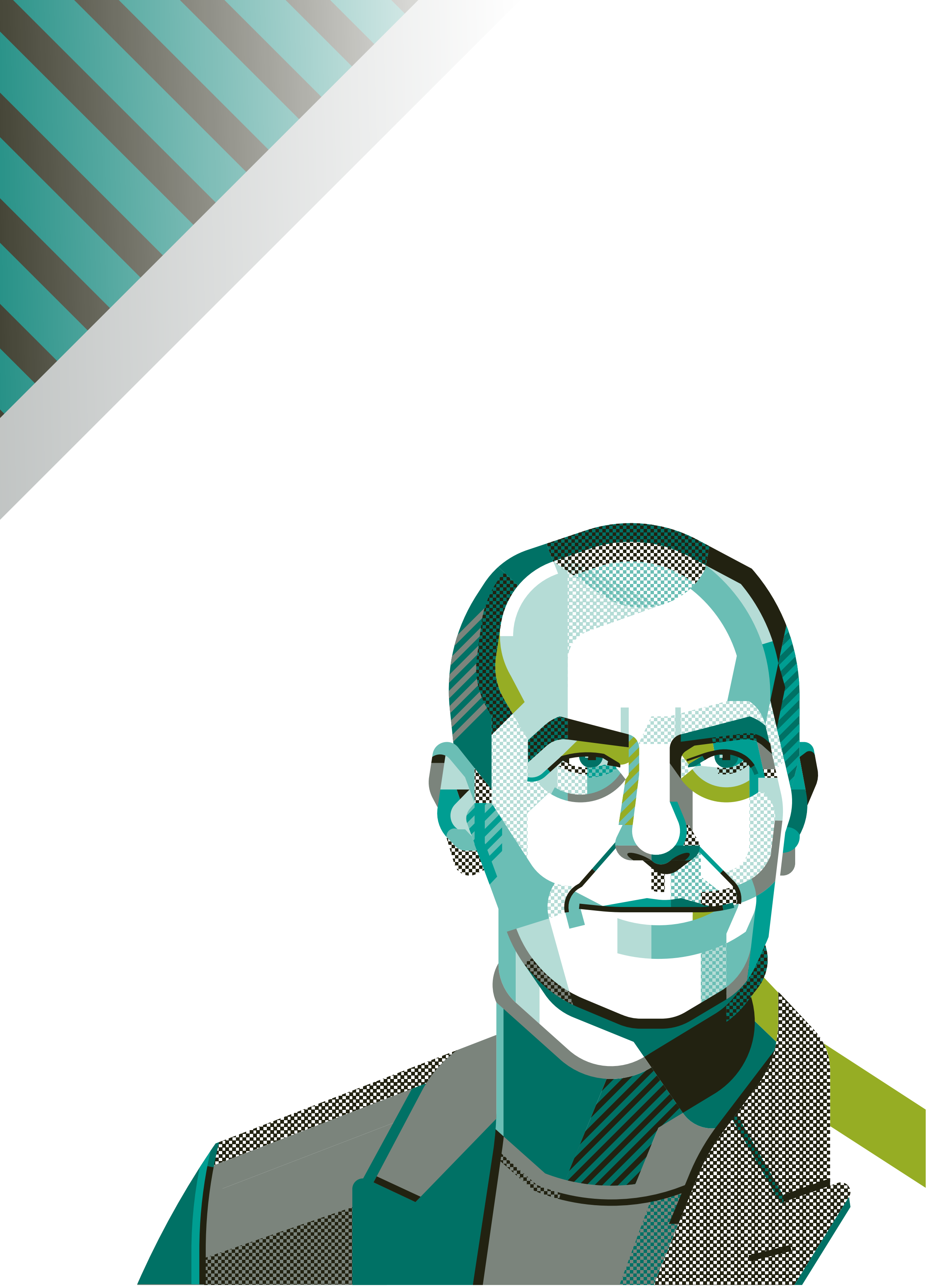
GESCO AG
Annual Report 2021

NEXT LEVEL
In Leadership



NEXT LEVEL
In Leadership

"The vision behind our NEXT LEVEL strategy is: We want to develop GESCO to the next level – every single company. The holding company is to be a group of true hidden champions. A basic pre-requisite for this is leadership excellence. Ultimately, the path to becoming a hidden champion begins with the will to be a hidden champion. As is so often the case in life, it is the attitude, the inner attitude that is decisive. And thus the path to becoming a hidden champion is a leadership task. Such a corporate culture – i. e. one that is characterised by High-Performance-Teams – also attracts talent. Everyone wants to work in a successful company with a strong team spirit."

Ralph Rumberg, CEO

Profile

GESCO Group bundles the power of Germany's technology-driven SMEs into one share. The spectrum ranges from tool steel to stainless steel containers, from paper rods to support arms for medical technology. Many of the companies are niche players, some market leaders and all are recognised players with established brands. The eleven companies are assigned to three segments oriented towards end-customer markets.

3

Segments

1,783

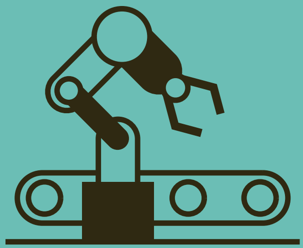
Employees worldwide

(as of the balance sheet date)

30

locations worldwide

GESCO Group



Process Technology

Resource Technology

Healthcare and Infrastructure Technology

GESCO at a Glance

Key figures GESCO Group (IFRS)

Financial years up to 2018 / 2019: 04/01 – 03/31 Abbreviated financial year 2019: 04/01 – 12/31 Financial years from 2020: 01/01 – 12/31		2011 / 2012 04/01 – 03/31	2012 / 2013 04/01 – 03/31	2013 / 2014 04/01 – 03/31	2014 / 2015 04/01 – 03/31	2015 / 2016 04/01 – 03/31
Sales	T€	415,426	440,417	453,336	451,434	494,014
of which domestic	T€	270,888	286,609	300,263	303,597	323,862
of which foreign	T€	144,538	153,808	153,073	147,837	170,152
EBITDA	T€	51,186	51,763	48,719	46,171	53,261
EBIT	T€	39,116	37,341	32,010	27,300	31,457
Earnings before tax (EBT)	T€	35,672	33,825	29,018	24,553	28,828
Taxes on income and earnings	T€	- 11,087	- 11,088	- 9,261	- 10,401	- 10,307
Taxation rate	%	31.1	32.8	31.9	42.4	35.8
Group net income from continuing operations (After minority interests)	T€	–	–	–	–	–
Earnings per share	€	–	–	–	–	–
Group net income from discontinued operations (After minority interests)	T€	–	–	–	–	–
Earnings per share	€	–	–	–	–	–
Group net income from continuing and discontinued operations (After minority interests)	T€	22,531	20,916	18,121	12,350	16,127
Earnings per share[1]	€	2.47	2.10	1.82	1.24	1.62
Investment in property, plant and equipment[2]	T€	14,937	21,609	27,164	29,525	23,974
Depreciation on property, plant and equipment	T€	9,850	12,190	14,136	15,475	16,940
Equity[3]	T€	154,988	166,500	176,604	182,803	195,773
Total assets[3]	T€	321,138	357,547	379,950	403,739	410,175
Equity ratio[3]	%	48.3	46.6	46.5	45.3	47.7
Employees[3]	No.	1,899	2,292	2,360	2,465	2,537
of which trainees[3]	No.	97	120	144	156	153
Share price (XETRA) at the end of the financial year[1]	€	21.80	25.18	25.38	25.46	24.71
Dividend per share[4]	€	0.97	0.83	0.73	0.58	0.67

[1] Figures for financial years 2012 / 2013 to 2015 / 2016 adjusted to share split 1:3 from Dec. 2016.
[2] Excluding additions from changes in the scope of consolidation.
[3] As at the reporting date.
[4] Dividend proposal to the Annual General Meeting 2022.

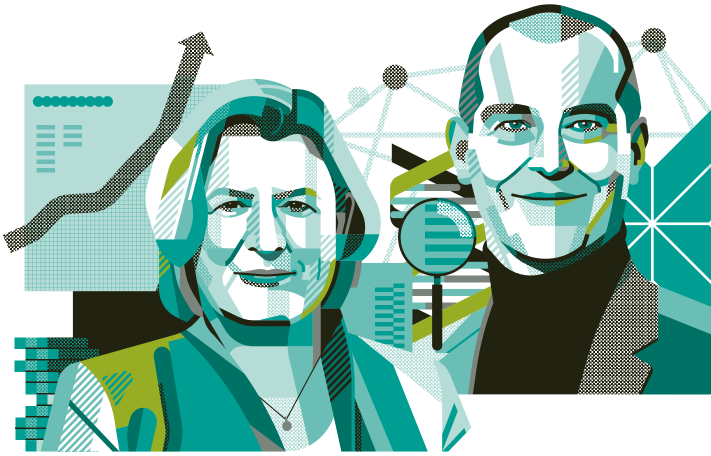
488.1
€ million sales

44.6
€ million EBIT

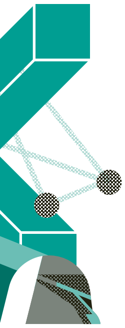
2.48
€ earnings per share

2016 / 2017 04/01 – 03/31	2017 / 2018 04/01 – 03/31	2018 / 2019 04/01 – 03/31 as reported	2018 / 2019 04/01 – 03/31 adjusted	2019 04/01 – 12/31 abbreviated financial year (9 months)	Continuing operations 2019 04/01 – 12/31 abbreviated financial year (9 months)	Continuing operations 2020 01/01 – 12/31 full financial year (12 months)	Continuing operations 2021 01/01 – 12/31 full financial year (12 months)
482,480	547,193	574,532	580,254	439,619	354,813	397,225	488,051
302,419	335,981	351,272	353,178	258,844	194,477	212,225	252,806
180,061	211,212	223,260	227,076	180,775	160,336	185,000	235,245
49,745	57,404	73,498	68,375	44,035	37,005	33,357	62,188
22,137	33,789	47,646	42,101	23,470	24,412	16,693	44,572
19,187	31,861	45,420	39,809	21,804	23,363	12,889	42,719
-9,458	-13,690	-15,443	-14,042	-8,076	-7,650	-6,009	-13,243
49.3	43.0	34.0	35.3	37.0	32.7	46.6	31.0
–	–	–	–	–	14,512	5,829	26,876
–	–	–	–	–	1.34	0.54	2.48
–	–	–	–	–	-2,126	-22,405	-14
–	–	–	–	–	-0.20	-2.07	0.00
7,890	16,099	26,598	22,582	12,386	12,386	-16,576	26,862
0.79	1.49	2.46	2.08	1.14	1.14	-1.53	2.48
19,788	24,638	23,838	23,354	15,838	9,014	7,907	12,670
24,009	17,989	19,081	19,415	17,487	10,153	13,346	13,385
214,095	224,265	244,261	250,567	250,428	–	227,770	255,734
439,915	456,256	509,513	525,486	506,099	–	390,821	449,535
48.7	49.2	47.9	47.7	49.5	–	58.3	56.9
2,535	2,489	2,662	2,684	2,718	1,756	1,695	1,783
138	134	134	108	130	60	63	66
24.96	28.50	22.75	22.75	18.86	18.86	18.35	25.50
0.35	0.60	0.90	0.90	0.23	0.23	0.00	0.98

01
NEXT LEVEL in Leadership



02
To our shareholders



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Sustainability

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Combined Management Report

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GESCO finances

THAT'S THE SPIRIT

Where does GESCO stand after the portfolio restructuring? How is the implementation of NEXT LEVEL progressing? What factors led to the very good financial year 2021 and what are the prospects? Answers are provided by CEO Ralph Rumberg and CFO Kerstin Müller-Kirchhofs.

Illustration: Aleksandar Savić

Mr Rumberg, you have published the best consolidated annual result in the Company's history. How satisfied are you?

RR Of course I am very satisfied with the Group's annual result. It is the result of good work throughout GESCO Group. And that is why I am proud above all. Proud of our teams at GESCO and especially at the subsidiaries, to whom I would like to express my special thanks at this point.

It is our ambition to further develop a strong group of hidden champions, and thus market and technology leaders, under the GESCO umbrella. And today I can state: Ambition and performance continue to grow together!

With the record result of the past financial year, we were also able to exceed the previous record year 2018/19 in absolute terms, which we had achieved at the time with 18 subsidiaries and € 100 million more sales. In doing so, we have courageously seized our market opportunities, but above all, through consistent methodical work in the Excellence Programmes, we have managed to increase the EBIT margin to 9.1%.

How high do you estimate the impact of the Excellence Programmes on the Group's annual result?

RR Our Excellence Programmes are effective in the long term and have certainly played a major role in GESCO Group's positive business development. In concrete terms, this means that in 2021 we were able to increase our efficiency by a strong 17% compared to the previous year, measured in terms of sales per employee.

The Excellence Programmes are divided into 4 modules. At the beginning there is a detailed business model analysis of each company according to our own CANVAS model (method for visualising, structuring and further developing business ideas). From the business model analysis, the respective corporate strategy is derived and corresponding OPEX (Operational Excellence: analysis of value creation processes with the aim of increasing efficiency and thus margins) or MAPEX (Market & Product Excellence: increased market penetration and product improvements) programmes are derived. In particular, our activities in the OPEX programme have led to Group-wide efficiency improvements in 2021. In addition to the positive effects on earnings, our subsidiaries are focusing in particular on increasing customer satisfaction through shorter delivery times, improved delivery reliability and quality. And the faster throughput times have made some output increases possible in the first place.

Examples of our successes in MAPEX are, for example, the new product EMONI at PGW, which was developed for the specific requirements of e- and micro-mobility and contributes significantly to CO_2 reduction. The specifications for our stainless steel plants are also becoming more comprehensive and show that we have taken the right path with the consistent implementation of our programmes. With these innovations, we have reached the first milestones, but many more successes lie ahead.

How are you progressing in the implementation of the NEXT LEVEL strategy?

RR If you consider everything we have implemented since the launch of NEXT LEVEL in 2019, it is quite impressive. As you know, at the turn of the year 2020/2021 we realigned and rebalanced our portfolio by selling the mobility division. In February 2021, the management buyout of VWH GmbH took place, with the result that GESCO Group was able to significantly reduce its dependence on the automotive business. In June 2021, we created a substantial basic holding in the very interesting medical technology sector with the purchase of United MedTecHolding GmbH and the W. Krömker GmbH assigned to it, as well as the subsequent assignment of our oldest subsidiary, HASEKE. The positive effects of the portfolio restructuring can also be seen in the annual results; we are now much more robustly positioned as a Group than before.

In the existing subsidiaries, we have launched various OPEX and MAPEX programmes and are still in the middle of implementation. We are now seeing the first successes and expect further positive effects across the board in the coming years.

The Group-wide roll-out of our LEADEX programme is now on the agenda for 2022.

What is behind NEXT LEVEL 25?

RR In the last 3 years, we have already made great progress in GESCO Group with NEXT LEVEL. With NEXT LEVEL 25, we are expanding our strategy framework and concretising our objectives, which we want to have achieved by 2025:

We are aiming for Group sales of € 1 billion with a 10 % EBIT margin. We want to achieve this increase in sales through both organic and inorganic growth. This profitable growth naturally presupposes stable and intact markets.

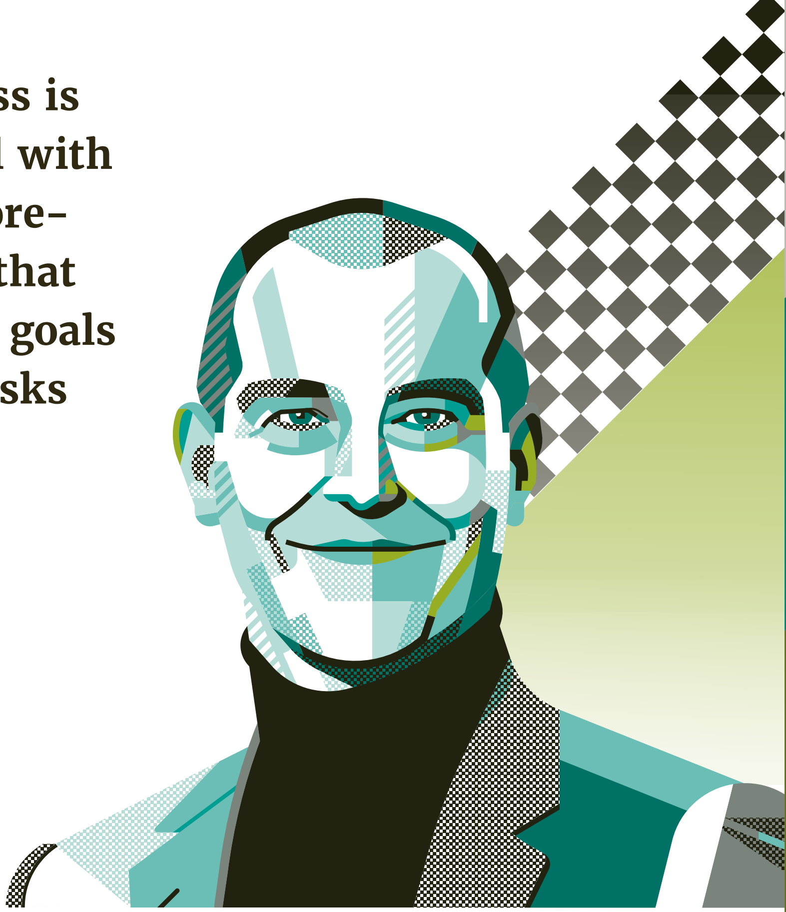
With NEXT LEVEL 25, we have expanded our previous strategy to include 2 additional topics. On the one hand, we want to drive forward the digitalisation of GESCO Group and focus more on digital business models. In the last three years, we have created the basis within the framework of the Excellence Programmes to dedicate ourselves to topics such as the implementation of web shops and social media marketing, as well as digital workflows to increase efficiency. The second key element is our ESG strategy, which will become increasingly important in the future, both for us and in the markets we address. We have decided to initially orient ourselves to the requirements of the German Sustainability Code.

Following the major portfolio restructuring at the turn of 2020 / 2021, GESCO is now significantly less dependent on the automotive market. How do you assess the current portfolio structure?

RR Today we can see how right we were to undertake this portfolio restructuring, as GESCO is now much more balanced and, above all, more robustly positioned. We want to expand our investment portfolio to 3 anchor investments and 12 basic investments. With Dörrenberg Group we already have a strong anchor investment, and as things stand today we will be able to develop a second anchor investment from our companies already in the

“Long-term success is achieved above all with entrepreneurial foresight and a team that stands behind the goals and pursues its tasks with motivation.”

Ralph Rumberg, CEO GESCO AG



Group. With the financial leeway we have, not least due to the positive business development, we should be well positioned to acquire a third anchor investment.

We have made good progress overall with our basic holdings. We have sold some of our smaller subsidiaries, and we have developed HASEKE into a substantial basic holding through the acquisition of the UMT Group and its subsequent allocation.

With the reorganisation of HUBL into the renamed Process Technology segment and the assignment of HUBL and Sommer & Strassburger to INEX-solutions as the new holding company, we have created the basis for further organic and inorganic growth of the stainless steel specialists.

You mentioned it: With the purchase of United MedTec Holding GmbH, you have expanded the medical technology sector. Do you want to grow further here?

RR Medical technology is a very attractive market and is therefore in focus. With United MedTec as a holding company, we have created the basis for further growth. If suitable acquisition opportunities arise, we will examine them with interest.

At the beginning of the new year, you assigned the HUBL subsidiary to the renamed Process Technology segment and in the meantime announced the merger with Sommer & Strassburger under the umbrella of INEX-solutions. What do you expect from this?

RR The newly created Stainless steel group primarily addresses the growth sectors of pharmaceuticals/biotech, semiconductors, food/water technology and chemicals. The growth drivers for these industries are the growing and ageing world population, increasing digitalisation and rising demand for food. We want to participate in these growth trends with our INEX-solutions.

All four sectors are already addressed by S&S and Hubl in different weightings and are processed in parallel. By bundling the application know-how of both companies, new solution possibilities for plants with extended scopes are created. HUBL, for example, is now focused on the production of biotech containers and stainless steel systems for the semiconductor industry, while Sommer & Strassburger is the market leader in the pressure pipe and tank construction segment.

In order to be able to leverage further synergies, the focus is on the joint use of the process-specific know-how acquired over many years as well as organisational synergies on the customer side. The now substantial size of the company also plays an important role, as many customers are significantly larger and prefer a strong partner with extensive capabilities.

The attractive business segment of INEX-solutions is to be strengthened both through organic growth and inorganically through the acquisition of suitable companies, thus further increasing customer attractiveness.

What is your focus in your M&A activities? Do you focus more on many smaller acquisitions or can you also imagine larger deals? Up to what size could you imagine an acquisition?

RR As part of our updated NEXT LEVEL 25 strategy, we will expand our portfolio to 3 anchor investments and 12 basic investments. With the Dörrenberg Group we already have a strong anchor investment, and we should be able to develop a second anchor investment from our companies already in the group. We want to acquire the third anchor investment.

Currently, we focus on acquisitions of companies with sales between € 20 and 100 million, although strategically motivated complementary acquisitions of subsidiaries can also be made in lower sales sizes. The ultimate goal is a balanced portfolio across many industries.

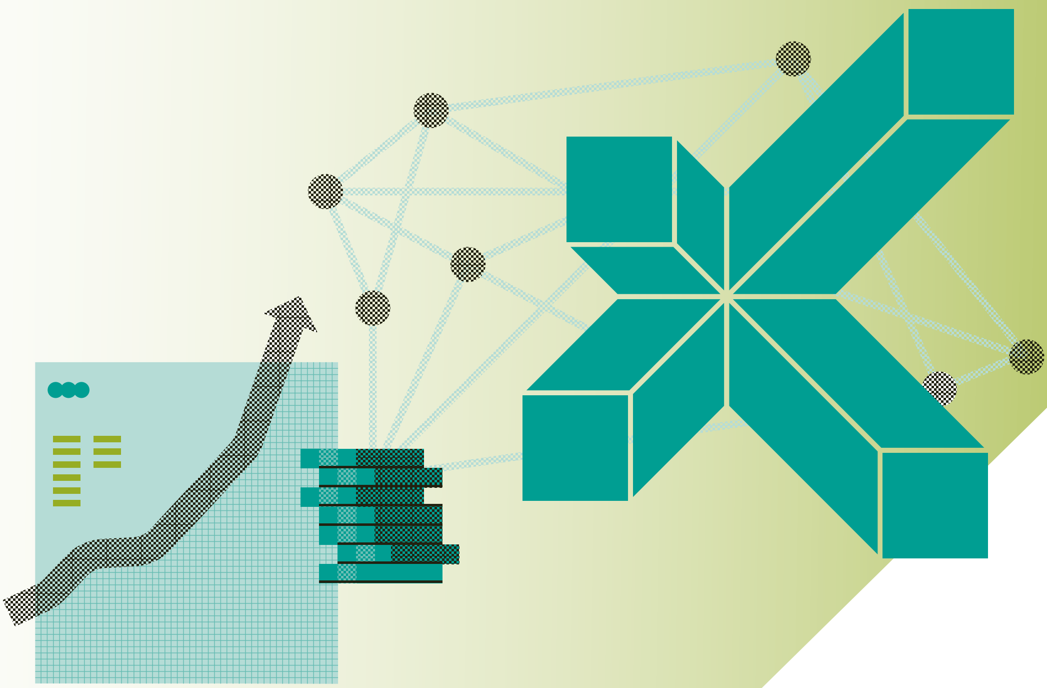
How have the price expectations of potential sellers developed recently? What are your expectations for future acquisition negotiations?

RR Furthermore, due to the low interest rate level, the market is characterised by a certain investment emergency on the part of institutional investors (private equity), which has led to very high company valuations. We continue to act with discipline in this environment and always keep the focus on the added value to be achieved. As GESCO, we have meanwhile developed a methodological competence with our Excellence Programmes that is an important argument for many long-term oriented sellers, as they know their company is in good hands with us. With us, entrepreneurs talk to entrepreneurs.

Your Executive Board colleague Ms Müller-Kirchhofs will be leaving GESCO shortly after this report is published. What would you like her to take with her?

RR In the past three years, we have successfully developed GESCO together within the framework of the NEXT LEVEL strategy.
I would like to express my sincere thanks for this!

I wish you, dear Kerstin, much success in your next tasks and stay as you are.



Ms Müller-Kirchhofs, I would also like to ask you: You have published the best consolidated annual result in the Company's history. How satisfied are you?

KMK This pleasing Group annual result is the result of our successful work – it did not fall into our laps. Ralph Rumberg went into detail about the operational milestones we achieved in the past financial year. We set the course for this result early on and are now on the right track. I am pleased that we were able to support the positive operative development by reducing the tax rate, based on a tax-optimised structuring in Germany. I would therefore like to thank all GESCO Group employees who made this possible.

In the course of the last business year, you raised the forecast twice and eventually exceeded it. What are the main reasons for the unexpectedly good financial year 2021?

KMK When we made the original forecast, we knew about the challenges, not least because of the ongoing Covid 19 pandemic. In the course of the business year, we then saw that the subsidiaries had made considerable progress and that the Excellence Programmes that had been introduced were also having a visible effect. Decisive for the very good result in the fourth quarter were the realisation of projects despite the supply bottlenecks, the ability to compensate for the significant price increases in materials through short adjustment cycles and the effects of tax-optimised structuring.

"GESCO Group's condition makes me confident for the next few years, as the foundations have been laid for further sustainable positive development."

Kerstin Müller-Kirchhofs, CFO GESCO AG

Why do you think the share price lags behind the operating performance?

KMK The introduction of the NEXT LEVEL strategy was accompanied by a major transformation process, which led to the largest portfolio restructuring in our Company's history at the turn of the year 2020/2021. Some shareholders may have been unsettled by this.

With the 2021 business figures, however, we have shown that these strategic decisions were correct. GESCO Group is in a better position today than ever before and we need to communicate this more intensively to the capital market. The changes in the portfolio from a rather mechanical engineering and automotive-oriented group to a more diversified group that now also serves customers in future-oriented industries such as MedTech or BioTech to a greater extent have perhaps not yet been perceived everywhere. I am confident that the share price will reflect the very good operational development in the future.

According to its dividend strategy, GESCO distributes between 20 and 60 % of net in-come as a dividend. A dividend of € 0.98 per share is to be proposed to the upcoming Annu-al General Meeting. On the basis of what considerations are you making this proposal?

KMK Our dividend strategy states that our proposal for the distribution is guided, among other things, by the need we see for corporate acquisitions. We are currently in exploratory talks and it is not yet foreseeable what investment needs will arise. Nevertheless, we always have our shareholders' justified interest in the payment of a substantial dividend in mind – especially after a zero round due to the previous year's loss and against the backdrop of GESCO achieving a record result in 2021. In order to do justice to both aspects, we have opted for a dividend proposal in the middle of our specified range.

At the Annual General Meeting in August, a resolution is to be passed to convert GESCO AG into a European public limited company (SE). What do you expect from this?

KMK We want to be perceived as a "European" company. Our share of sales in Germany is only a good 50 %, with a downward trend. We would also like to open up further in the direction of Europe, be it for acquisitions, for customers of our subsidiaries and not least for new investors. The SE as a transnational legal form in Europe offers a very good structural framework with an unchanged legal status for our shareholders.

The war in Ukraine is not only causing immeasurable human suffering, but is also leading to severe distortions in the economy. What effects do you expect?

KMK This war within Europe is inconceivable and incomprehensible to me. Our sympathy goes out to all those who are affected by it.

With the outbreak of the war, we instructed our subsidiaries to stop their business relations with Russia and Belarus. In 2021, the subsidiaries had a total share of sales with Russia of approximately 2 %. Only one company had substantial sales with Russia.

No one can currently foresee how the situation will develop and how quickly the economy and society will adapt to the resulting supply issues. The impact of high material costs and supply chain issues is hard to predict. So far, we have been able to compensate for the significant price increases in materials through rapid adjustment cycles. In the end, we will all notice at one point or another that consistent action for peace has its price.

The outlook for the 2022 business year and also for further development promises further growth. What makes you so confident?

KMK We have made significant progress, partly due to the Excellence Programmes that have been introduced, and we expect to continue on this successful path in 2022. Of course, there are a number of imponderables, especially due to the dispute in Ukraine, and the Corona pandemic has not yet been overcome. However, our subsidiaries are well positioned in their markets and expect sustainable growth.

You have announced that you are leaving GESCO at the end of April. How do you look back on your time and what will you miss most?

KMK During my time on the Executive Board, GESCO has changed a lot and is in a better position today than ever before. We have initiated many topics, both operationally and structurally, and achieved a lot. I would like to thank all my colleagues in the holding company and the subsidiaries who have made this possible. Of course, they are the ones I will miss the most. I have also been pleased time and again with interesting discussions in the capital market, which have given me a view from the outside that has sharpened my view from the inside.

Thank you, Ralph, for the trusting cooperation and many inspiring thoughts on our common path over the last three years. I wish you continued success!

NEXT LEVEL

LEADEX

In autumn 2018, the Executive Board and Supervisory Board adopted the NEXT LEVEL strategy. It defines the essential course for the strategic and operational development of GESCO Group in the coming years and is at the same time the largest transformation in the Company's history.

LEADEX stands for Leadership Excellence and is an essential part of the Excellence Programmes within the NEXT LEVEL strategy. On the following pages, we explain what we mean by LEADEX, provide insights into our LEADEX programmes and describe how our subsidiaries benefit from these excellence programmes.

Since the introduction of the NEXT LEVEL strategy, CANVAS business model analyses have been carried out in each of our subsidiaries to assess the status quo, so-called SWOT (strengths / weaknesses / opportunities / risks) analyses have been prepared and corporate strategies have been derived from them. In order to achieve these ambitious strategic goals on the way to becoming a hidden champion, numerous OPEX (Operative Excellence) and MAPEX (Market and Product Excellence) programmes have been launched. The OPEX programmes are about continuous process improvements and thus increasing the efficiency of the organisations, while MAPEX is about new products for new markets and gaining market share. This very consistent and methodical approach places high demands on the respective organisations in the companies. Depending on the set-up, the wealth of experience and the hunger for success and many other factors, this results in very different starting situations in the companies. For our claim to develop the companies into world market leaders, we need the best teams. And this is where LEADEX comes in.

What is LEADEX all about?

LEADEX means Leadership Excellence, it is about leadership quality in an ever more rapidly changing environment. Whereas the other Excellence programmes are essentially about processes and products, LEADEX is about the people in our companies.

Managing a company well means ...

"... for me, not only having professional competence, but also human competence to strengthen the employees individually"

Michael Schauerte, Managing Director, SVT GmbH

Managing a company well means …

"… for me, being a role model in terms of behaviour and willing-ness to perform, and having the courage to try something new."

Rainer Kiefer, Managing Partner, Hubl GmbH

As has been widely reported, demographic change is having an ever greater impact on our society. Due to the shortage of skilled workers and the simultaneous increase in the need for employ-ees, the battle for the right employees is in full swing in many cases. The qualifications of the younger generations differ significantly from those of earlier generations, and the use of digital media is changing business processes at an unprecedented speed. We want to position GESCO for the future.

From this, we derive the task for us of wanting to offer our employees an environment that is as attractive and interesting as possible. To create a working environment in which employees feel comfortable and can be productive. We focus on consistent communication and regular rec-ognition of successes as well as constructive feedback. We believe that providing an engaging work environment, recognition for what has just been achieved and fun at work will always pay off. But this path also means a change of behaviour in leadership, a willingness to adapt to changing situations and to question one's own behaviour.

LEADEX will be successful if everyone pulls together. At GESCO, LEADEX starts at the top management level and encompasses all levels in a company. Our goal is to form the best teams for the path to becoming a hidden champion.

We call these High-Performance-Teams.

We want to offer the most attractive and interesting working environment possible in which employees feel comfortable.

High-Performance-Teams

But what do we mean by High-Performance-Teams? Let us illustrate this with an example: Imagine a Formula 1 pit stop; the record for changing wheels is less than 2 seconds and even an average pit stop takes no longer than 3 seconds. These are very impressive team performances. Have you ever wondered how this is even possible? During the pit stop, 15 to 18 people work simultaneously in a very confined space, hand in hand in choreographed processes. This only works if every step of the process is absolutely clear to everyone involved and everyone has the same goal in mind. These teams train daily and continuously improve their processes. After each pit stop, the potentials are recorded, it is analysed what went well and what went badly and improvement steps are initiated. This is how the best keep getting better. This is the target picture we have in mind for High-Performance-Teams. But does this also work in the working world? How can such High-Performance-Teams be created in the corporate environment?

In autumn 2021, we started the process of developing a common understanding of what we mean by High-Performance-Teams and what makes them stand out. To this end, we brought together the various managers from different levels in a number of workshops and developed our definition of High-Performance-Teams.

In our GESCO target culture, High-Performance-Teams are characterised by being particularly target-oriented, setting ambitious goals and achieving them quickly. They are hungry for success, highly energetic and anticipate emerging change requirements at an early stage. And most importantly: one for all, all for one!

But such teams do not emerge by chance. We start by analysing the respective initial situation in each subsidiary, hold a variety of discussions with the management teams about what we are aiming for in High-Performance-Teams, what distinguishes them, and thus pave the way for each individual to get to grips with this. It is essential for us that our employees embark on the journey with us. We accompany the change process with different tools and thus provide objective assistance as to who can make the best contribution in which task.

If desired, we accompany the executives with analyses according to the Insights Discovery® method and coaching sessions to further improve their impact in the organisation. Insights Discovery® is about getting to know yourself better, but also about understanding other people better. Every person is different and therefore ideally needs an adapted approach. Recognising the other person and being able to adjust to him or her requires not only a sure instinct but also knowledge of different types. If entire teams are to work together optimally, so-called team matching is crucial. In addition to the necessary and complementary qualifications, it is particularly important that a personal match is created among the team members.

Leaders should get to know themselves better, but also understand other people better.

Using the example of two subsidiaries

After the retirement of a managing director who had found it difficult to delegate responsibility, the organisation fell into a leadership vacuum as no one had learned to make decisions independently. The resulting uncertainty led to unease on the part of the staff. With the new managing director, we first analysed the initial situation, discussed the situation with the staff and then developed a target organisation for this company. When it came to filling the positions, the key to success was then to put the right people in the right jobs and to create a breath of fresh air with new staff. The selection of the management positions was supported by the Insights Discovery® method, so that a good team match was created. After about 12 months of change process in the team, the first successes became visible: the organisation got a new dynamic, an improved target focus and was able to acquire a large number of new customers as a result. A few months later, the position of plant manager was filled and a completely new spirit emerged in production. The production control system was quickly converted from the old paper-based card control system to an integrated digital overall solution. This conversion alone resulted in an increase in efficiency of more than 10 % in production. In summary, it can be said that through the reorganisation of the management team, the company, after years of weak growth, is now developing very positively, with high dynamics and great enjoyment of success.

In another GESCO Group company, it became apparent that the installed management was unable or unwilling to meet the NEXT LEVEL requirement. In this situation, we established interim management by GESCO's investment manager in close consultation with the staff. During this interim phase, the management team was introduced to the new tasks and some positions were changed. Cooperation within the team was reorganised in various workshops and new standards were defined. After nine months of the interim phase, a new spirit had emerged in the management team. With this spirit of optimism, all that remained was to find the right managing director. With detailed analyses of the personalities in the management team and with the help of the Insights Discovery® method, an exactly fitting managing director was found, and today an ideal team match has been achieved. The result of this intensive change process can be seen after only 18 months: Our subsidiary is once again on its way to record levels in both sales and earnings, which were last achieved in the 2012 financial year.

We bring together the right people who enjoy success and are willing to give their best as a team.

In summary This selection process until the right people have come together in the right task with the right spirit is very intensive and usually takes some time. We are absolutely convinced that it is precisely this bringing together of teams that will make the decisive difference in the future.

This is exactly where we come in with LEADEX.

We bring together the right people who enjoy success and are willing to give their best as a team. This results in success – and that in turn attracts people who also want to be successful.

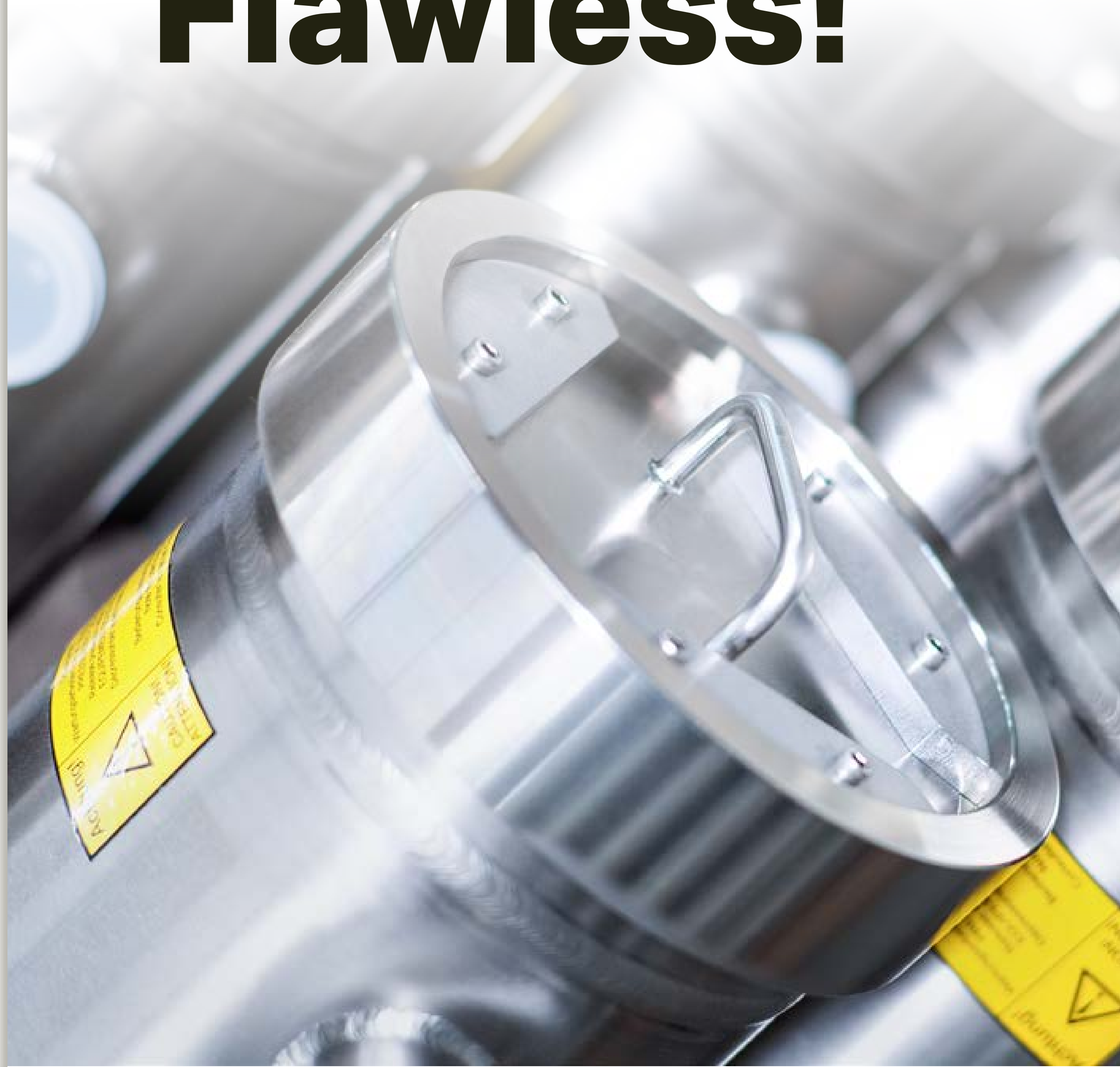
This creates a self-reinforcing effect and that is exactly what LEADEX is all about.

Managing a company well means ...

"... shaping a world where employees want to belong and in which shareholders participate in the success."

André Krichel, Managing Director, AstroPlast Kunststofftechnik GmbH & Co. KG

Flawless!



Sommer & Strassburger is a leading supplier of stainless steel technology and has been part of GESCO Group since 2018. The company has had high capacity utilisation for years: the number of orders is growing so fast that production can barely keep up. The OPEX optimisation programme provides a remedy.

Text: Heimo Fischer
Photography: Konstantin Eckert

Managing director Michael Hilpp can be satisfied. Sommer & Strassburger's sales increased by an impressive 29.6 % from 2020 to 2021. The company from Bretten in Baden manufactures complex process plants, pressure vessels, filter and membrane housings made of stainless steel. Numerous industries rely on these products – including the food, pharmaceutical and chemical industries.

The increasing demand poses great challenges for the boss and the team. "On the one hand, we don't want to disappoint any customers, but on the other hand, our capacities are not sufficient to always deliver all orders on time," says Hilpp. With the help of the OPEX improvement programme, the management is looking for optimisation possibilities. OPEX stands for Operative Excellence and aims to improve processes in all business operations. Four Sommer & Strassburger employees report how they have increased the efficiency of their area of responsibility as a result.

Master of the welds

For more than six years, welder Ignacio Campo has been making pressure pipes. A demanding job. Since pharmaceutical and food companies are among the customers, the seams that run along two sides of the pipe must be precisely worked. After all, any unevenness could harbour germs in later use. That's why the company uses automatic welding machines that work as precisely as humans never could. Campo examined optimisation possibilities within the framework of the OPEX programme. The solution was a new generation of automatic welding machines. These flexible and software-controlled machines have been in use since last year. They have another advantage: they draw climate-neutral electricity from the new photovoltaic system.

Struggler for more transparency

On a board in Joschka Schäfer's office you can see the relevant company key figures, one each for sales, quality and adherence to delivery dates. What does that mean? "The three points are part of a transparency offensive. It is intended to show the staff where we stand as a company and where we will work specifically," says the head of production. In weekly "shop floor meetings", the foremen discuss the current key figures together with their production teams in the factory. "This teaches the employees to look beyond their own area and keep an eye on the company's goals," says Schäfer. The initiative has obviously made a contribution to success: the external complaint rate fell further to below 2 % in 2021 and sales increased by almost 30 %.

Advocates of digitalisation

Purchasing manager Martin Wipfler can't stand superfluous work. "That's why it was a thorn in my side that invoices were still processed in paper form until recently," he says. So he pushed ahead with a digitalisation process. Today, customers no longer send their invoices as letters, but by e-mail. The invoices are filed in an electronic directory with the matching delivery note. This way, the receivable can be easily checked and sent to the accounting department with a mouse click, which transfers the amount on time. "Thanks to the automated process, we save four working hours per day," says Wipfler. "Those who used to carry invoices around the house can now use the time to look for new suppliers and negotiate better prices."

Guardian of delivery reliability

Short delivery times and on-time delivery of orders are of paramount importance to customers, especially in the growth sectors of the pharmaceutical and chemical industries as well as in food and water technology. Despite Sommer & Strassburger's best efforts, it was not possible to further improve on-time delivery in the challenging year 2021. In 2020, it had been more than 90 %. Global issues such as supply chain delays, the consequences of the pandemic and record capacity utilisation played a role. In exchange with customers and in internal coordination rounds, concrete measures were implemented to improve the situation in the short and medium term. A solution was found within the framework of the OPEX programme: "We rented an additional production hall for selected production steps and equipped it accordingly. Furthermore, a team of employees was formed, which is organised and makes decisions independently", explains Sales Manager Sven Rabaschus. "Among other things, this has led to a significant improvement in on-time delivery and delivery times since December 2021.

3 Questions for Plant Manager Stefan Kuhn

You work closely with the management. How are you preparing the company for the big challenges of the future?

SK We are working on making all processes in the value chain transparent, from the submission of the offer to production and delivery to the customer. That is why we are introducing a new software-supported corporate planning system.

Why is this so important?

SK Due to the strong growth, the risk of losing the overview increases. Whereas a few years ago we had several hundred orders to process at the same time, now there are thousands. With such complexity, it is increasingly difficult to understand what the consequences are if an employee or a machine breaks down. Today, we sometimes only notice when the delivery date is approaching. As a result, we are too often in alarm mode. This saps our energy and is inefficient. Ultimately, we want to produce highly complex and high-quality products as efficiently as possible with the shortest possible lead time.

What is the solution?

SK We install a digital planning programme that works with highly complex algorithms and processes millions of company data in a few minutes. This enables the production manager, for example, to see immediately what the consequences of an unforeseen event are at every point in the value chain. In this way, he can always make binding statements to the sales department about the delivery time and optimally deploy personnel and machines. The new system is to be launched in the current year 2022.

Managing a company well means ...

" ... satisfying customers with high-quality products on time, while working as profitably as possible."

Michael Hilpp, Managing Director Sommer & Strassburger

ONE WAY? NO WAY!

Around the globe, the megatrend of sustainability is gaining in importance. Numerous industries are rethinking their products and processes. The Setter Group, for example, produces compostable sticks from paper and sugar cane for lollipops and cotton buds, among other things. The layman has no idea of the potential of these little things.

Text: Alexandra Schröder
Photography: GESCO Group

Many millions of tonnes of plastic are floating in the oceans. And the flood of waste is growing: according to the United Nations Environment Programme (UNEP), up to 37 million more tonnes of plastic waste will pour into the world's oceans every year until 2040. To curb the increasing littering, many single-use plastic products, including cotton wool and stirring sticks, may no longer be produced and traded in the EU since July 2021. Around the globe, a number of nations are looking at similar measures – including India, which has announced a ban on certain products for July 2022.

More than

80 %

of Setter's products are sold internationally.

Markets are developing rapidly

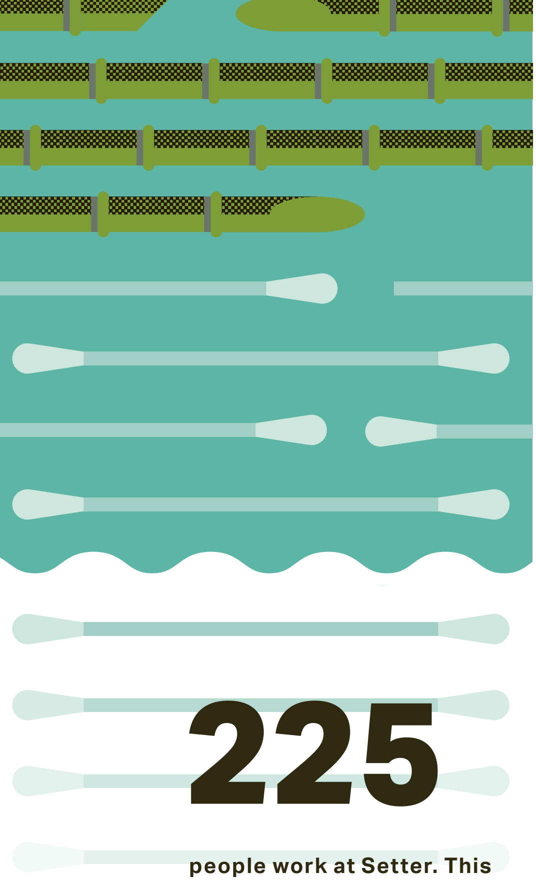
This development pleases Steffen Grasse in more ways than one. Grasse is the managing director of Setter. The group, based in Emmerich on the Lower Rhine, is a subsidiary of GESCO AG and the global market leader in the production of paper sticks – a compostable alternative to plastic sticks. They are used in lollipops, cake pops, cotton wool and scented sticks, balloon holders, flags or as stirrers for coffee to go. Even though they are small, plastic sticks pose a significant environmental problem due to their sheer mass.

"Political decisions like those in the EU and India are important signs and drivers for our business. But we also get enquiries from countries that are not even concerned with a ban on single-use plastic," Grasse reports. "We are actually seeing a global shift in thinking towards more sustainability here."

And that presents Setter with a luxury problem. "The current development is quite dynamic," says Grasse – with clear understatement. One important task is to build up capacities in order to be able to produce the required volumes at reasonable costs. For the company, as befits a true hidden champion, bundles an innovative strength and expertise that are unparalleled around the globe. The clear goal is to maintain this position as cost and quality leader on the world market.

70

billion cotton buds are estimated to be consumed in the EU every year. If their sticks were all made of plastic, this would be equivalent to about 15,000 tonnes of plastic.



