03 Combined Management Report

GESCO SE, Wuppertal
Combined Management Report for the financial year 2025 (01/01 until 12/31/2025)

The management report of GESCO SE is combined with the Group's management report. This management report is published in the GESCO Annual Report 2025 and together with the annual financial statements of GESCO SE. Unless otherwise stated, the information relates to the GESCO Group and GESCO SE jointly, with the explanations referring to the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The comments on GESCO SE are contained in a separate section and relate to the annual financial statements prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the SE Act (SEAG) and the German Stock Corporation Act (AktG).

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

Fundamentals of the Group

Business model

GESCO: Partner for SMEs

Founded in 1989, GESCO SE, as a long-term investor, acquires financially sound SME industrial companies with a view to holding them for the long term and developing them further. Acquisitions often take place as part of succession planning, with GESCO SE generally acquiring majority stakes, usually 100%. Hubl GmbH is the only German company in which a managing director holds a 20% stake. The subsidiaries operate independently. They are integrated into the GESCO Group's reporting and risk management systems.

GESCO SE is a successful partner for industrial SMEs and has developed into a dynamic group comprising market and technology leaders. This development has been made possible by a clear and focused business model based on the identification and exploitation of growth potential. SMEs form the backbone of the German economy, and GESCO bridges the gap between SMEs and the capital market.

Value contributions and differentiation

Our focus is on business models with high intrinsic value contributions and distinctive features, which we continuously develop further. We are committed to identifying sustainable growth potential and securing the future viability of our Group. Through this approach, we create added value for all stakeholders, including shareholders, employees, customers, suppliers, business partners and the local communities in which we operate.

Focusing on the essentials

Our philosophy is based not only on financial investment, but also on close collaboration with our subsidiaries. We focus on identifying the specific opportunities and challenges facing each company and substantially improving their competitiveness through concrete and binding implementation plans.

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

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

GESCO's strategic focus

Our mission

GESCO pursues a clear strategy: we acquire, hold and develop healthy medium-sized companies. Under the umbrella of a lean holding company, our subsidiaries can operate independently whilst benefiting from the support of GESCO SE. Our aim is to form a strong group of sustainable market and technology leaders.

Focus on succession planning in the SME sector

A key priority for GESCO is to support entrepreneurs seeking a suitable successor. Many successful companies in the German SME sector face this challenge. GESCO offers itself as a supportive partner in this regard, granting entrepreneurs the flexibility to either exit quickly or remain actively involved in the company. This flexibility is particularly important for companies undergoing a transition, whether in terms of structural changes or strategic realignments.

Individual development of each portfolio company

Each portfolio company can operate independently, yet is supported by an experienced team of Business Directors. This enables the individual development of each company, tailored to its specific needs and potential. We rely on the GESCO Business System (GBS), which provides a framework for overarching principles, methods and best practices based on lean management. This system enables our companies to implement efficient processes and drive continuous improvement.

Sustainable investment

GESCO pursues an investment strategy that does not aim for a short-term 'exit strategy'. Instead, we invest in medium-sized industrial companies with sustainable, long-term potential, guided by a 'value agenda'. We typically acquire 100% of the equity to maintain full control over the companies' strategic direction and operational efficiency.

Innovation and customer focus

A central component of our agenda is the promotion of innovation and a strong customer focus. We encourage our portfolio companies to develop innovative solutions that meet the ever-changing demands of the market. The continuous improvement of products and services is crucial to securing our competitiveness and offering our customers the best value for money.

GESCO is becoming increasingly global: expanding local expertise on a global scale

With the increasing internationalisation of markets, GESCO pursues a strategy of addressing regional customer needs as effectively and quickly as possible through an on-the-ground presence. We actively put the 'local for local' philosophy into practice by providing our portfolio companies with the necessary resources and financial flexibility to effectively implement their globalisation strategies.

Access to family-run businesses

Access to family-owned businesses is a key value driver for GESCO. This network enables us to invest specifically in companies characterised by tradition and innovative strength. The foundation of our success is a deep and comprehensive understanding of the specific challenges and sectors in which we operate.

Focus on proven business models

When selecting our investments, we focus on established, well-positioned companies with proven and scalable business models that have growth potential. We support our portfolio companies not only financially, but also strategically, methodologically and procedurally, by providing them with valuable experience and advice. This enables them to develop their businesses faster and more effectively than they could on their own.