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people work at Setter. This means that the number of employees has roughly doubled in the past five years.

Small stick – big performance As a layman, you would hardly suspect the process and material know-how that goes into these inconspicuous sticks: they have to be flexible but not kinked, they have to be dimensionally stable and true to size, i.e. they have to fit exactly in length and diameter on the customers' high-performance machines. In addition, they are tasteless, do not splinter and have no sharp edges. The variety ranges from different diameters, colours and lengths to printing – for decoration or for labelling, for example with an EAN code. As a natural product without chemical additives, they are compostable, and the pulp is certified with the FSC and PEFC eco-labels. If the sticks end up in the sea, they dissolve and decompose like paper instead of polluting the ecosystem for many decades like plastic and becoming a danger to marine animals.

Managing a company well means ...

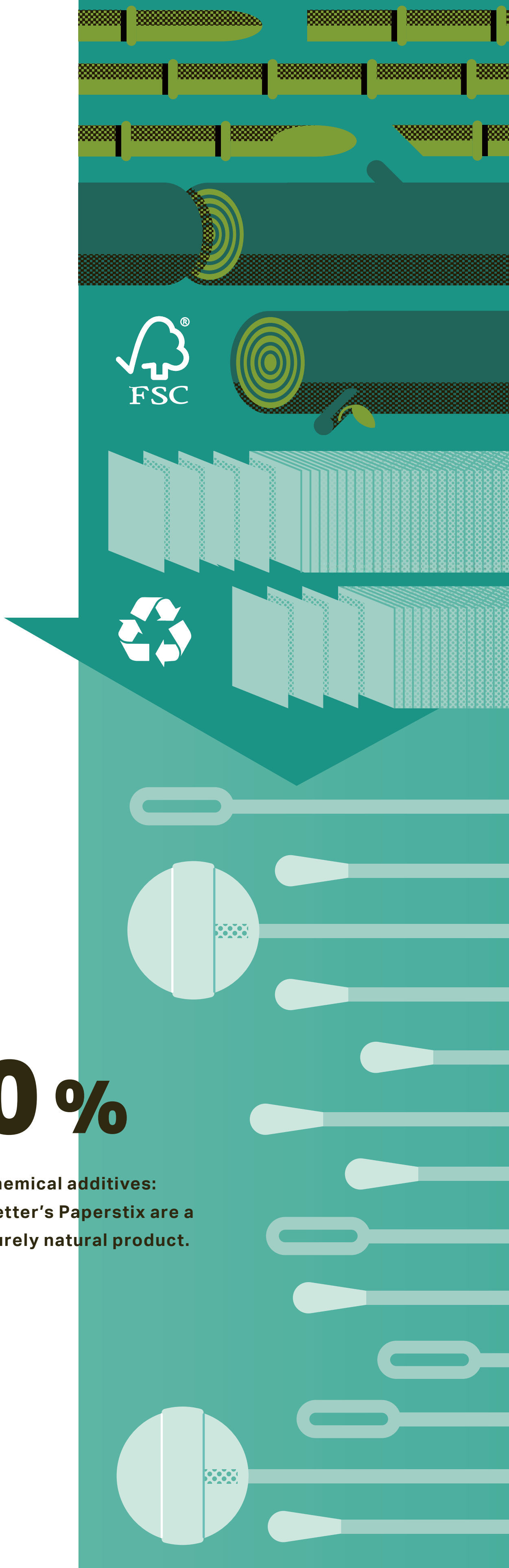
"... developing a vision together with the team and implementing it step by step with a clear strategy."

Steffen Grasse, Managing Director of the Setter Group

Setter also uses its innovative strength to bring new raw materials to series production readiness. After all, although paper has many advantages over plastic, it is ultimately made from a slowly renewable raw material when wood fibre pulp is used. “We are therefore looking at fast-growing alternatives,” says Grasse. “We already offer sticks made of sugar cane paper on the market. We can work with this material just as efficiently as with paper made from wood fibres.” It also has the advantage of being a waste product in the food industry. Setter has also already tested fibre raw materials such as bamboo paper and conducted studies with grass.

Recycling is also an issue for Setter in order to avoid plastic waste. However, recycled material cannot be used without restrictions; fresh fibre paper is needed for the food industry. “For cotton buds, however, the use of recycled paper is quite feasible, and we have been gaining market share with it since its introduction two years ago,” Grasse explains.

Whether paper or waste paper, sugar cane, bamboo or grass – there are many possibilities for the cotton bud of the future. It definitely doesn’t have to be made of disposable plastic any more.



0 %

chemical additives: Setter’s Paperstix are a purely natural product.

3 Questions for Managing Director Steffen Grasse

Mr Grasse, with its NEXT LEVEL strategy, GESCO AG is pursuing the balancing of its investment portfolio, which currently consists of eleven subsidiaries in three segments. One company per segment is to act as an anchor investment – among them Setter. What does the term mean exactly?

SG Anchor holdings are significantly larger than base holdings and are expected to generate more than 100 million euros in sales. Our sales in 2021 was 59.2 million euros. Looking at our strategy and the opportunities in the market, our goal is to reach the desired size in three to five years.

What are the milestones along the way?

SG The key is internationalisation and the development of new product segments, such as stirrers. We sell more than 80 % of the products outside Germany, 50 % outside Europe. As a strategic partner, we want to be close to the customers. Setter currently has locations in Mexico and the USA, but we want to strengthen ourselves globally. South America is an important market, for example for lollipops and cotton buds. The confectionery industry in Asia, especially in India and China, is also interesting. However, it is not easy to find good suppliers who meet our requirements for composition and quality of the paper. Finding suitable local staff is also a challenge, we experienced this in Mexico. Our lines, which churn out huge quantities perfectly made to measure, were designed by us. Operating them is technologically demanding. A new machine operator needs several months to master the processes.

What is changing along the way from your staff's point of view?

SG We are developing from a small medium-sized company into an industrial enterprise. We have to reorganise ourselves, become more collaborative, and establish new tools in everyday life. We are building up management and personnel capacities for these processes. GESCO's excellence programmes, which are available for market and product development, for operations and for leadership, serve as guidelines and offer helpful tools. Communication is also important. We are a highly specialised niche provider, and individuals play a major role. Taking our team with us in our transformation process – that is a central task.

With joint forces

Jointly responsible for United MedTec Holding:
Andreas Mühlenbeck (left), CEO and Jürgen Roth, COO.

With the medical technology specialists Haseke and Krömker, two GESCO Group subsidiaries that were also successful as hidden champions on their own will form a single unit in future. Now they want to achieve synergy effects together in order to secure growth and conquer new segments in an exceptionally demanding market.

Text: André Boße
Photography: Jochen Rolfes

The distance between the previous locations of the two companies Haseke in Porta Westfalica in North Rhine-Westphalia and Krömker in Bückeburg in Lower Saxony is small, only a few kilometres lie between the two cities. Although the region is not one of Germany's industrial hotspots, two medium-sized companies have developed into global market leaders in the medical technology sector in recent years – specialising in the manufacture of support arm systems, articulated arms and mobile stands.

One is better than two

Both companies are located under the GESCO umbrella. Haseke has been part of the Group for almost 30 years. When the latter also took over Krömker in 2021, the strategic decision was quickly made to merge the two companies at one location in order to take advantage of the resulting benefits and generate added value. The plan for the integration was quickly drawn up: First, GESCO Group took over United MedTec Holding (UMT), under which Krömker operates in association with its sister company Tragfreund. In the next step, GESCO transferred its Haseke shares to UMT.

Medical technology: industry between boom and aspiration

The integration is being implemented at the leadership level by six project teams. They are composed of managers from both companies in the areas of production, sales, quality management, purchasing, finance and human resources. Their mission: to merge the two organisations into one unit. This is happening on a technical level: IT structures and quality management systems are being synchronised, marketing and sales concepts are being standardised.

Parallel to these processes, the project teams face the task of convincing the employees of both companies of the advantages of the merger. If this succeeds, an added value is created that makes one plus one more than two.

With LEADEX to a common culture

The first decisions have already been made. The integrated company will have its headquarters in Porta Westfalica, the Bückeburg site will be dissolved. Overall responsibility for the integration lies with Andreas Mühlenbeck, CEO of Krömker since 2015 and also of Haseke since August 2021, and Jürgen Roth, who is COO at Krömker. The project teams are supported by GESCO Group, which contributes its strategic expertise for successful merger processes in special synergy workshops. The LEADEX programme for leadership excellence is used here, which specifically promotes competencies at management level – with the aim of developing a new common culture. "Developing a new mission statement is indispensable," says Andreas Mühlenbeck, "but it has to be developed collectively so that everyone can identify with it."

As specialists in medical technology, Haseke and Krömker are constantly facing new challenges. These include developments such as the digitalisation of clinics and health centres, high cost pressure for investments as well as innovations in connection with the Covid 19 pandemic. After strong demand during the pandemic with high sales figures for ventilators, this area is now operating in a saturated market, as Jürgen Roth explains. "However, our development pipeline is well filled and will launch promising products this year to ensure future growth. These include logical additions to the existing portfolio, but also developments beyond the actual core business." In particular, current medical technology trends such as digitalisation and automation as well as the integration of systems with artificial intelligence have potential for new business models.

But how do you merge two organisations into one and bring people along with you? CEO Andreas Mühlenbeck relies on encounters in this process. His observation: "Many people are sceptical about change. However, this changes as soon as new perspectives and potentials become apparent and people find themselves in their new comfort zone."

A new "we" feeling

The best way to do this is to get to know each other. The employees of the different divisions of both companies have already met each other, and in many cases regular meetings have developed. The managers have the task of demanding and promoting this exchange. For Andreas Mühlenbeck, this results from the definition of leadership – namely the striving for change. "It was interesting to see that a real 'we' feeling quickly developed at these meetings." Whether at breakfast rounds, plant tours or workshops: "For the most part, the teams found a common level right away – which was evident, for example, in the fact that people quickly switched to the collegial and confidential 'you'."

With Krömker and Haseke, UMT brings together two real hidden champions from the medical technology sector.

Curiosity generates synergy

This teambuilding was driven by curiosity on both sides. Professionals work in both companies. The encounters therefore took place at eye level, with both sides discovering new territory. While the companies are specialists in similar technologies, there are differences in application, manufacturing or customer base. It was enlightening to see how the other side works and which approaches are used. This led to the decisive question for the merger: How can we succeed in using the best of both worlds?

Transparency leads to trust

Only teams in which people trust each other will find an answer. “A harmony must develop, and promoting this is the central task of leadership,” says Andreas Mühlenbeck. It is important to take people and their questions and concerns seriously. Because the Bückeburg location is being eliminated, many Krömker employees will now commute and move to new offices. “And of course, in the course of these changes, many people are also asking themselves what this means for them personally.”

The best remedy against scepticism and worries is transparency in communication. No one should have the feeling of being thrown in at the deep end. People feel involved when they are informed openly and promptly about all upcoming changes.

The core of communication is to make clear the many advantages of the merger. The global challenge of the industry will continue to be to combine innovation with tradition and quality with cost efficiency. This requires the expertise of individual teams, which complement each other perfectly when they bring together their own ideas and experience. Trust plays a decisive role here. You can only be successful in the long term if you work together.

Benefiting from shared expertise

The changed structure will also redefine the areas of work. "In the course of the merger, a structure will emerge that defines positions in a separable way," says Jürgen Roth. The interdisciplinary approach then takes place in the project teams, where experts from different areas such as development, production and sales work together to find solutions.

So what is important when two companies are to become one? CEO Andreas Mühlenbeck sums up the task of this process as follows: "If you want to reach the next level with the help of synergies, you have to take people with you." After all, the real added value is not created on paper – "but through the cooperation of the future teams."

How do you take people with you? That is one of the central questions in integration.

Managing a company well means . . .

" . . . always striving for change – and taking the employees with you on this journey."

Andreas Mühlenbeck, CEO United MedTec Holding

7 Success factors of integration

The term “Post-Merger Integration” (PMI) is used to describe the integration phase after the legal merger of companies in the context of M&A projects, in which the processes, procedures and structures of the companies involved are harmonised and their business areas are restructured or merged.

At GESCO, the integration of a company follows a structured and holistic process with defined work packages and detailed project plans. Depending on the respective initial situation and the strategic goals of the companies and teams involved, these plans can of course be individually adapted. But GESCO’s experience shows: In all projects, early and end-to-end management of the post-merger integration and consideration of decisive factors is the key to success:

Clearly define strategy
Successful integration starts even before the transaction with a timely definition of the deal strategy. The strategic orientation, goals and core competencies of the company must be clear, as well as the resulting strengths and weaknesses. The competitive positioning should also be thought through in advance. These strategic considerations are the basis for defining the profile for potential candidates. The screening of the market can begin in a targeted manner.

Create holistic and consistent structures
Often the mistake occurs that companies meticulously plan the transaction but become careless during the integration. A continuous integration process from strategy to realisation – including goals, work packages, timetable, team definition and decision-making structures – must be established early on.

Do not underestimate the effort and pay attention to day-to-day business
The teams involved usually manage the integration in parallel to ongoing projects and daily operations. The duration and effort of integration tasks should not be underestimated and should be integrated in a structured way into daily business. The organisation must not be overburdened in the process.

Racine Hollenberg, Investment Manager GESCO (centre) with some colleagues from the "Post-Merger Integration" team.

Stay focused
Relevant value drivers are to be defined at an early stage as part of the integration process. This enables a clear, joint focus on synergy goals and at the same time minimises the complexity of this extensive task. In the course of the integration, it should be constantly checked whether the joint action secures these value drivers and the defined goals are in focus at all times.

Sustainable pursuit of progress
From the very beginning, those involved should be guided by measurable factors of the integration process. This enables systematic and sustainable processing and monitoring of the jointly defined integration goals until finalisation.

Integration is a change process
Resistance, fears, uncertainties, cultural differences and conflicts can arise during integration. These soft and important factors and the sensitive, individual approach to all those involved must be the focus of activities at all times. Continuous communication from day one and the creation of transparency through the inclusion of all employees is crucial for success.

Acting at eye level and developing a joint success story
The teams of the buyer and the acquired company should be on an equal footing and equally involved in the integration process. It is important and team-building to develop a positive joint success story and to celebrate successes together. The focus of those involved should always be on the future.

Sustainable growth

Sustainability has many facets. These three examples show how GESCO's subsidiaries respond to this global megatrend in a variety of ways and how they develop innovative and sustainable products from good ideas.

Text: Alexandra Schröder
Photography: GESCO Group

GREEN

EFFICIENT

INNOVATIVE


INDUCA

100 %

electricity from renewable energy sources.

Green steel at Dörrenberg

Until now, CO_2 emissions in steel production have been unavoidable. But sustainable, resource-saving production is becoming increasingly important in the industry. Dörrenberg melts the steels via low-CO_2 electric steel routes that allow the use of renewable energy sources. This means that only around 280 kilograms of CO_2 are indirectly produced per tonne of steel. An integrated smelter, on the other hand, emits about 1,700 kilograms of CO_2 per tonne of steel. But Dörrenberg is not satisfied with that: Currently, other processes are being tested to lower the CO_2 intensity of production, such as direct reduction using "green" hydrogen.

GREEN EFFICIENT INNOVATIVE


MAE

Highly efficient hydraulics at MAE

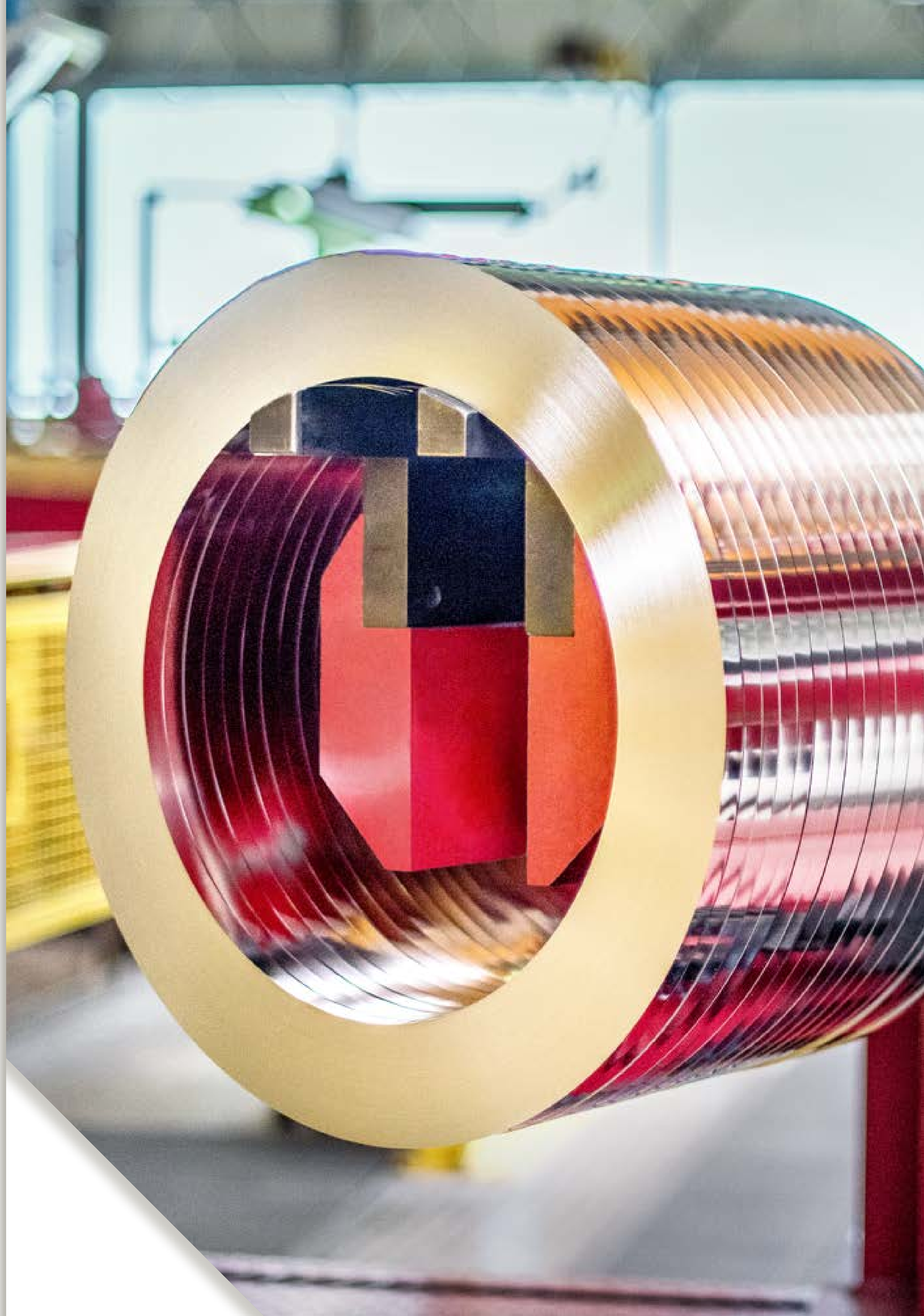
The demands on assemblies are increasing. Customers want processes that are innovative, efficient and safe – and also sustainable. MAE Maschinen- und Apparatebau Götzen GmbH presented the new “BiPAC inteQ” hydraulics for the wheelset press area in 2021. Thanks to highly efficient energy and resource management, MAE was able to reduce energy requirements here by around 40 %. In addition, the new concept, which no longer requires cooling equipment, also reduces oil consumption and lowers maintenance costs by around 35 %.

2 kW

on average are consumed by a MAE press. Competitor presses consume 15 kW at the same cycle time.

EFFICIENT

INNOVATIVE



99 %

electrical efficiency: The EMONI® strip steel developed by Pickhardt & Gerlach is enormously powerful.

Innovative strip steel from Pickhardt & Gerlach

New industries and trends require new materials. In a joint research project with PEM Motion, a spin-off of RWTH Aachen University, strip steel finishing specialist Pickhardt & Gerlach developed an innovative material for the inner workings of batteries: EMONI®. This is used in particular in micro- and e-mobility, for example for e-bikes. The strip steel is shaped and welded for the battery module in such a way that it connects the cells of the lithium-ion battery. This saves energy and makes the batteries even more powerful. And: the newly developed refinement process saves around 80 kilogrammes of CO_2 per tonne of material produced.

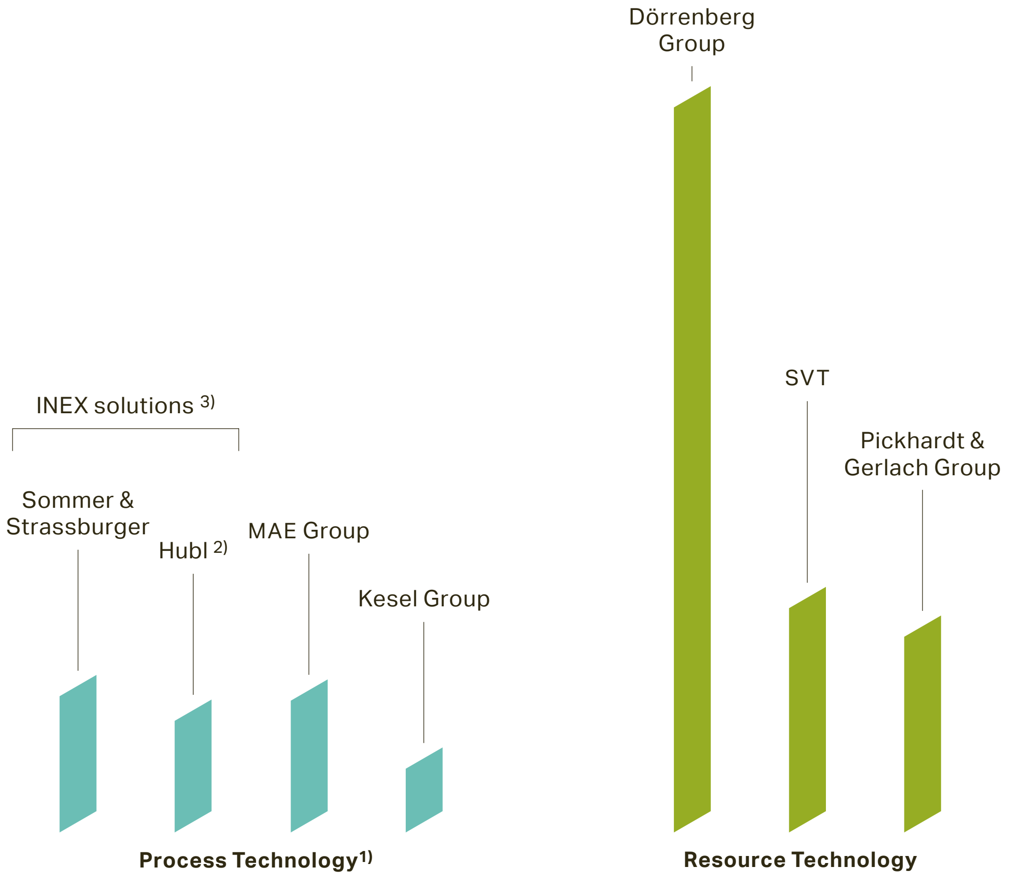
INNOVATIVE

On the way

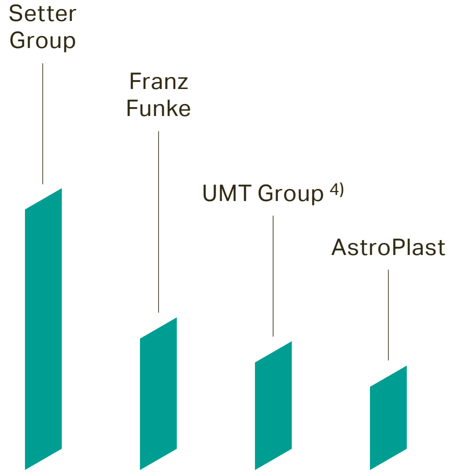
Eleven subsidiaries, three strategic business areas, € 488 million in sales – these are the figures for GESCO Group. But behind these figures are people. They implement our NEXT LEVEL strategy and pave the way with commitment and expertise to turn medium-sized companies into hidden champions. The following pages show the sustainable products and innovative processes that drive the markets forward.

GESCO Group at a glance

Significant subsidiaries by sales



Company	Sales 2021 T€	Staff 12/31/2021	GESCO AG shareholding in %
Process Technology			
Sommer & Strassburger GmbH & Co. KG	28,206	161	100 %
MAE Group	27,096	170	100 %
Hubl GmbH	22,514	137	80 %
Kesel Group	10,038	56	90 %
Resource Technology			
Dörrenberg Group	183,422	490	90 %
SVT GmbH	50,604	190	100 %
Pickhardt & Gerlach Group	43,641	48	100 %



Healthcare and Infrastructure Technology

Company	Sales 2021 T€	Staff 12/31/2021	GESCO AG shareholding in %
Healthcare and Infrastructure Technology			
Setter Group	59,204	225	100 %
Franz Funke Zerspanungstechnik GmbH & Co. KG	27,280	96	100 %
UMT Group	20,925	102	100 %
AstroPlast Kunststofftechnik GmbH & Co. KG	15,170	86	100 %

[1] In order to underpin the increased focus on process technology, the Production Process Technology segment was renamed Process Technology as of 1 January 2022.
[2] Hubl was allocated to the Process Technology segment as of 01/01/2022. Previously, Hubl was assigned to the Health and Infrastructure Technology segment.
[3] Sommer & Strassburger and Hubl are assigned to the holding company INEX-solutions GmbH from 1 April 2022.
[4] The sales of the UMT Group includes the annual sales of Haseke and the sales of Krömker since June 2021.

Process Technology

Until 31 December 2021, the segment was called Production Process Technology and comprised three companies in the previous year. As of 01/01/2022, HUBL was reclassified to the segment renamed Process Technology at the same time; the information for 2021 on the right-hand side already takes the new structure into account.

The Process Technology segment thus comprises the companies SOMMER & STRASSBURGER and HUBL as well as the MAE and KESEL Group. These companies address dynamically growing markets with a high degree of innovation. As system suppliers, the subsidiaries deal with high-quality solutions in plant and process solutions in plant and process vessel construction. With their products and services, they essentially support and process manufacturers in their production processes.

4

Companies

18 %

Share of GESCO Group sales

€ 87.8

million sales (previous year € 54.2 million)

524

Employees 12/31/2021
(previous year 371)

Sommer & Strassburger GmbH & Co. KG

Bretten

"Sommer & Strassburger is a leading supplier in stainless steel processing and has been part of GESCO Group since 2018. The company has had high capacity utilisation for years. The number of orders is growing so fast that production can barely keep up. The OPEX optimisation programme provides a remedy."

Michael Hilpp, Managing Director,
Sommer & Strassburger GmbH & Co. KG

100 %
GESCO
Shareholding

161

Employees
12/31/2021
(previous year 139)

€ 28.2

million sales
(previous year
€ 21.8 million)

Who are we?

Your stainless steel specialists for filtration; your competent partner for components and plant engineering in liquid and gas filtration. As one of the leading manufacturers of membrane and filter housings, we not only offer you a wide range of standard housings of all sizes and pressure ratings, but also develop and manufacture customised solutions for you.

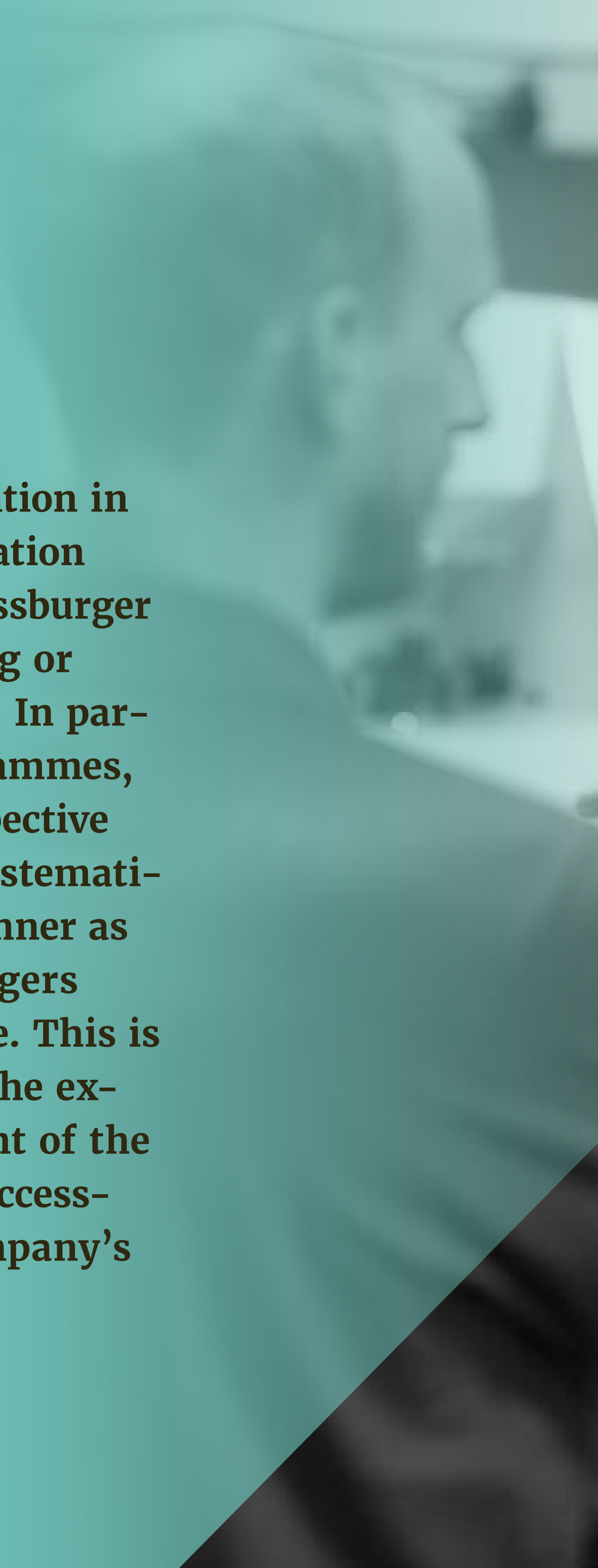
What do we do?

Whether individual components or complete solutions, we at Sommer & Strassburger specialise in the customised processing of stainless steel. There is a lot to discover – welcome to Sommer & Strassburger.

What do we stand for?

More than 45 years of experience in stainless steel processing and more than 180 employees give you the security of working with us as a competent partner. The uncompromising fulfilment of our customers' high quality requirements is the basis of our success.

Michael Hilpp, Managing Director (left)



“Due to the excellent cooperation in the team, the distinct motivation and passion, Sommer & Strassburger always succeeds in achieving or exceeding the planned goals. In particular, the Excellence Programmes, which are adapted to the respective company, help to proceed systematically and in a structured manner as well as to provide the managers with an established guideline. This is also an important basis for the extremely positive development of the company and for the most successful business year in the company’s history in 2021.”

Thomas Bierlich, Investment Manager for
Sommer & Strassburger GmbH & Co. KG

MAE Group

Erkrath

“MAE stands for innovation and quality – mastering force with precision.”

Claas Jorde, Managing Director, MAE Group

100 %
GESCO
Shareholding

170

Employees
12/31/2021
(previous year 173)

€ 27.1

million sales
(previous year
€ 23.5 million)

Who are we?

The MAE Group is an internationally active technology leader for straightening machines and wheelset presses. With our innovative products and service solutions, we are number 1 on the world market.

What do we do?

We are a technology and development partner and offer our customers individual and customised solutions from our modular system. Our straightening machines and wheelset presses are the benchmark for quality and process efficiency.

What do we stand for?

With our outstanding teams of experts, we stand for innovation and quality. Our customers are at the centre of everything we do. We continuously deliver top performance and grow with the challenges of our customers and partners.

Claas Jorde, Managing Director

Hubl GmbH

Vaihingen / Enz

“As the market leader for pallet tanks, Hubl is on the direct path to becoming a hidden champion. The basis for this is high value creation, maximum competence and flexibility as well as a pronounced proximity to customers – I am proud of that.”

Rainer Kiefer, Managing Partner, Hubl GmbH

Who are we?

As a system supplier, we develop and produce high-precision machine cladding and frames, covers, housings and components made of stainless steel sheet in the high-end sector. Our customers are the extremely demanding sectors of the biotech and pharmaceutical industries, medical and cleanroom technology, as well as the semiconductor, packaging and food industries and mechanical engineering.

What do we do?

We provide complex development and design services for our customers and are often involved in an advisory capacity in their R&D processes and industrial design in order to find innovative customised solutions at the highest quality level. Our know-how combines knowledge from the market and technology for optimal customer satisfaction.

What do we stand for?

As a competence leader, we stand for the new "Made in Germany" – an innovative mix of timeless values, high vertical range of manufacture with pioneering production technology and craftsmanship with the character of a manufactory. And we, the people at Hubl, work passionately and with high performance for satisfied customers.

20 %
Shareholding
Management

80 %
GESCO
Shareholding

137

Employees
12/31/2021
(previous year 112)

€ 22.5

million sales
(previous year
€ 16.7 million)

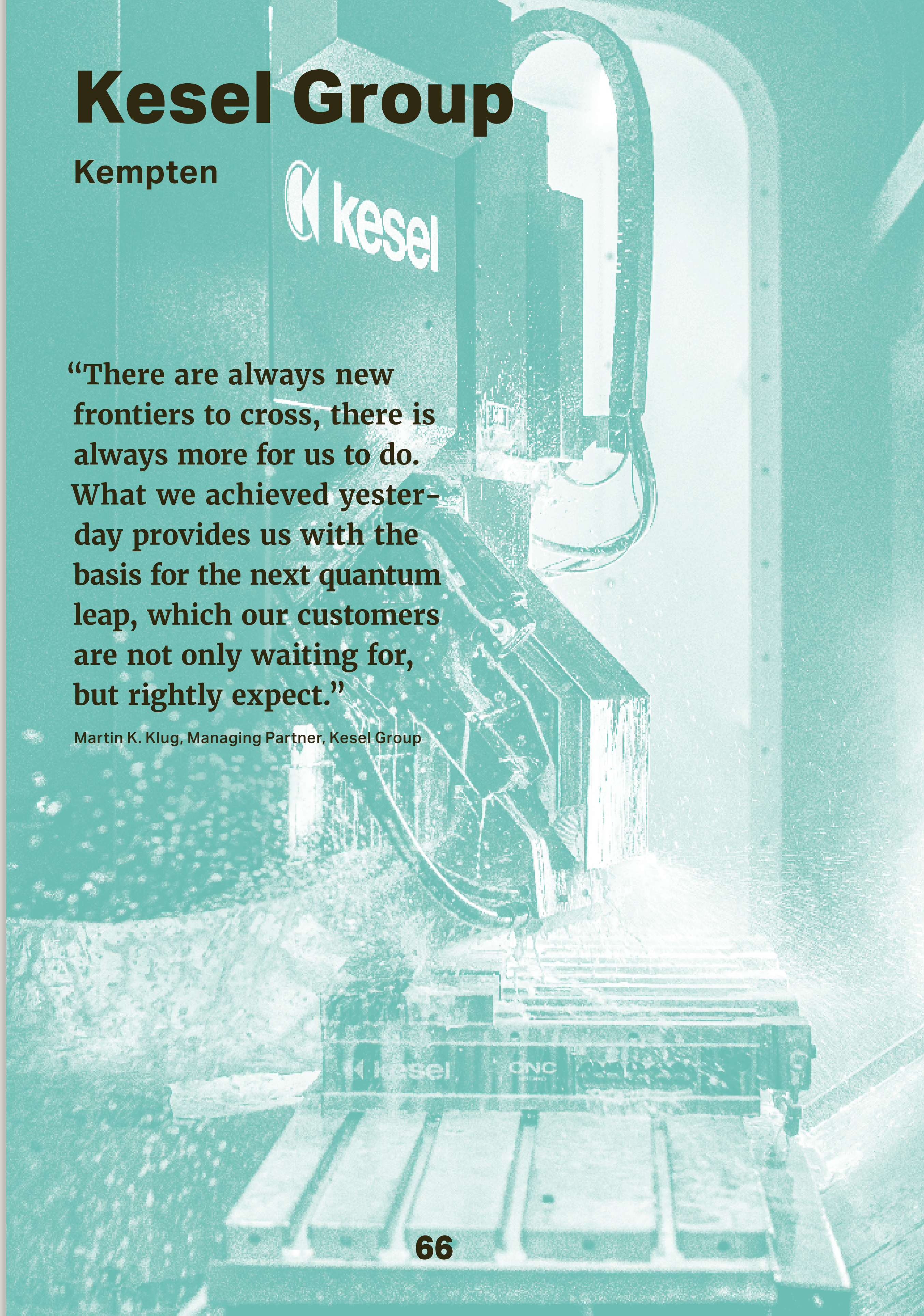
Rainer Kiefer, Managing Partner

> "The spirit, commitment and teamwork in the consistent implementation of OPEX and MAPEX projects are key to the success of the HUBL team."

Jean B. Christ, Investment Manager for Hubl GmbH

Kesel Group

Kempten



“There are always new frontiers to cross, there is always more for us to do. What we achieved yesterday provides us with the basis for the next quantum leap, which our customers are not only waiting for, but rightly expect.”

Martin K. Klug, Managing Partner, Kesel Group

10 %
Shareholding
Management

90 %
GESCO
Shareholding

56

Employees
12/31/2021
(previous year 58)

€ 10.0

million sales
(previous year
€ 8.9 million)

Who are we?

We are innovators. We are engineers. We are specialists. Based in Allgäu, Bavaria, with subsidiaries in China and the USA, we are an international manufacturer of machine tools and clamping systems for the automotive, band saw, rack and pinion and other metalworking industries.

What do we do?

Our focus is on the manufacture of milling and grinding machines for linear gears. For example, we support the manufacture of racks, band saws and steering racks, among other things. In addition to our machine tools, we supply complementary machines and a wide range of machine vices and clamping systems.

What do we stand for?

Our passion is to give our customers a competitive edge through productivity, quality and flexibility. We achieve this with our market-leading products and service support. Our teams in Germany, China and the USA are experts in exceeding these expectations.


Martin K. Klug, Managing Partner

Resource Technology

The subsidiaries of the Resource Technology segment supply mostly material-intensive industrial companies with a focus on niches and customer service. The companies provide the customer-specific supply of input materials, for example in material supply or loading technology.

3

Companies

57 %

Share of GESCO Group sales

€ 277.7

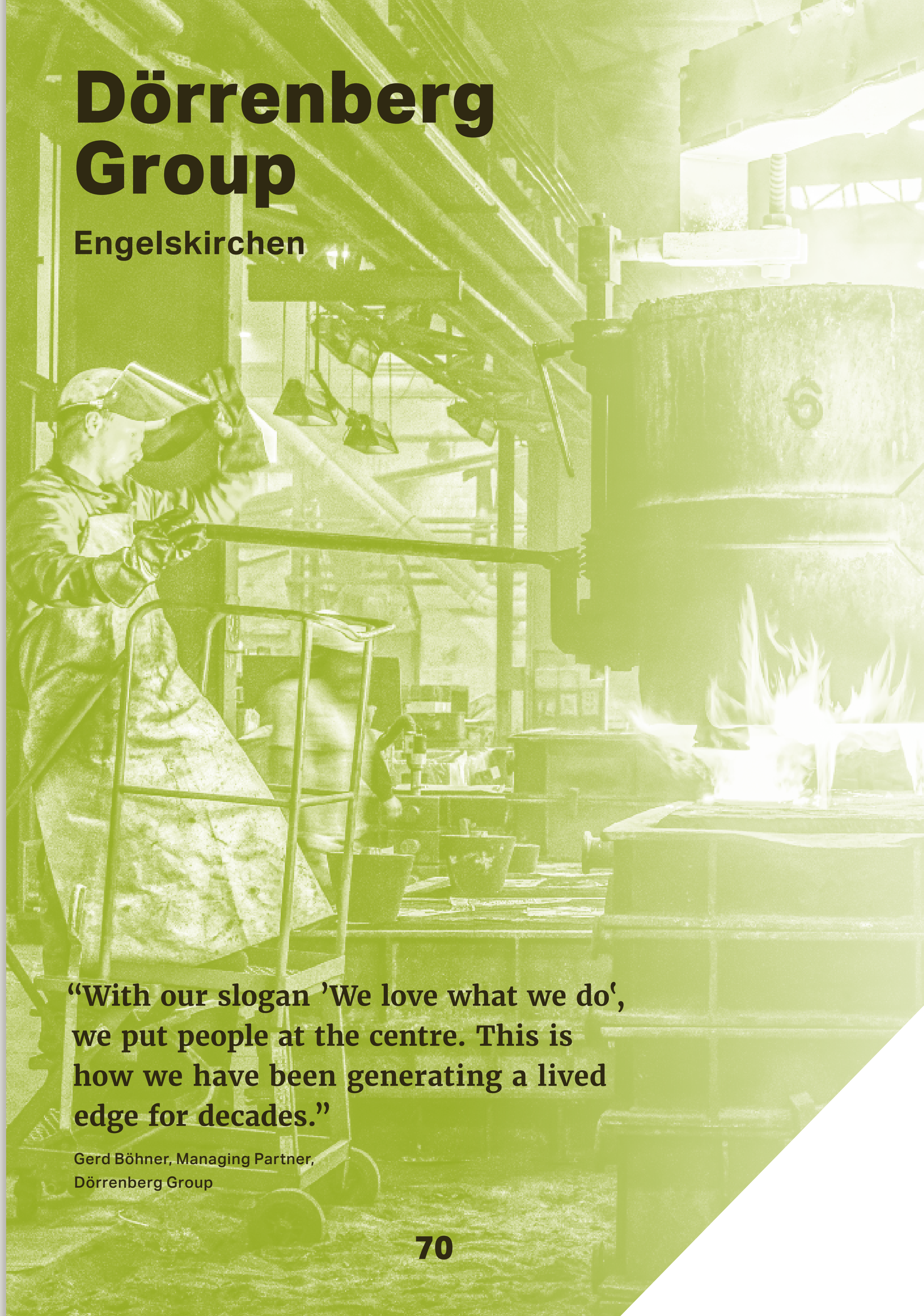
million sales (previous year € 226.4 million)

728

Employees 12/31/2021
(previous year 737)

Dörrenberg Group

Engelskirchen



“With our slogan ’We love what we do‘, we put people at the centre. This is how we have been generating a lived edge for decades.”

Gerd Böhner, Managing Partner,
Dörrenberg Group

10 %
Shareholding
Management

90 %[1)]
GESCO
Shareholding

490

Employees
12/31/2021
(previous year 503)

€ 183.4

million sales
(previous year
€ 152.3 million)

Who are we?

The Dörrenberg Group operates internationally in the Special Steels, Steel Foundry, Casting Products and Coating & Hardening business segments.

What do we do?

The company offers its customers from a wide range of industries competent application advice, which often begins in the design phase. The customer industries are broadly diversified. The main focus is on mechanical and plant engineering, toolmaking and the automotive industry.

What do we stand for?

The company stands for decades of in-depth metallurgical know-how, conducts research and development in cooperation with universities and institutes and holds numerous patents on steels developed in-house.

Gerd Böhner, Managing Partner

[1)] As of March 2022, the participation rate is 95 %.

"The Dörrenberg StudienAWARD has established itself as a coveted prize in the university world. Since 2008, many students from all over the German-speaking world have applied every year to present their bachelor's or student research projects on the subject of steel, heat treatment or coating. Selecting five final candidates from the many outstanding works is no easy task for the jury, which this year consists of four university professors from Aachen, Bochum and Wels. However, the award-winning works also prove that in the future, Germany will have the best trained specialists available for an innovative steel location."

Prof Dr Christoph Escher (left), Materials Developer,
Dörrenberg Group

SVT GmbH

Schwelm

"The goal of becoming the No. 1 in loading technology means overcoming many challenges in parallel. We have accepted this challenge and are very positive about the future."

Michael Schauerte, Managing Director SVT GmbH

Who are we?

As a medium-sized plant manufacturer with 190 employees, we have been developing, designing and manufacturing at our Schwelm site in Westphalia for over 30 years. We are one of the world market leaders and stand for competence and quality with over 50 years of know-how in loading technology.

What do we do?

We design and manufacture complete loading facilities for the safe loading of liquids and gases for refuelling ships as well as tankers and tank wagons. We have the technical expertise to design and build complex facilities that meet the highest standards for loading environmentally friendly fuels such as hydrogen, thus contributing to a sustainable future.

What do we stand for?

Our maxim "Safety first" applies to the people who work with our plants as well as to the environment, which we protect through safe technologies. We are constantly developing our high-quality systems to meet the requirements for sustainable technologies.

100 %
GESCO
Shareholding

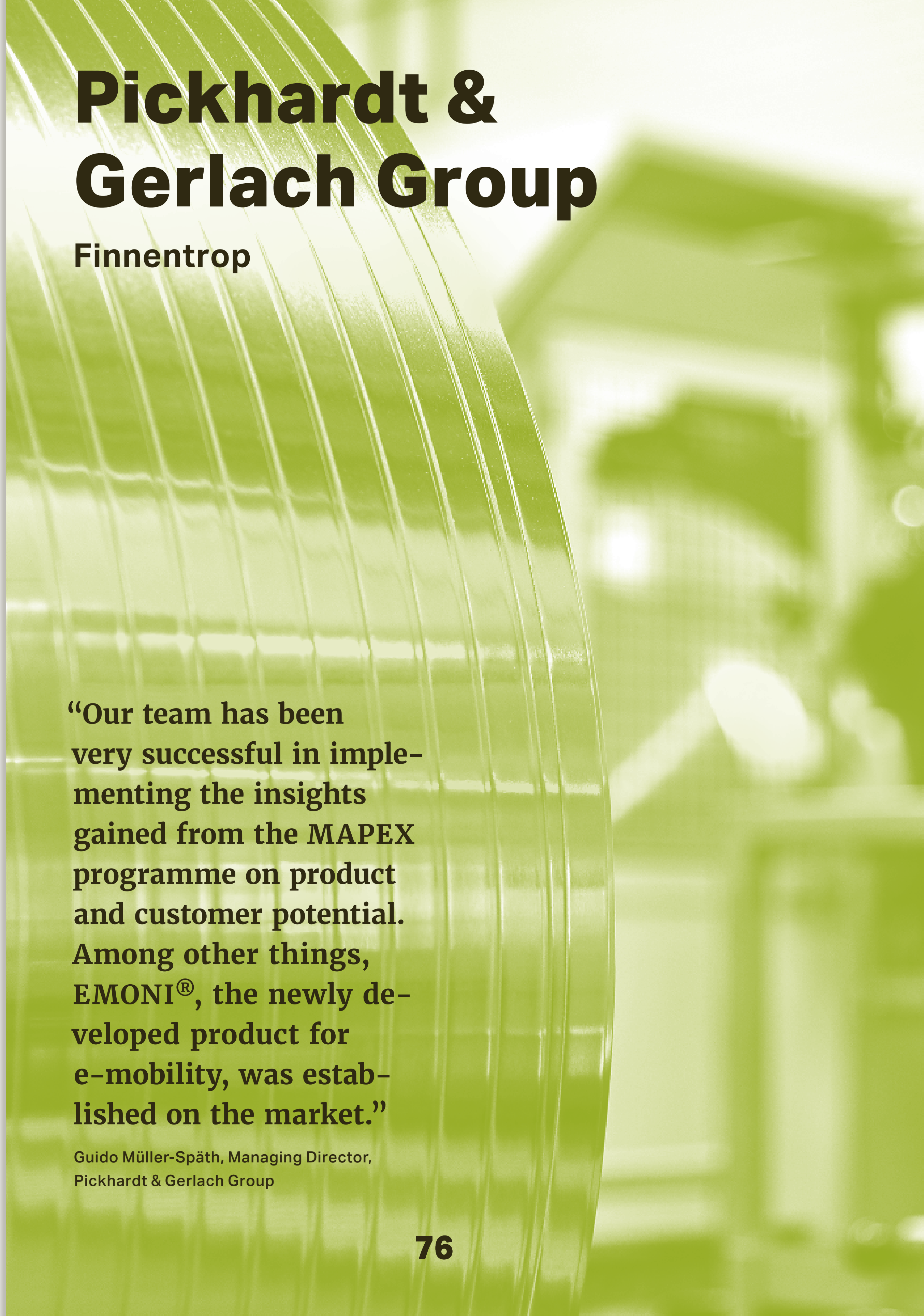
190

Employees 12/31/2021 (previous year 191)

€ 50.6

million sales (previous year € 42.1 million)

Michael Schauerte, Managing Director



Pickhardt & Gerlach Group

Finnentrop

"Our team has been very successful in implementing the insights gained from the MAPEX programme on product and customer potential. Among other things, EMONI®, the newly developed product for e-mobility, was established on the market."

Guido Müller-Späth, Managing Director,
Pickhardt & Gerlach Group

Who are we?

With our competent and highly qualified employees, who work with state-of-the-art machinery, we are the market leader in Europe in the brass-coated strip steel segment with our BRAFIN® product. Our export quota is over 70%.

What do we do?

Electrolytic refinement of strip steel has been our passion for 120 years. We refine high-quality cold-rolled strip grades with brass, nickel, copper and zinc. Our depth of processing, starting with cutting, polishing, foiling and lacquering to spooling and rolling to designed surfaces, sets us apart in the market. Our products are in demand in a very diversified customer structure from battery technology to the electrical and automotive industry.

What do we stand for?

Together with our employees, we live constant innovation and sustainability. We cover 100% of our energy needs with green electricity in order to fulfil our responsibility for future generations. We are constantly striving for improvement and are known by our customers and partners for our intensive customer- and service-oriented order processing, highest quality, flexibility and Efficiency proverbially known.

100%
GESCO
Shareholding

48

Employees
12/31/2021
(previous year 43)

€ 43.6

million sales
(previous year
€ 32.0 million)

Guido Müller-Späth,
Managing Director (left)
Dr Paul Braun,
Technical Managing Director (right)

Healthcare and Infrastructure Technology

The Health Care and Infrastructure Technology segment comprises companies that supply suppliers for mass markets close to the end consumer in the medical, hygiene, food or sanitary sectors. These markets prove to be less cyclical and relatively robust to economic fluctuations. The companies mostly supply components, assemblies or preliminary products.

Until 31 December 2021, the segment also included HUBL GmbH, which was reclassified to the Process Technology segment as of 1 January 2022. The information for 2021 on the right-hand side already takes the new structure into account.

4

Companies

25 %

Share of GESCO Group sales

€ 122.6

million sales (previous year € 116.7 million)

509

Employees 12/31/2021
(previous year 567)

Setter Group

Emmerich

"As a global market and technology leader, we stand for innovative products in the field of sustainable and biodegradable bulk articles. Our industrial customers in the food and hygiene sector trust in uncompromising quality, high product availability and delivery reliability. We think in terms of solutions and place great emphasis on long-term partnership."

Steffen Grasse, Managing Director Setter Group

Who are we?

The Setter Group is the world market leader in the development and production of 100 % biodegradable sticks made of paper as supplier articles for the confectionery and hygiene industry. The sticks are used, for example, in lollipops, as stirrers, ice cream sticks, for cake pops or cotton buds.

What do we do?

On specially developed production facilities in our plants in Germany, the USA and Mexico, we deliver in high quantities to our industrial customers worldwide, who process them into the well-known end products. Setter has always had a high foreign share.

What do we stand for?

We stand for sustainability, innovative strength, technical know-how and a high level of competitiveness. The Setter Group owes its international success to the quality leadership and the good processability of the sticks. We have been producing at the Emmerich site since 1967 and are protected by our customers as a long-standing and reliable partner.

100 %
GESCO
Shareholding

225

Employees
12/31/2021
(previous year 207)

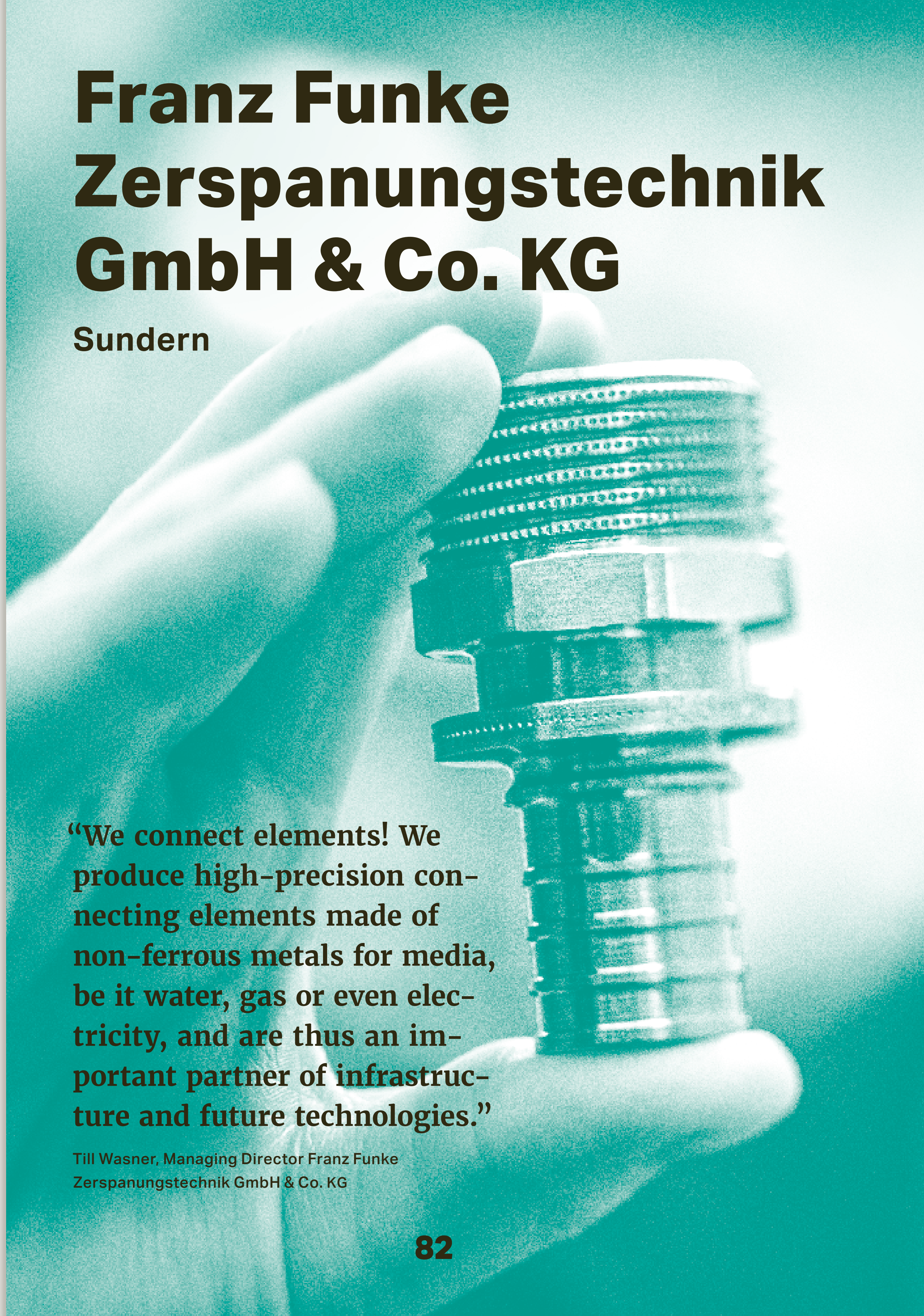
€ 59.2

million sales
(previous year
€ 54.0 million)

Steffen Grasse, Managing Director

Franz Funke Zerspanungstechnik GmbH & Co. KG

Sundern



“We connect elements! We produce high-precision connecting elements made of non-ferrous metals for media, be it water, gas or even electricity, and are thus an important partner of infrastructure and future technologies.”

Till Wasner, Managing Director Franz Funke Zerspanungstechnik GmbH & Co. KG

Who are we?

With over 100 years of tradition, Funke has established itself as a major manufacturer of precision turned parts. Thanks to our many years of expertise in machining technology, we are the trusted problem solver for our customers with our professional advice and services and our materials expertise.

What do we do?

As a system supplier, Funke not only offers turned parts in the usual quality, but also works with you to find the most effective solution for your assembly. Whether assembled, labelled, stored, packaged, your corporate design, delivered directly to your customer. … Funke makes up the added value.

What do we stand for?

We are a modern, motivated, agile team that enjoys creating value for our customers with precision, commitment, trust and productivity! We are the market leader in our defined niche and an important partner for our business partners.

100 %
GESCO
Shareholding

96

Employees
12/31/2021
(previous year 95)

€ 27.3

million sales
(previous year
€ 20.7 million)

Till Wasner, Managing Director

UMT Group

Bückeburg / Porta Westfalica

“United MedTec Holding brings together hidden champions from the medical technology and industry sectors. With our expertise, we offer innovative products and are successively expanding our portfolio to act as a full-liner for our customers in the future.”

Andreas Mühlenbeck,
Managing Director UMT Group

Who are we?

United MedTec Holding (UMT Group), a hidden champion in medical and industrial technology, comprises the sister companies Haseke GmbH & Co. KG and W. Krömker GmbH with production facilities in Bückeburg and Porta Westfalica.

What do we do?

We develop, produce and distribute ergonomic and technically sophisticated support arm systems and enclosure technology. In the medical sector, our products can be found in the core area of the hospital, such as in the operating theatre, intensive care unit or also in the X-ray / diagnostic area. Our industrial products are used by well-known manufacturers of machining centres to hold operating terminals.

What do we stand for?

We stand for safe and durable products, which are used umpteen times around the world and offer the user optimal working conditions.

100 %
GESCO
Shareholding

102

Employees
12/31/2021

€ 20.9

million sales[1]

Andreas Mühlenbeck,
Managing Director (left)
Jürgen Roth,
Managing Director (right)

[1] The sales of the UMT Group include the annual sales of the Haseke and the sales of Krömker since June 2021.

“I am very pleased to welcome Krömker GmbH on board and to be able to accompany a strong player in medical and industrial technology on its promising path together with Haseke. The new management team exudes a positive atmosphere of optimism through its intensive cooperation characterised by motivation and passion and it has identified extensive potential and derived strategic measures in a very short time. True to the motto 1 + 1 = 3, the best of both companies will be combined with the aim of positioning a leading group in the global market.”

Racine Hollenberg, Investment Manager for UMT Group

AstroPlast Kunststofftechnik GmbH & Co. KG

Meschede

"Change process: The key to change is to focus all your energy, not on fighting the old, but on creating the new."

André Krichel, Managing Director, AstroPlast Kunststofftechnik GmbH & Co. KG

Who are we?

For almost 50 years, AstroPlast has been involved in the processing of plastics of all kinds. We supply the construction, electrical, logistics and coil industries. Our customers have access to modern machinery, leading finishing processes and an affiliated toolmaking shop.

What do we do?

We develop products until they are ready for series production, build tools ourselves and produce and distribute plastic products of all kinds. Thanks to our broad range of machinery, we can manufacture products weighing from a few grams to several kilograms. For this purpose, we have clamping forces of up to 2,300 tonnes at our disposal.

What do we stand for?

We place the highest demands on quality as well as on our services. Through innovative products, processes and material compositions, we have already achieved a leading position today. Our recycle share is over 40 %. We always pay attention to the careful use of our energy and raw materials throughout the entire process.

100 %
GESCO
Shareholding

86

Employees 12/31/2021 (previous year 84)

€ 15.2

million sales (previous year € 13.2 million)

André Krichel, Managing Director

02

To our shareholders

Foreword of the Executive Board

Dear shareholders, ladies and gentlemen,

As we write these lines, a war is raging in the middle of Europe that affects us all. As a result of these Russian aggressions, thousands of people have lost their lives and millions are on the run. Today, we cannot yet foresee the long-term consequences of this attack, but one thing is already clear: the world has changed.

GESCO – in eventful times

We look back on the 2021 business year with joy and pride. The best result in the Company's history is the result of passionate work – quality, innovation and efficiency coupled with the progress from the excellence programmes introduced in the subsidiaries.

In 2021, the companies benefited from the economic tailwind and the revived demand, supported by the economic effects from successful measures of the Operational Excellence (OPEX) and Market and Product Excellence (MAPEX) programmes launched since 2019.

At the same time, 2021 was once again characterised by the difficult framework conditions that were also significant in 2020. Work in the companies as well as in the national and international value chains continued to be impaired by the Corona pandemic and the supply problems that went beyond it. Overall, we have successfully adapted to the challenges by adjusting our work processes and giving even more priority to the topic of digitalisation.

NEXT LEVEL 25

In recent years we have already reached important milestones within the NEXT LEVEL strategy, but the next ones lie ahead. With the sale of the Mobility Technology segment, GESCO Group has significantly reduced its high direct dependence on the automotive market and is more balanced overall. In the future, we want to continue to grow profitably, both organically and inorganically. As part of our expanded NEXT LEVEL 25 strategy, our plan is to expand our investment portfolio to 3 anchor investments and 12 basic investments. With the Dörrenberg Group we already have a strong anchor investment, and we want to develop a second anchor investment from our companies already in the Group. With the financial leeway that the positive business development gives us, we want to acquire a third anchor investment in the coming years.

Within the framework of the NEXT LEVEL 25 strategy, we focus our acquisitions on companies with sales of between € 20 and 100 million, whereby strategically motivated supplementary acquisitions of subsidiaries can also take place in lower sales sizes. The overriding goal is a balanced portfolio across many sectors. In particular, the anchor holdings are to form the supporting pillars, which are dependent on different market cycles. The basic holdings, on the other hand, offer the opportunity to gain a foothold in new industries and applications in order to benefit from various trends.

In addition, with NEXT LEVEL 25 we are concretising our goals, which we want to have achieved by 2025:

- We are aiming for Group sales of € 1 billion with a 10 % EBIT margin.

- We will supplement the Excellence Programmes with a digitalisation programme and thus focus more on digital business models, among other things. In the last 3 years, we have created the basis within the Excellence Programmes to address topics such as the implementation of web shops and social media marketing, but also digital workflows to increase efficiency and avoid paper.

- The responsible use of scarce resources and compliance with ecological and social aspects are given high priority at GESCO. It is of great importance that corporate actions are in line with ESG criteria and are supported by all stakeholders. We have decided to first orientate ourselves on the requirements of the German Sustainability Code and analyse our business activities accordingly. To make our ambitions for more sustainability more transparent, we have also realigned our ESG reporting. Numerous information and key figures from the areas of environment, social affairs and governance are now available and demonstrate the high standards GESCO is pursuing in terms of sustainability.

Business figures 2021 – things are going well

The financial year 2021 is a record year: although GESCO Group with its current 11 subsidiaries reports lower sales than in the past with 18 subsidiaries, we can report the highest Group result in the Company's history. The main reason for the significant improvement in the Group's key figures in 2021 is the progress made in the subsidiaries, not least due to the introduced Excellence programmes, which have now had a visible effect. In addition, the subsidiaries succeeded in an exemplary manner in utilising the capacities freed up by increasing efficiency with additional orders and in compensating for the considerable price increases in materials through short-cycle price adjustments. The positive development was supported by a reduction in the tax rate based on a tax-optimised structuring of GESCO Group in Germany.

At € 26.9 million (previous year: € 5.8 million), the consolidated annual result increased significantly. This corresponds to earnings per share of € 2.48. Accordingly, the Executive Board and Supervisory Board will propose a record dividend of € 0.98 per share at the upcoming Annual General Meeting in August 2022.

Well positioned for the future

The 2021 financial year was characterised by increasing material shortages (steel, plastics, and control components) and price increases over the course of the year. This development accelerated in the first quarter of 2022. Thus, although the start of the 2022 financial year is characterised by robust demand, the challenges for the subsidiaries are to continue to secure the supply of materials by acting with foresight.

Due to the current developments in Ukraine and Russia, in particular the sanctions imposed on Russia, there will be significant effects on the business relationships of individual subsidiaries with their Russian-based business partners. General effects on the German economy, especially concerning the energy markets, will also affect our subsidiaries to varying degrees. We have taken individual direct possible effects into account in our expectations, but the dynamics of the situation do not currently allow for more precise statements regarding the extent of all direct and possible indirect effects.

Nevertheless, we are confident that we will be able to surpass the previous record year and therefore assume in our forecast for the current business year at least a 10 % increase in sales and a growth in earnings.

Acknowledgements

The record results and numerous advances in the past financial year would not have been possible without the outstanding dedication and high commitment of our employees. For this, we would once again like to express our sincere thanks to all GESCO Group employees. GESCO is an excellently positioned industrial group with attractive subsidiaries and a strong financial base. A big thank you also goes to you, dear shareholders, for accompanying and supporting us with your commitment. Stay healthy and on board.

Kind regards from Wuppertal

Ralph Rumberg
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs
CFO

Report of the Supervisory Board for the 2021 financial year

Klaus Möllerfriedrich, Chairman

Stefan Heimöller, Deputy Chairman

Jens Große-Allermann

Dr Nanna Rapp

After the restructuring of the investment portfolio at the end of 2020, the 2021 business year was characterised by the further implementation of the NEXT LEVEL strategy with the further expansion of profitability. Despite the Corona crisis and a number of economic problems, the Executive Board and the managing directors of the subsidiaries were largely successful in implementing their objectives and achieved a record Group result with significantly fewer investments.

We are well on our way to achieving the portfolio targets of the NEXT LEVEL strategy with three anchor investments and twelve base investments in the coming financial years.

In view of the ongoing Corona pandemic and political problems in Eastern Europe with their global impact on the economy, an outlook for the current business year is subject to considerable uncertainty. The good order situation at the end of 2021 continues to make us confident for the 2022 business year.

In this report, the Supervisory Board provides information about its activities in the 2021 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 statements and the consolidated financial statements.

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 reporting year, the Supervisory Board performed the control and advisory tasks incumbent upon it according to the law, the Articles of Association and the Rules of Procedure with due diligence. 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, expediency and economic efficiency.

The Supervisory Board was directly involved in all decisions that were of fundamental importance to the Company. In particular, the economic situation of GESCO AG and its subsidiaries was discussed continuously and in detail. As in previous years, one focus of the Supervisory Board's work was new appointments to management positions at the subsidiaries. Another focal point was the monitoring of the acquisition and the internal restructuring under company law in 2021.

The Executive Board informed the Supervisory Board regularly, both in writing and verbally, promptly and comprehensively 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. Between meetings, the Supervisory Board was also kept informed in detail by means of written reports and verbally about all projects and plans that were of particular importance to the Company. In order to meet the requirements of the Corona pandemic, a suitable electronic information system was also set up through which the Supervisory Board was continuously and promptly informed of all Corona effects, including those at the subsidiaries. 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 AG officer responsible for this. 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 and manner of risk reporting are thus constantly updated. The topic of CSR has also become increasingly important, which is reflected in the newly formulated 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 significant 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, cast its vote on them.

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

Due to the Corona crisis, it was not possible to hold a managing directors' meeting with personal Supervisory Board participation in 2021, which normally gives the Supervisory Board the opportunity to exchange ideas directly with the individual managing directors of GESCO AG subsidiaries, as in previous years. Company visits to subsidiaries were not made by Supervisory Board members in 2021 due to the Corona pandemic and no Supervisory Board meeting was held at a subsidiary – although this had been planned. However, both are to be resumed in 2022 after the pandemic has ended.

Changes in the management of subsidiaries were discussed extensively 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 approval decision.

Organisation of the work of the Supervisory Board

The Supervisory Board of GESCO AG 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 AG 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 appropriate. Supervisory Board committees were therefore not formed in the 2021 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 and which has been constituted. 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. Dr Nanna Rapp is a further member.

The Supervisory Board as a whole has also delegated partial tasks to individual members who work on the issues concerned 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 the perspective of GESCO AG. The Supervisory Board has compiled these in a competence matrix, which is published in the corporate governance declaration.

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 using a structured questionnaire. Overall, the audit confirmed the efficient work of the Supervisory Board. The approaches for improvement identified during the audit were taken into account in the future work of the Supervisory Board.

Meetings and resolutions of the Supervisory Board

In the 2021 business year, a total of 12 Supervisory Board meetings were held, one of which was held without the participation of the Executive Board. In addition, the Supervisory Board held various internal telephone and video conferences.

Due to the Corona pandemic, Supervisory Board meetings were mainly held in the form of video conferences. All members of the Supervisory Board participated in all meetings.

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

- Discussion of the annual financial statements and consolidated financial statements of GESCO AG as at 31 December 2020; adoption of the annual financial statements and approval of the consolidated financial statements as at 31 December 2020
- Annual planning 2022
- Agenda of the Annual General Meeting 2021
- Implementation of the NEXT LEVEL strategy at GESCO AG and GESCO Group
- Supervisory Board, Executive Board and personnel matters
- Declaration of Conformity and Corporate Governance
- Internal control, risk management and compliance management system
- Investments in subsidiaries
- Acquisition of companies
- New regulation of Executive Board remuneration
- Selection of a new auditing company for the financial statement audits of GESCO AG and GESCO Group
- Conversion of GESCO AG into a SE

The Supervisory Board was also informed in detail between the meeting dates by means of written reports about all projects and plans that were of particular importance to the Company.

Corporate Governance

The Supervisory Board has continuously monitored the further development of corporate governance standards. The Executive Board and Supervisory Board report on corporate governance at GESCO AG in their joint declaration on corporate governance, which is also included in the Annual Report.

In December 2021, 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 AG complies with the recommendations of the "Government Commission on the German Corporate Governance Code" with the exception of the deviations listed and justified in the declaration of compliance.

The members of the Supervisory Board did not participate in any external training measures in the reporting year due to the Corona measures, but dealt with current Supervisory Board topics through journals, articles as well as publications of the Supervisory Board associations. In addition, individual members participated in web seminars and lectures.

An efficiency review of the Supervisory Board's work was last carried out in February 2022. Any potential for improvement identified in the process was implemented immediately.

Executive Board Remuneration

In 2021, the Supervisory Board developed a new remuneration system to be applied to all future Executive Board contracts from 2022 onwards.

The structure of Executive Board remuneration for the reporting year was not changed, as the contracts of the two Executive Board members still run until mid-2022. The remuneration for 2021 corresponds to the Executive Board remuneration system approved by the Annual General Meeting on 30 August 2018 as part of a say-on-pay resolution with 98.9 % of the votes. The Annual General Meeting on 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 is provided in the remuneration report and the notes to the financial statements of GESCO AG and the Group.

Remuneration system for the Supervisory Board

The system of Supervisory Board remuneration was reorganised 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 and consolidated financial statements

In accordance with legal requirements, the auditor elected by the Annual General Meeting on 30 June 2021, Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, was commissioned to audit the annual financial statements and the consolidated financial statements. The auditor confirmed its independence in its letter dated 28 May 2021. He has also proven to us that he is authorised to audit listed companies through successful participation in a quality control examination of the Chamber of Auditors.

The annual financial statements of GESCO AG for the financial year from 1 January to 31 December 2021, which were prepared by the Executive Board in accordance with the German Commercial Code (HGB), and the management report were audited by the auditor. The auditor issued an unqualified audit opinion on 25 March 2022.

The consolidated financial statements and Group management report of GESCO Group for the financial year from 1 January to 31 December 2021 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 statements and Group management report for 2021.

This year, the audit of the individual financial statements of GESCO AG focused on the presentation of the disposal of investments in the annual financial statements, the recognition and measurement of investments, the accrual and impairment of receivables from affiliated companies and the completeness and measurement of other provisions. The focal points of the audit of the consolidated financial statements were the presentation of the first-time consolidation and the determination of the results of disposals as well as the recoverability of goodwill (impairment test). The focal points of the audit were agreed with the auditor before the audit began. The Supervisory Board did not issue any special instructions to the auditor this year. The key audit areas identified by the auditor already included desired audit areas from the Supervisory Board's point of view. There was personal contact between the chairman of the audit committee and the auditor during the ongoing audit work regarding the exchange of 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 board.

The complete financial statements and the associated audit reports of the auditor were sent to all members of the Supervisory Board in good time before the balance sheet meeting and included in the audit procedures of the Supervisory Board. They were also the subject of intensive discussions at the Supervisory Board meeting on 25 March 2022. The auditors participated 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 questions of the Supervisory Board 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 statements and the management report as well as the consolidated financial statements and the Group management report. After its own examination of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board approved the result of the audit by the auditors and unanimously approved the annual financial statements and the consolidated financial statements in the meeting on 1 April 2022. The annual financial statements of GESCO AG for 2021 have thus been adopted. The Supervisory Board concurred with the Executive Board's proposal for the appropriation of net retained profits, taking into account the Company's earnings and financial position.

Thanks for the work done

The 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. This applies in particular with regard to the restrictions and burdens caused by the Corona pandemic. The managing directors and the employees of the subsidiaries managed to maintain business operations while establishing and adhering to the necessary precautionary measures and achieving consistently better results.

Wuppertal, 1 April 2022

For the Supervisory Board

Klaus Möllerfriedrich
Chairman of the Supervisory Board

The GESCO share

Since its IPO in 1998, GESCO has closed the gap between German SMEs and the capital market. GESCO AG offers companies a long-term home and, with the GESCO share, gives investors access to a portfolio of entrepreneurially managed, technology-driven industrial companies.

Share price development 2021

The development of global equity markets in 2021 can be divided into two phases: In the first half of the year, the markets recorded solid gains, with the development of corporate profits in particular receiving a positive response. The Covid 19 vaccination campaign launched worldwide and a large-scale economic stimulus package in the USA as well as the supportive monetary policy of the central banks contributed to this.

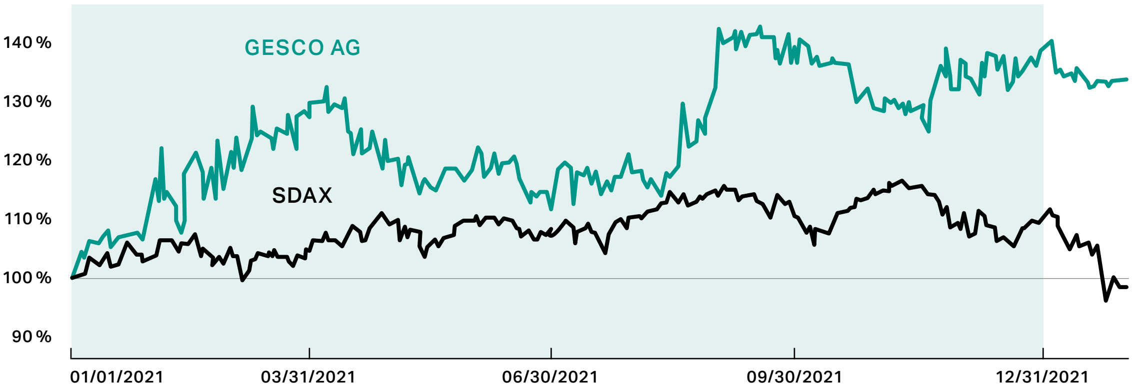
In the second half of the year, the emerging Covid 19 virus variants and global supply bottlenecks clouded the prospects for an economic recovery. In addition, central banks are coming under increasing pressure to curb the sharp rise in inflation with rising interest rates and to scale back their hitherto expansionary monetary policy. At the end of 2021, interest rates almost reached an annual high, which had an unfavourable effect on the relative attractiveness of equities as an asset class.

Overall, the DAX, Germany's leading index, closed the 2021 stock market year with a significant gain of almost 16 %. The MDAX and SDAX also ended the stock market year with a plus of around 14 % and around 11 % respectively.

After a brilliant first quarter, the GESCO share consolidated until the summer, then rose again significantly and defended the level reached until the end of the year. In this context, the

GESCO AG (excl. dividend) vs. SDAX (price index)

Financial year 2021



Source: Bloomberg

visible positive consequences of the portfolio restructuring and the associated two-time increase in the forecast for business development in 2021 had a supporting effect.

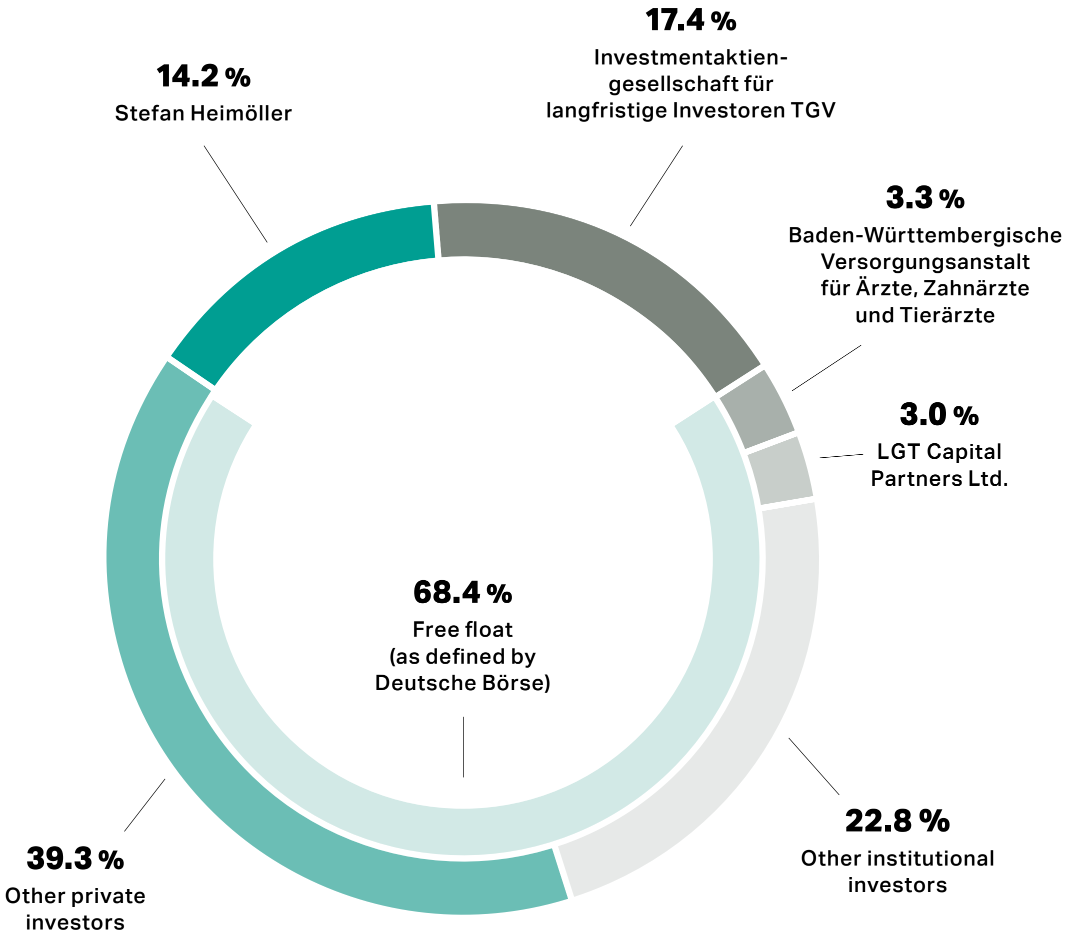
For the 2021 financial year, this results in a positive performance of approx. 40 % and thus an outperformance of 29 % compared to the SDAX.

Shareholder structure

The GESCO share continues to be widely held, with the share capital in the hands of around 8,500 investors. To our knowledge, the two shareholders with the largest share of the share capital are Investmentaktiengesellschaft für langfristige Investoren TGV, based in Bonn, whose Executive Board member Jens Große-Allermann has been a member of the GESCO AG Supervisory Board since October 2017, and the entrepreneur Stefan Heimöller, who has been a member of the Supervisory Board since the 2013 Annual General Meeting. The Investmentaktiengesellschaft für langfristige Investoren TGV held 16.8 % as at the balance sheet date and has since increased its share to 17.4 %. Mr Heimöller holds 14.2 %.

Current shareholder structure

As at 01/28/2022



The regulations of Deutsche Börse AG stipulate that all shares not held by major shareholders (portion of share capital of more than 5 %) count as free float. Thus, Mr Heimöller's shareholding is deducted from the free float. Shares held by institutional investors, on the other hand, are generally considered free float, but are now also deducted from the free float by Deutsche Börse in the case of the Investmentaktiengesellschaft für langfristige Investoren TGV, as the Company is represented on the Supervisory Board of GESCO AG through Mr Große-Allermann and thus has an influence on the Company's strategy. The free float thus amounted to 69.0 % as at the balance sheet date and is now 68.4 %.

In April 2021, MainFirst SICAV notified us that it had exceeded the 3 % threshold with a share of voting rights of 3.03 %. MainFirst is an institutional investor that has been invested in GESCO via funds for some time and had exceeded the reporting threshold by increasing its holdings. We received notification that the shareholding had fallen below the reporting threshold at the end of January 2022.

According to our information, approximately 39 % of the shares currently in free float are held by private investors and approximately 29 % by other institutional investors, including LGT Capital Partners and the Baden-Württembergischen Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte. With a total of about 81 %, the vast majority of the shares are held by German investors.

In the financial year 2021, both Ralph Rumberg (CEO) and Kerstin Müller-Kirchhofs (CFO) reported the purchase of GESCO shares. The Company immediately initiated the corresponding mandatory notifications.

Active investor relations

Since its IPO on 24 March 1998, GESCO AG has maintained active and open investor relations and sought dialogue with its owners. This applies to institutional investors within the framework of capital market events and conferences, roadshows, one-on-one meetings and telephone conferences. For personal dialogue with private investors, we use not only the annual general meeting, but also stock exchange days and events organised by associations representing the interests of private investors. In addition, there are diverse contacts and enquiries during the year in the form of e-mails, letters and telephone calls.

With our membership of **Deutsche Aktieninstitut e.V. (DAI)**, we have been supporting the promotion of equity culture in Germany since 1999.

GESCO AG has been a member of **Deutscher Investor Relations Verband e.V. (German Investor Relations Association – DIRK)** since 2000 and is committed to its principles of open and continuous communication.

Research

Pareto Securities, GSC Research, SMC Research and Warburg Research provided regular research on the GESCO share in the reporting year. As at the balance sheet date, all four analysts rated the share as a "buy".

Analyst ratings

As at 03/31/2022	Target price	Recommen-dation	Last update
GSC Research	€ 40.50	Buy	03/15/2022
Pareto Securities AS	€ 34.00	Buy	12/01/2021
SMC Research	€ 47.80	Buy	03/10/2022
Warburg Research	€ 27.00	Buy	11/23/2021

Designated Sponsoring

Pareto Securities and M.M. Warburg have been commissioned with the designated sponsoring.

Dividend policy

GESCO AG has pursued a sustainable and predictable dividend policy for many years, which since 2020 has provided for a pay-out ratio within the range of 20 % to 60 % of consolidated net income after minority interests. In this dividend policy, we see a balance between the desire of many shareholders for a pay-out and the need of GESCO Group for strong internal financing for future growth. The scope for dividend distribution puts GESCO AG in a position to keep liquid funds in the Company, particularly in the case of pending acquisitions or larger investments, by means of a lower distribution ratio, but also to go well beyond the previous threshold of 40 % in phases of strong results. Overall, the Company gains more flexibility in implementing the NEXT LEVEL strategy.

In view of the negative result in the 2020 financial year, the Executive Board and Supervisory Board decided to suspend the corresponding dividend payment so that no distribution was made in the 2021 financial year. However, GESCO maintained its basic dividend policy.

As the result in the 2021 financial year has now turned out positive again, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 24 August 2022 that a dividend of € 0.98 per share be distributed for the 2021 financial year. This corresponds to a pay-out ratio of 40 %. At the time of the resolution, this dividend proposal resulted in a dividend yield of around 4 %.

Employee Participation Programme

Since the IPO in 1998, GESCO AG has offered domestic employees of GESCO Group a preferential subscription of employee shares in an annual employee share ownership programme.

The programme offers employees the opportunity to build up a not inconsiderable asset position over time with a manageable annual financial investment in the combination of share price development and dividend payment, thus contributing to their own retirement provision. In addition, as shareholders, the employees become co-entrepreneurs; the participation is therefore intended to promote an entrepreneurial attitude. Last but not least, with this programme we are making a contribution to promoting the equity culture in Germany.

GESCO successfully concluded its 23rd employee share ownership programme at the end of 2021, after the programme had to be suspended in 2020 for regulatory reasons. It was all the more pleasing for GESCO to be able to offer more shares to the employees of its subsidiaries than before due to the increased tax allowance, which was gladly taken up by employees and resulted in a high acceptance rate.

Stock exchanges

XETRA
Frankfurt (Regulated Market)
Tradegate / Berlin (Open Market / Freiverkehr)
Düsseldorf (Open Market / Freiverkehr)
Hamburg-Hanover (Open Market / Freiverkehr)
Munich (Open Market / Freiverkehr)
Stuttgart (Open Market / Freiverkehr)

GESCO share data[1)]

International Securities Identification Number (ISIN)	DE000A1K0201
Security identification number (WKN)	A1K020
Stock exchange symbol	GSC1
Share capital (12/31/2021)	€ 10,839,499
Number of shares (12/31/2021)	10,839,499
IPO	24 March 1998
Year-end price previous year (12/31/2020)	€ 18.35
Year-end price for financial year (12/31/2021)	€ 25.50
Highest price in the reporting year (09/16/2021)	€ 26.10
Lowest price reporting year (01/01/2021)	€ 18.35
Market capitalisation (12/31/2021)	€ 276.4 million
Free float (12/31/2021)	69.3 %
Market capitalisation free float (12/31/2021)	€ 191.5 million
Transparency Standard	Prime Standard
Indices	CDAX Total Index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

[1)] All prices refer to the XETRA closing price.

Contact

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E-mail: ir@gesco.de

Declaration of Corporate Governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) Financial year 2021

The Executive Board and Supervisory Board provide information on the Company's corporate governance in accordance with Sections 289f and 315d HGB and Principle 22 of the German Corporate Governance Code (hereafter also referred to as "GCGC" or "Code").

The Executive Board and Supervisory Board of GESCO AG govern the Company with a view to sustainability. The business model is of a long-term nature and all measures are aimed at sustainable positive development. The Executive Board and Supervisory Board of GESCO AG agree with the aims of the Code: to promote good, trustworthy company management for the benefit of shareholders, employees and customers. Section 161 of the German Stock Corporation Act (AktG) requires an annual declaration of compliance with the recommendations of the Code. The preamble to the Code expressly provides for justified deviations from its recommendations, thereby allowing companies to take into account industry or company-specific factors. This means that deviations are not negative per se, but can actually contribute to good management, at smaller companies in particular.

The Executive Board and Supervisory Board submitted a declaration of compliance on schedule and as required by law in December 2021 and made it permanently available to shareholders on the Company's website (www.gesco.de). This declaration is based on the current version of the Code dated 16 December 2019.

The declaration of compliance issued in December 2021 is included in this Corporate Governance Statement. Previous declarations of compliance are also available to our shareholders and other interested parties from the Compliance and Corporate Governance section of the Company's website at www.gesco.de. The GESCO AG Articles of Association are also available in this section of the website.

Compliance management system

GESCO Group mitigates compliance risks such as corruption, violations of antitrust law and other actions with potentially criminal implications through a suitable compliance management system, which includes a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rulebook) for GESCO Group employees, accompanying training courses, random case-by-case assessments and a whistle-blower system for both employees and external parties. It is the job of the subsidiaries' Managing Directors to anchor these requirements and principles in their companies' corporate cultures. The Code of Conduct for GESCO Group employees is also available from the Compliance and Corporate Governance section of the website at www.gesco.de, as is further informationon the whistle-blower system.

Shareholders and Annual General Meeting

Shareholders exercise their voting rights at the Annual General Meeting. Each share in GESCO AG grants one vote. GESCO AG publishes all documents relevant to points on the agenda on the Company's website www.gesco.de in the Investor Relations section in due time before the Annual General Meeting. In the course of the invitation to the Annual General Meeting, the Company explicitly requests that shareholders exercise their voting rights. To make it easier for shareholders to vote, the Company appoints a voting rights representative who can vote at the Annual General Meeting on behalf of shareholders and according to their instructions. The Company enables shareholders to order tickets, complete their postal vote and appoint a proxy via an online tool. The Company feels that a high Annual General Meeting attendance rate is important in order to maintain democracy amongst shareholders and to ensure that decisions of the Annual General Meeting reflect the wishes of the majority of shareholders. GESCO AG publishes the invitation to the Annual General Meeting and any reports and information required to pass a resolution in accordance with the regulations of the German Stock Corporation Act (AktG). This information is also available on the Company's website. Since its IPO in 1998, the Company has published the voting results on its website on the day of the Annual General Meeting.

On account of the unusual circumstances caused by the COVID-19 pandemic, the Annual General Meeting on 30 June 2021 was held as a virtual Annual General Meeting without the physical presence of shareholders or their authorised representatives in accordance with Section 1 para. 2 of the German Act Concerning Measures under the Law of Companies, Cooperative Societies, Associations, Foundations and Common hold Property to Combat the Effects of the COVID-19 Pandemic (GesRuaCOVBekG) of 27 March 2020. The validity of the aforementioned Act was extended from 20 October 2020 to 31 December 2021 by the Ordinance on the Extension of Measures under the Law of Companies, Cooperative Societies, Associations and Foundations to Combat the Effects of the COVID-19 Pandemic (GesRGenRCOVMVV). By way of Article 16 of the German Act on the Establishment of a Special "2021 Reconstruction Aid" Fund and on the Temporary Suspension of the Obligation to File an Insolvency Application due to Heavy Rainfall and Floods in July 2021 and on the Amendment of Other Acts (Reconstruction Aid Act – AufbhG 2021) of 10 September 2021, the corresponding legislation has now been further extended to 31 August 2022.

Executive Board and Supervisory Board

The Executive Board is responsible for managing the Company, while the Supervisory Board is responsible for monitoring corporate governance and advising the Executive Board. Both boards maintain a close and trusting working relationship within the scope of their legally defined responsibilities. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive information on company planning, earnings and financial position, risk management, strategic development and intended acquisitions. A list of business activities defines those Executive Board decisions that require approval by the Supervisory Board.

Supervisory Board members did not receive any remuneration or benefits in kind for personal activities such as consultancy or agency services in the reporting year or the year before. Neither Executive Board members nor Supervisory Board members had any conflicts of interest.

Executive Board

The Executive Board is responsible for the management of GESCO AG. The members of the Executive Board manage the Company's activities in compliance with the law, the Articles of Association and the rules for management of the Company approved by the Supervisory Board. The Executive Board elaborates the strategic development of the Company, coordinates the approach with the Supervisory Board and implements it. The Executive Board also defines the Company's goals, makes plans and manages the internal control and risk management system, as well as controlling. In addition, the Executive Board prepares the quarterly reports or quarterly statements, the half-year interim report, the individual financial statements of GESCO AG and the consolidated financial statements. Its actions and decisions are aligned with the interests of the Company.

The rules for the management of the Company approved by the Supervisory Board define responsibilities within the Executive Board, and include detailed instructions regarding the work of the Executive Board and the specifics of reporting to the Supervisory Board by the Executive Board, as well as setting out the Executive Board decisions that require the approval of the Supervisory Board. The maximum age for members of the Executive Board is 65.

The Executive Board comprised Ralph Rumberg (Spokesman of the Executive Board) and Kerstin Müller-Kirchhofs (Chief Financial Officer).

Relevant details regarding management practices

The members of the Executive Board manage the Company with the care required of an orderly and conscientious manager, while observing the applicable laws, Articles of Association and the rules for the management of the Company.

In addition, the GESCO Code of Conduct includes basic rules and principles for our actions derived from our self-image, including our conduct in relation to customers, business partners, competitors, third parties and the general public. The GESCO Code of Conduct is available from the Compliance and Corporate Governance section of our website at www.gesco.de.

GESCO AG does not pursue any relevant management practices that go beyond these standards.

Long-term succession planning for the Executive Board

Together with the Executive Board, the Supervisory Board is responsible for long-term Executive Board succession planning. The Supervisory Board addresses the issue of Executive Board succession planning on a regular basis and not only in relation to specific vacancies. The Supervisory Board draws up a job profile listing the key characteristics and qualifications candidates must possess in order to be appointed to the Executive Board, in consideration of the requirements of the German Stock Corporation Act, the Code and the target for the percentage of women on the Executive Board. The likely area of future Executive Board responsibility and the Company's strategic planning function also influence the job profile. In the event of a vacancy on the Executive Board, the Supervisory Board conducts structured interviews with selected candidates, on the basis of which the vacancy is then filled. If necessary, the Supervisory Board will consult external advisers when drawing up job profiles and selecting suitable candidates.

Supervisory Board

The Supervisory Board appoints the Executive Board, monitors its corporate governance and advises it on issues of Company management. The report from the Supervisory Board contains detailed information on its work in the reporting year.

The Supervisory Board of GESCO AG has been deliberately kept small. This has proven to be extremely effective, as both strategic issues and detailed questions can be discussed in depth by the entire Supervisory Board. The Company feels that a strength of the Supervisory Board is that all its members are equally involved in all issues. The formation of committees is therefore not deemed to be necessary, with the exception of the audit committee required by law from 1 January 2022, which has now been established. Accordingly, GESCO AG's Supervisory Board did not have any committees in the reporting year. In this regard, the Executive Board and Supervisory Board declare a deviation from the recommendations D.2 sentence 1, D.3 and D.5 GCGC for financial year 2021 as well as a future deviation from recommendation D.5 GCGC.

Pursuant to the recommendation in D.1 GCGC, the Supervisory Board has created rules for the management of the Company and for the application of the law and the Articles of Association, which are available from the Compliance and Corporate Governance section of the Company's website at www.gesco.de. The Chairman coordinates the work of the Supervisory Board, chairs its meetings and represents its interests externally.

The Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman), Dr Nanna Rapp and Mr Jens Große-Allermann. The Supervisory Board believes it is appropriate for at least two members of the Company's Supervisory Board to be independent within the meaning of the Code. All members of the Supervisory Board currently meet the independence criteria. Although Mr Möllerfriedrich has been a member of the Company's Supervisory Board for more than 12 years, the Supervisory Board still considers him to be independent within the meaning of recommendation C.7 GCGC. In view of the performance of his duties to date, the Supervisory Board remains of the conviction that despite his many years on the Supervisory Board, Mr Möllerfriedrich continues to maintain the critical distance to the Company and its Executive Board necessary for the performance of his duties. Furthermore, Mr Möllerfriedrich does not have any personal or business relationships with the Company or its Executive Board that could give rise to a conflict of interest, nor does he hold any shares in the Company. Under the German Stock Corporation Act, at least one member of the Supervisory Board must have expertise in the area of accounting and at least one other member of the Supervisory Board must have expertise in the area of auditing. The necessary expertise is held by Mr Große-Allermann (accounting) and Mr Möllerfriedrich (auditing). In their entirety, the members of the Supervisory Board are familiar with the sector in which GESCO AG operates.

The most recent efficiency audit of the Supervisory Board's work was conducted in 2019. As the election of the Supervisory Board in 2021 did not lead to any changes in its composition, no efficiency audit was carried out in 2021. Furthermore, the coronavirus restrictions have resulted in temporary changes to how the Supervisory Board operates. The next efficiency audit of the Supervisory Board's work is scheduled for 2022.

Composition of the Supervisory Board and diversity of the Supervisory Board, Executive Board and executives

According to recommendation C.1 sentence 1 GCGC, the Supervisory Board shall specify concrete objectives regarding its composition and develop an expertise profile for the entire body and ensure that diversity is taken into account.

In the eyes of the GESCO AG Supervisory Board, diversity is not merely defined by gender and nationality, but also, and specifically, by professional diversity and a well balanced mix of expertise from various professional fields. The areas of competence required by the Supervisory Board of GESCO AG include accounting, auditing and monitoring of the effectiveness of internal controls ("Financial Expert"), capital market experience, entrepreneurial expertise and experience as well as broad knowledge of the strategic, operational and financial functions of companies. The Supervisory Board believes that these competencies are fully covered by the current committee members as follows:

Area of competence	Möllerfriedrich	Heimöller	Dr Rapp	Große-Allermann
Organisation of the Supervisory Board's work	x			
Corporate governance	x			
Legal	x			
Taxes	x			
Controlling and risk management	x	x	x	x
Accounting	x	x	x	x
Personnel		x	x	x
Production		x	x	
Financing	x	x	x	x
Capital market	x			x
M&A	x	x	x	x
Strategy	x	x		
Internationalisation			x	x

The purpose of the age limit for members of the Supervisory Board is meant to ensure that a member's term usually ends at the end of the regular term of office following the respective member's 70th birthday. Details regarding the election and term of office of the Supervisory Board members, the constitution of the Supervisory Board, its meetings and resolutions as well as the rights and responsibilities of its members are defined by the Articles of Association of GESCO AG.