Adaptability to market conditions

In an increasingly dynamic market environment, it is essential that our companies remain adaptable in order to respond to changes in the industry and market conditions. We help our portfolio companies to strengthen their strategic position, whether through the expansion of their product range, regional expansion or targeted acquisitions. The improvement of operational processes and their adaptation to changing conditions are also essential components of this strategy.

The existing portfolio is consistently developed through established programmes. Thanks to the methodological expertise available within GESCO SE, our subsidiaries have access to a broad and comprehensive body of operational experience to support the ongoing implementation of upcoming activities. A particular focus is also placed on establishing a shared corporate culture with a balanced performance-related approach.

Sustainability in corporate governance

Another key aspect of our strategic direction is supporting our portfolio companies in the development and implementation of their sustainability strategies. In light of the transformation of our economy and society, we see it as our responsibility to support these companies in identifying and capitalising on opportunities arising from sustainable practices.

Industry structure and geographical focus – GESCO SE's investment focus

GESCO has traditionally focused on manufacturing companies, which form the foundation of the German SME sector's strong global reputation. Our sector focus is diverse and ensures that we operate in various sectors with high growth potential.

In its acquisitions, GESCO focuses on companies with sales of between MEUR20 and MEUR50. Strategically motivated complementary acquisitions by subsidiaries are made in lower sales brackets. Acquisitions are financed from equity and debt.

Geographical focus

Currently, all subsidiaries are headquartered in Germany. However, the majority of portfolio companies have a strong international presence, with some generating over 80% of their sales abroad. Some subsidiaries also have production facilities abroad, enabling them to serve their markets even more effectively on a global scale and to capitalise on international growth opportunities.

Acquisitions of core investments in other European countries, as well as complementary investments outside Europe, form part of the inorganic growth strategy.

Summary

GESCO SE is not a passive holding company, but an active partner. Through its clear strategic focus, commitment to sustainable growth and willingness to invest in innovative, medium-sized companies, GESCO contributes to strengthening the competitiveness of the portfolio. GESCO strives to stand alongside its subsidiaries as a partner and to jointly master the challenges of the market, whilst simultaneously creating value that goes beyond financial aspects.

We see numerous opportunities and challenges and will actively address these to further secure and expand the future viability of the GESCO Group and its subsidiaries.

Significant changes in the scope of consolidation

In the reporting year and the previous year, significant changes took place as a result of corporate restructuring and disposals.

1. Disposals as part of asset or share deals:
There were no disposals in the 2025 financial year.

2. Acquisitions as part of asset or share deals:
Pursuant to a purchase agreement dated 1 July 2025, with economic effect from 01/01/2025, GESCO SE acquired 100% of the shares in Eckart GmbH, Eckart Montage GmbH and Eckart Produktion GmbH. In addition, various machines and tools were also acquired as part of an asset deal for a purchase price of MEUR1.7.

3. Corporate restructuring:
Under the merger agreement dated 20 August 2025, Eckart Montage GmbH and Eckart Produktion GmbH were merged into Eckart GmbH with retroactive effect from 01/01/2025.

Management System

Planning and management within the GESCO Group take place at the level of the direct operating subsidiaries and GESCO SE. The framework for the operational development, personnel measures and investments of the subsidiaries is set out in an annual plan drawn up by the management of the respective company and approved jointly with the Executive Board of GESCO SE. As part of the regular reporting process, GESCO SE receives data from the subsidiaries during the year and at least on a monthly basis. This information is recorded and analysed at GESCO SE, supplemented with figures from GESCO SE's own finance and accounting departments, and consolidated. The findings from the subsidiaries' reporting are analysed and evaluated in terms of target achievement during meetings held at least monthly, either on-site or via video conference, between the relevant Business Director at GESCO SE and the respective managers of the companies. During these meetings, options for action regarding both opportunities and risks are discussed jointly in order to be able to react promptly to changes in the market situation.

GESCO SE prepares a consolidated plan based on the plans of the individual subsidiaries. At the annual press conference on the financial results, the Executive Board of GESCO SE provides an outlook for consolidated sales and consolidated earnings after minority interests for the new financial year; this outlook is further refined in the course of quarterly reporting. Other key performance indicators include order intake, EBIT and the equity ratio. In the financial and forecast reports within this management report, consolidated sales and consolidated earnings after minority interests are included in the notes as the most significant indicators. For the holding company, this applies with regard to income from investments, net profit and the equity ratio.