Target regarding the inclusion of women

The “German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector”, which came into effect on 1 May 2015, calls for the creation of targets with regard to the inclusion of women in supervisory boards, executive boards and the top two levels of management, and the setting of deadlines by which those targets must be met. The Executive Board and Supervisory Board defined corresponding targets on 13 August 2015 and, since then, have published an annual corporate governance statement on the status of target achievement as well as on target adjustments.

GESCO Group companies pursue a clear and absolute policy of equal opportunities in their day-to-day business. This is regarded as a matter of course, irrespective of any legal obligations. The companies make a conscious effort to attract job applications from female candidates, support interested female candidates with their applications, take part in campaigns such as “Girls’ Days” and actively seek out dialogue with schools and universities. This is not a result of pressure to fulfil a quota, but stems from both the conviction and the need to recruit highly qualified individuals for vacant roles. Overall, GESCO Group companies have a keen interest in positioning themselves as attractive employers.

In 2017, the Supervisory Board of GESCO AG set a target of a 25 % share of women on the **Supervisory Board**. This target is currently met.

In 2015, the Supervisory Board of GESCO AG set a target of a 30 % share of women on the **Executive Board**. This target is currently met.

The organisational structure of GESCO AG was expanded effective as at 1 September 2020 with the addition of **a first level of management below the Executive Board**. A second level of management below the Executive Board does not exist. The Executive Board has specified target of 25 % for the first level of management. This target is currently met.

The deadline for the next review of target achievement remains 30 June 2022.

Comprehensive and transparent communication

GESCO AG promptly and accurately informs shareholders, the capital market, the media and the general public about all relevant events and the financial development of the Company. Financial reports, press releases and ad hoc notifications, the financial calendar, documents relating to the Annual General Meeting and a host of other information are available from the Investor Relations section of the Company’s website at www.gesco.de.

Shareholdings of members of executive bodies

In accordance with the legal provisions, GESCO AG publishes without delay transactions by the persons referred to in Article 19 of the

Market Abuse Regulation – particularly by members of executive bodies, and by persons closely associated with them, involving equities and debt instruments of the Company or financial instruments related thereto – that require notification under the regulation. The transactions reported to GESCO AG in the past financial year are available from the Investor Relations section of the Company's website at www.gesco.de.

Remuneration report / remuneration system

The current remuneration system for the members of the Executive Board in accordance with Section 87a para. 1 and 2 sentence 1 AktG, which was approved by the Annual General Meeting on 30 June 2021, as well as the resolution adopted by the Annual General Meeting on 18 June 2020 in accordance with Section 113 para. 3 AktG on the remuneration of the members of the Supervisory Board are publicly available in the Compliance and Corporate Governance section of the website www.gesco.de. The remuneration report and the auditor's report are made publicly available in the same section of the aforementioned website in accordance with Section 162 AktG.

Accounting and audit of financial statements

The individual financial statements of GESCO AG are prepared in accordance with the German Commercial Code (HGB). Since financial year 2002 / 2003, the consolidated financial statements of GESCO AG have been prepared in accordance with International Financial Reporting Standards (IFRS). The individual and consolidated financial statements were audited by Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, Germany. The responsible auditor is Mr Heiko Wittig.

The individual financial statements of the subsidiaries are also audited by Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, Germany. Audits of the foreign sub-subsidiaries were largely conducted by international cooperation partners of our German auditors.

The auditor is appointed by the Annual General Meeting for a period of one financial year in accordance with legal requirements. At the Annual General Meeting on 30 June 2021, the Annual General Meeting agreed to the Supervisory Board's proposal and appointed Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, Germany, as auditors of the annual and consolidated financial statements for financial year 2021 and for any potential review of the condensed financial statements and the interim management report as at 30 June 2021. The Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements in line with this resolution. An audit or review of the half-year interim report and / or the first- and third-quarter statements did not take place in the reporting year.

GESCO AG, Wuppertal, Germany

Securities Identification Number (SIN) A1K020
ISIN DE000A1K0201

Declaration of compliance in accordance with Section 161 AktG

The Executive Board and Supervisory Board of GESCO AG declare, in accordance with Section 161 AktG, that the recommendations of the Government Commission of the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) on 20 March 2020 have been followed pursuant to the version of the Code dated 16 December 2019 since the last declaration of compliance was issued in December 2020, with the following exceptions:

D.2 sentence 1, D.3, D.5: Establishment of supervisory board committees

The Supervisory Board of GESCO AG comprises four members. The small size of the committee allows overarching strategic issues, as well as detailed questions, to be discussed in depth and without any loss of efficiency and decided upon by the entire Supervisory Board. We therefore believe that it is not appropriate to create committees above and beyond the scope of legal requirements. Rather, the Company feels that a strong point of the Supervisory Board derives from the fact that its members are equally involved in all issues.

F.2: Publishing financial information

The change in the financial year of GESCO AG to match the calendar year in the abbreviated financial year 2019 and the resulting accounting adjustments resulted in the Group financial statements and the Group management report for financial year 2020 (1 January 2020 to 31 December 2020) not being able to be published within 90 days of the end of the financial year and the mandatory interim financial information for financial year 2021 (1 January 2021 to 31 December 2021) not being able to be published within 45 days of the end of the reporting period.

G.1 to G.11: Executive Board remuneration

The Executive Board remuneration system in place until 30 June 2021 did not comply in all aspects with the new recommendations regarding Executive Board remuneration (G.I) that entered into force on 20 March 2020. On 30 June 2021, the Annual General Meeting resolved a revised remuneration system that complies with the new recommendations. The revised remuneration system applies to all Executive Board service contracts concluded or extended after 30 June 2021.

G.18: Supervisory Board remuneration

The GESCO AG Supervisory Board remuneration system approved by the Annual General Meeting on 18 June 2020 includes a fixed component and a performance-oriented component based on Group net income for the year after minority interest. Where applicable, Group losses are carried forward into the following year and offset against profits. In our opinion, this rule is in keeping with a sustainable and entrepreneurial way of thinking and should be in compliance with the orientation towards sustainable corporate development called for in the Code. However, as it cannot be excluded that alternate points of view may be held, we hereby take the precaution of noting this departure from the recommendations of the Code.

The Executive Board and Supervisory Board of GESCO AG also declare in accordance with Section 161 AktG that the recommendations of the Government Commission German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) on 20 March 2020 will also continue to be followed in the future pursuant to the version of the Code dated 16 December 2019, with the following exceptions:

D.5: Formation of a nomination committee

The Supervisory Board of GESCO AG comprises four members. The small size of the committee allows overarching strategic issues, as well as detailed questions, to be discussed in depth and without any loss of efficiency and decided upon by the entire Supervisory Board. We therefore believe that it is not appropriate to create committees above and beyond the scope of the legal requirement to form an audit committee from 1 January 2022, which has been fulfilled. Rather, the Company feels that a strong point of the Supervisory Board derives from the fact that its members are equally involved in all issues.

F.2: Publishing financial information (90-days deadline)

Due to the change in company auditor on the basis of the resolution of the Annual General Meeting on 30 June 2021 and the anticipated additional workload and coordination required in the first audit period, the Group financial statements and the Group management report for financial year 2021 (1 January 2021 to 31 December 2021) will not be published within 90 days of the end of the financial year. The mandatory interim financial information for financial year 2022 (1 January 2022 to 31 December 2022), on the other hand, will be published within the recommended 45 days of the end of the respective reporting period.

G.18: Supervisory Board remuneration

The GESCO AG Supervisory Board remuneration system approved by the Annual General Meeting on 18 June 2020 includes a fixed component and a performance-oriented component based on Group net income for the year after minority interest. Where applicable, Group losses are carried forward into the following year and offset against profits. In our opinion, this rule is in keeping with a sustainable and entrepreneurial way of thinking and should be in compliance with the orientation towards sustainable corporate development called for in the Code. However, as it cannot be excluded that alternate points of view may be held, we hereby take the precaution of noting this departure from the recommendations of the Code.

Wuppertal, December 2021

GESCO AG

On behalf of the Supervisory Board
Klaus Möllerfriedrich
(Chairman of the Supervisory Board)

On behalf of the Executive Board
Ralph Rumberg
(Spokesman for the Executive Board)

Remuneration report

Report on the remuneration of the Executive Board and the Supervisory Board of GESCO AG in 2021

Remuneration of the members of the Executive Board

1. Introduction

Review of the business year from a remuneration perspective

GESCO AG ("**GESCO**" or the "**Company**") acquires successful industrial SMEs as a long-term investor. In doing so, proven business models are continued and further developed over the long term. Our central task is to exploit growth potential and secure the Group's long-term future viability. In this way, we create added value for all stakeholders: the shareholders, the workforces, customers, suppliers and business partners of all kinds. Under the umbrella of a lean holding company, the companies operate independently but with the support of GESCO. The goal: a strong group of hidden champions, market and technology leaders. The prerequisite for this is an experienced management ("**Executive Board**" or "**Executive Board members**") that acts responsibly and manages efficiently with the resources granted by the shareholders. For this management, an appropriate and at the same time competitive remuneration system has been implemented in 2018 ("**Original Remuneration System**", "**Remuneration System**" or "**System**").

This Original Remuneration System continues to apply to all current Executive Board service contracts. On 13 May 2021, a new remuneration system was adopted by the members of the Supervisory Board ("**Supervisory Board**" or "**Supervisory Board Members**") ("**New Remuneration System**"), which applies to all Executive Board service contracts to be newly concluded or renewed with effect after the Annual General Meeting on 30 June 2021. The New Remuneration System complies with the applicable legal provisions of the German Stock Corporation Act ("**AktG**") in its current version after the implementation of the Second Shareholders' Rights Directive ("**ARUG II**")[1] and takes into account the recommendations of the German Corporate Governance Code ("**GCGC**") in its version of 16 December 2019. The following statements relate to the Original System, unless explicit reference is made to the New Remuneration System.

The two incumbent Executive Board members, Mr Ralph Rumberg as Chief Executive Officer (**CEO**) and Ms Kerstin Müller-Kirchhofs as Chief Financial Officer (**CFO**), have held their respective positions since 1 July 2018 (CEO) and 1 May 2019 (CFO). Accordingly, these are current Executive Board service contracts that are subject to the provisions of the original remuneration system. The Executive Board service contracts have a term until 30 June 2022 (CEO) and 30 April 2022 (CFO).

[1] "Act on the Implementation of the Second Shareholders' Rights Directive"

The remuneration system consists of three components, a non-performance-related component (“**fixed remuneration**”), a performance-related remuneration component (“**bonus**”) and a remuneration component with a long-term incentive effect granted in the form of virtual stock options (“**stock options**” or “stock option **programme**”) (bonus and stock options together the “**variable components**”). The fixed remuneration is not dependent on the achievement of specific performance targets, but consists of a basic remuneration (“**annual fixed salary**”), as well as additional benefits (“**fringe benefits**”) and retirement benefits. The bonus is based on the consolidated net profit after minority interests (“**consolidated net profit**”). The share options have a vesting period of four years and two months (“**vesting period**”). The number of exercisable share options is determined by the achievement of an absolute and a relative performance target.

The remuneration system supports the corporate strategy and the sustainable and long-term development of the Company by placing particular emphasis on promoting a long-term and sustainable orientation of the Executive Board’s actions. In particular, the orientation of the variable remuneration components to the consolidated net profit takes into account that the representation of other quantitative targets in the remuneration at an investment holding company is potentially subject to large and not always predictable fluctuations and should therefore be avoided. At the same time, this assessment basis for variable remuneration represents the greatest possible alignment with the interests of the shareholders, the Company as a whole and the employees. The introduction of a multi-year and share-based remuneration component also aims in this direction and serves to best reflect the alignment between strategy, strategy implementation and shareholder interests.

The remuneration system is clear and comprehensible. At the same time, it avoids incentives to take disproportionate risks. With the remuneration system, the Supervisory Board aims to offer the Executive Board members appropriate and competitive remuneration in order to ensure that qualified Executive Board members can remain with GESCO in the future and that new Executive Board members can be recruited for the Company.

This remuneration report was prepared jointly by the members of the Executive Board and the Supervisory Board of the Company and audited by the auditor in accordance with the legal requirements with regard to its formal completeness.

Compliance with the maximum remuneration and principles of remuneration determination

The maximum remuneration for a financial year is calculated from the sum of the fixed remuneration as well as the maximum possible bonus and the maximum possible payment of the stock options. The bonus is capped at 200 % of the annual fixed salary of each Executive Board member. With regard to the share options, the profit is limited to a maximum of 50 % of the exercise price of the options.

The remuneration system is the responsibility of the Supervisory Board. In doing so, the Supervisory Board pays attention to appropriate remuneration compared to other companies and to its own staff. On 30 August 2018, the remuneration system was approved by the Annual General Meeting with 98.9 % of the votes.

2. Application of the remuneration system in the 2021 financial year

Non-performance-related remuneration (fixed remuneration)

The fixed remuneration includes three components in 2021: The annual fixed salary, fringe benefits and retirement benefits. The fixed **annual salary** is paid in 12 monthly instalments. In addition to the fixed annual salary, the Executive Board members receive fringe **benefits**, which mainly include the private use of company cars, directors and officers liability insurance (“**D&O insurance**”), contributions to the employers’ liability insurance associations and subsidies for health insurance. The **retirement benefits** amount to 20 % of the annual fixed salary each for the CEO and the CFO.

Variable remuneration

Description of the system and objectives

The **performance-related remuneration component** is generally granted in the form of a performance-related bonus, which is based on a percentage of the consolidated net profit after third parties as the financial target. Two-thirds of the respective bonus is based on the consolidated net profit for the last financial year and one-third is based on the average of the consolidated net profit after third parties for the last financial year and the two preceding financial years (three years in total). The bonus is capped at twice the amount of the annual fixed salary. Since the performance-related remuneration component depends on the result, a total loss is also possible. In the event that the consolidated result is negative, i. e. a net loss for the year is reported, this net loss for the year is carried forward to the next year and reduces the assessment basis for the bonus there. If the consolidated result for the last completed financial year before the departure or in the year of departure shows a loss, the Executive Board will participate in this loss. In the year of departure, the bonus is paid pro rata temporis.

Virtual share options, which are granted to Executive Board members in annual tranches on the basis of the share option programme, serve as a **remuneration component with a long-term incentive effect**. The stock option programme is structured in such a way that the Executive Board members must contribute GESCO shares they have purchased themselves from their private assets, which are subject to a lock-up period for the duration of the waiting period. The number of shares to be contributed depends on the number of options granted to the Executive Board by the Supervisory Board. For ten options, one share must be contributed by the respective Executive Board member. The Supervisory Board grants a maximum of 18,000 options to an Executive Board member, for which the Executive Board member must then contribute 1,800 shares. The waiting period before the options can be exercised is four years and two months.

The average XETRA closing price of the GESCO share in the last six months before the Annual General Meeting is decisive for the exercise price of the 2017 to 2021 tranches. The average closing index of the SDAX price index in the same period serves as the benchmark. After the expiry of the waiting period of four years and two months, the programme profit is determined, whereby the average closing price of the GESCO share or the average closing index of the SDAX price index in the last six months before the expiry of the waiting period is used as the benchmark. The options were granted within one month of the Annual General Meeting in each case.

Whether and how many of the options granted can be exercised depends on the achievement of an absolute or relative performance target. The absolute performance target is achieved if the share price of the GESCO share has developed positively by the exercise date. The relative performance target is achieved if the GESCO share price outperforms the SDAX price index by the exercise date (outperformance). If both performance targets are achieved, the Executive Board members can exercise 100 % of their options. If the absolute performance target is achieved, but not the relative performance target, the Executive Board members can only exercise 75 % of their options in the case of the 2015 to 2016 tranches and only 50 % of their options in the case of the 2017 to 2021 tranches inclusive, while the remaining 25 % or 50 % expire without replacement or compensation. If the absolute performance target is not achieved, all share options of the respective tranche expire without replacement or compensation. The maximum profit opportunity for Executive Board members is limited to 50 % of the exercise price. The programme profit is settled in cash in each case.

Target achievement in 2021

The consolidated net income after third parties for the 2021 financial year amounted to T€ 26,862, while T€ 16,396 was used as the average value from the last three financial years. As in the previous year, the result of the 2020 financial year was taken into account without special effects from impairment and transaction losses. In total, the CEO and CFO receive 1 % of the consolidated net profit of the last financial year and 0.5 % of the average of the consolidated net profit of the last financial year and the two previous financial years. The bonus for the Executive Board amounts to T€ 360 each.

Obligation to hold shares (Share Ownership Guidelines)

In order to align the interests of shareholders and the Executive Board and to further align the actions of the CEO and CFO with a sustainable increase in the value of the Company, guidelines for the share ownership of Executive Board members have been introduced ("**Share Ownership**"). Within the framework of the share option programme, the members of the Executive Board are obliged to acquire and hold shares in the Company ("**Share Ownership Guidelines**").

Benefits in the event of withdrawal & payment cap

In the event of the dismissal of a member of the Executive Board, the fixed annual salary, the performance-related bonus and the retirement benefits are granted at most until the expiry of the term of the contract. The options under the stock option programme may only be exercised if the employment relationship has not been terminated by either party or by mutual agreement on the day the option is exercised. If a participant in the stock option programme retires during the vesting period or leaves the Company due to disability or occupational incapacity, the option rights remain intact. Separate agreements on the non-forfeiture of stock options were made with former Executive Board members upon their departure.

All payments and fringe benefits to the Executive Board during the period after the end of the Executive Board mandate may not exceed in total the value of two years' remuneration (based on the total remuneration of the past financial year and, if applicable, also on the expected total remuneration for the current financial year), and in any case may not remunerate more than the remaining term of the employment contract ("**payment cap**").

3. Remuneration in 2021

The Executive Board remuneration pursuant to § 162 para. 1 sentence 1 AktG for 2021 is shown separately for both Executive Board members in the tables below. With regard to the bonus, the amount granted for the performance rendered in the 2021 financial year is shown; the actual payment to the Executive Board members is expected to be made in April 2022 after the adoption of the annual financial statements.

Executive Board Remuneration 2021

Remuneration granted and owed	Ralph Rumberg (CEO)		Kerstin Müller-Kirchhofs (CFO)	
	T€	% from Total	T€	% from Total
Annual fixed salary	337	42.5	292	40.0
Fringe benefits	29	3.6	19	2.6
Retirement benefits	67	8.5	58	8.0
Subtotal fixed remuneration	**433**	**54.6**	**369**	**50.6**
Bonus for 2021	360	45.4	360	49.4
Total	**793**		**729**	

An amount of T€ 38 was paid to the former Executive Board member Robert Spartmann for the 2016 tranche of the virtual stock option programme in the reporting year.

A former member of the Executive Board was granted a pension of T€ 70 (previous year: T€ 70) in the financial year from the previous commitment made to him.

Remuneration of the members of the Supervisory Board

1. Introduction

Overview

At the end of the financial year on 31 December 2021, the Supervisory Board consists of a total of four members, including the Chairman of the Supervisory Board ("**Chairman of the Supervisory Board**") and his Deputy ("**Deputy Chairman**").

The members of the Supervisory Board receive a fixed annual remuneration ("**fixed remuneration**"), which is payable at the end of the respective financial year. Furthermore, a performance-related remuneration ("**variable remuneration**") is possible. This is based on the consolidated net income after minority interests ("**consolidated net income**" or "**basis of assessment**"). In the event that the Supervisory Board forms committees, the members of the Supervisory Board additionally receive a further fixed annual remuneration ("**committee remuneration**") for each office held in a committee that meets at least once a year.

Like the remuneration system for the Executive Board, this remuneration for the members of the Supervisory Board supports the sustainable development of the Company through a long-term orientation in the exercise of Supervisory Board activities.

Principles of remuneration determination

Every four years, the Annual General Meeting resolves on the remuneration of the members of the Supervisory Board and on the remuneration system. The corresponding resolution may also confirm the current remuneration. If the general meeting does not approve the proposed remuneration system, a revised remuneration system shall be submitted to the following ordinary general meeting at the latest.

The system currently applicable to the members of the Supervisory Board was approved by 93.26 % at the Annual General Meeting on 18 June 2020.

2. Application of the remuneration system in 2021

Remuneration elements

The remuneration of the members of the Supervisory Board can consist of up to three elements. The fixed remuneration and the committee remuneration are function-dependent, while the variable remuneration depends on the consolidated net profit for the year. If a member of the Supervisory Board does not belong to the body or a committee for the entire financial year, the remuneration is granted pro rata temporis.

Fixed remuneration

As of the 2020 financial year, the members of the Supervisory Board shall receive a fixed annual remuneration payable at the end of the respective financial year. It amounts to € 50,000 for the individual member. For the Chairman of the Supervisory Board this amounts to € 75,000 and for the Deputy Chairman € 55,000.

Variable remuneration

In addition, the members of the Supervisory Board receive a performance-related remuneration. This amounts to 0.15 % of the consolidated net profit for the year (per Supervisory Board member) and is due after the adoption or approval of the annual and consolidated financial statements. If the assessment basis is negative, it is carried forward to the next year and offset against positive amounts.

Committee remuneration

In the event that the Supervisory Board forms committees, the members of the Supervisory Board shall additionally receive a further fixed annual remuneration of € 3,000.00 for each office held in a committee that meets at least once a year. For the chairpersons of committees, this remuneration amounts to € 5,000.00.

Another component of the remuneration is the reimbursement of training costs for the members of the Supervisory Board.

Furthermore, the Company shall reimburse the members of the Supervisory Board, but not as part of the remuneration, for reasonable expenses incurred in the exercise of their office as well as any value added tax payable on the remuneration and the reimbursement of expenses. The Company shall include the activities of the members of the Supervisory Board in the coverage of a pecuniary loss liability insurance policy taken out by the Company. The premiums for this shall be paid by the Company.

Maximum remuneration

The total annual remuneration for the individual member is limited to twice the amount of the sum of the fixed remuneration and the committee remuneration.

3. Remuneration in 2021

The remuneration granted and owed to the members of the Supervisory Board pursuant to § 162 para. 1 sentence 1 AktG in 2021 is shown in the table below:

There were no committees until the 2021 financial year. An audit committee has been established since 01/01/2022.

	Fixed remuneration		Variable remuneration		Committee remuneration		Total
	T€	%	T€	%	T€	%	T€
Klaus Möllerfriedrich (Chairman)	75	83	15	17	0	0	90
Stefan Heimöller (Deputy Chairman)	55	79	15	21	0	0	70
Dr Nanna Rapp (Member)	50	77	15	23	0	0	65
Jens Große-Allermann (Member)	50	77	15	23	0	0	65
Total	**230**		**60**		**0**		**290**

Comparison of the change in remuneration and earnings performance of GESCO

The following overview shows the average remuneration of GESCO Group employees and GESCO's performance in 2021. The table also compares the average remuneration of employees and the earnings performance with the remuneration of the incumbent Executive Board and Supervisory Board members in 2021. The remuneration granted and owed within the meaning of § 162 (1) sentence 1 of the German Stock Corporation Act (AktG) is relevant here.

The note "continued" corresponds to the presentation in the 2020 and 2021 consolidated financial statements insofar as the "discontinued operations", i.e. seven subsidiaries or groups of subsidiaries that were sold in December 2020 and February 2021, are not included.

	2021	2020 (continued)	2021 vs. 2020
	T€	T€	%
Remuneration Executive Board	**1,522**	**1,127**	**35.0**
Ralph Rumberg	793	585	35.6
Kerstin Müller-Kirchhofs	729	542	34.5
Remuneration Supervisory Board	**290**	**230**	**26.1**
Klaus Möllerfriedrich	90	75	20.0
Stefan Heimöller	70	55	27.3
Dr Nanna Rapp	65	50	30.0
Jens Große-Allermann	65	50	30.0
Performance GESCO Group			
Net income / loss GESCO AG (HGB)	30,662	- 5,769	n/a
Group profit after third parties (total) (IFRS)	26,862	- 16,576	n/a
Group profit after third parties (continued) (IFRS)	26,876	5,829	361.1
Group sales (continued) (IFRS)	488,051	397,225	22.9
Average remuneration of employees	**63.3**	**59.4**	**6.5**
Personnel expenses excluding Executive Board remuneration	111,392	102,899	8.3
Employees (average, incl. trainees) (continued)	1,759	1,731	1.6

In accordance with the presentation in the Group Management Report 2020, the Executive Board remuneration 2020 includes remuneration components from stock option programmes (fair value of commitments) in the amount of T€ 36.

Outlook from a remuneration perspective

On 13 May 2021, the Supervisory Board adopted the New Remuneration System, which applies to all Executive Board service contracts to be newly concluded or extended with effect after the Annual General Meeting on 30 June 2021.

No changes are planned for the members of the Supervisory Board in 2022 with regard to remuneration or the remuneration system.

Report of the independent auditor on the audit of the remuneration report pursuant to § 162 (3) AktG

To GESCO AG, Wuppertal

Audit opinion

We have formally audited the remuneration report of GESCO AG, Wuppertal, for the financial year from 1 January to 31 December 2021 to determine whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by section 162 (1) and (2) AktG has been disclosed in all material respects in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with § 162 (3) AktG and the IDW Auditing Standard: The audit of the remuneration report in accordance with section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibility under that provision and standard is further described in the Auditor's Responsibility section of our report.

As an auditing practice, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1). We have complied with the professional duties according to the Auditors' Code and the professional statutes for auditors / certified public accountants including the requirements for independence.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of § 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosures required by section 162 (1) and (2) of the Austrian Stock Corporation Act and to express an opinion thereon in an auditor's report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) AktG. In accordance with section 162 (3) AktG, we did not audit the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Dealing with any misleading representations

In connection with our audit, we have a responsibility to read the remuneration report, taking into account the knowledge obtained in the audit of the financial statements, and to remain alert for indications of whether the remuneration report contains misleading representations as to the accuracy of the content of the disclosures, the completeness of the content of each of the disclosures, or the fair presentation of the remuneration report.

If, based on the work we have performed, we conclude that such misleading presentation exists, we are required to report that fact. We have nothing to report in this regard.

Düsseldorf, 25 March 2022

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
(Auditing company – Tax consulting firm)

Dr Marcus Borchert
Wirtschaftsprüfer (auditor)

Heiko Wittig
Wirtschaftsprüfer (auditor)

03

Sustainability

Non-financial report / German Sustainability Code declaration

Since it was founded in 1989, GESCO AG has pursued a business policy geared towards the long term and sustainability, which is oriented towards the interests of shareholders, customers, employees and other stakeholders as well as principles of good corporate governance and compliance, and is committed to a responsible approach to the environment.

GESCO AG has worked very intensively on how to best implement the requirements under the CSR Directive Implementation Act (CSR-RLUG) and the legitimate interests of all stakeholders in the non-financial report. GESCO AG has therefore decided to provide information on this topic in as transparent a manner as possible, far beyond what is required by law. Sustainability reporting is based on the Deutscher Nachhaltigkeitskodex (German Sustainability Code (GSC = DNK). Accordingly, the DNK declaration printed below has been reviewed by the DNK office in accordance with the DNK criteria and declared complete. GESCO AG reports the non-financial key figures according to GRI performance indicators. The DNK declaration thus also serves as a "separate non-financial Group report" in accordance with § 315b (3) of the German Commercial Code (HGB).

General information

As a long-term investor, GESCO AG acquires successful companies in the technology-leading industrial SME sector. GESCO sees its activities as long-term and sustainable. GESCO continues and further develops proven business models. The central task is to exploit growth potential and secure the Group's long-term future viability. In this way, GESCO creates added value for all stakeholders: the shareholders, the workforce, customers, suppliers and business partners of all kinds. Under the umbrella of a lean holding company, the companies operate independently but with the support of GESCO AG. The goal: a strong group of hidden champions, market and technology leaders. The individual subsidiaries are managed by independently acting managing directors. As a rule, the holding company does not perform any central functions for the companies. Exceptions relate in particular to compliance issues and individual insurance policies at Group level.

GESCO strives for profitable growth through the further development of the existing portfolio companies as well as through the acquisition of further industrial technology-leading medium-sized companies. The management of the Group by the holding company is geared towards this goal. The subsidiaries are predominantly small and medium-sized industrial companies, which are allocated to the following segments:

Production Process Technology (from 1 January 2022: Process Technology)

- MAE Group
- Sommer & Strassburger GmbH & Co. KG
- Kesel Group

Resource Technology

- Dörrenberg Group
- SVT GmbH
- Pickhardt & Gerlach Group

Health and Infrastructure Technology

- Setter Group
- Franz Funke Zerspannungstechnik GmbH & Co. KG
- UMT Group
- Hubl GmbH (from 1 January 2022: allocated to the Process Technology segment)
- Astroplast Kunststofftechnik GmbH & Co. KG

The individual business models are extremely heterogeneous. The products range from machine and plant construction to tool steel and refined strip steel to stainless steel containers, from paper sticks for the confectionery and hygiene industry to support arms for medical technology. Further information on the business models and fields of activity of the individual subsidiaries can be found in the GESCO AG annual report and on the websites of GESCO AG and the GESCO Group companies.

Criteria 1 – 10: Sustainability concept

Criteria 1 – 4 on strategy

1. Strategic analysis and measures

Since it was founded in 1989, GESCO AG has pursued a business policy geared towards the long term and sustainability, which is oriented towards the interests of shareholders, customers, employees and other stakeholders as well as the principles of good corporate governance and compliance and is committed to a responsible approach to the environment.

GESCO AG is in the process of developing a systematic sustainability management system over several years in order to meet the growing regulatory requirements (e.g. CSRD, EU taxonomy, etc.) in the best possible way. The German Sustainability Code (DNK) is used as a framework for reporting on sustainability aspects and their management. With the support of an external consultancy, an extended materiality analysis was carried out in 2021 (see criterion 2).

For the targeted management of the relevant sustainability topics and for transparent reporting, the system of indicators for the non-financial performance indicators was expanded in 2021. This comprises the fields of action:

- Energy consumption
- Resource consumption
- Occupational safety / health protection
- Diversity
- Education and training
- Social engagement
- Staff recruitment and retention
- Compliance
- Dialogue with stakeholders
- Responsibility in the value chain
- Sustainability management

The information collected and published for the first time as part of this DNK declaration will form the future basis for the development of concrete sustainability goals.

2021,

an extended materiality analysis was carried out with the help of an external consultancy (criterion 2).

2. Materiality

For GESCO AG as a listed holding company, the topic of sustainability is becoming increasingly important. For example, GESCO AG and its subsidiaries are also affected by growing legal requirements such as the CSR Directive Implementation Act (CSR-RUG), the EU taxonomy or the Supply Chain Sourcing Obligations Act. GESCO AG aims to create value for the environment and society and meaningfully reduce negative impacts through the targeted management of relevant sustainability issues. Even if the corresponding requirements regarding the recording of key figures initially entail greater expense, GESCO AG sees the opportunity to minimise economic risks in the long term through active and transparent sustainability management.

All relevant goals and measures related to sustainability are to be transferred to a sustainability strategy currently being developed for management purposes. In order to implement the available measures in the most targeted manner possible, an extended materiality analysis was carried out in 2021 to identify and prioritise the relevant topic areas. In a first step, the criteria of the GSC as well as other relevant trends and developments were evaluated within the framework of desk research. Subsequently, the managing directors of all subsidiaries as well as important investors were interviewed by telephone about their assessments. As a result, six of the 22 potentially material ESG issues were provisionally highlighted with a special prioritisation*):

Environment

- Business travel and fleet management
- Climate protection and energy management*
- Product stewardship*
- Resources management*

Social

- Adherence to workers' rights
- Education and training*
- Occupational health management
- Diversity
- Social Commitment
- Sustainable organisational development*
- Staff recruitment and retention
- Work-life balance

Governance

- Compliance
- External communication
- Stakeholder dialogue
- Responsibility in the value chain
- Risk management
- Sustainability management*

§

GESCO AG aims to create value for the environment and society and meaningfully reduce negative impacts through the targeted management of relevant sustainability issues.

Within GESCO AG, the opportunities, risks and impacts depend largely on the business model of the respective subsidiary. The following criteria were used to uniformly evaluate and prioritise the topics:

- Special opportunities or risks for the course of business, the annual financial statements or the situation of the company
- Likely positive or negative impact of business activities, business relationships and products and services at at least one subsidiary
- Key stakeholder concern
- Significant contribution to positioning in the sustainability context
- Reference to the fulfilment of future regulatory requirements
- Significant contribution to the concrete improvement of ESG performance

These criteria apply in particular to the provisionally prioritised topics.

In their operating business, all GESCO AG subsidiaries are subject to the typical opportunities and risks of their respective industries as well as general economic risks. Within GESCO Group, all relevant risk topics are regularly assessed according to the level and probability of occurrence. In addition to the economic situation, there are risks as well as opportunities for the subsidiaries in the strategic orientation of the companies, considering technological change. In particular, the supplementation of the combustion engine by other types of drive, digitalisation, the emergence of new competitors, the political and economic development of regional markets, the change in social values, the politically targeted reduction of CO_2 emissions and the regulatory framework conditions should be mentioned. The relevant sustainability issues that primarily affect GESCO are also derived from this: climate change, scarcity of resources and education and training of the workforce. GESCO is addressing these issues by, among other things, implementing excellence programmes (OPEX, MAPEX, LEADEX) in the subsidiaries as part of the NEXT LEVEL strategy adopted in autumn 2018 and continuously developed since then. The regular exchange between the Executive Board of GESCO AG, the investment managers of GESCO AG and the managing directors of the subsidiaries and their teams serves to analyse and further develop strategic topics.

The managing directors of the subsidiaries attribute the greatest negative impact of business activities on sustainability issues to the area of energy and resource consumption. There is also potential for optimisation with regard to the procurement of raw materials. GESCO AG strives to reduce its environmental impact in a meaningful way through the core business of each subsidiary, thereby making an important contribution to society as a whole.

Further information on dealing with opportunities and risks can be found in the GESCO AG opportunity and risk report, which also includes non-financial performance indicators.

3. Targets

GESCO is consistently developing its sustainability strategy. With a focus on balancing the portfolio architecture and developing the subsidiaries into hidden champions, GESCO is also striving to take a leading role in key sustainability issues in the long term. The short and medium-term fulfilment of the steadily increasing regulatory requirements forms the corresponding basis. To this end, the relevant activities of the subsidiaries were compiled in the reporting year 2021. Regular meetings of the GESCO Sustainability Steering Committee have been held since 2021 to further develop sustainability issues. This body also includes the Executive Board, which bears ultimate responsibility for the sustainable development of GESCO Group. Further common goals are to be developed on this basis from 2022 onwards. In order to continuously improve sustainability performance, the internal understanding of sustainability is also to be promoted on an ongoing basis.

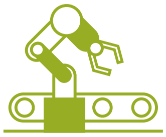
4. Depth of the value chain

GESCO AG is an industrial group with market- and technology-leading companies focusing on Production Process Technology, Resource Technology and Health and Infrastructure Technology. The GESCO Group companies are allocated to these three segments accordingly.

The investment process can describe GESCO AG's value chain. Since its foundation in 1989, GESCO has built up a strong group of "hidden champions", market and technology leaders. GESCO continues and develops proven business models. The central task is to exploit growth potential and secure the Group's future viability in the long term. In this way, GESCO creates added value for all stakeholders. Most of the companies in the Group are many decades old. Without sustainable business practices, these medium-sized companies would not be where they are today.

As part of a due diligence process, a company that is potentially to be acquired is comprehensively analysed and evaluated in terms of risks, opportunities and future viability. The assessment includes financial, legal and tax criteria as well as technology and market-related aspects. In addition, CSR issues are taken into account. From an environmental point of view, this includes in particular the evaluation of contaminated sites and the review of permits granted. With regard to social and employee issues, the personnel structure, occupational safety and corporate culture, among other things, are included in an investment decision. GESCO uses both internal and external expertise for due diligence. In future, environmental aspects, especially resource and energy efficiency, are to be taken into account even more strongly and systematically in investment applications from subsidiaries.

Since 2020, GESCO has promoted and established a more intensive exchange between the subsidiaries and built up further methodological expertise at GESCO AG level. The central build-up of expertise also includes CSR topics that have been classified as material in the process to date.



The companies in the Production Process Technology segment are primarily dedicated to automation solutions in mechanical and plant engineering as well as technology-intensive manufacturing services. With their products and services, they essentially support manufacturing industries and their processes.

The subsidiaries of the Resource Technology segment supply material-intensive industrial companies in particular. The companies provide customised processing of input materials that are further processed into end products at the customers' facilities. They also produce equipment for loading raw materials and energy sources.

The Health and Infrastructure Technology segment includes companies that supply suppliers for mass markets close to the end consumer in the fields of medical technology, hygiene, food and construction. The companies mostly supply components, assemblies or preliminary products. Beyond metal processing, materials such as plastic granulate orraw paper are also processed here.

Further insights into the business models of the individual companies can be found in the Annual Report 2021.

The majority of the eleven subsidiaries have had specific environmental management systems in place for several years and monitor environmental sustainability criteria such as energy consumption in their own business operations. In the course of this, positive and negative environmental impacts that are wholly or partially attributable to GESCO's activities, products or services are managed in a targeted manner. One of the greatest challenges facing GESCO Group is the consumption of energy and resources. The subsidiaries make a concerted effort to work on joint solutions with business partners and research institutions and to address the corresponding ecological problems. For example, the strip steel refinement specialist Pickhardt & Gerlach developed an innovative material for the inner workings of batteries together with PEM Motion, a spin-off of RWTH Aachen University, which saves energy on the one hand and makes the batteries even more powerful on the other. EMONI® is used in particular in micro- and e-mobility, e.g. in e-bikes. Particularly noteworthy in this context is that the newly developed refinement process saves about 80 kg of CO_2 per tonne of material produced.

The GESCO companies work together with energy consultants and specialists. Against the backdrop of advancing technological development, the protagonists are in permanent exchange.

Criteria 5 – 10 on process management

5. Responsibility

Overall responsibility for sustainable development lies with the Executive Board of GESCO AG. The Investor Relations & Communications department is currently responsible for the project management of sustainability reporting. This department coordinates its activities with the Executive Board in regular working meetings as part of the GESCO Sustainability Steering Committee, which also includes other committee members and specialist colleagues.

6. Rules and processes

In principle, GESCO AG subsidiaries have the option of identifying their own focal points and setting up suitable regulations and processes for the management of sustainability-related issues in line with these. GESCO AG supports all efforts, including those that go beyond compliance with legal standards and regulations, as long as they are justifiable from an economic perspective. This is also anchored in the Group's Code of Conduct.

As a central basis for internal control and transparent reporting, GESCO Group's system of key performance indicators was standardised and expanded in the reporting year 2021. Based on the GRI performance indicators specified in the GSC, it was first examined which key figures could be recorded by the subsidiaries. The data collected in this context is the subject of the monthly working meetings of the GESCO Sustainability Steering Committee, including the Executive Board, as well as the managing directors' meetings, which take place several times a year and are attended by the managing directors of all subsidiaries.

As GESCO AG's sustainability strategy is still being developed, it is still up for discussion which internal regulations and processes should be adapted to the constantly evolving requirements in the future.

7. Control

Based on the performance indicators collected for the reporting year 2021, specific targets will be set as part of the sustainability strategy currently being further developed. The non-financial performance indicators cover the following areas:

- Energy and resources consumption
- Occupational safety and health protection
- Diversity
- Social engagement
- Compliance
- Sustainability management

In future, these will be used to manage and monitor the sustainability goals and will be collected as part of the Sustainability Code declaration. The performance indicators are recorded annually and then evaluated by the GESCO Sustainability Steering Committee. If individual performance indicators suggest that the achievement of certain sustainability targets could be at risk, a decision is made on possible additional measures or an adjustment of the targets at regular meetings with the managing directors of the subsidiaries.

Only German locations and the GESCO Group holding company are included in the overall performance indicator recording. Data has already been collected for the company W. Krömker GmbH for 2021. However, as GESCO only acquired 100 % of the shares in W. Krömker GmbH in June 2021, comparative data for the previous year is accordingly missing. W. Krömker GmbH will be integrated into the next report accordingly.

Performance indicators for criteria 5 to 7

Performance indicator GRI SRS-102-16: Values

GESCO Group bundles the power and potential of Germany's technology-driven SME sector. Many of the subsidiaries are niche players, some are already market leaders, and all are recognised companies with established brands. GESCO AG's vision is to form a strong and balanced group of hidden champions through the targeted, systematic and sustainable development of its subsidiaries and further acquisitions. The NEXT LEVEL strategy uses its excellence programmes to set the course for the strategic and operational expansion of the Group in the coming years. As a listed industrial holding company, GESCO AG aims to be an attractive investment for its shareholders. Values such as personal responsibility, openness and transparency as well as legally compliant and ethically correct conduct play an essential role in this.

GESCO AG's Code of Conduct serves to summarise and publicise the applicable basic rules and principles for all employees throughout the Group. GESCO AG's principles include the goal of generating added value in order to guarantee an attractive and secure workplace for all employees and to be a strong partner for customers, business partners, suppliers and shareholders. An important concern is to take the necessary measures to reduce risks and avert dangers in the areas of environmental protection, health, occupational safety, product quality and liability as well as data protection. In this context, the development and dissemination of environmentally friendly technologies is welcomed and initiatives to promote environmental awareness are supported. The Code of Conduct is supplemented by specific guidelines within the framework of the Compliance Management System.

The Code of Conduct for GESCO Group employees is available for download on the company website at www.gesco.de/en/about-us/compliance-and-corporate-governance.

8. Incentive systems

The currently still valid remuneration system for Executive Board members consists of three components: a non-performance-related remuneration component, a performance-related one-year and multi-year remuneration component and a remuneration component with a long-term incentive effect. Stock options granted to Executive Board members based on the stock option programme serve as the remuneration component with a long-term incentive effect.

A modified Executive Board remuneration system was submitted to the 2021 Annual General Meeting for approval, which takes into account the changes resulting from the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the recommendations of the currently valid version of the German Corporate Governance Code (DCGK) in the future. Part of the new remuneration system is also the consideration of non-financial, social and ecological aspects in the sense of sustainable action when determining the starting amount for the variable remuneration of the past financial year. The Supervisory Board specifies this for each financial year. The Supervisory Board also monitors the achievement of targets. The modified remuneration system applies to all Executive Board service contracts to be newly concluded or extended after 30 June 2021.

Further information can be found in the remuneration system approved by the Annual General Meeting and valid in the future at www.gesco.de/en/about-us/compliance-and-corporate-governance.

As GESCO is not an integrated Group, the remuneration systems for executives and all other employees in the subsidiaries are structured differently, depending on the respective business model, the historical development of the individual company and in some cases taking into account provisions of collective agreements. No sustainability targets have been integrated into these to date, nor are any planned.

Performance indicators for criterion 8

Performance indicator GRI SRS-102-35: Remuneration policy

The non-performance-related remuneration component of the Executive Board members currently consists of the fixed annual salary, fringe benefits and retirement benefits. The fringe benefits granted mainly consist of the private use of company cars and regular medical check-ups.

The performance-related remuneration component is generally granted in the form of a profit-related bonus based on the consolidated net profit for the year after minority interests. This component is based on a multi-year assessment basis. Two-thirds of the respective bonuses are based on the consolidated net profit after minority interests for the financial year and one-third on the average value of the consolidated annual financial statements after minority interests for the respective financial year and the two preceding financial years.

In all cases, the performance-related remuneration component is capped at twice the amount of the fixed annual salary. Since the bonus depends on the result, a total loss of the bonus is also possible.

Stock options granted to Executive Board members based on the stock option programme serve as a remuneration component with a long-term incentive effect. The stock option programme is structured in such a way that the Executive Board members must contribute GESCO shares they have purchased themselves from their private assets, which are subject to a lock-up period for the duration of the waiting period.

For retirement provisions, Executive Board members are granted contributions amounting to a certain percentage of their fixed salary.

Additional details on Executive Board remuneration can be found in the remuneration report as part of the Annual Report 2021 at www.gesco.de/en/investor-relations/financial-reports.

Performance indicator GRI SRS-102-38: Ratio of total annual remuneration

The ratio is 12*.

9. Stakeholder participation

In the 2021 financial year, a comprehensive stakeholder matrix was developed as the basis for finalising the materiality matrix and the associated aspects and fields of action.

GESCO Group is currently examining the extent to which the expectations of the material stakeholder groups identified there, such as customers, employees, shareholders and stakeholders, can be met within the scope of business activities from a sustainability perspective. In the reporting year 2021, regulatory framework conditions, competitor activities as well as trends and developments were carried out as part of a desktop analysis to identify potentially relevant sustainability topics. Representatives of the Executive Board or top management of GESCO subsidiaries were interviewed by telephone to prioritise and take into account the respective perspectives of the individual subsidiaries. As private and institutional shareholders are among the most important external stakeholders for GESCO AG, the assessments and expectations of selected investors with regard to the sustainability topics of GESCO AG that were classified as material were queried by telephone in parallel.

In addition, further dialogues with selected stakeholders are conducted at the level of the individual participations as needed.

* The figures relate to the consolidated financial statements of GESCO AG without a breakdown by country, as the vast majority of activities take place in Germany. The calculation is made using the mean value.

Performance indicators for criterion 9

Performance indicator GRI SRS-102-44: Key issues and concerns

The investors surveyed expressed concern that the companies affected by the reporting obligation could be overregulated and thus overburdened by the constantly tightening laws and directives. On the other hand, the EU taxonomy in particular could lead to ESG data being more meaningful and also more comparable in the future.

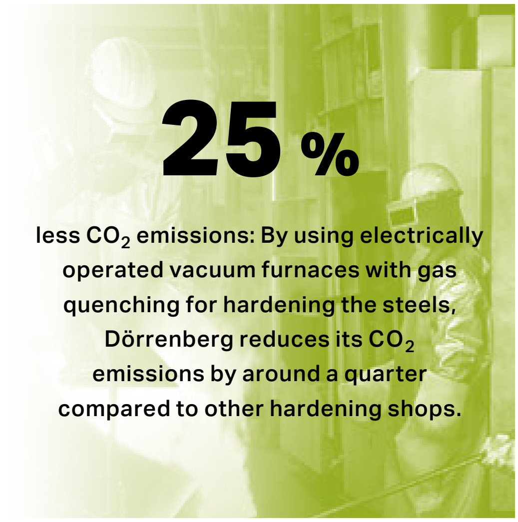
Some shareholders encourage GESCO to report aggregated key figures for the entire Group if possible. In addition to a robust management system with targets, measures and key figures, individual investors recommended reporting positive contributions to the SDGs (Sustainable Development Goals). Furthermore, the constructive discussion of the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) was suggested.

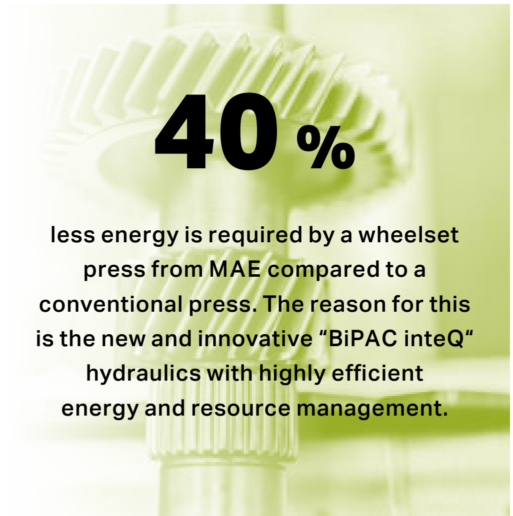
10. Innovation and product management

GESCO AG strives to systematically and sustainably develop all Group companies. This equally includes using resources as efficiently as possible in the core business of the subsidiaries and continuously improving products in their use phase, also from an ecological perspective.

For example, the paper sticks produced by the Setter subsidiary are also used in the form of stirrers for the hygiene and confectionery industries. This allows Setter's customers to significantly replace products previously made from plastic with sticks made from chlorine-free pulp. This is a renewable raw material from controlled forestry (PEFC and FSC®) that will not only be available for a limited period of time, unlike plastic, where crude oil is the base material for polypropylene sticks. In addition, the company processes sugar cane as a paper alternative and has already brought the production process to series maturity.

Dörrenberg Edelstahl GmbH, in turn, operates its production sites with 100 % electricity from renewable energy sources. The steels are melted via low-CO_2 electric steel routes that allow the use of renewable energy sources. This indirectly generates only about 280 kg CO_2 per tonne of steel compared to integrated smelters, which emit about 1,700 kg CO_2 per tonne of steel. By using electrically operated vacuum furnaces with gas quenching for hardening the steels, only 25 % of the CO_2 emissions are produced compared to other hardening plants. The subsidiary is currently testing further processes, such as direct reduction using "green" hydrogen, to best reduce the CO_2 intensity of its production processes.





In the wheelset press sector, MAE Maschinen- und Apparatebau Götzen GmbH presented its new and innovative "BiPAC inteQ" hydraulics to its 2021 customers. This is characterised in particular by highly efficient energy and resource management. In this way, MAE was able to reduce energy consumption by around 40 %. The consumption of a MAE press is currently around 2 kW on average, while competitor systems consume up to 15 kW, with the same cycle time. The modernised hydraulic concept also resulted in a noticeable reduction in maintenance costs of around 35 %, a reduced size of the motors, the elimination of cooling devices and a significant reduction in oil consumption.

Performance indicators for criterion 10

Performance indicator G4-FS11

The financial investments do not go through a selection process based on environmental or social factors.

Criteria 11 – 20: Sustainability aspects

Criteria 11 – 13 on environmental concerns

11. Consumption of natural resources

GESCO Group considers both the topic of resource efficiency and energy and climate management essential. In addition to the general increase in importance, which is expressed in stricter legal requirements and competition for raw materials, the topics of energy and resource savings have also developed into a competitive factor at the subsidiaries.

The Dörrenberg Group and the Pickhardt & Gerlach Group generate significant environmental impacts with their business activities in the areas of metallurgy and electroplating respectively. For this reason, they have had environmental management systems in place for several years to continuously reduce emissions, wastewater and waste. Environmental impacts are continuously reduced through the ongoing modernisation and further development of environmentally friendly production processes.

The Setter Group already makes significant use of renewable raw materials from controlled forestry for the production of paper sticks. However, the use of virgin fibres cannot yet be completely dispensed with.

Resource consumption with regard to the materials used is recorded across all companies within GESCO Group in the four clusters of raw materials, consumables and supplies, semi-finished products / parts and packaging materials (see performance indicator GRI SRS-301-1). A more detailed recording of the resources used cannot take place at present, as the management of these environmental impacts is decided primarily at the level of the individual companies.

12. Resources management

Most of the production sites are located in Germany and are therefore subject to very high standards and legal requirements. By complying with laws and standards and exercising a high degree of diligence in their processes, the companies consider themselves to be sufficiently well equipped to minimise their impact on the environment. GESCO therefore assesses the risks to the environment from GESCO Group's business operations as comparatively low overall. For risk assessment purposes, all subsidiaries are regularly surveyed on relevant financial and non-financial risks. All recorded risk topics are assessed in terms of the level of occurrence and probability of occurrence and reported to the Executive Board. The energy consumption and the respective resource consumption of the Group companies were identified as potential risks in internal workshops.

The overarching environmental goals of GESCO Group are:

- Reduction of energy consumption
- Saving resources

The companies also strive to replace environmentally harmful materials and processes with more environmentally friendly ones.

GESCO AG has not yet further specified and quantified these goals. Corresponding target formulations, including action planning and monitoring, will be sought in the course of the further development of the sustainability strategy in the financial year 2022 for the financial years 2023ff.

GESCO AG supports these efforts and takes a fundamentally supportive approach to environmentally friendly technologies. This is also anchored in the Group's Code of Conduct. As a long-term investor, GESCO AG also supports modernisation of the companies' technical equipment and promotes automation where it is sensible and appropriate.

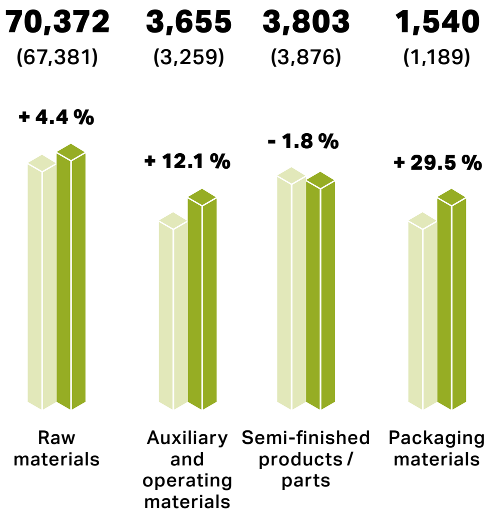
The management of environmentally relevant issues is generally decentralised within the individual companies. GESCO Group's domestic companies have carried out an energy audit and identified opportunities for energy savings. Individual measures are already being implemented in the companies, such as the use of renewable energies at the production sites or circular economy systems.

Performance indicators for criteria 11 to 12

Performance indicator GRI SRS-301-1: Materials used

For the main material groups, the material used is recorded in categories below.

Material used by category (in t)
Change in % compared to previous year, previous year's values in brackets



For all indicators, the Corona year 2020, which was economically difficult and associated with short-time work, among other things, led to a decline in production for GESCO Group, which was considerable in some cases, and thus also in the consumption of resources in the individual Group companies. A meaningful analysis of the development will only be possible in the following reporting year.

It was not possible for the Haseke company to provide precise information for the main material groups in 2021. The companies Astroplast and Franz-Funke were unable to provide information on auxiliary and operating materials such as packaging materials. We are working on closing these gaps for the next reporting years.

Performance indicator GRI SRS-302-1: Energy consumption

Energy consumption at GESCO AG

	2020	2021	Change in % compared to previous year
Heating oil	–	–	–
Natural gas*	3,776,130 m^3	4,646,059 m^3	+ 23.0
Liquid gas	20,061 litres	19,895 litres	- 0.8
Electricity (electricity mix)	41,272,245 KWh	43,192,246 KWh	+ 4.7
District heating	293,780 KWh	374,500 KWh	+ 27.5

* Some group companies were only able to report natural gas in KWh instead of m^3. A slight simplification was made here in the form of a ratio calculation by converting the m^3 / 10=KWh for the two companies concerned. Further standardisation is planned for the future.

Energy consumption of the vehicle fleet

	2020	2021	Change in % compared to previous year
Diesel	226,174 litres	205,357 litres	- 9.2
Petrol	47,384 litres	59,950 litres	+ 26.3
Natural gas (CNC)	40,611 litres	51,936 litres	+ 27.9
Electricity (electricity mix)	–	7,372 KWh**	–
District heating	–	–	–

** electricity generated from own production from photovoltaic plants

For all indicators, the Corona year 2020, which was economically difficult and associated with short-time work, among other things, led to an in part considerable decline in production and thus also in resource consumption in the individual Group companies for GESCO Group. A meaningful analysis of the development will only be possible in the following reporting year.

The recorded consumption forms the central basis for calculating the CO_2 footprint of GESCO AG (see criterion 13).

Performance indicator GRI SRS-302-4: Reduction of energy consumption

In order to calculate the total energy consumption, natural gas and liquid gas were converted* with regard to their calorific value criteria using the factors 10.78 KWh / kg and 14.06 KWh / m^3. This results in electricity consumption of 82,554,862 KWh for GESCO Group in 2020 and 93,931,000 KWh in 2021.

Compared to the previous year, this results in a minimal increase in energy consumption of 11,376,137 KWh (+13.8 %). In the comparative calculation to the previous year, the items listed under GRI SRS-302-1 have been taken into account.

It can be seen that despite a slight increase in consumption, the relative energy consumption per euro sold has decreased, and thus an increase in energy efficiency was achieved.

Performance indicator GRI SRS-303-3: Water withdrawal

GESCO AG water consumption

	2020	2021	Change in % compared to previous year
Total water withdrawal	**23,033 m^3**	**24,506 m^3**	**+ 6.4**
Drinking water / water from third parties	23,033 m^3	24,506 m^3	+ 6.4
Surface water	–	–	–
Groundwater	–	–	–
Produced water	–	–	–
Waste water	24,413 m^3	26,212 m^3	+ 7.4

With Setter, roof areas etc. are included in the wastewater calculation. Therefore, there is a difference between water withdrawal and total wastewater. The increased consumption compared to the previous year probably results from the comparison with the tense Corona business year 2020.

* Source: Federal Office of Economics and Export Control www.bafa.de/SharedDocs/Downloads/DE/Energie/ea_ermittlung_gesamtenergieverbrauch.pdf

Performance indicator GRI SRS-306-3 (2020): Waste generated

The waste of all companies is recorded according to the following categories.

Waste (by type)

	2020	2021	Change in % compared to previous year
Metal	1,996 t	2,065 t	+ 3.5
Non-ferrous metal	3,237 t	3,482 t	+ 7.6
Paper	3,109 t	2,976 t	- 4.3
Residual waste	1,326 t	1,185 t	- 10.6

The increased metal consumption is likely to be related to the Corona Year 2020, which has already been mentioned several times, or to more comprehensive or better data collection by the Group companies. The reasons for the reduction in paper and residual waste cannot be clearly outlined at this time.

13. Climate-relevant emissions

The topic of climate protection and energy management particularly affects the manufacturing operations of GESCO subsidiaries. After all, energy is required for the manufacturing processes in all three segments (Production Process Technology, Resource Technology and Health and Infrastructure Technology) in which the subsidiaries operate. For the machinery and equipment manufacturers, the use of the products by customers in the downstream value chain is an important aspect.

In the companies where environmental management systems have already been integrated, regular systematic analyses of the most important emission sources are carried out. The most relevant ones come from the use of energy in the various productions and the use of raw materials, especially various metals, in the production process. Especially in the smaller subsidiaries and those with less energy-intensive production processes, corresponding evaluations will be implementable in the medium term.

In 2021, GESCO started to record energy consumption according to uniform specifications in all companies. Based on these results and in coordination with the subsidiaries, concrete targets are to be derived in the coming year. In the surveys to date, Scope 1 and 2 emissions have been recorded in accordance with the GHG Protocol. Due to their complexity, indirect greenhouse gas emissions (Scope 3) are not yet part of the regular key data collection. Based on the figures recorded in 2021, a decision will be made in 2022 on a possible extended recording of the CO_2 footprint.

Performance indicators for criterion 13

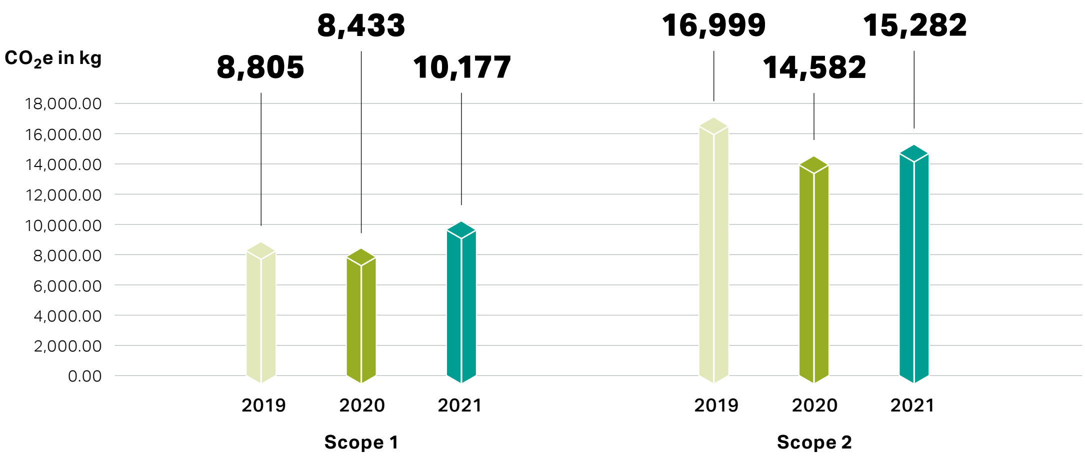
Performance indicator GRI SRS-305-1 (see GH-EN15): Direct GHG emissions (Scope 1)

The greenhouse gas emissions generated in 2021 were recorded for all subsidiaries based on a uniform query of energy consumption. The CO_2 carbon footprint shows all emissions as CO_2 equivalents (CO_2e). This means that in addition to CO_2, the six other greenhouse gases regulated in the Kyoto Protocol were also taken into account in the calculations: Methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride (SF_6), hydrofluorocarbons (HFCs and HFCs) and nitrogen trifluoride (NF_3). These are converted into the global warming potential of CO_2 and thus form CO_2 equivalents.

Scope 1 emissions (direct emissions from mobile and stationary combustion) amount to 10,177 CO_2e [t] (40 % of total emissions) in 2021.

Compared to the previous year, this represents an increase of 20.7 % (2020: 8,433 CO_2e [t]). The comparison with the 2019 financial year, for which figures were also collected as part of the DNK report preparations, appears to make sense against the background of the Corona 2020 financial year: here it can be seen that between 2019 and 2021 the greenhouse gas emissions of 8,805 CO_2e [t] (2019) also increased in line with the rising production (cf. chart). A precise assessment seems only possible against the background of a "normalisation" of business operations in pandemic times.

GHG emissions in t CO_2e



Performance indicator GRI SRS-305-2: Indirect energy-related GHG emissions (Scope 2)

Indirect emissions from energy provided (Scope 2) amount to 15,282 CO_2e [t] in 2021 (60 % of total emissions).

Compared to the previous year, this corresponds to an increase of 4.8 % (2020: 14,582 CO_2e [t]). The comparison with the 2019 business year, for which figures were also collected as part of the DNK report preparations, appears to make sense against the backdrop of the Corona 2020 business year: here it can be seen that between 2019 and 2021 the greenhouse gas emissions of 16,999 CO_2e [t] (2019) were reduced by 10.1 % after all (cf. chart under performance indicator GRI SRS-305-1). A precise assessment seems only possible against the background of a "normalisation" of business operations in pandemic times. However, it seems that initial energy efficiency measures are taking effect here.

Performance indicator GRI SRS-305-3: Other indirect GHG emissions (Scope 3)

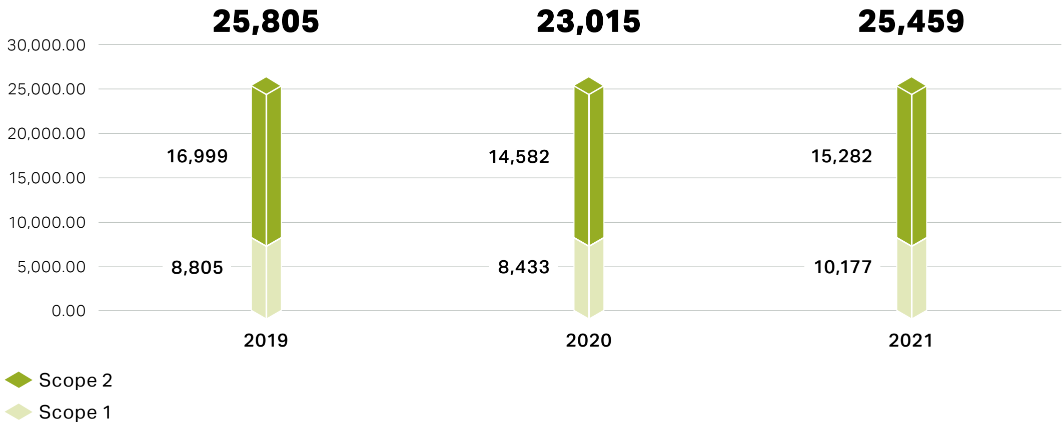
Due to their complexity, the indirect greenhouse gas emissions (Scope 3) are not yet part of the regular recording of key figures. Based on the figures recorded in 2021, a decision will be made in 2022 on a possible extended recording of the CO_2 footprint.

Performance indicator GRI SRS-305-5: Reduction of GHG emissions

Overall view of GHG emissions:

The total emissions (Scope 1&2) for 2021 are 25,459 CO_2e [t]. Compared to the previous year, this represents an increase of 9.6 % (2020: 23,015 CO_2e [t]). The comparison with the 2019 financial year, for which figures were also collected as part of the DNK report preparations, appears to make sense against the backdrop of the Corona 2020 financial year: here it can be seen that between 2019 and 2021 the greenhouse gas emissions of 25,805 CO_2e [t] (2019) were reduced by 1 % after all (cf. chart). A precise assessment seems only possible against the background of a "normalisation" of business operations in pandemic times.

GESCO GHG emissions in t CO_2e 2019 – 2021 (without Krömker)



The CO_2 intensity of the investment portfolio is a key metric for GESCO AG when assessing development. In concrete terms, this means that the CO_2 equivalents are expressed per € million in sales. In 2020, the CO_2 intensity of the investment portfolio is 63.16 CO_2e [t] / € million sales (Scope 1 and 2). In the 2021 financial year, the CO_2 intensity of the investment portfolio was 57.08 CO_2e [t] / € million turnover (Scope 1 and 2). At present, it is not yet possible to determine what influence specific initiatives of the individual subsidiaries on the lower CO_2 intensity had. Detailed evaluations are, however, planned for the future.

EU taxonomy

Share of sales	0 %
Investments (CapEx)	0 %
Operating expenses (OpEx)	0 %

GESCO AG aims to disclose the reporting obligations resulting from the EU taxonomy with the same accuracy and care with which the other financial and non-financial key figures are reported. Against the backdrop of the very tight timeframe following the announcement of the exact reporting requirements in 2021, it was not possible for GESCO AG to identify taxonomy-compliant economic activities with adequate capacities and on the basis of a sustainable methodology for the future.

GESCO currently assumes that the GESCO Group companies will be able to report the respective taxonomy-compliant shares of their economic activities in the future. For the financial year

2021, GESCO will refrain from quantifying tax-deductible shares of sales, opex and capex and will report corresponding zero shares on a transitional basis due to the framework conditions explained above.

For the financial year 2022, GESCO AG intends to continue the development and finalisation of a robust methodology for the full disclosure of the sales, opex and capex indicators to be reported in accordance with Article 8 of the EU Taxonomy Regulation, with the help of additional internal and external capacities and taking into account the necessary lead-time.

Criteria 14 – 20 on society

Criteria 14 – 16 on employees' issues

14. Workers' rights

GESCO strives to ensure an attractive and secure workplace for all employees. It is in line with the company's principles that cooperation between the Executive Board, management and employees is characterised by open and constructive dialogue as well as mutual trust and respect.

As part of internal workshops, the aspects of occupational safety / health protection and the topic of sustainable organisational development were identified as potential risks by means of a risk analysis, as they have the potential to have a negative impact on employee concerns. GESCO sees significant risks on the one hand in health impairments of employees, and on the other hand in the challenge of recruiting suitable employees in the future and retaining them in the respective company.

GESCO derives overarching goals in the area of employees from this:

- High occupational safety
- High health protection
- Employee-friendly corporate culture

For the time being, the targets are not quantified or related to specific periods of time; rather, the status quo and thus the degree to which the targets have been achieved must be ascertained using suitable performance indicators, which are reported to the GESCO AG Executive Board, and the targets must be worked on continuously.

There is no Group-wide management system. Both human resources management and occupational health and safety management are decentralised to the individual companies.

GESCO Group companies regard occupational safety and health protection as central management tasks. They attach importance to appropriate, ergonomic workplaces, regular training and medical examinations of the workforce by company doctors. In addition, regular occupational safety committee meetings are held at all companies. As a long-term investor, GESCO AG relies on modern technologies and adequate safety equipment. These guidelines are laid down in the GESCO Group Code of Conduct.

GESCO AG collects monthly sickness figures in the companies and communicates them within GESCO Group. Significant deviations or increases are discussed in the monthly meetings with the subsidiaries.

At some subsidiaries, employee issues also affect their products and their use by customers. Those subsidiaries that are active in mechanical and plant engineering also contribute to safe and appropriate deployment on the customer side with a number of measures. This includes training, familiarisation and commissioning as well as comprehensive documentation of the delivered products and after-sales services and support.

GESCO considers the topics of sustainable organisational development and corporate culture to be essential for securing the future of the company from an employee perspective. This includes measures to increase sustainability awareness and motivation among employees and managers, the establishment of a continuous change process and perspective-appropriate information on sustainability goals and measures, as well as issues relating to organisational structure, positioning as an employer and training and development.

GESCO pays great attention to filling positions at all levels with adequately qualified, loyal, motivated and high-performing employees. As part of the NEXT LEVEL strategy, so-called LEADEX programmes will be launched in 2022 to specifically promote and develop the subsidiaries' managers and sharpen their leadership skills in a dynamic environment.

For many years, GESCO has conducted systematic employee surveys in the individual subsidiaries in cooperation with an external partner. The primary aim of these surveys is to determine the most authentic possible mood on aspects such as job satisfaction and stress levels, with the aim of deriving and implementing corresponding potential for improvement.

GESCO AG, as the holding company, is based in Wuppertal and operates exclusively in Germany. The Group companies all have their headquarters in Germany. At international locations, the applicable laws, regulations and rules are implemented.

15. Equal opportunities

It is in line with GESCO AG's principles, also laid down in the Code of Conduct, to respect human diversity within the workforce and to treat each other with respect. The declared aim is not to discriminate against anyone based on his or her national or ethnic origin, gender, marital status, age, sexual orientation, personal state of health, religion, ideology or physical appearance. In personnel decisions, only competence, personal suitability and work performance are decisive. No cases of discrimination were reported in the reporting year, which GESCO regards as confirmation of the Code of Conduct and the corresponding objective.

To date, no other explicit targets or measures for equal opportunities have been adopted and implemented at GESCO AG level. In the course of the expanded survey of performance indicators in this area as well, the status quo will be surveyed, based on which targets and measures can be derived in the future if necessary.

GESCO Group companies are already implementing a wide range of measures in this area, such as flexitime, flexible working hours, part-time models and home office arrangements.

16. Qualification

Attracting qualified and motivated employees and retaining them in the long term – this is the decisive goal for ensuring the future viability of GESCO Group. This goal is reflected in high employee satisfaction and low staff turnover, but also in economic success.

The ongoing shortage of skilled workers is also a significant corporate risk for GESCO. The perception of employer attractiveness by potential applicants is closely linked to the implementation of a consistent digitalisation strategy, among other things. This includes adapting the respective work processes to the technical possibilities, both at holding level and in the manufacturing subsidiaries, and thus being as well prepared as possible for the future.

The key is education and training. GESCO places an exceptionally high value on this. A wide range of opportunities for further training and qualification are offered within the companies. The measures range from traditional apprenticeships to dual studies. The companies provide training in both commercial and technical professions within the scope of their possibilities and the company's needs. In 2021, the training ratio in GESCO Group (Germany) was 4 %. Co-operations with schools, universities and institutes offer professional exchange and at the same time increase the attractiveness as an employer.

In 2015, GESCO AG began to initiate systematic employee surveys in the individual companies in cooperation with an external partner. On the one hand, the aim is to obtain an authentic picture of the mood regarding aspects such as job satisfaction and stress levels and to identify potential for improvement. On the other hand, the companies gain concrete, credible arguments for their positioning as employers through the survey.

The results are reported internally to the GESCO AG Executive Board and used for the further development or adjustment of measures in the individual companies. Quantifiable targets have not been set so far, but rather work towards good values in the area of satisfaction. The evaluation of the most recent employee surveys confirms that we are on the right track.

Performance indicators for criteria 14 to 16

Performance indicator GRI SRS-403-10: Work-related injuries

Number and rate of documentable work-related injuries:

110 injuries among 1,583 employees (2021) corresponds to a rate of
7% (+/- 0 vs. the previous year)

Number of work-related injuries with serious consequences: 1 (+/- 0 vs. previous year)

Work-related fatalities:
0 (+/- 0 vs. previous year)

Number of documented work-related illnesses:
4 (-15 vs. previous year)

The most frequent work-related illnesses in 2021 were not recorded.

Performance indicator GRI SRS-403-4: Employee participation on occupational health and safety

Occupational safety committees are installed in all GESCO Group companies. Across the entire Group, 65 employees are involved in these committees. Across all eleven companies, these committees met 38 times in 2021. This means that they met an average of 3.5 times.

GESCO Group companies also employ people who are not employed by GESCO. These are cleaning staff, service providers such as maintenance companies or also contracted tradesmen for renovation work on the buildings. All service providers are selected according to objective criteria. It goes without saying that, regardless of location, we also attach great importance to compliance with the law and corresponding standards of conduct in accordance with the respective national regulations when working with our partners and service providers. There is no further employee participation of these groups of persons.

Performance indicator GRI SRS-404-1 (see G4-LA9): Number of hours of training and education

GESCO Group employees took up an average of 3,397 training and development hours per Group company in 2021. This is considered a good result in view of the more difficult conditions caused by COVID-19. Compared to 2020, this is a slight increase (3,241 training hours on average). Across the entire group, expenditure on education and training amounted to T€ 658 – an increase of T€ 47 compared to the previous year. An evaluation differentiated by gender and employee category is currently not possible.

3,397

hours of further training were attended in the respective subsidiaries on average in 2021.

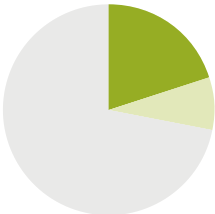
Performance Indicator GRI SRS-405-1: Diversity

Gender ratio
Previous year's value in brackets

33.3 %
(33.3 %)

Proportion of women in supervisory bodies

25.7 %
(28.3 %)



Proportion of women among employees

At GESCO Holding, there is one woman on the Supervisory Board (4 members) and as well as on the Executive Board (2 members). This results in a share of women of 33.3 % over the last two financial years. Within the Group, the proportion of women varies greatly among the individual companies. Therefore, the indicator is not meaningful as an average for the Group.

The number of employees across the group has so far only been differentiated by gender.

Performance indicator GRI SRS-406-1: Incidents of discrimination

No incidents of discrimination were reported in 2021.

0

cases of discrimination were reported in the reporting year. GESCO sees this as confirmation of the Code of Conduct and the corresponding objective.

Criterion 17 on human rights

17. Human rights

Respect for human rights is a matter of course for GESCO. The avoidance of human rights violations in the supply chain is one of the sustainability issues identified as material. The risks derived from social responsibility in the value chain primarily affect relationships with suppliers. The potential negative effects range from direct suppliers to their upstream supply chain to raw material procurement.

GESCO Group companies are predominantly based in Germany and therefore operate in a highly regulated environment. As medium-sized companies, they procure raw materials, input materials and components predominantly from established, primarily German suppliers. Sales, too, are mainly made in Germany and other European countries, accounting for around 80% of sales, i.e. also in a regulated environment.

The goal is to avoid human rights violations in the value chain. GESCO Group fulfils this responsibility to protect human rights by emphatically pointing out to employees, but also to suppliers and other business partners, that compliance with the Code of Conduct is mandatory.

By using established supply chains with mostly established, often large partners on both the supplier and customer side, GESCO believes that responsibility in the value chain is sufficiently given, whereby GESCO assumes that suppliers and customers behave in accordance with the rules. In view of the distinctly medium-sized nature of the subsidiaries, the scope for influencing other stages in the value chain is considered to be limited and no further-reaching, dedicated concept is being pursued in this regard.

It is currently being analysed to what extent a further examination of compliance with human rights, including a human rights impact assessment, is necessary for subsidiaries due to their market position or the special nature of the relationship with their business partners. Should this analysis reveal a need for action, a risk analysis will be carried out in the course of the coming financial years and a corresponding management concept will be developed. Due to the general conditions described above, GESCO has not yet set any specific goals in this area and cannot report on the achievement of these goals.

Performance indicators for criterion 17

Performance indicator GRI SRS-412-3: Investment agreements screened for human rights aspects

Investment agreements or contracts do not contain human rights clauses and are not screened from a human rights perspective.

However, all contractual partners are required to comply with the law.

Performance indicator GRI SRS-412-1: Sites screened for human rights aspects

As explained above, GESCO Group is primarily active on the European market, so no business locations are reviewed with regard to human rights or human rights impacts.

Performance indicator GRI SRS-414-1: New suppliers screened for social aspects

Both the selection of our suppliers and compliance with human rights are regulated in GESCO AG's Code of Conduct. If there are indications of human rights violations at suppliers, GESCO AG reserves the right to terminate the cooperation if no countermeasures are taken. The individual subsidiaries are responsible for considering these requirements. There is currently no centrally controlled audit.

Performance indicator GRI SRS-414-2: Social impacts in the supply chain

GESCO AG is not aware of any significant actual or potential negative social impacts in the supply chain for the reporting period.

A concrete review of suppliers for social impacts has not been carried out to date.

Criterion 18 on social / community affairs

18. Community

GESCO's founding idea and business model is to facilitate company successions and to develop companies in a future-oriented manner as part of the long-term investment approach. This goes hand in hand with the creation of wealth and income for employees, shareholders, business partners and the public sector. The aim is to ensure succession solutions for all companies in the Group.

In addition to providing extensive publicly available information, GESCO AG seeks contact with regional politicians and the financing banks of the acquired company, particularly in the context of company takeovers, in order to introduce itself as the new owner. After the takeover, the location, workforce and corporate identity of the acquired companies should be preserved so that the existing network or stakeholders of the acquired company, such as customers, suppliers, municipalities, neighbours or banks, retain their trusted partner.

GESCO has also set itself the goal of assuming social responsibility in the value chain. In its social commitment, GESCO Group focuses on the "MINT" subjects. Since 2019, GESCO AG has included a support programme for the Junior Uni Wuppertaler Kinder- und Jugend-Universität für das Bergische Land gGmbH – Junior Uni for short – based in Wuppertal. Within this framework, GESCO supports the position of an academic subject coordinator with € 60,000 per year. Founded in 2008, the educational institution is a unique teaching and research facility in Germany that offers young people from the age of four up to high school graduation courses in experimentation and research. In doing so, it claims to inspire and prepare young people for entry into technical professions. GESCO Group companies particularly support sports and cultural institutions in their respective regional environments.

In the community sector, risks always exist where companies have to cut jobs due to changes in general conditions or experience economic losses that have a negative impact on wages and salaries, social security contributions and pension expenses. In our view, a dedicated analysis of risks or a specific management concept is not expedient here; rather, we want to ensure that GESCO Group's performance is positive and that potential risks do not arise in the first place.

GESCO Group's performance on the capital market is, among other things, a combination of share price development and dividend payment. The GESCO share price was up significantly again in the reporting year, rising 39 % compared to previous years. In view of the overall negative result in the 2020 financial year, the Executive Board and Supervisory Board had decided to suspend the dividend payment in 2021 for the 2020 financial year as part of the existing dividend strategy. As a result of the positive development in the 2021 financial year, the Executive Board expected a dividend payment in 2022.

An adjustment of the measures is currently not necessary due to the performance.

Performance indicators for criterion 18

Performance indicator GRI SRS-201-1: Direct economic value generated and distributed

We meet the requirements for documentation and transparency by publishing the data of the annual financial statements in accordance with § 325 HGB in the electronic Federal Gazette.

	Financial year 2021*	**in T€**
1.	**Direct economic value generated**	
	Proceeds	**489,658**
2.	**Economic value disbursed**	
	Operating costs	322,535
	Salaries and benefits for employees	112,914
	Payments to capital providers	2,907
	Payments to the state	15,142
		453,498
3.	**Retained economic value**	
	1. – 3.	**36,160**

* Separation of values at national, regional or market level is of secondary importance, as GESCO Group mainly operates through German subsidiaries.

Criteria 19 – 20 on compliance

19. Political influence

GESCO AG is a member of the German Investor Relations Association (DIRK). DIRK is the largest European trade association for the connection between companies and capital markets. Among other things, the association represents interests in a sensitive interplay of forces between issuers, legislators, trading platforms, capital providers and other stakeholders. To this end, the association maintains an ongoing exchange with numerous institutions relevant to capital market processes, such as the German Stock Exchange, the German Federal Financial Supervisory Authority (BaFin), the German Equities Institute (DAI), the German Association for Financial Analysis and Asset Management (DVFA), the German Investment and Asset Management Association (BVI), the German Association for the Protection of Securities Ownership (DSW) and many others. GESCO AG is also a member of the DAI. On behalf of its member companies, the DAI brings the perspectives of the real and financial economy into the political debate through professional exchange with politicians and regulatory authorities.

GESCO Group companies are not members of or donate to political associations. Neither do they exert political influence nor are they politically involved in current legislative processes. As a result, there are no risks from GESCO's business activities due to political influence.

GESCO AG is also affected by the national implementation of the Corporate Sustainability Reporting Directive (CSRD). This also means that it is affected by the EU taxonomy. GESCO AG is currently examining how it can meet these requirements in the future at a reasonable cost.

Performance indicators for criterion 19

Performance indicator GRI SRS-415-1: Party donations

No political donations are made by GESCO Group, GESCO AG or GESCO Group companies.

20. Conduct in compliance with the law and directives

GESCO AG's corporate actions respect the applicable law and regulations as well as internal guidelines and resolutions. The goal and essential issue is therefore to ensure compliant behaviour at all levels and to counteract the risk of supporting corruption or profiting from corruption in the supply chain. In pursuing this goal, national legal standards are observed in the countries in which GESCO AG companies operate. GESCO measures its performance by the number of incidents and violations of laws and regulations in the social and economic sphere. GESCO did not record any such incidents for the financial year 2021.

GESCO AG essentially complies with the recommendations of the German Corporate Governance Code (GCGC). GESCO explains company-specific deviations in the declaration of compliance 2021, which can be viewed at www.gesco.de/en/about-us/compliance-and-corporate-governance.

GESCO Group counters compliance risks such as corruption, cartel violations and criminal activity with an established compliance management system, which includes in particular a Group-wide code of conduct, accompanying guidelines and work instructions, an online information system (rulebook) for GESCO Group employees, accompanying training courses, case-related spot checks and a whistle-blower system for employees and outsiders. The whistle-blower system that has been set up is also available to outsiders. It gives them the opportunity to inform GESCO AG about violations of legal regulations or compliance rules and thus contribute to their detection. The compliance management system is also used to analyse whether risks exist in the current financial year. No risks were identified for the reporting year 2021.

The compliance management system is continuously being further developed in order to continue to meet the compliance requirements in an increasingly complex environment throughout the Group.

The Code of Conduct regulates the following areas of activity, among others:

- At the workplace
- With customers
- With suppliers & business partners
- With competitors
- With the capital market & GESCO AG
- Dealing with misconduct

Each and every employee is encouraged to point out misconduct. GESCO directs reports to the manager. If the manager is affected or biased, he or she can report the matter to the next higher superior or to the management of the respective associated company.

Specific, well-founded indications of serious violations of the law or rules within GESCO Group can be reported to an external ombudsman at GESCO AG. GESCO AG has appointed an external lawyer for this purpose. The ombudsman receives information from all GESCO Group employees and third parties (e.g. business partners or customers) about suspected criminal offences and other violations of laws and regulations relating to GESCO Group. No violations were reported for the reporting year 2021.

It is the task of the managing directors of the subsidiaries to anchor the respective requirements and principles in their companies. The code of conduct for GESCO Group employees is available on the website at www.gesco.de/ueber-uns/compliance-und-corporate-governance/, as is further information on the whistleblowing system that has been set up. The monitoring of and compliance with legal requirements and embargo regulations against countries, organisations or persons is the responsibility of the subsidiaries for their respective operational business, with the holding company providing suggestions or pointing out serious changes on a case-by-case basis. At GESCO AG level, the topic of compliance is anchored in the Executive Board's Finance department.

Performance indicators for criterion 20

Performance Indicator GRI SRS-205-1: Business sites screened for corruption risks

The GESCO Code of Conduct and the associated guidelines and working resolutions apply to all locations (100 %) as part of the governance system (see criterion 20). Furthermore, there is no dedicated audit of the operating sites for corruption risks.

Performance indicator GRI SRS-205-3: Incidents of corruption

In the reporting year, there were no cases of corruption or proceedings in this context.

Performance indicator GRI SRS-419-1: Non-compliance with laws and regulations

In the reporting year 2021, there are no significant fines or monetary penalties as a result of non-compliance with laws and regulations.

The SUSTAINABILITY Code
Signatory 2021

prepared according to CSR Directive Implementation Act

04

Combined Management Report

Combined Management Report for the Financial Year 2021 (01 January until 31 December 2021)

The Management Report of GESCO AG is combined with the Management Report of the Group. This Management Report is published in the GESCO Annual Report 2021 and together with the annual financial statements of GESCO AG. Unless otherwise stated, the information relates to GESCO Group and GESCO AG together, whereby the explanations refer to the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The explanations on GESCO AG are contained in a separate section and relate to the annual financial statements prepared in accordance with the provisions of the German Commercial Code (HGB).

Contents of websites or publications to which we refer in the Management Report are not part of the Management Report, but serve only to provide further information. This does not include the corporate governance statement pursuant to §§ 289f and 315d HGB.

01 _ Fundamentals of the Group

Business model

GESCO AG, founded in 1989, acquires economically sound medium-sized industrial companies headquartered in Germany as a long-term investor in order to retain and develop them over the long term. Acquisitions are often made in the course of succession planning, whereby GESCO AG generally acquires a majority stake, usually 100 %. In some companies, their respective managing directors hold a stake of up to 20 %. 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 AG, its 11 significant direct operating subsidiaries (continuing operations) and their subsidiaries in Germany and abroad.

GESCO AG 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

Starting in autumn 2018, the Executive Board and Supervisory Board of GESCO AG developed and adopted 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 into Hidden champions on the other. The strategy has been further developed and concretised in recent months to form the current NEXT LEVEL 25 strategy.

In order to make the portfolio more balanced and resilient, three anchor holdings and twelve basic holdings of substantial size will be targeted in the future. Two further anchor investments are to be implemented alongside the Dörrenberg Group, whereby their target markets are to have as low a correlation as possible with Dörrenberg's typical market cycles. These new anchor investments can either be acquired or developed on the basis of an existing subsidiary through strategic acquisitions. The portfolio is to be rounded off by twelve basic holdings with substantial sales and earnings contributions that expand the spectrum of target markets. Within the framework of the NEXT LEVEL 25 strategy, we focus our acquisitions on companies with sales of between € 20 and € 100 million, whereby strategically motivated supplementary acquisitions of subsidiaries can also take place in lower sales sizes.

In December 2020, we already made a major contribution towards our target portfolio with the sale of a group of six subsidiaries. The management buy-out of a seventh company in February 2021 supports our efforts to reduce our dependence on the direct automotive business and to position our portfolio in promising markets. In June 2021, we acquired the United MedTec Group with the operating company Krömker, thereby strengthening our footprint in the medical technology sector. The existing stake in Haseke was incorporated into United MedTec Holding, so that with the integration of the two very complementary operating companies, a substantial basic investment in the Healthcare and Infrastructure segment was formed. On the way to further strengthening the portfolio, Hubl was reclassified to the Production Process Technology segment at the beginning of 2022, which was renamed Process Technology. With INEX-solutions GmbH, a holding company was founded into which both stainless steel specialists Hubl and Sommer & Strassburger are incorporated. The aim is to create added value for the customers of both companies, some of which are active in the same industries, without integrating the operations of the companies.

In order to develop the Group's medium-sized companies to the next level, GESCO AG further established the excellence programmes initiated in the previous year at the subsidiaries as part of daily improvement activities in the reporting period as part of the NEXT LEVEL strategy. This was also accompanied by the further development of GESCO AG in its role as an actively supporting owner with increasingly more methodological expertise and expertise. 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. CANVAS workshops also form the basis for the integration and further strategic steps at the newly acquired United MedTec Group. Depending on the specific needs and status of the respective subsidiary, we started 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 sales volume and gaining market share. OPEX serves to optimise processes in all entrepreneurial functions and thus to increase efficiency. The LEADEX programmes were successfully launched in 2021 despite the limited opportunities for face-to-face meetings and are intended to establish a common corporate culture with a balanced focus on performance.

Among the MAPEX projects, the product developments "EMONI", the new brake line strip and stainless steel/nickel at Pickhardt & Gerlach deserve special mention. "EMONI" – electric mobility nickel for e-bike batteries – has started as a series product for a relevant market participant in 2021. SVT won a first reference order for a CNG (Compressed Natural Gas) loading arm, thus laying the foundation for the development of another market segment. Dörrenberg further expanded its precision flat steel business. Setter has relocated within the USA, tripling capacity with modern machinery in the process, in order to maintain its leading market position in the important American market and expand with more products.

Hubl and Sommer & Strassburger were the first companies to start OPEX projects in 2019. The efficiency advances achieved in the meantime have enabled both companies to meet the positive demand trend in 2021 and achieve record sales with significantly higher profitability. SVT has also been able to increase sales by more than 20 % to a near-record level with good margins thanks to extensive process improvements.

After an intensive restructuring phase, MAE has achieved a turnaround with its current team. AstroPlast has also reorganised its team and significantly advanced topics such as digitalisation in production. For us, LEADEX also means working with the managing directors of the subsidiaries to develop and implement concepts tailored to GESCO's target image of "High-Performance-Teams".

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 numbers in sales growth, margin and cash flow.

Significant changes in the scope of consolidation

In February 2021, GESCO concluded an agreement on the sale of the majority shareholding in VWH GmbH as part of a management buyout. The majority shareholding of 80 % in VWH GmbH, based in Herschbach, a provider of products and services in the area of special machines and toolmaking (injection moulds, laser technology, automation and testing technology), predominantly for customers from the automotive industry, was sold. The company had been a member of GESCO Group since 2007 and was assigned to the Production Process Technology segment. With the sale, GESCO completed the balancing of the portfolio with significant automotive shares after all companies in the mobility segment had already been sold at the end of 2020.

In June 2021, GESCO AG acquired 100 % of the shares in United MedTec Holding GmbH, Bückeburg. Structurally, GESCO thus acquired W. Krömker GmbH, held by United MedTec Holding GmbH, as the main operating company and Tragfreund GmbH as the licensing company (together UMT Group). UMT Group is allocated to the Health Care and Infrastructure Technology segment.

After the 80 % stake in Haseke GmbH & Co. KG, Porta Westfalica, held by GESCO AG was transferred to United MedTec Holding GmbH in August 2021, United MedTec Holding GmbH acquired the remaining 20 % stake in Haseke GmbH & Co. KG from the minority shareholder in September 2021. United MedTec Holding GmbH now holds 100 % of Haseke GmbH & Co. KG. The background to the restructuring is that the product portfolios of W. Krömker GmbH as a supplier of articulated arm systems in medical technology and the long-standing subsidiary Haseke GmbH & Co. KG as a manufacturer of support arm systems complement each other perfectly. With Haseke GmbH & Co. KG alongside W. Krömker GmbH and Tragfreund GmbH as the UMT Group, it was possible to create a substantial basic holding with organic and inorganic growth potential in the attractive field of medical technology.

In October 2021, GESCO AG acquired 100 % of the shares in wkk Beteiligung AG, based in Vienna, Austria. As published on 13 October 2021, it is planned to convert GESCO AG into a European public limited company. The conversion is to be carried out by merging wkk Beteiligung AG with GESCO AG, changing the legal form to that of an SE (Societas Europaea). The merger requires the approval of the GESCO AG Annual General Meeting. If possible, the Annual General Meeting on 24 August 2022 should deal with the proposed resolution.

In addition, the liquidations of Georg Kesel Machinery (Beijing) Co. Ltd, Beijing, China, Modell Technik Beteiligungsgesellschaft mbH, Sömmerda, and Alro GmbH, Wuppertal, were completed in 2021. The companies are no longer included in the scope of consolidation and have no significant impact on the consolidated financial statements.

Without affecting consolidation, GESCO AG concluded a profit and loss transfer agreement with Setter Holding GmbH, formerly Setter GmbH, which was confirmed by the Annual General Meeting in 2021 and established a fiscal unity with effect from 1 January 2021, and contributed its limited partner's share in Setter GmbH & Co. Papierverarbeitung to Setter Holding GmbH.

In December 2020, GESCO AG had disposed of all shares in the following companies (discontinued operations):

- Mobility Technology segment
  - Paul Beier GmbH & Co. KG, Kassel, sowie Paul Beier Verwaltungs GmbH
  - Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt, and Dömer GmbH
  - Modell Technik Formenbau GmbH, Sömmerda
  - WBL Holding GmbH, Laichingen, including its subsidiaries Werkzeugbau Laichingen GmbH, Laichingen, Werkzeugbau Leipzig GmbH, Leipzig, and TM Erste Grundstücksgesellschaft mbH, Wuppertal.

- Other segments
  - Frank Walz- und Schmiedetechnik GmbH, Hatzfeld including its subsidiaries Frank-Hungaria Kft., Òzd, Ungarn, Frank Lemeks Tow, Ternopil, Ukraine and OOO Frank RUS, Orjol, Russland
  - C.F.K. CNC Fertigungstechnik Kriftel GmbH, Kriftel

The sale became effective on 22 resp. 23 December 2020 with the exception of the disposal of Paul Beier GmbH & Co. KG. In this case, the effectiveness of the transaction was still subject to the approval of the Federal Ministry for Economic Affairs and Energy. A disposal was already booked in 2020 as approval was predominantly probable and GESCO AG was contractually bound to the sale of shares subject to approval being granted. The transaction was completed by letter from the ministry in March 2021. With this disposal, GESCO closed the Mobility Technology segment and at the same time undertook the largest portfolio restructuring in the company's history. The transaction was carried out as part of the NEXT LEVEL strategy and served the goal of making the portfolio more balanced, more robust and thus also more profitable.

Control system

Planning and management at GESCO Group is conducted at the levels of the individual subsidiaries and GESCO AG. An annual budget created by the management of the respective company and jointly approved by the Executive Board of GESCO AG establishes the framework for operating development, personnel measures and subsidiary investments. GESCO AG receives figures on at least a monthly basis from the subsidiaries throughout the year as part of regular reporting. GESCO AG records and assesses this information, adds its own financial and accounting figures and consolidates the information. In on-site meetings held at each company on at least a monthly basis or video meetings, the GESCO AG investment manager and the respective subsidiary managers analyse the findings from subsidiary reporting and determine which objectives have been achieved. Options related to opportunities and risks alike are discussed jointly so as to be able to respond promptly to changes in the market situation.

GESCO AG draws up a Group budget based on the subsidiaries' individual budgets. The Executive Board of GESCO AG presents its outlook for Group sales and Group net income after minority interests for the new financial year at the annual accounts press conference; this outlook is adjusted further in the course of the quarterly reports. The key performance indicators are incoming orders, sales, EBIT and equity ratio as well as consolidated net income after minority interests. In the economic and forecast report within this Management Report, sales and consolidated net income after minority interests are included in the explanations as the most important indicators for the Group. For the holding company, this applies with regard to the investment income and the net profit for the year as well as the equity ratio.

Research and development

Our subsidiaries are mostly small and medium-sized enterprises 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 Edelstahl GmbH, strip steel finishing specialist Pickhardt & Gerlach has developed innovative strip steel for the inner workings 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 has started a project focusing on hydrogen loading in 2021. Setter, the world's leading manufacturer of paper sticks, has developed sticks based on sugar cane to expand its product range.

02 _ Economic Report

Macroeconomic and sectoral framework conditions

After the German economy fell into a deep recession in the Corona crisis year 2020 following a ten-year growth phase, the **German gross domestic** product turned positive again in 2021 with an increase in economic output of 2.9 %. While private consumer spending in 2020 fell by an unprecedented - 5.9 %, it gradually increased in the course of 2021 in view of the noticeably lower burden of the pandemic, but ultimately stagnated (0.0 %). In particular, the fourth Corona wave and the price level development slowed the growth momentum of private consumption in the winter months of 2021, but to a much lesser extent than in the same period of the previous year. On the other hand, there was a noticeable increase in government consumption (+ 3.4 %). The biggest drivers were the various measures to support the economy and additional spending in the health sector.

Not least because of the persistent supply and material bottlenecks, investments in equipment and construction were still at a comparatively subdued level in 2021 (+ 3.2 % and + 0.5 % respectively). Compared to the weak previous year, exports and imports of goods and services showed a clear increase in momentum (exports + 9.4 %, imports + 8.6 %). In 2020, the increase in employment, which had lasted for more than 14 years, ended due to the Corona pandemic, whereby additional layoffs were prevented by the extended short-time work regulations. A strong recovery in employment then set in during the summer of 2021, which slowed down again somewhat towards the end of the year. Overall, the German economy in 2021 recorded a noticeable recovery compared to the previous year, which was, however, still slowed down by the rate of new infections in the winter months as well as the persistent material and supply bottlenecks.