Research and Development

As an investment holding company, GESCO does not carry out any research and development work. All such activities are conducted by the subsidiaries. The subsidiaries are mostly small to medium-sized enterprises whose research and development activities are predominantly market- and customer-oriented. Technical innovations, as well as new products and applications, are generally developed through project work within the framework of customer orders. Depending on the task at hand, the companies cooperate with universities and institutes and participate in publicly funded research projects. Nevertheless, research and development is also of the utmost importance from GESCO's perspective, and innovation is therefore regarded as a key driver for the further development of the companies.

The portfolio companies are encouraged to invest in defined future-oriented sectors where very good long-term development prospects are emerging. The holding company provides methodological support to the subsidiaries in deriving innovation strategies, identifying innovation potential, generating and selecting ideas, and managing projects within the innovation process. A key focus is also on raising awareness and fostering collaboration among the various management teams. Here, market trends and developments are monitored across sectors, and this knowledge is shared with the group companies through active dialogue with the respective executive boards and management teams. GESCO actively promotes exchange between its portfolio companies to facilitate innovation through a change of perspective. Where necessary, GESCO also establishes links between its subsidiaries and external partners and institutions and supports collaboration with the scientific and research communities.

Economic report

Macroeconomic and sector-specific conditions

According to the International Monetary Fund's (IMF) estimate in the World Economic Outlook Report of January 2026, the global economy grew by 3.3% in 2025 (2024: +3.3%). This means that economic momentum has not changed compared with the previous year and remains below the average growth rate of 3.8% recorded in the first two decades of this century. Key factors contributing to the weak growth included, in particular, increasing trade policy uncertainties linked to the introduction of comprehensive US tariffs in 2025, as well as geopolitical risks. Furthermore, the IMF projected growth in the industrialised economies of 1.7% in the calendar year 2025 compared with the previous year, whilst economic growth in emerging and developing economies is estimated at around 4.4% over this period. For the calendar year 2025, the IMF forecast growth of 5.0% for the Chinese economy, 2.1% for the US economy and 1.4% for the eurozone.

The median inflation rate in industrialised countries stood at 2.4% in the calendar year 2024. A slight decline to around 2.3% is forecast for the calendar year 2025. Against the backdrop of falling inflation, the US Federal Reserve and the European Central Bank cut key interest rates during the financial year.

The economic conditions in Germany in 2025 were characterised by a slight stabilisation following two years of recession, but remained challenging overall. In the fourth quarter of 2025, GDP grew by 0.3% quarter-on-quarter, indicating a slight recovery. Real gross domestic product (GDP) rose by 0.2% year-on-year in 2025 after adjusting for price changes, and by 0.3% after adjusting for calendar effects. This marked the end of the contraction phase in 2023 (-0.9%) and 2024 (-0.5%), but growth was well below potential and lagged behind international benchmarks.

Growth was driven primarily by private consumption and government spending, whilst exports and investment continued to be weak. The inflation rate (consumer prices) stood at around 2.2% on an annual average, settling close to the ECB's target. The European Central Bank continued its cycle of interest rate cuts, which eased financing conditions, but real investment momentum remained subdued.

The labour market remained stable overall, although unemployment rose slightly to around 6.3% and the number of people in employment increased only marginally (by around 19,000).

German industry, particularly energy-intensive sectors, faced structural pressures. By international standards, Germany has an above-average share of energy-intensive sectors (e.g. chemicals, steel, paper), which suffered from persistently high energy costs. Despite measures such as electricity price compensation and temporary relief, electricity prices for industry remained above the European and global average, creating competitive disadvantages.

The mechanical and plant engineering sectors, as well as the automotive industry, were particularly affected. According to the Association of German Mechanical Engineering Industries (VDMA) figures, mechanical engineering recorded a real decline in production of 5% in 2025 – the fourth consecutive year of contraction. Order intake remained weak, and some investment shifted elsewhere. The association highlighted the growing competition from China, which was making aggressive gains in market share through state subsidies and lower costs.

Mechanical and plant engineering and the automotive sector in particular suffered from the escalation of regional conflicts (Ukraine, Gaza, Iran, most recently Venezuela), strained supply chains and continued volatility in raw material prices, as well as from the protectionist policies of the US, which brought with them higher tariffs and trade barriers. The monetary policy of central banks – interest rate cuts despite ongoing uncertainty – offered only limited relief.