In the Corona year 2020, production in the German mechanical and plant-engineering sector fell by a total of 12.1 %. However, as a result of initial signs of easing since October 2020, the decline in production in 2020 was slightly better than the - 17 % originally forecast. The slight improvement in the economy since then also affected the forecast for 2021, so that the **German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e. V. -VDMA)** expected a 4 % increase in production for 2021 at the turn of the year 2020/2021. Previously, the VDMA's economists had assumed growth of 2 %.

In early 2021, the impact of the Corona pandemic continued to weigh heavily on companies and their investment plans. This was compounded by continuing disruptions to value chains and economic tensions between the USA and China. However, German companies experienced fewer order losses or cancellations as time progressed, but continued to struggle with bottlenecks in supply chains. The association raised its production forecast to + 7 % in April 2021 and again to + 10 % in June 2021.

In the first nine months of 2021, the order books of mechanical engineering companies were well filled despite Corona. Growth was limited by the production bottlenecks resulting from the backlog of orders and the travel restrictions that persisted in some cases. The persistent shortage of skilled workers, material shortages, price increases as well as problems in logistics and transport processing further burdened companies in the mechanical and plant-engineering sector.

At the end of 2021, the extraordinary growth momentum of the summer months gradually subsided. However, the association assumes that the order situation will remain intact, also because orders that could no longer be manufactured in 2021 for capacity reasons will be produced in 2022. According to provisional calculations by the Federal Statistical Office and the VDMA, price-adjusted production in the German mechanical and plant-engineering sector ultimately rose by 7.0 % to around € 219 billion in 2021 as a whole.

The M&A market continued to be affected by the COVID 19 pandemic in the 2021 financial year, but was able to set records worldwide. Due to investment pressure and continued high liquidity, valuations for attractive target companies are still at a very high level. Multiples of 20 times the EBITDA of the last twelve months are no longer uncommon for software, telemedicine, e-commerce and fintech companies. Even well positioned industrial companies are currently being sold for double-digit EBITDA multiples and private equity funds are taking advantage of the situation for profitable exits.

In addition, other trends and developments are emerging: the topic of sustainability (ESG) is making its way into M&A deals, the virtual execution of deals is increasing and the daily work of M&A teams is characterised by remote working.

Furthermore, very strong demand meets limited supply. In this environment, GESCO is actively approaching entrepreneurs both for basic investments and increasingly for potential supplementary acquisitions, but is also participating in selected auctions. As a long-term investor, GESCO must act in a disciplined but determined manner in the current market environment.

Business performance

After 2020, a crisis year marked by developments surrounding the Corona pandemic, GESCO Group companies got off to a good start in the 2021 financial year. All three segments were able to significantly expand their business volumes. The project business gradually got underway. The good development in the strip and stainless steel segment provided additional support.

In the first half of 2021, the companies benefited from the economic tailwind and revived demand, supported by the economic effects from successful measures of the Operational Excellence (OPEX) and Market and Product Excellence (MAPEX) programmes launched in 2019 and 2020. The tool and strip steel segments and the stable positive business with paper sticks for the confectionery and hygiene industry also contributed to the good development. Demand for stainless steel equipment for the pharmaceutical and biotech industries also developed particularly well. UMT Group, which was acquired in the second quarter of 2021, also made a pro rata contribution to the overall development of GESCO Group. Other drivers were the construction industry and the continuing good order situation in loading technology.

As a result of the intensifying material bottlenecks (steel, plastics, control components) and price increases over the course of the year, it was important for the subsidiaries to keep a close eye on the supply of materials and to act with foresight. The good management of supply problems and price burdens had a positive effect over the course of the year, supported by the increase in demand. In addition, the capital goods segment benefited in the second half of 2021 from the usually increased contributions from machinery and equipment deliveries in this period. Ultimately, all GESCO Group segments showed significantly improved business developments in the financial year 2021, with most subsidiaries also exceeding the sales of the last pre-Corona year 2019.

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 € 544.5 million in the financial year, i. e. 33.7 % more than in the previous year (previous year continuing operations, i. e. excluding the seven companies sold in December 2020 and February 2021: € 407.1 million). Group sales totalled € 488.1 million, up 22.9 % on the previous year (€ 397.2 million). The financial year closed with an order backlog of € 209.3 million (from continuing operations € 139.7 million).

In a like-for-like comparison to the last pre-Corona calendar year 2019 (continuing companies excluding United MedTech acquisition), 2021 order intake has increased by 17.3 % and sales by 3.0 %.

Despite the price increases in many areas in 2021, the cost of materials ratio was reduced overall from 55.4 % to 54.4 %.

The reduction in the personnel cost ratio from 26.2 % to 23.1 % is not solely 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 22.9 %, the average number of employees increased by less than 2 % (continuing operations).

Other operating income was slightly above the previous year's level, which was partly due to grants in the USA awarded as support for Corona personnel costs in the previous year.

At 25.1 %, other operating expenses from continuing operations increased slightly more than sales. A one-off expense of € 2.7 million related to a purchase price adjustment for a past acquisition, which was limited until 31 December 2021 and whose utilisation was not expected at the time of acquisition. Otherwise, the higher expenses reflect the increased business volume.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from continuing operations reached € 62.2 million (€ 33.4 million).

Depreciation and amortisation amounted to € 17.6 million (€ 16.7 million) in the reporting period. In the previous year, unscheduled depreciation related exclusively to discontinued operations.

Earnings before interest and taxes (EBIT) reached € 44.6 million (€ 16.7 million). This brought the EBIT margin to 9.1 % (4.2 %), back within our target corridor of 8 – 10 % for the first time since 2018 / 2019 (consolidated financial statements as at 31 March 2019 as reported).

The financial result of € -1.9 million (€ -3.8 million) includes unscheduled impairments on financial assets of € 0.9 million (€ 2.1 million), which are indirectly related to the sale of companies. The other financial result of € -1.0 million compares to a result from continuing operations of € -1.7 million in the previous year.

Earnings before taxes (EBT) amounted to € 42.7 million (€ 12.9 million). At 31.0 %, 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 were or will be offset for tax purposes. The tax rate in the previous year was 46.6 % for continuing operations due to the higher non-capitalisation of deferred taxes for loss carryforwards.

After minority interests of € 2.6 million (€ 1.1 million), consolidated earnings after minority interests reached € 26.9 million, compared to € 5.8 million for continuing operations in the previous year. Earnings per share according to IFRS amounted to € 2.48 (€ 0.54 continued).

The result of discontinued operations before taxes is insignificant at € -19 thousand. In the previous year, it was € -21.7 million and, in addition to a current result of € -2.1 million, included extraordinary depreciation on fixed assets including goodwill of € 15.5 million and losses from deconsolidation of € 4.1 million. Overall, the consolidated result after minority interests in the previous year amounted to € -16.6 million, of which € 21.7 million was due to the impairment of financial assets (continued), the impairment and the deconsolidation losses (both discontinued).

In the previous year's consolidated financial statements, we assumed an increase in sales of at least 10 % for the 2021 financial year and expected a clear double-digit € million result. We had concretised the outlook to a sales range of € 445 - 465 million with a consolidated net income after minority interests of € 16.5 - 18.5 million. After the first unexpectedly strong months of the year, we had raised the sales forecast to € 465 - 485 million with a net income of € 20 - 22 million. As business activity remained at the high level, in November 2021 we concretised the sales forecast to the upper end and adjusted the expectation for the result to € 22 - 24 million. As reported on 09 March 2022, we slightly exceeded the forecast with sales of € 488.1 million and a record result of € 26.9 million. The decisive factors for the very good result in the fourth quarter were the realisation of projects despite the supply bottlenecks and the positive effect of the profit and loss transfer agreement with Setter on the tax rate. In addition, the companies succeeded in compensating for the considerable price increases in materials through forward-looking price adjustments.

Sales and earnings by segments

The development in the **Production Process Technology** segment at the beginning of the year was characterised by investment restraint on the part of customers in the automotive sector, while demand for stainless steel equipment was very positive from the beginning of the year. In the course of the year, demand for capital goods also increased at the other companies, so that order intake for all companies reached € 83.9 million (€ 49.7 million in the previous year at the continuing companies) corresponding to an increase of 68.7 %. Sales totalled € 65.3 million, 20.6 % above the previous year (€ 54.2 million). All companies supported the increase in sales. EBIT reached € 8.7 million (€ 0.4 million) with an EBIT margin of 13.3 % (0.7 %). Particularly pleasing are the further margin increase of Sommer & Strassburger with increased operating performance, primarily resulting from the OPEX programme, and the positive contribution of MAE after the restructuring expenses recorded in the previous year.

In the **Resources Technology** segment, catch-up effects made the year 2021 start strong. Our companies in the tool and strip steel segment have reacted to the increasingly high 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 to improve their own margins again after the rather weak results of the previous year on the other. SVT, active in the field of loading systems for liquids and gases, was able to win the largest project order in its company history in the previous year, which was partially delivered in the year under review. However, the high level of incoming orders was also maintained in 2021. Overall, order intake in the segment, which was not affected by the sale of companies in 2020, reached € 292.2 million (€ 233.3 million). Sales in this segment was € 277.7 million (€ 226.4 million). With an EBIT of € 35.5 million (€ 13.7 million), the EBIT margin rose to 12.8 % compared to 6.0 % in the same period of the previous year.

The second largest segment, **Health and Infrastructure Technology**, is usually characterised by a less cyclical nature with stable sales and positive margins. However, significant increases were also achieved here in the 2021 financial year. Particularly noteworthy was the order intake in the stainless steel sector from the biotech and semiconductor industries, plus significantly higher demand from the construction sector. The Setter Group, a manufacturer of paper sticks for the hygiene and confectionery industry operating in a dynamic market, was also again able to report record sales and earnings. Incoming orders totalled € 168.4 million (€ 124.0 million continued) and sales reached € 145.1 million (€ 116.7 million). EBIT amounted to € 14.6 million (€ 11.4 million), with the EBIT margin increasing from 9.8 % to 10.1 %. The United MedTech Group has been included in these operating figures since June before effects from initial consolidation.

The **GESCO AG / other companies** segment includes GESCO AG and a number of companies of minor importance. The reconciliation item shows consolidation effects and the reconciliation to the corresponding IFRS consolidated figures. The relatively high reconciliation item of € - 6.9 million (previous year: € - 3.2 million) includes one-off effects from the initial consolidation of United MedTech Group as well as the purchase price adjustment for a past acquisition of € 2.7 million, which was limited until 31 December 2021 and was not expected to be used at the time of acquisition.

Sales by regions

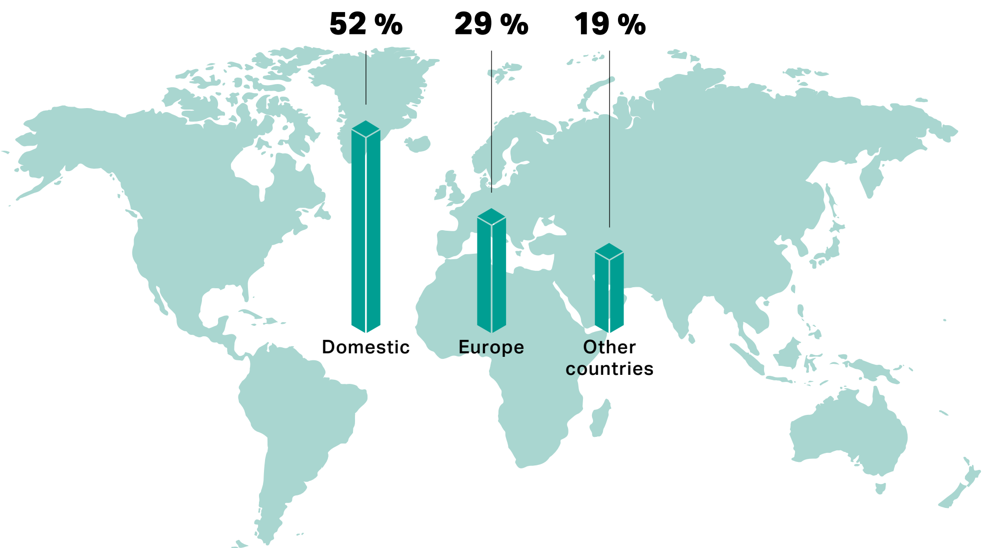
The foreign share of Group sales was 48.2 % (46.6 % for the continuing companies). Europe (excluding Germany) accounted for 28.7 % (30.3 %) of sales, with France and Italy being the most important individual markets. Asia's share was 9.6 % (7.5 %), of which China accounted for 3.2 (1.7) percentage points. The USA was the most important market outside Germany with a share of 7.3 % (6.3 %).

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

In this regional distribution of sales, it should be taken into account that many of our companies' domestic customers are themselves export-oriented. GESCO Group is therefore likely to have a significant indirect export business, although it is naturally impossible to put an exact figure on this.

Sales by regions

Financial year 2021 (continuing operations)



Financial situation

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 2021. At 15.2 % (10.3 %) of equity, goodwill remains at a low level even after the acquisition of United MedTec Group. Overall, GESCO Group has the necessary financial prerequisites for internal and external growth.

On the liabilities side, the equity capital of € 255.7 million was above the level of € 227.8 million at the beginning of the financial year, which resulted in particular from the positive consolidated annual result. As the balance sheet total increased due to the acquisition and the higher working capital resulting from the higher business volume, the equity ratio changed from 58.3 % to 56.9 %.

Investments

As a long-term investor, GESCO AG supports regular investments by subsidiaries in their technical equipment in order to strengthen their competitiveness. This includes investments in tangible assets as well as modern information technology, especially systems for efficient production planning and control. In view of the weak demand, we had postponed investment projects that were not absolutely necessary in the previous year and were still cautious in many areas in the reporting year due to the existing uncertainties.

In total, investments in tangible and intangible assets of all companies amounted to € 13.8 million compared to € 12.4 million in the previous year. This includes rights of use reported as investments in accordance with IFRS 16 of € 5.9 million in the reporting period and € 1.4 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 investment focus was on Setter Group, which, after expanding its German production capacities for paper sticks for the confectionery and hygiene industry in the previous year, rebuilt the machinery and equipment in the USA in 2021 as part of a relocation of the site. The lease of the new property in Fountain Inn, South Carolina, also contributed significantly to the increase in the right-of-use balance.

As of the balance sheet date, there are order commitments of T€ 676 (previous year: T€ 772). This mainly relates to machinery and technical equipment ordered but not yet delivered at several companies. The investments are expected to be completed in the 2022 financial year.

Depreciation of tangible assets and amortisation of intangible assets of the continuing companies amounted to € 17.6 million (€ 16.7 million continuing) in the reporting period. In the discontinued operations, depreciation and amortisation of € 24.2 million in the previous year consisted of € 8.7 million in scheduled depreciation and amortisation and € 15.5 million in impairments, of which € 2.1 million was goodwill.

Liquidity and net debt

At € 57.7 million, cash and cash equivalents on the balance sheet date were once again higher than the previous year's figure of € 49.2 million.

Current and non-current liabilities to banks decreased by a total of € 6.3 million to € 76.3 million (€ 82.6 million). Current and non-current leasing liabilities increased by € 4.0 million from € 15.3 million to € 19.3 million due to the addition of Krömker GmbH and the leasing of the new hall of Setterstix US.

Net debt thus decreased from € 33.4 million to € 18.6 million. Taking into account the leasing liabilities, there was an improvement from € 48.7 million to € 37.9 million.

In relation to the EBITDA of € 62.2 million, the net debt-to-EBITDA ratio is therefore 0.3, or 0.6 including IFRS 16.

At the end of the financial year, there were committed but unused credit lines of € 30.1 million. The group was able to meet its payment obligations at all times.

Based on the positive result for the period of € 29.5 million, the operating cash flow decreased to € 51.7 million (€ 59.6 million) compared to the previous year. The very good result in the reporting year was offset by a moderate increase in working capital of € 12.8 million in view of the significantly higher business volume, while the weaker operating result of the previous year was compensated by liquidity gains from the reduction of working capital. The working capital ratio improved from 37.2 % at the end of 2020 to 32.9 % at 31 December 2021.

The cash flow from investing activities of € 32.0 million includes the self-financed acquisition of the United MedTec Group. The repayment of loans of € 10.8 million exceeded the new borrowing of € 4.5 million.

Assets situation

Total assets in GESCO Group amounted to € 449.5 million as at the reporting date, compared to € 390.8 million in the previous year. Non-current assets increased by a total of € 29.8 million compared to the previous year, in particular due to the intangible assets recognised as part of the acquisition of United MedTec Group. Inventories and trade receivables increased by € 28.1 million.

The tangible assets intensity was 23.7 % (previous year's reporting date 26.8 %). The ratio of non-current capital to non-current assets was 1.7 (1.9) on the balance sheet date.

Situation of GESCO AG

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

At € 30.2 million, GESCO AG's investment income in 2021 was above the level of the previous financial year (€ 27.5 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.

Expenses from loss transfers of € 5.4 million in the previous year were offset by income from profit transfer agreements of € 10.9 million in the 2021 reporting year. In the 2020 financial year, the two companies with which a profit and loss transfer agreement existed were significantly affected by the development in the automotive sector. Modelltechnik Formenbau GmbH, one of the two companies, had been sold in December 2020 as part of the sale of several subsidiaries. In the financial year 2021, GESCO AG concluded a profit transfer agreement with Setter Holding GmbH, formerly Setter GmbH, so that since then profit transfer agreements have been in place with Setter Holding GmbH and MAE Maschinen- und Apparatebau Götzen GmbH.

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 2022.

The slightly lower sales compared to the previous year is the result of passing on expenses to the affiliated companies and consulting services.

Other operating income amounted to € 0.3 million in the reporting year (previous year: € 11.8 million). The comparatively high value of the previous year is due to the sale of investments in December 2020. This resulted in income for individual companies totalling € 11.2 million. Other operating expenses decreased from € 36.3 million to € 4.3 million. In the 2020 financial year, the transaction resulted in losses for individual companies from the disposal of financial assets and receivables from these companies as well as other specific expenses totalling € 32.8 million. In the 2021 reporting year, other operating expenses included in particular the usual consulting, support and acquisition costs.

In the 2021 financial year, the annual result amounted to € 30.7 million, after the previous financial year had shown a transaction-related net loss of € 5.8 million. Excluding the transaction effects with a net expense of € 23.8 million would have resulted in a surplus of € 18.0 million in the 2020 reporting year.

In the Management Report for the financial year 2020, GESCO AG had expected investment income and net income for the new financial year 2021 to be at approximately the same level as in 2020, disregarding transaction effects. The positive developments at the subsidiaries led to significantly higher income from investments and profit transfers, which resulted in the correspondingly higher net income for the year.

GESCO AG's total assets amounted to € 246.9 million as at the balance sheet date (previous year: € 213.8 million).

On the assets side, financial assets increased by a total of € 43.5 million due to the increase in shares in affiliated companies. Additions from acquisitions of € 26.4 million were accompanied by the contribution of receivables in the course of restructuring of € 21.2 million, while disposals of € 3.5 million net were recorded due to disposals and liquidations. Other loans of € 9.4 million (previous year: € 9.9 million) relate to a vendor loan due in four years at the latest in connection with the transaction carried out at the end of 2020. Receivables from affiliated companies decreased by € 6.1 million. The receivables of € 21.2 million transferred to the investments were offset by acquired loans to United MedTech Holding GmbH as well as higher receivables from profit distribution or profit allocation. The decrease in other assets by € 3.0 million is due to lower claims for tax refunds than in the previous year.

Cash and cash equivalents amounted to € 23.8 million as of the balance sheet date (previous year: € 27.6 million). In view of the negative result in the 2020 financial year, no dividend was distributed to the company's shareholders in the reporting period.

On the liabilities side, equity increased to € 223.0 million (previous year: € 192.4 million) as a result of the net profit generated, and the equity ratio rose slightly from 90.0 % to 91.3 %.

The decrease in liabilities to banks from € 15.1 million to € 11.4 million is due to the repayment of bank loans.

Overall, GESCO AG's balance sheet as at the balance sheet date shows healthy ratios with a high equity ratio, low debt and high cash and cash equivalents. Against this background, GESCO AG 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 2020 financial year, GESCO AG had forecast an equity ratio of over 80 % for the new financial year. The ratio ultimately turned out to be higher due to the changes in the investment structure.

At the end of the financial year, GESCO AG had committed but unused credit lines of € 30.1 million.

Non-financial performance indicators

Environmental protection

GESCO Group's commitment to environmental protection is firmly anchored in its self-image, even beyond legal requirements and 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 disclosed together with the Group Management Report. For 2021, the report was prepared for the first time in accordance with the Deutscher Nachhaltigkeitskodex (German Sustainability Code).

Employees

As at the reporting date, GESCO Group's continuing operations employed a total of 1,783 people (continuing operations in the previous year: 1,695). As at the reporting date, 45 people were employed at the United MedTec companies, which were newly added to the Group. In addition, the number of employees increased primarily in the highly utilised stainless steel segment and at Setter.

In autumn 2021, GESCO offered all domestic employees of GESCO Group the preferential purchase of employee shares as part of an employee share ownership programme for the twenty-second time, after the programme could unfortunately not be implemented in 2020 for exceptional regulatory reasons.

As GESCO AG considers this programme to be an important instrument for employee retention, it is planned to continue the programme.

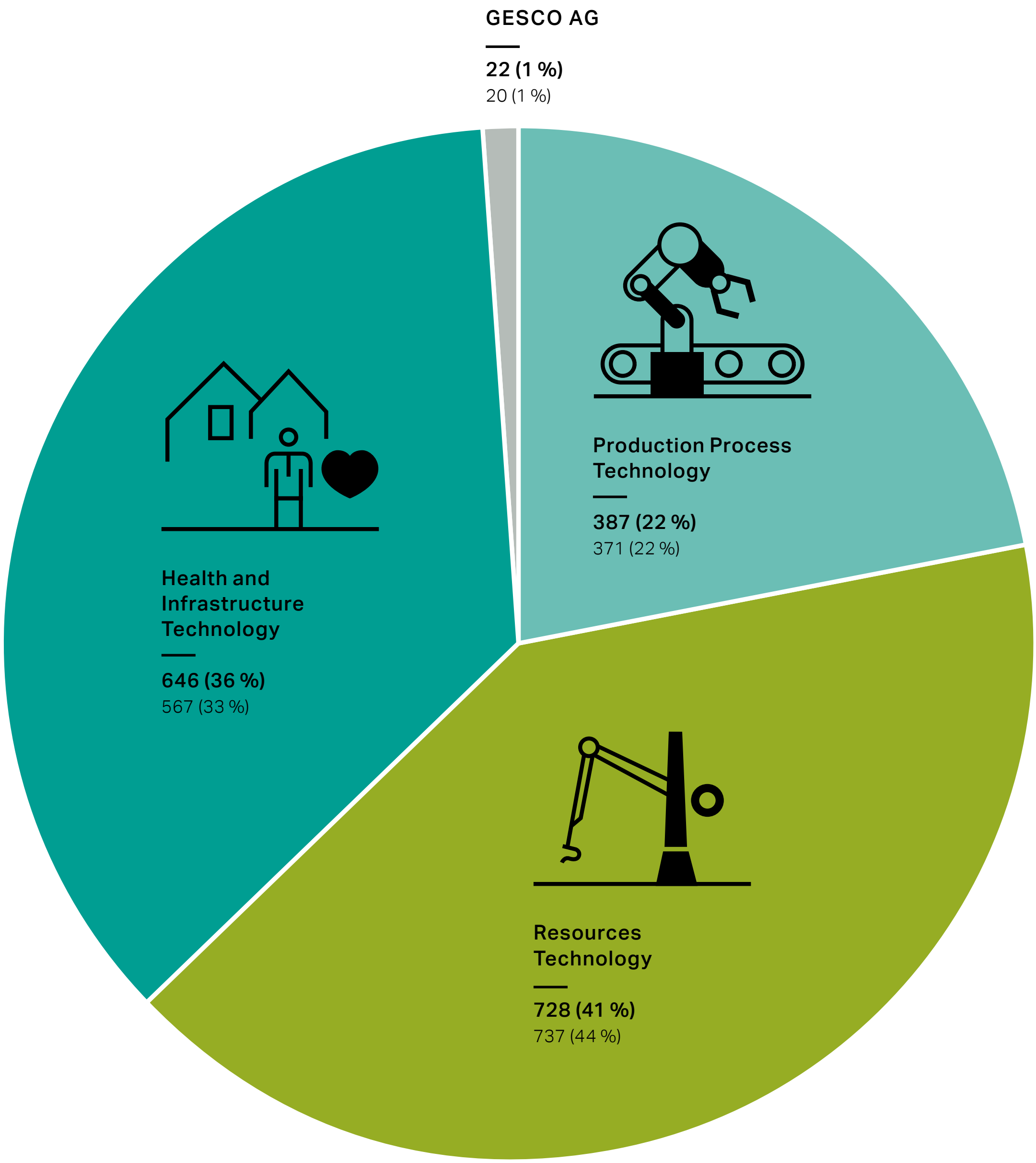
The future viability of GESCO Group companies depends crucially on attracting and retaining qualified and motivated employees. Training and further education have a high priority within the Group. In addition, the subsidiaries position themselves as attractive employers in the long term with a wide range of activities. These activities range from participation in school activities such as Girls' Days to dual study programmes and cooperation 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.

In the health and infrastructure sector, the workforce of the United MedTech Group was newly added, amounting to 45 employees as of the reporting date.

Further information on the topic of employees is provided in the separate non-financial Group report pursuant to § 315b HGB.

Employees according to segments (Fiscal year-end)

Business year 2021 vs. business year 2020 (continued operations)



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 first time for the financial year 2021 and published on the GESCO AG website in accordance with section 162 of the German Stock Corporation Act (AktG).

Own shares

In the context of an employee share ownership programme, treasury shares were acquired and completely sold again in the financial year, so that no treasury shares were held as of the reporting date. For information pursuant to § 160 AktG, please refer to the notes.

04 _ Forecast, opportunity and risk report

Forecast report

The Federal Government expects the gross domestic product (GDP) to grow by 3.6 % in 2022. This value falls short of the forecast of the German Council of Economic Experts from November 2021, which was based on GDP growth of 4.6 %. According to the assumptions of the Federal Government, the Corona pandemic and the associated restrictions will still affect the German economy in the first quarter of 2022, especially in the service sector. In anticipation of the flattening of the infectious situation in the course of the year, the Federal Government assumes an economic recovery. The resulting withdrawal of restrictions as well as the gradual resolution of supply bottlenecks should have a positive impact on production. In view of the high order backlog, German exports are expected to increase significantly, consequently also corporate investment activity. Private consumer spending and a continuing recovery in the labour market will support growth. The projection for 2022 is based on the given framework conditions and is subject to a high degree of uncertainty due to the risks arising from the further course of the pandemic, persistent supply bottlenecks and inflationary pressure.

The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V.). (VDMA) assumes that the mechanical and plant engineering sector will not have reached the level of sales prior to the Corona crisis even in the second year of the pandemic. In addition to the burdens resulting from the pandemic, another reason is that many companies had already suffered significant losses from the structural change in the automotive industry before the crisis. This will not be over when the pandemic is over. In addition, there are the direct and indirect effects of the war in Ukraine, which can hardly be predicted at present.

We generally assume that the positive demand situation will remain at a high level until beyond the first half of the year. In addition, we assume that the MAPEX and OPEX programmes within the framework of the NEXT LEVEL 25 strategy will continue to have an effect. We expect at least a 10 % increase in sales. We also expect a significant increase in earnings, which in percentage terms should be somewhat higher than in sales.

However, due to the current developments in Ukraine and Russia, in particular the sanctions imposed on Russia, there will be a significant impact on the business relationships of some of our subsidiaries with their Russian-based business partners. General effects on the German economy, especially concerning the oil and gas markets, will also affect our subsidiaries to varying degrees in one form or another. 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.

We continue to see 40 % as the lower limit for the equity ratio in GESCO Group in the new financial year.

GESCO AG is essentially subject to the same opportunities and risks as GESCO Group. For the financial year 2022, GESCO AG expects investment income and net income to be at or slightly below the level of 2021. Provided that there are no significant changes in the group of investments, GESCO AG's equity ratio should remain at a level of over 80 % in the new financial year.

GESCO AG continues to strive for external growth through the acquisition of medium-sized industrial companies. As part of the NEXT LEVEL 25 strategy, we are sticking to the recently increased sales size of the target companies of € 20 – 100 million. Strategically motivated supplementary acquisitions of subsidiaries can also be made in a lower sales size. 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 supporting pillars 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 steady deal flow via the existing network as well as by directly approaching entrepreneurs.

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

Managing opportunities and risks

The GESCO AG business model is entrepreneurially driven. Entrepreneurial activities are inherently linked to risk. Risks cannot be eliminated, but they can be treated with appropriate risk management strategies. GESCO Group's concept is designed to recognise, evaluate and seize opportunities on national and international markets on the one hand while identifying and limiting risks on the other. Managing risks and opportunities is an ongoing business process. GESCO Group is structured in a way that ensures that negative developments for specific companies do not place the entire Group at risk.

The annual planning meeting, monthly meetings and annual strategy sessions all examine the company's situation as a whole. The meetings analyse entrepreneurial opportunities and the courses of action for expanding the volume of the business in Germany and abroad as well as for increasing profitability. They also evaluate the respective risks.

Opportunity management

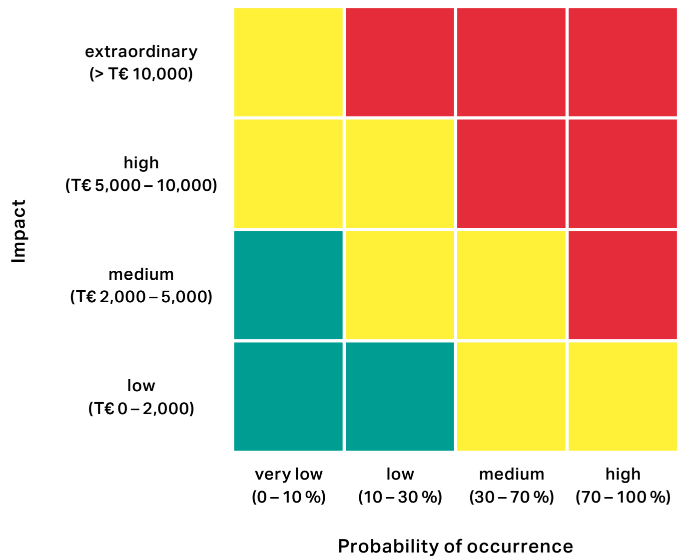
GESCO AG has significant opportunities when it comes to acquiring additional industrial SMEs. By maintaining our network, increasing the awareness of GESCO AG as an investor and approaching interesting companies directly, we generate a deal flow that is assessed and processed in step-by-step analyses. In addition, GESCO AG can also benefit from a positive operating business performance for its portfolio companies and the associated earnings from investments as well as dividends. The holding company offers its subsidiaries extensive assistance and support in this regard, the scope of which has been significantly expanded within the scope of the NEXT LEVEL 25 strategy.

For the **operating subsidiaries,** it is important to constantly identify opportunities on national and international markets and convert these opportunities into successful business activities. Strategic development, sales and marketing, and product development, as well as quality and innovation management, are decisive factors here.

Risk management at GESCO Group

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

Risk matrix



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

As of 31 December 2021, there are no individual risks that fall into the red category. The focus of the recorded individual risks within the yellow category was on warranty risks, each with a low impact.

Risk management is the responsibility of the Executive Board and monitored by the Supervisory Board. In quarterly meetings, the GESCO AG 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 in the acquisition of companies

GESCO AG strives for internal growth on the basis of its existing portfolio as well as external growth through the acquisition of additional industrial SMEs. The search for new companies is a continuous process in which analysing risks and opportunities is naturally of great importance. Prior to a purchase, companies are subjected to a due diligence assessment in order to identify the risks associated with any company acquisition to the extent that these are recognisable. Key aspects include financial risks and risks relating to tax, technology, markets and the environment, but also the company's corporate culture and the age structure of the workforce. GESCO AG uses both internal and external expertise for this.

Each acquisition carries the inherent risk that newly acquired companies will not develop according to plan and expectations. The appointment of a new Managing Director following the withdrawal of the current owner-manager is a critical aspect of succession planning.

After they are acquired, companies are rapidly integrated into GESCO Group's planning and reporting system, as described in the "Management system" section. In addition, the companies are integrated into GESCO Group's risk management system.

Risks relating to operating business

In their operating business, all GESCO AG subsidiaries are subject to the typical opportunities and risks of their respective industries as well as general economic risks. As an industrial Group whose business is based to a notable extent on direct and indirect exports, we are affected by economic fluctuations in Germany and abroad. Our diversification strategy, particularly with regard to the customer sectors, is aimed at offsetting economic fluctuations in individual branches of industry to a certain extent and therefore reducing the risks arising from economic cycles.

Besides the general economic situation, subsidiaries' strategic orientation in an environment shaped by technological change poses risks but also presents opportunities, including the addition of different drive types to the combustion engine, digitalisation, the emergence of new competitors, political and economic development of regional markets, changes in social values and principles, the political push towards reducing carbon emissions and regulatory frameworks. GESCO Group has taken a variety of steps to rise to these challenges, including the implementation of excellence programmes at the subsidiaries. In addition, the GESCO AG Executive Board, investment managers and the subsidiaries' Managing Directors and teams meet on a regular basis for the purpose of analysis and to share information and expertise on strategic issues.

In general terms, the Group is exposed to the risk of customer complaints and claims due to poor quality, non-fulfilment of contractual commitments or missed deadlines. The companies mitigate this risk by exercising a duty of care in their processes as well as through their quality management systems and close cooperation with customers.

There are risks typically associated with the business model, particularly relating to construction of special machinery, tool manufacturing and plant construction. In this regard, the various Group companies are continually faced with customer requirements, which can only be calculated to a limited extent in advance in terms of the time and costs involved to fulfil them from a technical standpoint, so that there is a risk of making losses on contracts. On the other hand, these can be regarded as opportunities, since challenging customer projects frequently result in innovative approaches that can lead to marketable product innovations.

In order to mitigate procurement risks, subsidiaries attempt to enter into framework agreements with suppliers so as to obtain security for their planning or to conclude flexible price agreements with customers and suppliers. Cordial and long-term relationships with key suppliers help guarantee supply security.

If required and suitable, GESCO Group companies use trade credit insurance to hedge trade receivables. Subsidiaries analyse the situation of relevant uninsurable customers and define further action to be taken, usually in direct discussion with customers. Significant, uninsured risks must always be discussed with GESCO AG. This is of course always a balancing act between attempting to limit risks and the need to take advantage of entrepreneurial opportunities and retain customers. This balancing act is also made difficult by the use of insolvency proceedings.

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

Compliance risks

Compliance risks include those relating to corruption, breaches of antitrust regulations and criminal acts, and the resulting financial penalties and compensation claims. These risks can lead to significant financial damage as well as major reputation damage. GESCO Group mitigates these risks through its compliance management system, which includes a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rule book) for GESCO Group employees, accompanying training courses, random case-by-case assessments and a whistle-blower system for both employees and external parties. It is the job of the subsidiaries' Managing Directors to anchor these requirements and principles in their companies' corporate cultures.

Risks in relation to personnel

Qualified personnel is vital to the current and future performance of subsidiaries. For German industry, there generally continues to be a risk of uncertainty in the ability of companies to find and retain sufficiently qualified employees in the future. Demographic change will continue to exacerbate this situation. GESCO Group companies meet this challenge with various measures in order to position themselves as attractive employers in their respective regions. The loss of expertise also poses a risk and can arise if existing knowledge and skills within the company are only passed on insufficiently from older employees to younger employees. Measures to achieve a targeted transfer of expertise and appropriately document expertise are designed to help mitigate this risk.

Acquiring and retaining capable Managing Directors for GESCO AG companies is also particularly important. Managers unable to meet what is required of them, as well as frequent changes in these key functions, represent a significant risk with negative consequences both within the Group and externally. GESCO AG mitigates this risk by taking particular care when selecting personnel and following a multi-stage selection process with the involvement of the Supervisory Board.

Difficulties in attracting and retaining qualified employees can also affect the success of GESCO AG. 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.

GESCO AG's employee share ownership programme regularly offers domestic GESCO Group employees the opportunity to acquire a stake in the company by purchasing discounted GESCO shares, thereby building up assets for their retirement. GESCO AG sees this programme as an important instrument for employee retention. For regulatory reasons, the programme could not be implemented in 2020. GESCO successfully resumed the employee share ownership programme in the financial year 2021.

Risks relating to IT

IT risks particularly concern the failure of IT systems at GESCO Group companies and resulting downtime, industrial espionage and loss of expertise, misuse of data and unauthorised access to data. GESCO AG mitigates IT risks through high-tech hardware and software solutions and an IT security management system that is regularly reviewed. Through training courses, employees are given a fundamental awareness of IT risks as well as specific requirements in dealing with them. IT security guidelines govern the use of in-house hardware and software and cover data protection issues. In addition, we also ensure that our external IT service providers meet defined security standards. The IT security management system is regularly developed and tested in collaboration with an external IT security officer. Within GESCO Group, GESCO AG also regularly checks on the status of the subsidiaries' IT security management systems.

Risks in connection with data protection

Data protection risks include the risk of losing or unintentionally disclosing confidential internal information and the risk of financial penalties or legal action due to the unintentional disclosure of personal data or other sensitive data belonging to third parties. GESCO AG works together with an external data protection officer with regard to its data protection issues.

Risks relating to financing

Risks relating to financing can include the inability to supply the holding company with sufficient equity capital and/or borrowed capital. Access to borrowed capital at adequate terms and conditions is significantly linked to the operating success of GESCO Group and therefore to the associated ability to make interest and principal payments in accordance with the agreed terms. Subsidiaries can directly influence such matters, whereas the holding company can exert indirect influence as part of its acquisition decisions, reporting activities and its support and assistance of subsidiaries. Subsidiaries can be exposed to the risk of shortfalls in terms of borrowed capital if they experience negative financial performance. In addition, there is also the risk that this negative performance affects the reputation of GESCO AG and, potentially, other subsidiaries as debtors. Companies conclude interest rate swaps to limit the risks of changes in variable rates. These swaps involve swapping the variable rate for a fixed rate. We do not expect to see any material changes in interest rates in financial year 2021, either in the Eurozone or in the US.

When it comes to accessing equity by means of capital increases at GESCO AG, the situation on the capital market at the relevant time, the financial development of GESCO Group, the reputation of GESCO AG and consistent, credible investor relations are core elements. We do not consider there to be any need to raise any additional equity at the current time.

GESCO Group's financing structure is designed in a way that ensures that negative developments at specific companies do not put the entire Group at risk. This is why we largely forego the use of instruments such as cash pooling or guarantees and contingencies. GESCO AG also does not use speculative instruments when investing unused capital or procuring financing in the interests of financial stability. GESCO Group works with around two dozen different banks in order to limit its reliance on particular financial institutions.

Risks at GESCO AG level

At GESCO AG 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 on which the original purchase price was based or the current valuation of the investment. GESCO AG strives to counteract negative developments by providing support and assistance to its subsidiaries.

Environmental risks

Environmental damage can lead to significant financial and reputation-related risks and, in a worst-case scenario, threaten the continued existence of the company concerned. Subsidiaries pursue different approaches here depending on the respective business model. Dörrenberg Edelstahl GmbH, for instance, introduced an environmental management system in 1997 that continues to be developed and is regularly audited. Due to its classification as a hazardous site, regular environmental audits are carried out at the Pickhardt & Gerlach Group. GESCO AG ensures that its subsidiaries obtain the correct authorisations and licences.

Insurance cover

Insurance coverage for GESCO Group is regularly evaluated so that sufficient protection under adequate terms and conditions is possible.

Legal risks

A number of potential legal risks confronts GESCO Group companies. In terms of operating companies, these particularly include product liability and warranty claims as well as risks linked to customs and export law as well as sanctions imposed on target export countries. There are also risks linked to antitrust and competition law, personnel and the environment. GESCO Group companies mitigate legal risks from their operating business through careful project management activities, including appropriate documentation and sufficient quality management. Contract management is particularly important in this regard; here, GESCO AG supports its subsidiaries by providing internal consulting services or arranging for external legal consultants to become involved. In addition, a large number of risks are mitigated through the instruments described in the Compliance section.

We are not aware of any developments with regard to legal conditions that would have a significant impact on the Group.

Reputation risks

Reputation risks can hamper GESCO AG in its ability to acquire industrial SMEs and in its capital market activities. They can also limit the company's chances of recruiting qualified personnel. Subsidiaries can also be limited in terms of their operating business and personnel work. GESCO Group mitigates these risks by exercising a great deal of care in structuring its business processes, by maintaining a compliance system and by pursuing open, trust-based communication both internally and externally.

Geopolitical risks and Corona

The ongoing Corona pandemic continues to pose a not inconsiderable risk to global supply chains and economic development in the various countries and industries, the effects of which still cannot be conclusively assessed at present.

Beyond the typical economic fluctuations and the other operational risks mentioned above, we currently see the greatest risk for the operational business in the generally high level of political uncertainty. Developments in Ukraine and Russia are not foreseeable at present. The consequences of the sanctions imposed on Russia and the effects on the global energy and raw materials markets in particular will affect our subsidiaries in different ways, although the duration and extent cannot be estimated.

Final risk assessment

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

Overall, we are currently not aware of any specific risks that could endanger or significantly impair the continued existence of GESCO AG and the Group, either individually or in aggregate.

05 _ Internal controlling and risk management system related to the accounting process

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

The subsidiaries are responsible for their own accounting processes. Employees at GESCO AG carry out the Group accounting process based on reports submitted by subsidiaries. A manual detailing comprehensive Group guidelines constitutes a legally binding standard for all Group companies and auditors. Any changes to the law, accounting standards or other regulations are reviewed in respect of their relevance to the accounting process and, if necessary, are included in the internal guidelines. External service providers are engaged when necessary, such as in the valuation of pension obligations.

The responsible GESCO AG employees are available to advise the subsidiaries' managers, financial officers and relevant employees on all accounting matters and provide support. Employees receive regular training. IT-supported and manual plausibility checks, the principle of the separation of duties and the principle of dual control are some of the measures in place to eliminate risks in the accounting process. The auditors examine the functionality and effectiveness of the ICSK as part of the audit of the annual financial statements.

06 _ Takeover-related disclosures

Disclosures pursuant to Sections 289a, 315a (1) of the German Commercial Code (HGB)

No. 1: Composition of the subscribed capital

As at the reporting date, the share capital of GESCO AG is € 10,839,499.00 and is divided into 10,839,499 registered shares. The shares are fully paid up. The same rights and obligations are associated with all shares. The rights and obligations of the shareholders are defined specifically under the terms of the German Stock Corporation Act (AktG), and in particular Sections 12, 53a et seq., 118 et seq. and 186 AktG.

No. 2: Restrictions relating to voting rights or the transfer of shares

Each share is granted one vote in the Annual General Meeting and is the relevant parameter in calculating the shareholder's share in the company's profit. Own shares held by the company are an exception right, as they do not confer any rights to the company. Voting rights are suspended by law in the cases described in Section 136 AktG.

No. 3: Shareholdings in the capital exceeding 10 % of the voting rights

Disclosures on shareholdings in the capital that exceed 10 % of the voting rights is included in the notes.

No. 4: Holders of shares with special rights conferring controlling powers

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

No. 5: Control of voting rights in the case of employee participation in the capital

There is no control of voting rights in the event that employees hold an interest in GESCO AG's capital and do not exercise their control rights directly.

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

Members of the Executive Board are appointed and dismissed based on Sections 84 and 85 AktG. In accordance with these provisions, the Supervisory Board appoints members of the Executive Board for a maximum term of five years. Executive Board members can be reappointed or their terms extended for one further term of five years. The Supervisory Board can revoke an appointment for good cause. Pursuant to Section 6 para. 1 of the GESCO AG Articles of Association, the Executive Board consists of one or more persons. According to Section 6 para. 2 of the Articles of Association, the Supervisory Board appoints Executive Board members and determines their number and is also entitled to appoint deputy members of the Executive Board.

Amendments to the Articles of Association are subject to Sections 179 and 133 AktG and Section 17 of the Articles of Association of GESCO AG. Pursuant to Section 179 para. 1 sentence 1 AktG, each amendment to the Articles of Association requires a resolution of the Annual General Meeting. Pursuant to Section 179 para. 1 sentence 2 AktG in conjunction with Section 17 para. 2 of the Articles of Association, the Supervisory Board is entitled to amend only the wording of the Articles of Association. According to Section 17 para. 1 of the Articles of Association, resolutions concerning amendments to the Articles of Association pursuant to Section 179 para. 2 sentence 2 AktG are passed by the Annual General Meeting with a simple majority of the votes cast, unless legally binding regulations state otherwise; where the law requires a capital majority in addition to a majority of votes cast, resolutions are passed with a simple majority of the share capital represented when the resolution is voted on.

No. 7: Authority of the Executive Board to issue or redeem shares

The Annual General Meeting on 18 June 2020 authorised the company's Executive Board to increase the company's share capital on one or several occasions by a total of € 1,083,949.00 until 17 June 2023 with the consent of the Supervisory Board by issuing up to 1,083,949 new no-par value registered shares in exchange for cash or contributions in kind (Authorised Capital 2020). Shareholders generally have subscription rights; indirect subscription rights as defined in Section 186 para. 5 AktG are also sufficient in this case. However, the Executive Board is entitled, upon approval by the Supervisory Board, to exclude shareholders' statutory subscription rights under the conditions defined in the authorisation for up to 10 % of the share capital (a) in order to compensate for residual amounts, (b) with respect to a capital increase against cash contributions in accordance with Section 186 para. 3 sentence 4 AktG and (c) with respect to a capital increase against contributions in kind used to acquire a company, parts of a company or a participating interest in a company. The authorisation to increase the share capital was not utilised in the reporting period.

The company may only redeem own shares on the basis of an authorisation granted by the Annual General Meeting or in the handful of cases specifically defined in the German Stock Corporation Act. The Annual General Meeting on 18 June 2020 authorised the company, with the approval of the Supervisory Board, to acquire up to ten out of every hundred own shares of the share capital until 17 June 2025 under consideration of own shares already held. The authorisation may be exercised for any purpose permitted under law; trade in own shares is not permitted. The acquisition of own shares takes place at the discretion of the Executive Board under the terms and conditions of the authorisation resolution via the stock exchange or by means of a public purchase offer directed at all shareholders. Furthermore, the Executive Board is authorised to dispose of the acquired own shares, with the consent of the Supervisory Board, via the stock exchange or by means of a public offer directed at all shareholders. Shareholders are not granted any subscription rights in the case of shares disposed of via the stock exchange. For disposals through public offers, the Executive Board is authorised to exclude subscription rights for residual amounts. In addition, the Executive Board is authorised to utilise own shares it acquires with the approval of the Supervisory Board under the terms and conditions of the authorisation resolution and the exclusion of shareholder subscription rights as follows:

- Sale to third parties in return for cash payment at a price that is not significantly lower than the company's share price on the date of the sale (exclusion of subscription rights limited to 10 % of the share capital in accordance with Section 186 para. 3 sentence 4 AktG);
- Sale to third parties for the purposes of acquiring companies, parts of companies and / or investments in companies or of servicing convertible bonds or warrant bonds;
- In the case of an offer to all shareholders, for the purpose of granting all holders of convertible bonds and / or warrant bonds issued by the company or a Group company subscription rights to the shares to the extent they would be entitled to following the exercising of their warrants or conversion rights or following the fulfilment of their conversion obligation.

The Executive Board is further authorised, with the consent of the Supervisory Board, to redeem acquired treasury shares in part or in whole without any further resolution by the Annual General Meeting.

These authorisations may be exercised once or several times, in whole or in partial amounts, individually or jointly by the company or by companies affiliated with it or by third parties for the account of the company or companies affiliated with it.

In connection with its employee share ownership programme, the company acquired 36,474 treasury shares in the reporting period in accordance with section 71 (1) no. 2 of the German Stock Corporation Act (AktG), which were distributed in full to the securities accounts of employees participating in the programme in December 2021. GESCO AG did not hold any treasury shares as at the reporting date.

No. 8: Significant agreements of the Company that are conditional upon a change of control following a takeover bid

The company has not entered into any agreements that are conditional upon a change of control following a takeover bid.

No. 9: Compensation agreements of the company with members of the Executive Board or employees in the event of a takeover bid

There are no compensation agreements between the company and members of the Executive Board or employees in the event of a takeover bid.

07 _ Declaration of Corporate Governance

The Declaration of Corporate Governance pursuant to Section 315d HGB in conjunction with Section 289f HGB is available on the company website at www.gesco.de/en/investor-relations/financial-reports.

Wuppertal, 25 March 2022

Ralph Rumberg	Kerstin Müller-Kirchhofs
CEO / Spokesperson of the Executive Board	CFO

05

GESCO finances

GESCO AG
Summary of the Annual Financial Statement as at 31 December 2021

Balance sheet

T€	12/31/2021	12/31/2020
Assets		
Intangible assets	43	51
Property, plant and equipment	117	188
Financial assets	157,770	114,246
Non-current assets	**157,930**	**114,485**
Receivables and other assets	62,438	71,621
Cash and credit with financial institutions	23,800	27,582
Current assets	**86,238**	**99,203**
Accounts receivable and payable	**110**	**111**
Total assets	**244,278**	**213,799**
Equity and liabilities		
Equity	223,020	192,353
Provisions	5,890	5,444
Liabilities	15,368	16,002
Total equity and liabilities	**244,278**	**213,799**

Profit and Loss account

T€	01/01/–12/31/2021	01/01/–12/31/2020
Sales revenues	1,669	1,869
Other operating income	183	11,824
Personnel expenditure	- 4,714	- 4,234
Depreciation / amortisation	- 132	- 166
Other operating expenditure	- 4,474	- 36,342
Earnings from investments	30,217	27,526
Income from Profit and Loss transfer agreements	10,947	0
Income from lending financial assets	360	11
Impairment of financial assets	- 926	- 2,400
Expenses from loss transfer	0	- 5,399
Net interest income	169	15
Taxes	- 2,635	1,529
Earnings after taxes	**30,664**	**- 5,767**
Other taxes	- 2	- 2
Net income / loss	**30,662**	**- 5,769**
Transfer to revenue reserves	- 15,331	0
Withdrawals from revenue reserves	0	5,769
Retained profit	**15,331**	**0**

The complete financial statement prepared by Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg (Düsseldorf branch), prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) will be published in the Federal Gazette (Bundesanzeiger) and filed with the companies register under HRB 7847. They can be requested from GESCO AG.

GESCO AG Consolidated Financial Statement Dated 31 December 2021

GESCO Consolidated balance sheet

T€			12/31/2021	12/31/2020
Assets				
A.	**Non-current assets**			
I.	Intangible assets			
1.	Industrial property rights and similar rights and assets as well as licences to such rights and assets	(1)	28,002	16,613
2.	Goodwill	(2)	38,806	23,347
3.	Prepayments	(3)	146	116
			66,954	**40,076**
II.	Tangible assets			
1.	Land and buildings	(4)	59,361	57,649
2.	Technical plant and machinery	(5)	28,800	28,764
3.	Other plant, fixtures and fittings	(6)	15,616	15,710
4.	Prepayments and assets under construction	(7)	2,589	2,643
			106,366	**104,766**
III.	Financial investments			
1.	Shares in affiliated companies	(8)	0	0
2.	Shares in companies recognised at equity	(9)	2,123	1,868
3.	Investments	(10)	156	236
4.	Other loans	(11)	9,371	9,861
			11,650	**11,965**
IV.	Other assets	(12)	183	441
V.	Deferred tax assets	(13)	4,410	2,506
			189,563	**159,754**
B.	**Current assets**			
I.	Inventories	(14)		
1.	Raw materials, supplies and consumables		36,953	22,856
2.	Unfinished products and services		26,883	22,634
3.	Finished products and goods		60,243	63,308
4.	Prepayments		758	119
			124,837	**108,917**
II.	Receivables and other assets	(12)		
1.	Trade receivables		68,433	56,286
2.	Amounts owed by affiliated companies		2,098	1,455
3.	Amounts owed by companies recognised at equity		364	301
4.	Other assets		5,469	5,926
			76,354	**63,968**
III.	Cash and credit with financial institutions	(15)	57,714	49,226
IV.	Accounts receivable and payable		1,057	928
V.	Assets held for sale	(16)	0	8,028
			259,972	**231,067**
			449,535	**390,821**

T€		12/31/2021	12/31/2020
Equity and liabilities			
A. Equity	(17)		
I. Subscribed capital		10,839	10,839
II. Capital reserves		72,398	72,364
III. Revenue reserves		164,479	137,871
IV. Own shares		0	0
V. Other comprehensive income		- 4,448	- 5,432
VI. Minority interests (incorporated companies)	(18)	12,466	12,128
		255,734	**227,770**
B. Non-current liabilities			
I. Minority interests (partnerships)	(18)	51	903
II. Provisions for pensions	(19)	11,932	11,115
III. Other non-current provisions	(19)	494	524
IV. Liabilities to financial institutions	(20)	32,343	38,256
V. Lease liabilities	(20)	16,034	13,032
VI. Other liabilities	(20)	996	1,678
VII. Deferred tax liabilities	(13)	6,761	2,734
		68,611	**68,242**
C. Current liabilities			
I. Other provisions	(19)	8,508	8,314
II. Liabilities	(20)		
1. Liabilities to financial institutions		43,997	44,357
2. Lease liabilities		3,238	2,287
3. Trade payables		15,735	8,701
4. Payments received on account of orders		16,822	8,620
5. Liabilities to affiliated companies		1,391	1,021
6. Liabilities to companies recognised at equity		0	0
7. Other liabilities		35,344	18,322
		116,527	**83,308**
III. Accounts receivable and payable		155	159
IV. Liabilities directly relating to assets held for sale	(16)	0	3,028
		125,190	**94,809**
		449,535	**390,821**

GESCO Consolidated Profit and Loss account

T€		01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
CONTINUING OPERATIONS			
Sales revenues	**(21)**	**488,051**	**397,225**
Change in stocks of finished and unfinished products		1,898	440
Other company-produced additions to assets	(22)	547	542
Other operating income	(23)	7,498	5,465
Total income		**497,994**	**403,672**
Material expenses	(24)	- 265,700	- 220,722
Personnel expenses	(25)	- 112,914	- 104,026
Other operating expenses	(26)	- 56,835	- 45,418
Impairment losses on financial assets		- 357	- 149
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**62,188**	**33,357**
Amortisation of intangible assets and depreciation on property, plant and equipment	(27)	- 17,616	- 16,664
Earnings before interest and tax (EBIT)		**44,572**	**16,693**
Earnings from investments		42	37
Earnings from companies valued at equity		673	574
Income from lending financial assets		360	11
Other interest and similar income		79	55
Impairment of financial assets		- 850	- 2,150
Interest and similar expenses	(28)	- 2,038	- 2,189
Third-party profit share in partnerships		- 119	- 142
Financial result		**- 1,853**	**- 3,804**
Earnings before tax (EBT)		**42,719**	**12,889**
Taxes on income and earnings	(29)	- 13,243	- 6,009
Earnings from continuing operations		**29,476**	**6,880**
Earnings from discontinued operations	**(30)**	**- 19**	**- 22,862**
Group net loss / income		**29,457**	**- 15,982**
of which:			
Shares held by third parties in incorporated companies			
Earnings from continuing operations		2,600	1,051
Earnings from discontinued operations		- 5	- 457
		2,595	**594**
Shares held by GESCO shareholders			
Earnings from continuing operations		26,876	5,829
Earnings from discontinued operations		- 14	- 22,405
		26,862	**- 16,576**
Earnings per share (€)	**(31)**		
From continuing operations		2.48	0.54
From continuing and discontinued operations		2.48	- 1.53

GESCO Consolidated Statement of Comprehensive Income

T€		01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Group net loss / income		**29,457**	**- 15,982**
Revaluation of benefit obligations not impacting income		**6**	**473**
Items that cannot be reclassified to the income statement		**6**	**473**
Difference from currency translation			
a) Reclassification to the Profit and Loss account		0	183
b) Change in value not affecting profit or loss		1,795	- 1,843
Difference from currency translation from companies valued at equity			
a) Reclassification to the Profit and Loss account		0	0
b) Change in value not affecting profit or loss		- 614	- 318
Market valuation of hedging instruments			
a) Reclassification to the Profit and Loss account		0	0
b) Change in value not affecting profit or loss		- 188	230
Revaluation reserve			
a) Reclassification to the Profit and Loss account		0	0
b) Change in value not affecting profit or loss		0	0
Items that can be reclassified to the income statement		**993**	**- 1,748**
Other comprehensive income	(32)	**999**	**- 1,275**
Comprehensive income for the period		**30,456**	**- 17,257**
of which shares held by third parties in incorporated companies		2,775	472
of which shares held by GESCO shareholders		27,681	- 17,729

GESCO Consolidated Statement of Changes in Equity

T€	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01/01/2020	**10,839**	**72,364**	**158,049**	**0**
Dividends			- 2,493	
Sale of shares in subsidiaries			- 1,109	
Group net loss / income for the period			- 16,576	0
As at 12/31/2020	**10,839**	**72,364**	**137,871**	**0**
As at 01/01/2021	**10,839**	**72,364**	**137,871**	**0**
Dividends			0	
Acquisition of own shares				- 877
Sale of own shares		34	- 29	877
Acquisition of shares in subsidiaries			- 60	
Sale of shares in subsidiaries			- 165	
Group net loss / income for the period			26,862	0
As at 12/31/2021	**10,839**	**72,398**	**164,479**	**0**

	Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interests (incorporated companies)	Equity
	- 405	**- 4,927**	**- 56**	**235,864**	**14,564**	**250,428**
				- 2,493	- 850	- 3,343
		1,109		0	- 2,058	- 2,058
	- 1,815	432	230	- 17,729	472	- 17,257
	- 2,220	**- 3,386**	**174**	**215,642**	**12,128**	**227,770**
	- 2,220	**- 3,386**	**174**	**215,642**	**12,128**	**227,770**
				0	- 1,442	- 1,442
				- 877		- 877
				882		882
				- 60		- 60
		165		0	- 995	- 995
	1,001	6	- 188	27,681	2,775	30,456
	- 1,219	**- 3,215**	**- 14**	**243,268**	**12,466**	**255,734**

GESCO Consolidated Cash Flow statement

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Group net loss / income for the period (including share attributable to minority interests in incorporated companies)	**29,457**	**- 15,982**
Amortisation of intangible assets and depreciation on property, plant and equipment	17,616	25,332
Impairment of non-current assets	850	17,614
Earnings from companies valued at equity	- 673	- 574
Share attributable to minority interests in partnerships	119	142
Decrease in non-current provisions	- 501	- 540
Other non-cash income	589	691
Cash flow for the year	**47,457**	**26,683**
Losses from the disposal of discontinued operations	0	4,104
Losses from the disposal of tangible / intangible assets	37	251
Gains from the disposal of tangible / intangible assets	- 108	- 325
Gains from the disposal of financial assets	- 478	0
Increase / decrease in inventories, trade receivables and other assets	- 24,768	39,661
Increase in trade payables and other liabilities	29,559	- 10,726
Cash flow from ongoing business activity	**51,699**	**59,648**
Incoming payments from disposals of tangible / intangible assets	234	714
Disbursements for investments in tangible assets	- 7,154	- 10,031
Disbursements for investments in intangible assets	- 740	- 882
Incoming payments from disposals of financial assets	540	23
Disbursements for investments in financial assets	- 555	- 3,000
Payments for the acquisition of consolidated companies and other business units	- 27,814	0
Proceeds from the sale of consolidated companies and other business units	3,500	8,935
Cash flow from investment activity	**- 31,989**	**- 4,241**
Increase in capital reserve	34	0
Incoming payments from the sale of own shares	0	- 2,493
Disbursements for the purchase of own shares	848	0
Disbursements to minority interests	- 877	0
Contributions from minority partners	0	0
Disbursements to minority interests	- 869	- 1,081
Disbursements for the purchase of non-governing shares	- 1,424	0
Incoming payments from taking out (financial) loans	4,525	12,037
Disbursements for the repayment of (financial) loans	- 10,798	- 38,652
Disbursements for the repayment of (financial) loans	- 2,855	- 4,241
Cash flow from funding activity	**- 11,416**	**- 34,430**
Changes in cash and cash equivalents	**8,294**	**20,977**
Exchange rate-related changes in cash and cash equivalents	**194**	**- 207**
Cash and cash equivalents on 04/01 or 01/01	49,226	30,870
Cash and cash equivalents on 12/31	**57,714**	**51,640**
Less cash held for sale	0	- 2,414
Cash and cash equivalents on 12/31 from continuing operations	57,714	49,226

GESCO AG, Wuppertal
Notes to the Consolidated Financial Statements as at 31 December 2021

General information

GESCO AG is a stock corporation with its headquarters at Johannisberg 7, 42103 Wuppertal, Germany. The company is registered in the Commercial Register of the district court (Amtsgericht) of Wuppertal, Germany, under HRB 7847. The company is dedicated to acquiring investments in SMEs and providing consulting and other services. The consolidated financial statements of GESCO AG, Wuppertal, for the period from 1 January to 31 December 2021 were prepared based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as they apply in the EU and under consideration of Section 315e para. 1 of the German Commercial Code (HGB).

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in thousands of euros (T€).

The Profit and Loss statement has been prepared using the nature of expense method. The balance sheet is classified according to the maturity of the assets and liabilities. Assets and liabilities are considered to be current if they are due within one year or within the normal business cycle of the company or the Group or are to be sold.

Application and impact of new or amended standards

In these consolidated financial statements of GESCO AG, all standards that are to be applied for annual reporting periods beginning before 1 January 2021 and which have been adopted into EU law (endorsement) have been taken into account. The following amended or new standards had to be observed in the financial year 2021:

Standard	Adopted by the EU	Earlier application possible
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Reform of reference interest rates phase 2”.	yes	yes
Amendments to IFRS 16 “Covid-19 related rent concessions”	yes	yes

Compliance with the above-mentioned regulations did not have any significant impact on the consolidated financial statements of GESCO AG.

The following standards and interpretations are mandatory from financial year 2022:

Standard	Adopted by the EU	Earlier application possible
Amendments to IFRS 3 “Reference to the conceptual framework”	yes	yes
Amendments to IAS 16 “Proceeds before intended use”	yes	yes
Amendments to IAS 37 “Onerous contracts – Costs of fulfilment”	yes	yes
Annual improvements to IFRS (2018 – 2020 cycle)	yes	yes

The following standards and interpretations are mandatory from the financial year 2023 or later:

Standard	Adopted by the EU	Earlier application possible
Amendments to IAS 1 “Classification of liabilities as current or non-current”	pending	yes
Amendments to IAS 8 “Definition of accounting estimates”	pending	yes
Amendments to IAS 12 “Prohibition on recognising deferred taxes on the initial recognition of an asset or a liability”	pending	yes
IFRS 17: “Insurance contracts”	yes	yes

The standards / amendments to be applied from 2022 and subsequent years will not be applied early.

The other standards and interpretations that will only become mandatory in subsequent years are not expected to have any significant impact on the consolidated financial statements of GESCO AG.

Scope of consolidation

In addition to GESCO AG, the consolidated financial statements include all significant subsidiaries for which GESCO AG meets the requirements of IFRS 10. Associated companies are included using the equity method. Initial consolidation and deconsolidation generally take place at the time of the acquisition or sale of shares. The separate financial statements of the consolidated companies are prepared as at the reporting date of the consolidated financial statements.

In June 2021, GESCO AG acquired 100 % of the shares in United MedTec Holding GmbH, Bückeburg, with its subsidiaries W. Krömker GmbH and Tragfreund GmbH (together UMT Group). As a supplier of articulated arm systems for industrial and medical applications, the UMT Group complements the existing product portfolio of the long-standing subsidiary Haseke GmbH & Co. KG, Porta Westfalica. The purchase price for the UMT Group was € 30.7 million and was paid in cash. The present consolidated balance sheet as at 31 December 2021 includes the group of companies with its asset and liability items. It is included in the consolidated Profit and Loss statement pro rata temporis as of June. The group of companies is allocated to the Health and Infrastructure Technology segment.

The effects of the addition of the fully consolidated group of companies at the time of acquisition were as follows:

T€	
Intangible assets	14,391
Tangible assets	2,220
Inventories	3,803
Trade receivables	846
Cash and cash equivalents	2,886
Other assets	1,211
Provisions	1,678
Other debts	8,277
Net assets acquired	**15,402**
Goodwill	15,298

The fair value of the acquired trade receivables was T€ 846. The gross amount of the receivables was T€ 854. No receivables were assessed as uncollectible.

The goodwill results, among other things, from expected synergies realised in connection with the existing subsidiary Haseke GmbH & Co. KG. It is not expected that any part of the recognised goodwill will be deductible for tax purposes.

This addition had an impact of € - 0.5 million on the Group's earnings before interest and taxes (EBIT). Group sales were affected by € 7.3 million. If the companies had been included in GESCO AG's consolidated financial statements at the beginning of the financial year, EBIT would have been affected by around € 1.0 million and sales by around € 16.2 million.

After the 80 % stake in Haseke GmbH & Co. KG, Porta Westfalica, held by GESCO AG was transferred to United MedTec Holding GmbH in August 2021, United MedTec Holding GmbH acquired the remaining 20 % of Haseke GmbH & Co. KG from the minority shareholder in September 2021. United MedTec Holding GmbH now holds 100 % of Haseke GmbH & Co. KG. The background to the restructuring is that the product portfolios of W. Krömker as a supplier of articulated arm systems in medical technology and the long-standing subsidiary Haseke as a manufacturer of support arm systems complement each other very well. With Haseke GmbH & Co. KG alongside W. Krömker GmbH and Tragfreund GmbH as the UMT Group, it was possible to create a substantial basic holding with organic and inorganic growth potential in the attractive field of medical technology.

In October 2021, GESCO AG acquired 100 % of the shares in the inactive wkk Beteiligungs AG, based in Vienna, Austria, for T€ 70. As published on 13 October 2021, it is planned to convert GESCO AG into a European public limited company. The conversion is to take place by merging wkk Beteiligungs AG into GESCO AG with a change in legal form to that of an SE (Societas Europaea). The merger requires the approval of the GESCO AG Annual General Meeting. If possible, the Annual General Meeting in 2022 should deal with the proposed resolution. The merger is to take place without issuing new shares. Stock exchange trading of the shares will remain unaffected. The current dualistic management system of GESCO AG, consisting of the Executive Board as the management body and the Supervisory Board as the supervisory body, is also to continue under the new legal form of the SE. GESCO SE shall continue to have its registered office in Wuppertal, Germany.

In December 2021, SVT GmbH founded the wholly owned subsidiary SVT APAC PTE. LTD with headquarters in Singapore. This company is expected to improve market access to the Asian market and meet the requirements for local production. The company is fully consolidated.

GESCO AG concluded a Profit and Loss transfer agreement with Setter Holding GmbH (formerly Setter GmbH) with effect from the financial year 2021. The latter has acquired Setter Treuhand GmbH. GESCO AG transferred its shares in Setter GmbH & Co. Papierverarbeitung (Setter KG) to Setter Group. The results of Setter KG are attributed to Setter Holding GmbH for tax purposes via a fiduciary relationship.

On 4 February 2021, GESCO AG concluded an agreement on the sale of the majority shareholding in VWH GmbH as part of a management buy-out. The majority shareholding of 80 % in VWH GmbH, Herschbach, was sold. VWH GmbH is included in the Profit and Loss account as a discontinued operation. VWH GmbH was allocated to the Production Process Technology segment. The proceeds from the sale amounted to € 3.5 million. The gain on disposal amounted to T€ 10. In the previous year, the assets and liabilities of VWH GmbH were reported as "Assets held for sale" or "Liabilities directly associated with assets held for sale".

In June 2021, the liquidation of Georg Kesel Machinery (Beijing) Co, Ltd, Beijing, China was completed. In October 2021, the liquidations of Modell Technik Beteiligungsgesellschaft mbH, Sömmerda, and Alro GmbH, Wuppertal, were completed. The companies were removed from the scope of consolidation without any significant impact on the consolidated financial statements.

In addition to the parent company, a total of 51 companies are included in the consolidated financial statements according to the principles of full consolidation and three other companies are included according to the equity method.

A subsidiary whose influence on the net assets, financial position and results of operations is of minor importance was not consolidated but measured at fair value. The influence on sales, earnings and balance sheet total amounts to less than 2.5 %. The maximum risk of loss from this participation amounts to € 2.1 million (previous year 1.4 million). Three other participations, which are also of minor importance, were valued at fair value.

The material financial information of the non-consolidated companies is shown in the table below:

T€	12/31/2021	12/31/2020
Current assets	3,746	2,366
Current liabilities	2,145	1,516

The list of shareholdings is presented at the end of these notes.

Consolidation methods / equity method

Capital consolidation is based on a full revaluation on the respective acquisition date. The cost of acquisition is offset against the revalued or, in case of the equity method, proportionately revalued equity of the subsidiary on the acquisition date. Assets and liabilities are recorded at fair value.

Subsequent changes in the equity of joint ventures and associated companies are recorded as changes in the level of investment of the respective company.

Income and expenditure as well as receivables and liabilities between fully consolidated companies are eliminated.

Accounting and valuation methods

The financial statements included in the consolidated financial statements as at 31 December 2021 are prepared using uniform recognition and measurement methods. To a certain extent, assumptions and estimates are made in the consolidated financial statements that may have an influence on the presentation of the Group's net assets, financial position and results of operations. These are essentially assumptions, estimates and the exercise of discretion with regard to the determination of the useful life of non-current assets, the determination of discounted cash flows in the context of impairment tests from purchase price allocations, the formation of provisions, e. g. for legal proceedings, employee benefits, taxes, product liability and guarantees, as well as with regard to the formation of refund liabilities. Estimates are based on experience and other assumptions that are believed to be reasonable under the circumstances.

In the individual financial statements included in the consolidated financial statements, **foreign currency transactions** are converted at the exchange rates prevailing at the time of the transactions. On the reporting date, monetary items are adjusted to their fair value using the relevant conversion rate; differences are included in earnings. Exchange rate differences from intra-Group receivables are included in equity without affecting income provided that the receivables are to be regarded as part of the net investments in the foreign entity.

In principle, the companies outside the Eurozone prepare their financial statements in the respective national currency according to the functional currency concept. Assets and liabilities in these financial statements are converted to euros using the exchange rate in effect on the reporting date. Equity is reported at the historical exchange rate, with the exception of items recorded directly in equity. Profit and loss statement items are converted at average exchange rates and the resulting exchange rate differences are recognised directly in equity.

The following table lists the exchange rates that were used:

		Reporting date rate		Average rate	
	€ 1 =	12/31/2021	12/31/2020	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
China	CNY	7.1947	7.8205	7.6282	7.7597
Mexico	MXN	23.1438	21.2202	23.9852	21.4787
Romania	RON	4.9490	4.7830	4.9215	4.7485
Singapore	SGD	1.5279	1.5111	1.5891	1.5235
South Korea	KRW	1,346.3800	1,296.2800	1,354.0570	1,314.0856
Taiwan	TWD	31.4400	33.6100	32.8925	34.3600
Turkey	TRY	15.2335	6.6843	10.5124	6.4391
USA	USD	1.1326	1.1234	1.1827	1.1141

In the presentation of the development of tangible assets, provisions and equity, opening and closing balances are converted using the exchange rates on the respective reporting dates while changes during the year are converted using the average rate. Exchange rate differences are reported separately and do not affect income.

Intangible assets acquired in exchange for payment are reported at their cost of acquisition less amortisation and impairment losses. Intangible assets that were accounted for in the course of initial consolidation in accordance with IFRS 3 are recognised as disposals in the year of full amortisation.

Goodwill is recognised as an asset in a business combination at the time of acquisition. Goodwill is not amortised but tested for impairment at least annually or when there is an indication of impairment.

Internally generated intangible assets are recognised at cost.

Tangible assets are valued at acquisition or production cost. Public sector subsidies are deducted from the original cost of acquisition when the asset is recorded. Straight-line depreciation over the expected useful life is applied to tangible assets.

Intangible assets and property, plant and equipment from **leases** (IFRS 16) are initially recognised at the cash value of the lease liabilities. The interest rate on borrowings is determined individually for each company on the basis of a comparative interest rate that the company would have to pay if the asset were acquired with borrowed capital. The weighted average incremental borrowing rate of interest amounts to approximately 2.8 % (previous year: 2.1 %). Corresponding to this and taking into account any further cost components, the right to use the leased asset is capitalised in the fixed assets at the beginning of the lease. Depreciation follows the principles of depreciation and amortisation for assets owned by the Group or under consideration of the shorter term of the lease. If it is reasonably certain that a purchase option will be exercised, it is amortised over the useful life of the underlying asset.

Rights of use are shown in the balance sheet under the balance sheet items in which the underlying assets would also be shown if they were owned by the Group.

Investments reported under financial assets are recognised at fair value. Investments in joint ventures and associated companies are valued according to the equity method.

Raw materials and consumables are valued at average acquisition cost, while **unfinished and finished products** are valued at the cost of manufacture including the overhead costs of all essential materials and production. Realisation risks are taken into account through depreciation on the lower net sales price.

Financial assets consist of **financial investments, receivables, other assets** and **cash and cash equivalents.** Other loans, **receivables and other assets** are recognised at amortised cost. Any risks of receivables are taken into account through appropriate value adjustments. Foreign currency receivables are recognised at the exchange rate on the reporting date.

The effective hedging of pending sales transactions in foreign currency against the exchange rate risk represents a cash flow hedge and is recognised in other comprehensive income until the hedged item occurs.

Minority interests in incorporated companies and partnerships primarily pertain to the investments of Managing Directors in the companies they manage as well as the proportion of earnings to which they are entitled. Minority interests in incorporated companies are reported as separate items in equity. In accordance with IAS 32, minority interests in partnerships are reported as separate items in debt capital.

Provisions for pensions and similar obligations are calculated actuarially based on biometric probabilities using the projected unit credit method. The entitlements already earned are valued at the present value (defined benefit obligation, DBO). This takes into account not only the pensions and acquired entitlements known on the reporting date, but also expected future increases in salaries and pensions as well as the development of interest rates. The service cost is reported in personnel expenses, the interest portion of the addition to provisions in the financial result. The results from remeasurements of the net obligation are recognised in the statement of comprehensive income in other comprehensive income. They essentially consist of mathematical gains and losses less associated deferred taxes.

Other provisions include all liabilities identified on the reporting date that are based on past business transactions and where the amount or due date is uncertain. Provisions are established according to the best estimate of the actual liability and are not offset against positive earnings contributions.

A legal or factual obligation to a third party is required in order to establish a provision. Provisions with a residual term of more than one year are discounted to the reporting date at a market interest rate suitable for the Group and term, and under consideration of future price developments.

Liabilities are generally reported at their respective cash value. Foreign currency liabilities are converted using the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations are included in earnings. Discounts are deducted from liabilities to financial institutions and credited to the loan over its term.

Deferred taxes arising from timing differences between the commercial and tax balance sheet are calculated according to the asset and liability method and reported separately. Deferred taxes are calculated based on current tax laws. Deferred tax assets are offset against deferred tax liabilities when the creditor, debtor and term are the same.

Contingent liabilities represent possible or existing obligations based on past events where resources are not expected to be expended. Therefore, they are not included on the balance sheet. The reported contingent liabilities correspond to the scope of liability on the reporting date.

Notes to the consolidated balance sheet

The breakdown of fixed assets for the reporting year and the previous year and their development are shown in the following tables:

Development of the Group's fixed assets as at 12/31/2021

T€	Cost of acquisition or manufacture						
	As at 01/01/2021	Additions	Reclassi-fications	Disposals	Change Currency difference	Change in scope of consoli-dation	As at 12/31/2021
I. Intangible assets							
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets							
a. IT software	7,482	767	28	37	9	91	8,340
b. Technology	270	0	0	0	0	3,800	4,070
c. Customer base / order backlog	27,969	0	0	0	564	10,500	39,033
d. Company-produced development costs	844	283	0	0	0	0	1,127
	36,565	1,050	28	37	573	14,391	52,570
2. Goodwill	24,214	0	0	0	161	15,298	39,673
3. Prepayments	116	30	0	0	0	0	146
	60,895	**1,080**	**28**	**37**	**734**	**29,689**	**92,389**
II. Tangible assets							
1. Land and buildings	84,413	4,751	0	117	223	928	90,198
2. Technical plant and machinery	84,744	1,377	3,069	18	245	560	89,977
3. Other plant, fixtures and fittings	66,161	3,245	254	1,520	125	732	68,997
4. Prepayments and assets under construction	2,643	3,297	- 3,351	4	3	1	2,589
	237,961	**12,670**	**- 28**	**1,659**	**596**	**2,221**	**251,761**
III. Financial assets							
1. Shares in affiliated companies	0	0	0	0	0	0	0
2. Shares in companies recognised at equity	2,488	673	0	0	- 614	0	2,547
3. Investments	236	0	0	80	0	0	156
4. Other loans	12,011	360	0	0	0	0	12,371
	14,735	**1,033**	**0**	**80**	**- 614**	**0**	**15,074**
	313,591	**14,783**	**0**	**1,776**	**716**	**31,910**	**359,224**
Of which rights of use							
1. Intangible assets	187	341	0	0	0	0	528
2. Land and buildings	15,907	4,716	0	117	72	871	21,449
3. Technical plant and machinery	1,822	0	0	0	5	0	1,827
4. Other plant, fixtures and fittings	1,477	802	0	531	0	79	1,827
	19,393	**5,859**	**0**	**648**	**77**	**950**	**25,631**

1) Includes impairment losses (in T€): 850

Depreciation and amortisation						Carrying amounts	
As at 01/01/2021	Additions	Disposals	Attributions	Change Currency difference	As at 12/31/2021	As at 12/31/2021	As at 12/31/2020
6,457	493	37	0	8	6,921	1,419	1,025
261	571	0	0	0	832	3,238	9
13,234	3,168	0	0	413	16,815	22,218	14,735
0	0	0	0	0	0	1,127	844
19,952	4,232	37	0	421	24,568	28,002	16,613
867	0	0	0	0	867	38,806	23,347
0	0	0	0	0	0	146	116
20,819	**4,232**	**37**	**0**	**421**	**25,435**	**66,954**	**40,076**
26,764	4,095	117	0	95	30,837	59,361	57,649
55,980	5,097	18	0	118	61,177	28,800	28,764
50,451	4,193	1,361	0	98	53,381	15,616	15,710
0	0	0	0	0	0	2,589	2,643
133,195	**13,385**	**1,496**	**0**	**311**	**145,395**	**106,366**	**104,766**
0	0	0	0	0	0	0	0
620	0	0	- 196	0	424	2,123	1,868
0	0	0	0	0	0	156	236
2,150	850	0	0	0	3,000	9,371	9,861
2,770	**850**[1)]	**0**	**- 196**	0	**3,424**	**11,650**	**11,965**
156,784	**18,467**	**1,533**	**- 196**	**732**	**174,254**	**184,970**	**156,807**
0	100	0	0	0	100	428	187
3,066	2,077	117	0	59	5,085	16,364	12,841
461	274	0	0	1	736	1,091	1,361
588	498	524	0	0	562	1,265	889
4,115	**2,949**	**641**	**0**	**60**	**6,483**	**19,148**	**15,278**

Development of the Group's fixed assets as at 12/31/2020

T€	Cost of acquisition or manufacture						
	As at 01/01/2020	Additions	Reclassi-fications	Disposals	Change Currency difference	Reclassi-fication to held for sale	Change in scope of consoli-dation
I. Intangible assets							
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets							
a. IT software	12,039	674	330	578	- 8	- 4,444	- 531
b. Technology	687	0	0	0	0	- 92	- 325
c. Customer base / order backlog	29,951	0	0	0	- 622	- 1,360	0
d. Company-produced development costs	526	318	0	0	0	0	0
	43,203	992	330	578	- 630	- 5,896	- 856
2. Goodwill	29,816	0	0	0	- 177	- 4,732	- 693
3. Prepayments	133	77	- 94	0	0	0	0
	73,152	**1,069**	**236**	**578**	**- 807**	**- 10,628**	**- 1,549**
II. Tangible assets							
1. Land and buildings	115,525	1,925	2,290	0	- 220	- 31,115	- 3,992
2. Technical plant and machinery	154,507	1,898	7,033	932	- 260	- 75,571	- 1,931
3. Other plant, fixtures and fittings	84,342	4,333	493	1,925	- 106	- 19,828	- 1,148
4. Prepayments and assets under construction	11,487	3,133	- 10,052	71	- 10	- 1,737	- 107
	365,861	**11,289**	**- 236**	**2,928**	**- 596**	**- 128,251**	**- 7,178**
III. Financial assets							
1. Shares in affiliated companies	0	0	0	0	0	0	0
2. Shares in companies recognised at equity	2,255	574	0	23	- 318	0	0
3. Investments	236	0	0	0	0	0	0
4. Other loans	100	12,011	0	0	0	- 100	0
	2,591	**12,585**	**0**	**23**	**- 318**	**- 100**	**0**
	441,604	**24,943**	**0**	**3,529**	**- 1,721**	**- 138,979**	**- 8,727**
Of which rights of use							
1. Intangible assets	51	187	0	51	0	0	0
2. Land and buildings	19,869	298	0	0	- 75	- 4,185	0
3. Technical plant and machinery	8,753	65	0	0	0	- 6,996	0
4. Other plant, fixtures and fittings	1,615	895	0	265	0	- 768	0
	30,288	**1,445**	**0**	**316**	**- 75**	**- 11,949**	**0**

1) Includes impairment losses (in T€): 2,270 (of which goodwill impairment: 2,133)
2) Includes impairment losses (in T€): 13,194
3) Includes impairment losses (in T€): 2,150
4) Includes impairment losses (in T€): 2,499

	Depreciation and amortisation							Carrying amounts	
As at 12/31/2020	**As at 01/01/2020**	**Addi-tions**	**Dis-posals**	**Change Currency difference**	**Reclassi-fication to held for sale**	**Change in scope of consoli-dation**	**As at 12/31/2020**	**As at 12/31/2020**	**As at 12/31/2019**
7,482	10,040	1,164	578	- 7	- 3,708	- 454	6,457	1,025	1,999
270	665	13	0	0	- 92	- 325	261	9	22
27,969	12,144	2,857	0	- 407	- 1,360	0	13,234	14,735	17,807
844	0	0	0	0	0	0	0	844	526
36,565	22,849	4,034	578	- 414	- 5,160	- 779	19,952	16,613	20,354
24,214	2,889	2,133	0	0	- 3,462	- 693	867	23,347	26,927
116	0	0	0	0	0	0	0	116	133
60,895	**25,738**	**6,167[1]**	**578**	**- 414**	**- 8,622**	**- 1,472**	**20,819**	**40,076**	**47,414**
84,413	32,486	10,447	0	- 57	- 14,383	- 1,729	26,764	57,649	83,039
84,744	98,528	17,897	609	- 111	- 58,139	- 1,586	55,980	28,764	55,979
66,161	62,532	6,254	1,679	- 71	- 15,712	- 873	50,451	15,710	21,810
2,643	0	31	0	0	0	- 31	0	2,643	11,487
237,961	**193,546**	**34,629[2]**	**2,288**	**- 239**	**- 88,234**	**- 4,219**	**133,195**	**104,766**	**172,315**
0	0	0	0	0	0	0	0	0	0
2,488	620	0	0	0	0	0	620	1,868	1,635
236	0	0	0	0	0	0	0	236	236
12,011	0	2,150	0	0	0	0	2,150	9,861	100
14,735	**620**	**2,150[3]**	**0**	**0**	**0**	**0**	**2,770**	**11,965**	**1,971**
313,591	**219,904**	**42,946**	**2,866**	**- 653**	**- 96,856**	**- 5,691**	**156,784**	**156,807**	**221,700**
187	22	29	51	0	0	0	0	187	29
15,907	1,867	3,269	0	- 22	- 2,048	0	3,066	12,841	18,002
1,822	3,833	2,725	0	- 2	- 6,095	0	461	1,361	4,920
1,477	479	659	260	0	- 290	0	588	889	1,136
19,393	**6,201**	**6,682[4]**	**311**	**- 24**	**- 8,433**	**0**	**4,115**	**15,278**	**24,087**

1 Industrial property rights and similar rights and assets, as well as licences to such rights and assets

The assets summarised in this item are depreciated on a straight-line basis over the following periods:

	Years
IT software	3 – 7
Technology	10 – 13
Customer base	7 – 10
Order backlog	1 – 2
Company-produced development costs	7

The development of the individual items is shown in the asset grids (reporting year and previous year). The items technology, customer base and orders on hand result from assets identified in the course of initial consolidations and hidden reserves disclosed. No impairments were carried out in the 2021 financial year (previous year T€ 137).

2 Goodwill

In accordance with IAS 36, goodwill is not amortised but subjected to an annual impairment test. In principle, the cash flows after taxes from the current company budget are used for the next three years; for subsequent periods, a continuous growth rate derived on the basis of long-term business expectations of 1 % is used. This is based primarily on assumptions about future sales prices and volumes, costs, market growth rates, economic cycles and exchange rates. The development of these assumptions is based on internal Group estimates as well as external market studies. The resulting values are discounted using a pre-tax cost of capital of 9.4 % (previous year 8.8 %). The cost of capital is calculated as a weighted average of the cost of equity and the cost of debt. The equity capital cost rates correspond to the return expectations of the shareholders. The cost of debt capital rates used represent the long-term financing conditions of the peer companies. The resulting present value (value in use) is compared with the goodwill approach. If the goodwill amount is higher than the value in use, an impairment loss is recognised in the amount of the difference. The goodwill arising from company acquisitions is spread over 11 (previous year 10) cash-generating units. Significant in the sense of IAS 36.134 is the goodwill of the United MedTec Group (€ 15.3 million), Sommer & Strassburger Edelstahlanlagenbau GmbH & Co. KG (€ 9.7 million) and the Pickhard & Gerlach Group (€ 6.3 million). Together, these goodwill items account for 80.7 % of the total goodwill (previous year 68.6 %).

The impairment tests carried out in the financial year did not result in any need for unscheduled depreciation (previous year € 15.5 million, of which € 2.1 million on goodwill).

For the cash-generating unit with the lowest excess of carrying amount over recoverable amount, the recoverable amount was € 5.0 million higher than the carrying amount. A need for impairment would have arisen if a discount rate before taxes that was more than 3.3 percentage points higher, a growth rate reduced by more than 3.0 percentage points to below -2.0% or a cash flow before taxes in the perpetual annuity that was more than € 0.5 million (corresponding to -36%) lower had been applied in the valuation.

The above method of determining the cash value follows the relevant IFRS standards; it does not correspond to the method we use to determine company values for the purpose of acquisitions.

_ 3 Prepayments made

The amount shown relates to the acquisition and implementation of software.

_ 4 Land and buildings

Buildings are generally depreciated on a straight-line basis over a period of 30 or 50 years.

_ 5 Technical plant and machinery

Technical equipment and machinery are generally depreciated on a straight-line basis over a period of 5 to 15 years.

_ 6 Other plant, fixtures and fittings

Other plant, fixtures and fittings are always depreciated over a 3- to 15-year period using the straight-line method.

_ 7 Prepayments and assets under construction

The amount reported mainly relates to machinery and property.

_ 8 Shares in affiliated companies

The shares relate to a sales company in the USA.

9 Shares in companies valued at equity

Share acquisitions and positive results of companies valued at equity are reported as additions on the Group asset history sheet. Shares of losses, dividend distributions and sales of shares are reported under disposals. Currency conversion differences are included in equity without affecting income.

The shares in the results of companies accounted for using the equity method are included in the Profit and Loss account in the result from companies accounted for using the equity method. In the reporting year, a write-up of T€ 196 was made on the shares in Saglam Metal Sanayi Ticaret A.S. due to the annual impairment test. The book value of the share in the company amounts to T€ 612.

The following table depicts significant **financial information** for companies valued at equity. Total values without consideration for the share held by the Group.

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Sales	11,074	8,415
Annual result	673	574
Other result	- 614	- 318

10 Participations

Shares in companies of minor importance are reported under the item participations.

11 Other loans

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

The residual book value of a liquidity support for a former associated company, which is limited until 31 December 2022, was subject to an unscheduled value adjustment of T€ 850 (previous year T€ 2,150) in the reporting year.

12 Receivables and other assets

Receivables and other assets are initially measured at fair value. Subsequent measurement is at amortised cost, taking into account appropriate valuation allowances.

Trade receivables

Trade receivables are due within 12 months and are non-interest bearing.

The decrease in value of trade receivables developed as follows:

T€	01/01/2021 – 12/31/2021	01/01/2020– 12/31/2020
As at 01/01	**1,248**	**1,740**
Claims	- 143	- 222
Reversals	- 397	- 306
Additions	401	220
Change in scope of consolidation	11	- 184
As at end of financial year	**1,120**	**1,248**
of which: individual valuation allowances	528	891

Valuation allowances were recorded in specific cases under consideration of the credit rating, economic situation and economic environment of the respective business partners.

Amounts owed by companies valued at equity

As in the previous year, no impairments were recognised on the amounts owed.

Other assets

T€	12/31/2021	12/31/2020
Non-current		
Loan receivables	181	439
Other	2	2
	183	**441**

The loan receivables result largely from the financing of the acquisition of minority shares by the managing directors of the respective subsidiaries and are secured by pledging the shares. The loans have an initial term of up to ten years and are subject to interest at market rates.

T€	12/31/2021	12/31/2020
Current		
Income tax claims	2,192	1,198
Tax prepayments	1,971	2,276
Loan receivables	179	132
Creditors with debit accounts	136	88
Other	991	2,232
	5,469	**5,926**

13 Deferred tax assets and liabilities

In principle, deferred taxes are determined and reported at 30.5 % (previous year: 30.5 %) on the basis of the timing differences between the valuation of assets and liabilities in the IFRS financial statements and financial statements for tax purposes as well as realisable loss carryforwards. The deferred taxes reported on the balance sheet result from the following balance sheet items and loss carryforwards:

T€	12/31/2021		12/31/2020	
Deferred taxes	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	2,236	5,134	2,189	1,232
Tangible assets	54	8,611	30	7,553
Inventories	144	192	227	283
Receivables	385	87	356	72
Pension provisions	1,609	0	1,385	0
Other provisions	128	398	155	292
Liabilities	5,555	1	4,630	35
Tax loss carryforwards	1,940	0	335	0
Other	196	175	13	81
	12,247	**14,598**	**9,320**	**9,548**
Net figure[1)]	- 7,837	- 7,837	- 6,814	- 6,814
	4,410	**6,761**	**2,506**	**2,734**

[1)] Deferred tax assets and liabilities are offset when the creditor, debtor and term are the same.

Deferred taxes on loss carryforwards are capitalised if the future realisation of these potential tax reductions within up to a three-year planning horizon is reasonably certain on the reporting date. Deferred tax assets in the amount of T€ 4,399 (previous year: T€ 6,346) from loss carryforwards for tax purposes were not reported since it is not considered likely that these will be offset against taxable income within a period of up to three years.

14 Inventories

Impairments on inventory items are distributed as follows:

T€ 12/31/2021	Raw materials and supplies	Unfinished products and services	Finished products and services	Prepayments	Total
Cost of acquisition or manufacture	39,688	27,832	63,377	758	**131,655**
Impairments	2,735	949	3,134	0	**6,818**
As at 12/31/2021	**36,953**	**26,883**	**60,243**	**758**	**124,837**

T€ 12/31/2020	Raw materials and supplies	Unfinished products and services	Finished products and services	Prepayments	Total
Cost of acquisition or manufacture	25,780	23,803	67,561	119	**117,263**
Impairments	2,924	1,169	4,253	0	**8,346**
As at 12/31/2020	**22,856**	**22,634**	**63,308**	**119**	**108,917**

15 Cash and credit with financial institutions

This item mainly consists of short-term fixed deposits and current account credit balances denominated in euros and held by various banks. Of the reported deposit no amounts are pledged to a financial institution (previous year T€ 1,230).

16 Assets and liabilities held for sale

As at the balance sheet date, there were no assets held for sale (previous year T€ 8,028) and no liabilities (previous year T€ 3,028).

17 Equity

The **subscribed capital** of the Group equals the subscribed capital of GESCO AG and totals € 10,839,499.00 divided into 10,839,499 registered shares with full voting and dividend rights.

The Annual General Meeting on 18 June 2020 authorised the company to increase the company's share capital on one or several occasions by a total of € 1,083,949.00 by 17 June 2023 with the consent of the Supervisory Board by issuing up to 1,083,949 new no-par value registered shares in exchange for cash or contributions in kind (Authorised Capital 2020). Subscription rights may be excluded in certain cases. No use of this authorisation was made during the reporting period.

The Annual General Meeting on 18 June 2020 authorised the company to acquire up to ten out of every hundred shares of the share capital by 17 June 2025 under consideration of own shares already held. No use of this authorisation was made during the reporting period.

Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them. The Executive Board has not made use of this authorisation to date. GESCO AG held no own shares as of the reporting date.

Shares in circulation and **own shares** developed as follows:

	Shares in circulation	Own shares held	
	Number	Number	Share of the share capital in %
As at 12/31/2019	**10,839,499**	**0**	**0.00**
Purchases	0	0	0.00
Employee share scheme	0	0	0.00
As at 12/31/2020	**10,839,499**	**0**	**0.00**
Purchases	36,474	- 36,474	- 0.34
Employee share scheme	- 36,474	36,474	- 0.34
As at 12/31/2021	**10,839,499**	**0**	**0.00**

In the past, following the respective Annual General Meeting in the second half of the calendar year, the company implemented an employee share ownership programme limited to approximately two months, which gave GESCO Group employees the opportunity to acquire shares in GESCO AG at a discounted purchase price compared to the stock market price. The programme was not implemented in the previous year for regulatory reasons. The shares sold in the reporting year as part of the employee share ownership programme with a total value of T€ 883 were given to employees at a selling price of T€ 675. The discount granted to employees was recognised in other operating expenses. The sales proceeds were used to repay liabilities.

Most of the **capital reserve** of T€ 72,398 (previous year: T€ 72,364 thousand) is the result of shares issued at a premium.

The Annual General Meeting of GESCO AG on 18 June 2020 authorised the company to acquire own shares according to Section 71 para. 1 No. 8 of the Stock Corporation Act (AktG) and to use these shares for a stock option programme. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG. In July 2021, a fifteenth tranche was issued in the form of a virtual share option programme, within which a total of 43,200 options were issued to members of the Executive Board and senior employees of GESCO AG. The accounting for the share option programme follows the requirements of IFRS 2 on cash-settled share-based payment.

Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in liabilities. This model assumes volatility of 33.84 % plus a risk-free interest rate of - 0.49 %. The volatility is based on the historical value of the last five years. The exercise price of the options issued in July 2021 is € 21.58 and corresponds to the average share price of the last six months before the Annual General Meeting 2021. The vesting period is four years and two months after the date of the Annual General Meeting. The programme gains are calculated once the vesting period is over. The fair value per option on the issue date is € 1.46. These annual financial statements include the expenditure (T€ 15) from the stock option programme initiated in the reporting year. Taking into account the change in value, total earnings for the eighth to thirteenth tranche amounted to T€ 7 in the reporting year (previous year: T€ 28. In the financial year, 18,900 stock options from the 2016 tranche were exercised. The book value of the options amounts to T€ 155 (previous year T€ 162).

The key **terms and conditions of the stock option programme** are summarised in the following table:

Tranche		2021	2020	2019	2018	2016
End of vesting period		08/31/2025	08/18/2024	10/29/2023	10/30/2022	10/25/2020
End of term		09/01/2025	08/19/2024	10/30/2023	10/31/2022	03/15/2022
Exercise price	€	21.58	16.58	23.92	29.45	22.99
No. of options issued		43,200	50,400	68,800	85,100	80,100
Profit limit per option	€	10.79	8.29	11.96	14.73	11.50
Fair value per option as at the reporting date 12/31/2021	€	1.85	2.91	1.20	1.17	1.19
Fair value per option as at the time of issue	€	1.46	0.98	1.28	1.84	1.78

The development of the **claims arising from the stock option plan** is as follows:

	Number of options		Weighted average exercise price in €	
	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Outstanding options at start of financial year	289,480	393,880	23.48	25.00
In the financial year				
granted	43,200	50,400	16.58	16.58
returned	- 4,000	- 97,200	0.00	0.00
exercised	- 18,900	0	0.00	0.00
expired	- 93,780	- 57,600	0.00	0.00
Outstanding options at end of financial year	216,000	289,480	22.94	23.48
Exercisable options at end of financial year	36,000	105,480	22.99	23.04

Retained earnings increased in the year under review by the net profit for the year of T€ 26,862.