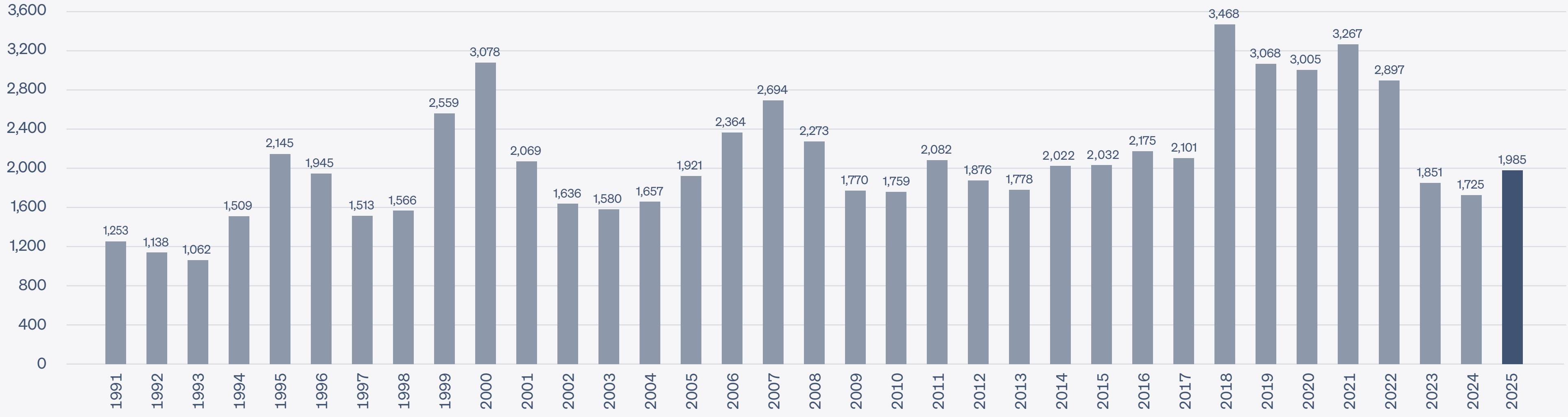
Domestic headwinds such as high economic uncertainty – exacerbated by geopolitical risks and the backlog of reforms – dampened sentiment among small and medium-sized enterprises. Many SME suppliers reported a decline in orders and cost pressures. Nevertheless, the first signs of stabilisation were emerging: falling inflation, rising real incomes and government stimulus (e.g. investment in infrastructure) are laying the foundations for a moderate recovery in 2026.

In summary, German industry faced a combination of cyclical and structural challenges in 2025. SMEs demonstrated resilience, but the transition towards sustainability and digitalisation urgently requires better framework conditions: lower energy costs, less bureaucracy and a proactive industrial policy.

The M&A market was only slightly more active in the past year than in the previous year and remained at the low level seen in recent years. Increased uncertainties regarding future business development and an uncertain regulatory environment continued to weigh on M&A activity in the 2025 financial year.

The M&A market was only slightly more active in the past year than in the previous year and remained at the low level seen in recent years. Increased uncertainties regarding future business development and an uncertain regulatory environment continued to weigh on M&A activity in the 2025 financial year.

Number of M&A deals in Germany from 1991 to 2025



Source: https://imaa-institute.org/mergers-and-acquisitions-statistics/germany-ma-statistics

In the 2025 financial year, the number of companies actively seeking a buyer remained high. These included both companies with unresolved succession planning and companies that are struggling due to economic conditions, where it is difficult to assess whether they are merely experiencing a temporary downturn. GESCO does not invest in distressed companies (distressed securities), but in promising companies that are either already market leaders or have the potential to become so. In this environment, GESCO continues to focus on actively approaching entrepreneurs, both for core investments and, in particular, for potential complementary acquisitions.

Business performance

The German economy, and in particular the heavily export-oriented mechanical and plant engineering sector, suffered in the course of 2025 from customers' continued reluctance to invest, which was caused, among other things, by high economic uncertainty.

According to the annual report of the VDMA, order intake in the mechanical and plant engineering sector closed 2025 with zero real growth compared to the previous year – a sign of slight stabilisation following several years of decline. Whilst domestic orders fell by 1%, orders from abroad presented a mixed picture: orders from eurozone countries rose by 7%, whereas orders from non-eurozone countries were 2% below the previous year's level. Overall, this resulted in a slight decline in international business.