In addition to exchange equalisation items and currency hedging transactions that do not affect income, **other comprehensive income** includes in particular the effects from actuarial gains and losses from pension obligations that do not impact income.

The **proposed dividend** per share at the time of preparing the financial statements is € 0.98. With 10,839,499 shares currently in circulation, the proposed distribution amounts to T€ 10,623. The distribution will not have any income tax consequences for the company.

GESCO AG's and GESCO Group's **capital management** serves to ensure the going-concern assumption as well as a return on assets for shareholders, appropriate liquidity and credit standing, which will also be assisted by the optimisation of the capital structure. We consider the minimum equity ratio in the Group to be 40%. In the reporting period, the ratio was 56.9% (previous year 58.3%). The decrease is due to the fact that the balance sheet total increased in particular due to the company acquisitions and the increase in working capital as a result of the business development. Key performance indicators for the equity ratio in the Group are the management of the Group on an operational level, investment activity and the raising of equity and debt capital. Another key metric is the ratio of net bank liabilities (liabilities to financial institutions less liquid assets) to EBITDA. We are aiming for a maximum ratio of 3 for this. In the reporting period, net bank liabilities stood at € 18.6 million (previous year € 33.4 million), EBITDA was € 62.2 million (previous year € 33.4 million). This results in a ratio of 0.3 (previous year 1.0). Key performance indicators here also include the management of the Group on an operational level and the raising of debt capital.

Within the scope of loan agreements, individual companies of the GESCO Group have undertaken to comply with specific equity ratios or equity bases.

18 Minority interests

Minority interests consist of capital and earnings interests in the incorporated companies and partnerships. Minority interests in incorporated companies are reported in equity and are primarily the result of shares in Dörrenberg Edelstahl GmbH and its subsidiaries, Hubl GmbH and MAE-EITEL Inc.

In accordance with IAS 32, minority interests in partnerships are included under non-current liabilities. This is the result of investments in Haseke GmbH & Co. KG.

No significant minority interests in subsidiaries are included in the consolidated financial statements.

19 Provisions

Provisions for pensions are based on salary-dependent direct benefits for former members of the Executive Board of GESCO AG and acting and former members of bodies and employees of subsidiaries as well as fixed pension benefits for certain employees. Pension provisions refer exclusively to the defined benefit plans and are calculated according to the projected unit credit method under IAS 19.

Liability insurance policies obtained to finance pension obligations qualify as plan assets and are recorded at the value of the obligation if the insurance benefits coincide with the payments to entitled employees and are paid to the employees in case the employer becomes insolvent. Plan assets are carried at fair value.

Defined benefit obligations developed as follows:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
As at 01/01	**11,306**	**18,421**
Service expenditure	5	122
Interest expense	108	191
Pension annuities paid	- 572	- 844
Actuarial losses / gains (-) from financial assumptions	- 17	- 628
Change to the scope of consolidation	1,297	- 4,912
Reclassification pursuant to IFRS 5	0	- 1,044
As at end of financial year	**12,127**	**11,306**

Development of plan assets (liability reinsurance):

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
As at 01/01	**191**	**693**
Employer contributions	12	23
Benefits paid	0	- 50
Actuarial gains	- 8	55
Change to the scope of consolidation	0	- 530
As at end of financial year	**195**	**191**

Pension provisions are derived as follows:

T€	12/31/2021	12/31/2020
Projected pension obligations	12,127	11,306
Plan assets (liability insurance)	- 195	- 191
As at end of financial year	**11,932**	**11,115**

Asset coverage of pension obligations:

T€	Projected unit credit		Plan assets	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Without asset coverage	11,901	11,085	0	0
Some asset coverage	226	221	195	191
As at end of financial year	**12,127**	**11,306**	**195**	**191**

Pension costs consist of the following:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Service expenditure	5	122
Interest accruing on expected pension obligations	108	191
	113	**313**

The calculations are based on the basic biometric values according to Prof Dr Klaus Heubeck (2018 G) and the following **actuarial assumptions:**

in %	12/31/2021	12/31/2020
Interest rate	1.05	0.90
Salary growth	2.50	2.00
Indexation	1.50	1.30
Staff turnover	1.00	1.00

The interest rate was taken from publicly available sources and takes into account the relevant parameters for GESCO (e. g. duration).

Development of **pension obligations and fund assets:**

T€	12/31/2021	12/31/2020	12/31/2019	03/31/2019 adjusted	03/31/2018 adjusted
Project unit credit	12,127	11,306	18,421	17,125	16,627
Plan assets	- 195	- 191	- 693	- 680	- 673
Financing status	11,932	11,115	17,728	16,445	15,954

Expected contribution payments for financial year 2022 are T€ 12.

Expected future **pension payments** are as follows:

T€	2022	2023 – 2026	2027 – 2031
Expected future pension payments	614	2,626	3,130

Of the above-mentioned actuarial assumptions, the interest rate in particular has a **material impact** on the measurement of pension obligations as at the reporting date. Had the discount factor for otherwise constant other assumptions been 100 basis points higher or lower as at the reporting date, pension obligations would have been T€ 1,334 lower (previous year: T€ 1,447) or T€ 1,644 higher (previous year: T€ 1,800). The sensitivities were calculated based on a detailed valuation analogous to the determination of the pension obligations.

Risks from defined benefit plans arise from obligations and can have negative effects on provisions and equity.

As a large part of the defined benefit pension commitments include life-long pension benefits as well as survivors' pensions, earlier drawdowns or longer pension periods can lead to higher pension obligations, higher pension expenses and higher pension payments than previously expected.

The composition and development of **other provisions** are shown in the following overview.

T€	12/31/2020	Utilisation	Addition / New formation	Reversal	Change to scope of consolidation	Held for sale	12/31/2021
Non-current							
Purchase price annuity obligation	524	-82	52	0	0	0	494
	524	**-82**	**52**	**0**	**0**	**0**	**494**
Current							
Guarantees and warranties	2,849	-274	881	-213	264	0	3,507
Follow-up costs	990	-962	2,310	-2	0	0	2,336
Risks of legal disputes	600	0	500	0	0	0	1,100
Cost of annual financial statements	792	-726	572	-21	20	0	637
Impending losses	315	-5	20	-11	0	0	319
Taxes and incidental tax expenditure	124	0	45	0	0	0	169
Restructuring	752	-641	30	-111	0	0	30
Sewer renovation	880	0	0	-880	0	0	0
Expenditure from sale of shares	650	-650	0	0	0	0	0
Other	362	-148	229	-33	0	0	410
	8,314	**-3,406**	**4,587**	**-1,271**	**284**	**0**	**8,508**

The purchase price annuity obligation arose in connection with the acquisition of shares in a subsidiary and is recognised at the present value of the defined benefit obligation in accordance with IAS 19.

The follow-up costs relate to the project business and reflect the increased business volume at the end of the year.

_ 20 Liabilities

Liabilities from financing activities are classified into the following repayment obligations:

T€	12/31/2021 (12/31/2020)	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years
Liabilities to financial institutions	76,340	43,997	27,809	4,534
	(82,613)	(44,357)	(36,706)	(1,550)
Lease liabilities	19,272	3,238	12,641	3,393
	(15,319)	(2,287)	(9,080)	(3,952)
	95,612	**47,235**	**40,450**	**7,927**
	(97,932)	**(46,644)**	**(45,786)**	**(5,502)**

Liabilities to financial institutions and bank guarantee lines of credit are mainly secured by:

T€	12/31/2021	12/31/2020
Land charges	29,695	29,695
Book value of existing property and property under construction	29,635	30,044
Assignment of		
moveable fixed assets	2,729	3,684
inventories	3,317	3,160
Assignment of receivables	738	563

Shares in subsidiaries with a total book value of T€ 38,848 (previous year: T€ 43,100) have also been pledged.

A total of T€ 54,953 (previous year: T€ 60,747) of the liabilities to financial institutions result from long-term loans with fixed repayment terms and a remaining term between one and 13 years (previous year: between one and 13 years).

Interest rates for the loans vary between 0.7 % – 2.85 % (previous year: 0.7 % – 3.96 %). These interest rates correspond to the market rates for the respective loans and companies. Other liabilities to financial institutions consist of current accounts.

Repayment obligations for other liabilities are as follows:

T€	12/31/2021 (12/31/2020)	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years
Trade liabilities	15,733	15,733	0	0
	(8,701)	(8,701)	(0)	(0)
Prepayments received on orders	16,822	16,822	0	0
	(8,620)	(8,620)	(0)	(0)
Liabilities to affiliated companies	1,391	1,391	0	0
	(1,021)	(1,021)	(0)	(0)
Liabilities to companies valued at equity	0	0	0	0
	(0)	(0)	(0)	(0)
Other liabilities	36,340	35,344	996	0
	(20,000)	(18,322)	(1,678)	(0)
	70,286	**69,290**	**996**	**0**
	(38,342)	**(36,664)**	**(1,678)**	**(0)**

Other liabilities consist of the following:

T€	12/31/2021	12/31/2020
Wages, salaries, bonuses, social security	12,785	8,534
Other taxes	3,740	3,727
Outstanding incoming invoices	2,118	2,126
Income taxes	10,307	1,179
Other miscellaneous liabilities	7,390	4,434
	36,340	**20,000**

The remaining other liabilities mainly result from current liabilities owed to third parties.

Notes to the consolidated Profit and Loss statement

The figures in the consolidated Profit and Loss statement reflect the values of the continuing business units. The previous year's figures have been adjusted accordingly.

21 Sales revenue

Sales revenues are recognised at the point at which the benefits and liabilities associated with the assets sold are transferred. For more information, please consult the section on segment reporting. All revenues in the financial year were generated at a specific point in time.

22 Other own work capitalised

This item mainly consists of reportable expenditure for technical plant and tools.

23 Other operating income

Other operating income breaks down as follows:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Income from reversing / utilising provisions and liabilities	2,881	2,834
Income from public subsidies	1,310	49
Price gains	960	961
Income from the reversal of valuation allowances and from the payment of receivables previously written off	495	364
Rental income	282	282
Income from insurance refunds	116	339
Income from the disposal of fixed assets	108	51
Other	1,346	585
	7,498	**5,465**

The income from public subsidies mainly relates to corona-related subsidies to support personnel costs to an American subsidiary.

24 Material expenses

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Expenditure on raw materials and supplies and goods supplied	243,871	202,885
Expenditure on services purchased	21,829	17,837
	265,700	**220,722**

25 Personnel expenses

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Wages and salaries	95,250	86,990
Social security contributions / expenditure on pensions and benefits	17,664	17,036
	112,914	**104,026**

The interest on pension provisions is included under interest and similar expenditure.

26 Other operating expenses

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Operating expenses	18,100	15,097
Distribution expenses	20,294	15,371
Administrative expenses	8,434	7,067
Miscellaneous expenses	10,007	7,883
	56,835	**45,418**

27 Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation of property, plant and equipment and amortisation of intangible assets is reported in the Group asset history sheet. The impairment losses of the previous year included unscheduled depreciation and amortisation amounting to 15.5 million.

Additional information can be found in the notes regarding the corresponding balance sheet items.

28 Interest and similar expenses

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Interest expenses from bank loans	1,337	1,403
Interest expenses from lease liabilities	545	528
Interest accruing on non-current provisions and pensions and benefits	127	187
Other	29	71
	2,038	**2,189**

Taxes on income and earnings

Actual taxes on income and earnings as well as deferred taxes are reported as income tax. Income tax breaks down as follows:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Actual taxes	15,142	5,476
Deferred taxes	- 1,899	533
	13,243	**6,009**

The expected income tax expenses based on a tax rate of 30.5 % (previous year: 30.5 %) can be recognised as tax expenses in the Profit and Loss statement as follows:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Group result before income taxes	**42,719**	**12,889**
Anticipated income tax expenses	- 13,029	- 3,931
Permanent differences arising on expenses that are not tax deductible	- 1,822	- 596
Tax-free income	346	0
Income taxes for different reporting periods	- 471	- 222
Consolidation effects	240	156
Temporary differences from losses for which no deferred tax assets have been recognised	1,943	- 1,535
Differences in tax rates	- 207	142
Other	- 243	- 23
	- 13,243	**- 6,009**

The change in deferred taxes on tax loss carryforwards led to a tax asset of T€ 1,606 (previous year: T€ 6) in financial year 2021.

In addition to the amount recognised in the Profit and Loss statement, deferred taxes relating to items recognised directly in other comprehensive income in the amount of T€ 8 (previous year T€ -778) were offset directly in other comprehensive income.

30 Earnings from discontinued operations

Earnings from discontinued operations stood at T€ -19 (previous year: T€ -22,862). Further disclosures on discontinued operations are provided in Note (32) in the section entitled "Information on discontinued operations."

31 Earnings per share

According to IAS 33, earnings per share are calculated by dividing Group net income attributable to shareholders by the weighted average number of shares issued and outstanding.

	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Earnings from continuing operations (T€)	26,876	5,829
Earnings from discontinued operations (T€)	- 14	- 22,405
Group net loss / income (T€)	26,862	- 16,576
Weighted number of shares (number)	10,839,499	10,833,036
Earnings per share in accordance with IAS 33 (€):		
From continuing operations	**2.48**	**0.54**
From continuing and discontinued operations	**2.48**	**- 1.53**

There are no factors that would cause dilution.

32 Other income

The actuarial gains and losses from pension obligations, effects from currency translation and currency hedging transactions contained in this item were increased by net income taxes of T€ 80 (previous year: T€ 244).

Information on discontinued operations

The **Profit and Loss statement** of the discontinued operations is shown in the table below:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Sales revenues	215	97,947
Changes in inventory, company-produced additions to assets	443	- 6,211
Other income	33	2,125
Material expenses	- 252	- 32,573
Personnel expenses	- 392	- 39,735
Other expenses	- 65	- 14,262
Loss from the disposal of discontinued operations	0	- 4,104
Depreciation and amortisation	0	- 24,132
Earnings before interest	**- 18**	**- 20,945**
Interest	- 1	- 733
Earnings before taxes	**- 19**	**- 21,678**
Taxes	0	- 1,184
Earnings from discontinued operations	**- 19**	**- 22,862**

Cash flow key figures for discontinued operations are as follows:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Cash flow from ongoing business activity	- 134	10,097
Cash flow from investment activity	0	- 2,558
Cash flow from funding activity	995	- 6,286

The **liquid assets, assets and liabilities** of the subsidiaries sold in the previous year are in the table below:

T€	12/31/2020
Non-current assets	
Intangible assets; property, plant and equipment; financial assets	42,124
Other non-current assets	0
Deferred tax assets	888
	43,012
Current assets	
Inventories	24,628
Receivables and other assets and accounts receivable and payable	9,853
Cash and credit with financial institutions	9,065
	43,546
	86,558

T€	12/31/2020
Non-current liabilities	
Non-current provisions	4,374
Liabilities to financial institutions	15,963
Lease liabilities	4,592
Other liabilities	369
Deferred tax liabilities	404
	25,703
Current liabilities	
Other provisions	816
Liabilities to financial institutions	7,639
Lease liabilities	1,850
Other liabilities and accounts receivable and payable	19,447
	29,752
	55,455

Information on the cash flow statement

In accordance with IAS 7 (Cash Flow Statement), the **cash flow statement** shows how cash and cash equivalents in the Group changed during the reporting year as a result of cash inflows and outflows. The financial resources portfolio includes cash and credit balances with financial institutions (T€ 57,714; previous year: T€ 49,226).

Cash flow from investment activity amounts to T€ 117 (previous year: T€ 127), which are offset by inflows from financing activities in the corresponding amount.

The following cash flows were paid or received in the financial year:

T€	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Interest paid	1,207	2,045
Interest received	65	66
Income taxes paid and received	7,204	8,550

The development of liabilities from funding activities is shown in the table below:

T€	Liabilities to financial institutions	Lease liabilities	Liabilities from funding activity
Book value 12/31/2019	**133,731**	**24,557**	**158,288**
Cash transaction	- 26,615	- 4,241	- 10,186
Non-cash transaction			
Acquisition of assets	0	1,445	1,701
Discontinued operations	- 24,503	- 6,442	16,765
Book value 12/31/2020	**82,613**	**15,319**	**97,932**
Cash transaction	- 6,273	- 1,905	- 8,178
Non-cash transaction			
Acquisition of assets	0	5,858	5,858
Book value 12/31/2021	**76,340**	**19,272**	**95,612**

Information on segment reporting

The following disclosures concern companies attributable to continuing operations.

The companies are assigned to segments according to their respective field of activity. The segmentation of the operating segments is geared towards the respective customer markets and encompasses the Production Process Technology, Resource Technology and Healthcare and Infrastructure Technology segments. One common element of all these segments is that they all pursue B2B business models with a focus on the capital goods industry.

The **Production Process Technology** segment comprises Group subsidiaries that largely provide products and services for series manufacturers' production processes. The **Resources Technology** segment encompasses companies that supply material-intensive companies in the industrial sector. Companies in the **Healthcare and Infrastructure Technology** segment supply companies for mass consumer markets such as the medical, hygiene, food or sanitary sectors. Companies in the Mobility Technology segment were deconsolidated in the reporting period.

GESCO AG along with immaterial companies that are not assigned to any other segment are reported in the **GESCO AG / Other companies** segment. Consolidation effects and reconciliations to the corresponding Group values are disclosed in the line item **Reconciliation.**

T€	Production Process Technology		Resource Technology	
	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Order backlog	38,689	21,156	101,502	79,963
Incoming orders	83,910	49,725	292,191	233,349
Sales revenues	65,340	54,191	277,667	226,373
of which with other segments	30	71	2	4
Depreciation and amortisation	1,559	1,811	5,096	5,083
EBIT	8,699	405	35,517	13,686
Investments	1,585	1,489	1,999	2,415
Employees (number / reporting date)	387	371	728	737

T€	Healthcare and Infrastructure Technology		Total operating segments	
	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Order backlog	69,073	38,555	209,264	139,674
Incoming orders	168,355	124,018	544,456	407,092
Sales revenues	145,093	116,746	488,100	397,310
of which with other segments	17	10	49	85
Depreciation and amortisation	4,324	4,399	10,979	11,293
EBIT	14,602	11,440	58,818	25,531
Investments	4,257	3,881	7,841	7,785
Employees (number / reporting date)	646	567	1,761	1,675

T€	Total operating segments		GESCO AG / other companies	
	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Order backlog	209,264	139,674	0	0
Incoming orders	544,456	407,092	0	0
Sales revenues	488,100	397,310	1,669	1,506
of which with other segments	49	85	1,669	1,506
Depreciation and amortisation	10,979	11,293	132	166
EBIT	58,818	25,531	- 7,315	- 5,619
Investments	7,841	7,785	53	86
Employees (number / reporting date)	1,761	1,675	22	20

T€	Reconciliation		Group	
	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Order backlog	0	0	209,264	139,674
Incoming orders	0	0	544,456	407,092
Sales revenues	- 1,718	- 1,591	488,051	397,225
of which with other segments	- 1,718	- 1,591	0	0
Depreciation and amortisation	6,505	5,205	17,616	16,664
EBIT	- 6,931	- 3,219	44,572	16,693
Investments	5,859	940	13,753	8,811
Employees (number / reporting date)	0	0	1,783	1,695

There are no material **business relationships** between the segments.

Segment investments relate to intangible assets (excluding goodwill) as well as property, plant and equipment, including the rights of use capitalised in accordance with IFRS 16 in the "Reconciliation" column.

The **valuation of the results** of the reportable segments is based on German commercial law. The conversion to international accounting standards takes place in the Reconciliation item. The consolidated Profit and Loss statement can be used to reconcile the **Group EBIT** to the consolidated net earnings.

Sales revenues of continuing operations are divided by region as follows:

	01/01/2021 – 12/31/2021		01/01/2020 – 12/31/2020	
	T€	%	T€	%
Germany	252,806	51.8	212,225	53.4
Europe (excluding Germany)	140,306	28.7	120,307	30.3
Other	94,939	19.5	64,693	16.3
	488,051	**100.0**	**397,225**	**100.0**

Displaying information on sales revenues from products and services pursuant to IFRS 8.32 would incur disproportionate effort and expense due to the diverse range of products and services.

Non-current assets (only intangible assets and property, plant and equipment) broken down by **region** are as follows:

	12/31/2021		12/31/2020	
	T€	%	T€	%
Germany	159,532	92.0	136,001	93.9
Other regions	13,788	8.0	8,841	6.1

Other information on the consolidated financial statement

Research and development costs

Research and development costs are treated as current expenditure. No capitalisation was required. Research and development costs totalled approximately 2 % of sales in both financial years.

Disclosures on financial instruments

Financial instruments

T€	Book value 12/31/2021	Not within the scope of IFRS 9	Application IFRS 9	Of which at fair value	Of which at amortised cost
Financial investments	11,650	2,123	9,527	156	9,371
Receivables	70,895	0	70,895	0	70,895
Other assets	5,652	1,971	3,681	0	3,681
Liquid assets	57,714	0	57,714	0	57,714
Financial assets	**145,911**	**4,094**	**141,817**	**156**	**141,661**
Liabilities to financial institutions	76,340	0	76,340	0	76,340
Lease liabilities	19,272	19,272	0	0	0
Trade payables	15,735	0	15,735	0	15,735
Other liabilities	37,731	10,307	27,424	20	27,404
Financial liabilities	**149,078**	**29,579**	**119,499**	**20**	**119,479**

T€	Book value 12/31/2020	Not within the scope of IFRS 9	Application IFRS 9	Of which at fair value	Of which at amortised cost
Financial investments	11,965	1,868	10,097	236	9,861
Receivables	58,042	0	58,042	0	58,042
Other assets	6,367	2,290	4,077	251	3,826
Liquid assets	49,226	0	49,226	0	49,226
Financial assets	**125,600**	**4,158**	**121,442**	**487**	**120,955**
Liabilities to financial institutions	82,613	0	82,613	0	82,613
Lease liabilities	15,319	15,319	0	0	0
Trade payables	8,701	0	8,701	0	8,701
Other liabilities	21,021	1,179	19,842	0	19,842
Financial liabilities	**127,654**	**16,498**	**111,156**	**0**	**111,156**

The following table shows the **assignment of financial** instruments to categories according to IFRS 9:

T€	Balance sheet recognition		Net results in other comprehensive income		Net results in the income statement	
IFRS 9 category	**12/31/2021**	**12/31/2020**	**01/01/2021 – 12/31/2021**	**01/01/2020 – 12/31/2020**	**01/01/2021 – 12/31/2021**	**01/01/2020 – 12/31/2020**
Financial assets measured at fair value through profit or loss	156	487	0	0	0	0
Financial assets measured at fair value through other comprehensive income	0	251	0	251	0	0
Financial assets measured at amortised cost	141,661	120,955	0	0	391	66
Financial assets	**141,817**	**121,693**	**0**	**251**	**391**	**66**
Financial assets measured at fair value through profit or loss	0	0	0	0	0	99
Financial liabilities measured at fair value through other comprehensive income	20	0	20	0	0	0
Financial liabilities measured at amortised cost	119,499	111,156	0	0	- 1,912	- 2,011
Financial liabilities	**119,519**	**111,156**	**20**	**0**	**- 1,912**	**- 1,912**

The net results essentially comprise interest, dividends and income and expenses from derivative financial instruments.

Contingent liabilities

Investment projects resulted in commitments in the amount of T€ 676 (previous year: T€ 772). It is estimated that these investments will be concluded in financial year 2021.

Various companies in the GESCO Group are required to maintain specific covenants. Due to the subsidiaries' compliance with the covenants, the company is not expected to be called upon as at the balance sheet date.

There are no ongoing legal disputes that are expected to result in a material effect on income in excess of the provisions that have already been established. The guarantees received are within industry standards. Where claims are expected, provisions have been established for the expected amounts based on current information.

GESCO AG reached an agreement with a former Executive Board member whereby GESCO AG will exempt this former member from liability claims of up to € 20 million arising from certain breaches of duty, plus any legal fees, or those arising in connection with his activities as Managing Director of a former subsidiary. This exemption from liability is subordinate to the insurance coverage on the grounds of D&O insurance. It is not expected that this insurance will be utilised as at the balance sheet date given the lack of discernible breaches of duty or claims made by the company or third parties.

Rental and lease agreements

GESCO has concluded agreements as a lessee primarily for **real estate, machinery and equipment and vehicles.** Leasing contracts are negotiated individually and have different agreements, such as extension, termination or purchase options. The purchase price depends on when the option is exercised.

The development of the carrying amounts of the rights of use by class is shown in the statement of changes in fixed assets.

The following payment obligations exist for recognised leases:

T€	Total	2022	2023–2026	2027 and subsequent years
Minimum lease payments	21,272	3,764	11,046	6,463
Discounting amounts	- 5,018	- 526	- 1,993	- 2,498
Property purchase options	3,017	0	0	3,017
Cash values	**19,272**	**3,238**	**9,053**	**6,982**

Interest expenses in the reporting period amounted to T€ 545 (previous year: T€ 665). The cash outflows for leases are shown in the cash flow statement.

As at the balance sheet date, there were already leases entered into that begin after 31 December 2021 and do not represent short-term leases in the amount of T€ 13.

Leases not capitalised in accordance with IFRS 16 (low-value assets) accounted for rental and lease payments of T€ 741 (previous year: T€ 561) from continuing operations in the reporting year.

Relationships with related companies and persons

Related parties as defined by IAS 24 are legal or natural persons who can influence GESCO AG and its subsidiaries or who are subject to control, joint control or significant influence by GESCO AG or its subsidiaries. In particular, this includes non-consolidated subsidiaries measured at fair value and joint ventures and associated companies included at fair value or at equity. It also includes the members of GESCO AG's executive bodies, whose remuneration can be found in the notes and in the remuneration report.

Business relationships between fully consolidated and non-fully consolidated companies within the Group are conducted under regular market terms and conditions. Liabilities to related companies concern Connex SVT Inc., USA. Entrepreneur Stefan Heimöller, elected to GESCO AG's Supervisory Board by the Annual General Meeting, maintains business relationships to a minor extent with Dörrenberg Edelstahl GmbH and SVT GmbH, each of which are subsidiaries of GESCO AG, through his company Platestahl Umformtechnik GmbH. These business relationships are conducted under regular market terms and conditions.

Staff

	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Factory staff	1,035	1,597
Office staff	663	912
Trainees	61	111
Annual average number of employees	**1,759**	**2,620**

In the previous year, 1,729 were attributable to continuing operations.

Marginal part-time employees were converted to the equivalent in full-time employees.

Exemption requirements for Group companies

Since some subsidiaries have been included in the consolidated financial statements of GESCO AG, they are exempt from the obligation to publish annual financial statements and a Management Report in accordance with the applicable regulations for incorporated companies as per Section 264b and Section 264 (3) of the German Commercial Code (HGB) (see Appendix: Significant Group Shareholdings).

Publication of the consolidated financial statements

The consolidated financial statements for the financial year from 1 January to 31 December 2021 will be reviewed by the Supervisory Board of GESCO AG and are expected to be approved and thus released for publication at its meeting on 1 April 2022.

The consolidated financial statements will be published on 21 April 2022 in conjunction with an annual accounts press conference and analysts' meeting.

Corporate Governance

The Executive Board and Supervisory Board of GESCO AG comply with the German Corporate Governance Code and have made a Declaration of Compliance available to shareholders on the website of GESCO AG.

The Executive Board holds a total of approximately 0.10 % of company shares. Members of the Supervisory Board hold a total of approximately 14.20 % of company shares.

Auditor

Auditor in the reporting year is Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg (Düsseldorf branch); in the previous year it was Breidenbach und Partner PartG mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal.

The fees attributable to the financial year amount to T€ 551 (previous year: T€ 446) for auditing services for GESCO AG and its German subsidiaries, T€ 15 (previous year: T€ 93) for tax consulting and T€ 0 (previous year: T€ 32) for other certification services.

Risk management

In order to recognise risks as early as possible and initiate compensating measures, the GESCO Group implemented a Group-wide risk management system. Detailed information regarding risks and opportunities can be found in the Group Management Report.

The GESCO Group is exposed to **financial instrument** risk in the form of credit risk, liquidity risk and market price risk. All types of risk may affect the assets, financial position and earnings position of the Group. **Credit risk** mainly affects trade receivables. **Liquidity risk** refers to the risk of being unable to meet payment obligations as they come due. **Market price risk** mainly consists of exchange rate changes related to business operations as well as interest rate and exchange rate changes related to financing.

Since the type and scope of the respective risks affect every company differently, the management of these risks is defined separately for each company in the Group. Most risk management activities are implemented as part of business operations and financing activities.

Information on the individual risk categories

Credit risk

Credit risk consists of the potential for an economic loss when a contractual partner does not pay on time or fails to meet all or part of the payment obligations. Great emphasis is placed on the management of trade receivables within the Group. The receivables are highly diversified; there are no debtors that owe more than 10 % of the Group's receivables portfolio. The type and extent of credit insurance coverage depends on the credit rating of the respective customer. Commonly used instruments include export insurance, letters of credit, credit insurance, prepayments, guarantees, bonds and the retention of title. The risk of default for the Group is limited to the ordinary business risk. Value adjustments were recognised for identifiable default risks. Counterparty risk for derivative financial instruments is limited by only entering into derivative transactions with well-known domestic financial institutions.

The theoretical maximum default risk (credit risk) equals a total loss of the book value of the financial instruments. Based on current information, the default risk for unadjusted financial instruments is low since risk management tools limit the probability of default. The following table includes the expected default risk and credit default from trade receivables:

T€ 12/31/2021	Loss rate	Gross book value	Valuation allowance	Impairment of credit rating
Not overdue	0.03 %	52,649	15	no
Overdue by up to 30 days	3.67 %	10,430	383	no
Overdue by 30 to 90 days	4.23 %	2,081	88	no
Overdue by 90 to 180 days	4.48 %	1,495	67	no
Overdue by more than 180 days	20.39 %	2,786	568	yes

T€ 12/31/2020	Loss rate	Gross book value	Valuation allowance	Impairment of credit rating
Not overdue	0.06 %	43,076	24	no
Overdue by up to 30 days	2.73 %	7,864	215	no
Overdue by 30 to 90 days	2.93 %	4,266	125	no
Overdue by 90 to 180 days	5.84 %	599	35	no
Overdue by more than 180 days	49.10 %	1,729	849	yes

Liquidity risks

Cash is managed separately by each company in the Group; there is no centralised cash pooling for the Group. Expected cash flows from business operations as well as financial assets and liabilities are considered for cash management purposes.

Future payments are largely covered by inflows from business operations. Peak financing requirements are covered by the existing liquidity and by lines of credit.

Market price risk

Market price risk refers to the **risk of exchange rate changes** related to business operations as well as the risk of interest rate changes related to financing and fluctuations in the market price of securities.

Market price risk due to the risk of exchange rate changes is the result of international business relationships. Exchange rate fluctuations are constantly monitored using a variety of information sources. The relationship between the US dollar and the euro is especially important. The general competitiveness and profitability of specific projects for companies within the Group that have production facilities in the Eurozone while issuing invoices in US dollars is naturally affected by changes in the exchange rate between the US dollar and the euro.

For significant business transactions, exchange rate risks are hedged by means of forward exchange transactions. These forward exchange transactions may be subject to market price risk to the extent that currencies must be sold at the current spot price on the settlement date. The ultimate purpose of forward transactions is to avoid risks resulting from exchange rate fluctuations. As a result, potential losses due to exchange rate changes are eliminated along with potential gains. The term and scope of these transactions corresponds to the underlying business transactions.

In accordance with IFRS 7, the company prepares a sensitivity analysis for market price risk in order to determine the effects of hypothetical changes to the risk variables. These hypothetical changes are applied to the financial instrument portfolio on the reporting date. This process assumes that the portfolio on the reporting date is representative for the entire year.

Interest rate risk mainly results from debt financing. According to IFRS 7, interest rate risk is represented by means of a sensitivity analysis. The sensitivity analysis illustrates the effects of hypothetical changes in market interest rates on interest expenditure. Had market interest rates been 100 basis points higher or lower during the reporting year, Group net earnings and consolidated equity after minority interests would have been T€ 520 (previous year: T€ 803) lower or higher.

GESCO Group is only exposed to **currency risks from trade relationships** to a limited extent. Deliveries by subsidiaries outside the Eurozone are almost entirely hedged by forward transactions for larger orders.

Trade receivables denominated in foreign currencies amounted to T€ 8,977 (previous year: T€ 6,756) on the reporting date. This corresponds to 12.9 % (previous year: 8.1 %) of total trade receivables. Receivables are denominated in the following currencies:

T€	12/31/2021	12/31/2020
US dollar	6,479	4,307
Chinese renminbi yuan	1,195	1,099
Taiwanese dollar	815	1,066
Mexican peso	483	266
British pound	5	18

A 10 % fluctuation in exchange rates on the reporting date would have affected both Group net income and consolidated equity after minority interests by either T€ –722 or T€ + 882 (previous year: T€ – 537 or T€ + 656).

Forward exchange transactions and foreign currency loans are used to hedge pending sales transactions in US$ against exchange rate risks. The fair value of hedging transactions amounted to T€ – 20 as at the reporting date (previous year: T€ + 251). Other comprehensive income amounted to T€ – 189 (previous year: T€ 230) after deferred taxes and minority interests (third party). Cash flows of US$ 0.8 million are hedged, which will be due in financial year 2022.

Supplementary report / events after the end of the reporting period

Due to the current developments in Ukraine and Russia, in particular the sanctions imposed on Russia, there will be a significant impact on the business relationships of individual subsidiaries with their Russian-based business partners. General effects on the German economy, especially concerning the oil and gas markets, will also affect our subsidiaries to varying degrees in one form or another. The dynamics and topicality of the situation do not currently allow for more precise statements regarding the extent of the effects.

Executive bodies of the Company

Executive Board

Ralph Rumberg, Witten, Germany
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs, Düsseldorf, Germany
CFO

The Executive Board received remuneration totalling T€ 1,574 (previous year: T€ 1,127) for the 2021 financial year. This includes the fair value of the 36,000 stock options granted in the financial year amounting to T€ 52 (previous year T€ 36).

The remuneration system and the remuneration for the Executive Board are explained individually in the remuneration report.

As at 31 December 2021, there are pension obligations (DBO) of T€ 2,893 (previous year T€ 2,948) for former members of the Executive Board. In the financial year, one former Executive Board member was granted remuneration of T€ 70 (previous year: T€ 70) from the pension commitment made to him.

Supervisory Board

Klaus Möllerfriedrich, Düsseldorf, Germany
Chairman
German Public Auditor

Deputy Chairman of the Supervisory Board:
- TopAgers AG, Langenfeld

Stefan Heimöller, Neuenrade, Germany
Deputy Chairman
Managing Partner of Platestahl Umformtechnik GmbH, Lüdenscheid, and
Helios GmbH, Neuenrade

Jens Große-Allermann, Cologne, Germany
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:
- KROMI Logistik AG

Member of the Supervisory Board:
- Washtec AG, Augsburg

Dr Nanna Rapp, Düsseldorf, Germany
Member of the Supervisory Board

The remuneration of the members of the Supervisory Board for the 2021 financial year totalled T€ 290 (previous year T€ 230).

GESCO AG has obtained a "Directors' and Officers' Liability Insurance" (D&O Insurance) policy for Group management. This policy covers, among others, the members of the Executive Board and Supervisory Board of GESCO AG as well as the Managing Directors of the subsidiaries. Insurance premiums of T€ 165 (previous year: T€ 69) were paid during the financial year 2021.

Wuppertal, 25 March 2022

Ralph Rumberg	Kerstin Müller-Kirchhofs
CEO / Spokesperson of the Executive Board	CFO

Group shareholdings

Fully consolidated companies[1]	Proportion of capital in %
GESCO AG, Wuppertal	
AstroPlast Kunststofftechnik GmbH & Co. KG, Meschede[3]	100
AstroPlast Verwaltungs GmbH, Meschede[2]	100
Dörrenberg Edelstahl GmbH, Engelskirchen	90
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]	90
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
Hubl GmbH, Vaihingen / Enz	80
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	90
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] [4]	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
Sommer & Strassburger Edelstahlanlagenbau GmbH & Co. KG, Bretten[3]	100
So-Stra Verwaltungs-GmbH, Bretten[2]	100
SVT GmbH, Schwelm	100
SVT APAC PTE. LTD., Singapore	100
United MedTec Holding GmbH, Bückeburg	100
W. Krömker GmbH, Bückeburg	100
Haseke GmbH & Co. KG, Porta Westfalica[3]	100
Haseke Beteiligungs-GmbH, Porta Westfalica[2]	100

Fully consolidated companies[1]	Proportion of capital in %
Tragfreund GmbH	100
IV Industrieverwaltungs GmbH & Co. KG, Wuppertal[3]	100
MV Anlagen GmbH & Co. KG, Wuppertal[3]	100
IMV Verwaltungs GmbH, Wuppertal[2]	100
wkk Beteiligungs AG	100

Associated companies[1]	Proportion of capital in %
Saglam Metal Sanayi Ticaret A.S., Istanbul, Turkey	20
Doerrenberg Special Steels Korea Co. Ltd, Jeongwang-dong, South Korea	50
Fine Metal S.R.L., Bukarest, Romania	40

Companies which are not consolidated[1]	Proportion of capital in %
Connex SVT Inc., Houston, Texas, USA	100

[1] Share capital held directly or via majority shareholdings
[2] Limited liability company (GmbH) acting as a general partner
[3] Utilisation of exemption pursuant to Section 264b of the German Commercial Code (HGB)
[4] Utilisation of exemption pursuant to Section 264 (3) of the German Commercial Code (HGB)

Statement of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair reflection of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Expected development of the Group.

Wuppertal, 25 March 2022

Ralph Rumberg
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs
CFO

Independent Auditor's Report

To GESCO AG, Wuppertal

Report on the audit of the consolidated financial statements and the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of GESCO AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated Profit and Loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including a summary of material accounting methods. We have also audited the Group Management Report of GESCO AG, which is combined with the Management Report of the company, for the financial year from 1 January to 31 December 2021. In accordance with German legal requirements, we have not audited the content of the components of the Group Management Report mentioned in the section "Other information" of our audit opinion.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to section 315e (1) HGB and give a true and fair view of the financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in accordance with these requirements; and
- the accompanying Group Management Report as a whole provides a suitable view of the Group's position. In all material respects, this Group Management Report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover the content of the components of the Group Management Report mentioned in the section "Other information".

In accordance with section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the correctness of the consolidated financial statements and the Group Management Report.

Basis for the audit judgements

We conducted our audit of the consolidated financial statements and the Group 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 these regulations and standards is further described in the section "Auditor's responsibility for the audit of the consolidated financial statements and the Group Management Report" of our auditor's report. We are independent of the group entities in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare pursuant to Art. 10 (2) f) EU-APrVO that we have not performed any prohibited non-audit services according to Art. 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 consolidated financial statements and the Group Management Report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Impairment of goodwill

Related information in the consolidated financial statements

For the accounting and valuation methods applied to goodwill, please refer to the information in the notes to the consolidated financial statements in the sections "General information", subsection "Accounting and valuation methods", and "Notes to the consolidated balance sheet", subsection (2). The development of the item is shown in the statement of changes in non-current assets ("Development of consolidated non-current assets") in the section "Notes to the consolidated balance sheet". The aforementioned subsection (2) also contains information on the sensitivities of the impairment calculations performed for goodwill depending on significant valuation parameters.

Facts and risk for the audit

GESCO AG's consolidated balance sheet includes goodwill totalling € 39 million, which accounts for around 9 % of the balance sheet total and around 15 % of the Group's equity.

The goodwill is subjected to annual impairment tests by the company in order to determine a possible need for depreciation. In the 2021 financial year, the impairment tests did not lead to any write-downs.

The result of the impairment tests depends to a large extent on how the legal representatives estimate the future cash inflows and derive the discount rates used in each case. Due to the underlying complexity of the valuation and the discretionary scope available in the valuation process, we consider the recoverability of goodwill to be a particularly important audit matter.

Audit approach and findings

As part of our audit, we analysed the process implemented by the legal representatives of GESCO AG as well as the accounting and valuation guidelines for determining the recoverable amounts of cash-generating units to which goodwill was allocated for possible risks of error and obtained an understanding of the process steps and the internal controls implemented. We assessed the Group's approach in determining the discount rates and in deriving the expected cash inflows for compliance with IAS 36.

We analysed the corporate plans by comparing them with the results actually achieved in the past and current developments in the business figures. We understood the key assumptions of the corporate plans regarding growth and business development by discussing them in detail with the legal representatives of GESCO AG. On this basis, we assessed their appropriateness.

We have examined the appropriateness of the other significant valuation assumptions, such as the discount rate and the growth rate, 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 IAS 36.

We used sensitivity analyses to assess impairment risks in the event of changes in significant valuation assumptions. We also tested the mathematical accuracy of the valuation models in accordance with the requirements of IAS 36. Finally, we assessed the appropriateness of the estimates and valuation parameters used to measure the recoverable amounts of cash-generating units containing goodwill in the notes to the consolidated financial statements.

Based on our audit procedures, we are satisfied that the estimates and assumptions made by management regarding the recoverability of goodwill are reasonable 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 Group Management Report which have not been audited as to their content:

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

The other information also includes:

- the assurances pursuant to section 297 (2) sentence 4 and section 315 (1) sentence 5 of the German Commercial Code (HGB) on the consolidated financial statements and the Group Management Report,
- the report of the Supervisory Board and
- the remaining parts of the annual report – without further cross-references to external information – with the exception of the audited consolidated financial statements and Group Management Report as well as our audit opinion.

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 consolidated financial statements and the Group Management Report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

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 consolidated financial statements, the Group 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 consolidated financial statements and the Group Management Report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group'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 accounting on a going concern basis unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group Management Report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it has deemed necessary to enable the preparation of a Group Management Report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group Management Report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated 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 consolidated financial statements and the Group 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 consolidated financial statements and Group Management Report.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the Group 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 material misstatements is higher in the case of non-compliance than in the case of misstatements, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the Group 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.
- 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 Group'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 consolidated financial statements and the Group Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group Management Report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- assess the consistency of the Group Management Report with the consolidated financial statements, its compliance with the law and the view of the Group's position conveyed by it.
- perform audit procedures on the forward-looking statements made by management in the Group 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 will differ materially from the forward-looking statements.

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

We make a declaration to those responsible 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 the safeguards that have been put in place to address them.

From the matters discussed with those responsible with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated financial statements and the Group Management Report prepared for the purpose of disclosure pursuant to section 317 (3a) of the German Commercial Code (HGB)

Audit opinion

Pursuant to section 317 (3a) HGB, we have performed a reasonable assurance engagement to obtain reasonable assurance about whether the reproductions of the consolidated financial statements and the Group Management Report contained in the file 529900OE7WBEDX 7PVB49-2021-12-31-de (MD5 hash value: 5a3aec41732700cc140d0cb05a7e0420) and prepared for disclosure purposes (hereinafter also referred to as "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") requirements of section 328 (1) HGB. In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the Group 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 consolidated financial statements and the Group 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) of the German Commercial Code (HGB) concerning the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying Group Management Report for the financial year from 1 January to 31 December 2021 contained in the preceding "Report on the audit of the consolidated financial statements and the Group Management Report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the Group 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 (10.2021)) 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 (Requirements for quality assurance in auditing practice) (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 consolidated financial statements and the Group Management Report in accordance with section 328 (1) sentence 4 no. 1 of the German Commercial Code and for the award of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 of the German Commercial Code.

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.

Group 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, we

- identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- 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.
- assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited Group Management Report.
- assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable at the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendition.

Other information according to Art. 10 EU-APrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on 30 June 2021. We were commissioned by the Supervisory Board on 4 August 2021. We have been the group auditor of GESCO AG since the financial year 2021.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the audit committee pursuant to Art. 11 EU-APrVO (audit report).

Other matters – use of the confirmation note

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited Group Management Report as well as the audited ESEF documents. The consolidated financial statements and the Group Management Report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited Group Management Report and do not replace them. In particular, the ESEF note and our audit 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, 28 March 2022

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Marcus Borchert	Heiko Wittig
Wirtschaftsprüfer (Auditor)	Wirtschaftsprüfer (Auditor)

Financial calendar

21 April 2022
Publication
Financial Year 2021/
Balance sheet press conference

03 May 2022
Virtual company
presentation (SdK)

13 May 2022
Publication quarterly statement Q1

23 – 25 May 2022
Spring Conference
(Equity Forum)

12 August 2022
Publication quarterly statement Q2

24 August 2022
Annual General Meeting
(Wuppertal)

05 – 06 September 2022
Autumn Conference
(Equity Forum)

15 September 2022
12th Zurich Capital
Markets Conference

14 November 2022
Publication quarterly statement Q3

15 – 16 November 2022
34th Munich Capital Markets
Conference (GBC)

28 – 30 November 2022
German Equity Forum
(German Stock Exchange)

Shareholder contact / Imprint

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If you would like to be informed regularly, then please inform us by e-mail or telephone. Or use the order function on our website at www.gesco.de/en/investor-relations/service-ir-contact. We will be happy to add you to our IR distribution list.

Note:

This Annual Report contains forward-looking statements that are based on current assumptions and forecasts of the Executive Board of GESCO AG. These statements are therefore subject to risks and uncertainties. The results and business development of GESCO AG and GESCO Group may, under certain circumstances, deviate substantially from the estimates provided in this Annual Report. GESCO AG does not assume any obligation to update such forward-looking statements or adjust them according to future events or developments.

Despite extensive precautions, discrepancies may occur between this Annual Report and the accounting documents submitted to the German Federal Gazette, especially for technical reasons (e. g. conversion of electronic formats). In this case, the version submitted to the German Federal Gazette takes precedence.

A German version of the Annual Report is also available; in the event of any discrepancies, the German version takes precedence.

Published by

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Design and layout

3st kommunikation, Mainz, Germany

Images

Konstantin Eckert, GESCO Group, GettyImages, Jochen Rolfes, Shutterstock

Illustration

Aleksandar Savić

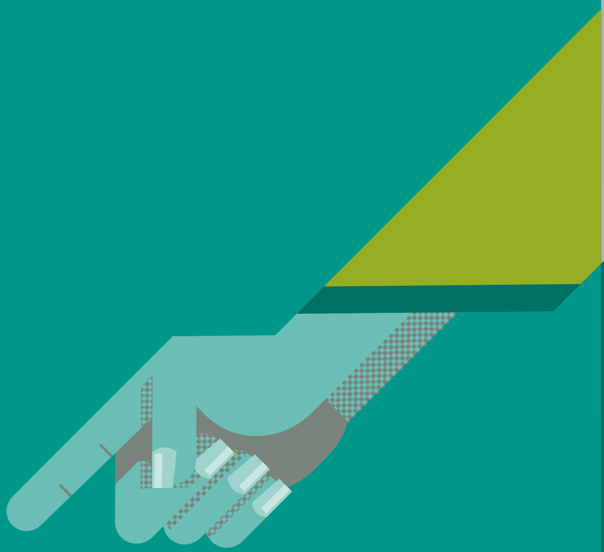
Printed by

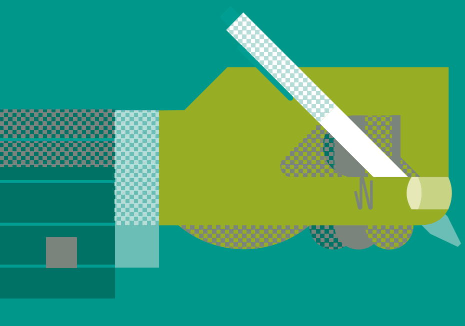
Gutenberg Beuys Feindruckerei, Hannover, Germany

Paper

Römerturm Druckfein (130, 300 g/m²)

Carbon neutral
Print product
ClimatePartner.com/10951-2204-1004





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