With 41.6% of its sales generated in Germany, the GESCO Group remains heavily dependent on the domestic market. The GESCO Group's order intake reflected the general reluctance to invest and resulted in a ratio of order intake to sales within the GESCO Group of 0.96 for the 2025 financial year.

The companies of the GESCO Group were unable to escape the challenging macroeconomic conditions and the sector-specific weakness in demand. Due to the heterogeneity of their business models, the segments and companies were affected to varying degrees.

The economic environment of the Materials Refinement & Distribution segment continues to be characterised by volatile material prices, subdued demand from core customer industries, as well as geopolitical uncertainties and trade-related restrictions. Energy price risks have decreased significantly following the divestment of energy-intensive activities through the sale of the foundry and steelworks at Doerrenberg, whilst inflation-driven cost increases and competitive pressure from Asia persist. To ensure delivery capability and limit risk, the segment relies on structured supply chain management featuring diversification, collaborative supplier relationships and long-term contracts. In addition, lean management and the GESCO Business System contribute to shorter lead times, greater agility and reduced dependence on price and market volatility.

The Materials Refinement & Distribution segment recorded a significant year-on-year decline in sales and earnings. In addition to general weakness in demand and the impact of US tariff policy, special effects arising from the sale of the two Doerrenberg business units (foundry and steelworks) at the end of 2024 must be taken into account in this segment. Part of the decline in sales is attributable to this sale. Sales from the foundry and steelworks amounted to MEUR19 in the 2024 financial year. Doerrenberg's earnings in the 2025 financial year were also impacted by the insolvency of the sold business units (Bergische Edelstahlwerke GmbH) in early February 2026. Two loans granted (totalling MEUR6.0) and receivables (MEUR0.3) had to be written off in full in this context for the 2025 financial year. At Doerrenberg, the continuing weak environment in the German steel industry also had an impact on the financial results. Steel production in Germany in 2025 was around 9% below the previous year's level, reaching the level of the 2009 financial crisis. Despite this declining market environment, the company recorded the smallest decline in volume in the long products business in its core market of Germany. The expected adjustments to EU customs policy – in particular CBAM and the safeguard measures likely to come into force from the third quarter of 2026 – are expected to lead to falling import quotas and rising prices. For Funke, the overall performance of the construction industry fell short of expectations. However, individual segments such as district heating and data centres performed well. The market-driven shift towards lead-free solutions is leading to changing customer requirements and opening up additional business opportunities. At PGW, the US market proved significantly weaker than planned. Inventory reductions by customers and the impact of US import tariffs on steel doubling to 50% led to increased uncertainty and had a negative impact on demand.

The Health Care & Life Science segment targets the growing markets in the health, medical, pharmaceutical and food sectors. An ageing population, rising healthcare needs and increasing pressure on hygiene and sustainability are growth drivers for the subsidiaries in this segment. These fundamental drivers remain unchanged, although the business performance in 2025 is not reflected correspondingly positively in order intake and sales due to the continuing volatile market conditions. In addition to individual operational factors – such as changes in ordering patterns by a major US customer of the subsidiary Setter – the marked reluctance of many customers is a key factor in the slight decline in sales. This stems in particular from global uncertainties weighing on the market environment. Medical technology fell short of expectations in 2025. Here, too, there was a reluctance to invest, coupled with short-term ordering behaviour and reduced stock levels. In the CT and ventilator sectors, however, a slight upturn is emerging. This segment is also seeing an increasing focus by many international customers on local production structures and regional supply chains. The GESCO Group is consistently addressing this development as part of its internationalisation strategy and is supporting its subsidiaries in further expanding their market presence and local value creation. The segment's earnings (EBIT) were significantly increased compared with the previous year through process optimisation and rigorous cost management.

The Industrial Assets & Infrastructure segment comprises companies that are leaders in mechanical and plant engineering within their respective infrastructure markets. They are all globally positioned, key players in international markets. Economic uncertainty in global markets led to a high degree of investment reluctance in the mechanical and plant engineering sector worldwide and, consequently, to delayed ordering behaviour on the part of customers. In the segment, this had a particularly negative impact on the subsidiary Kesel in the 2025 financial year. Sales and earnings fell short of expectations. Expectations for the 2026 financial year also remain subdued. Despite the difficult environment, MAE performed solidly and secured a record order of approximately MEUR8 at the end of the year. Eckart and SVT performed very well, meeting or exceeding targets. Thanks to continued high demand for LNG terminals, SVT once again achieved record sales and earnings.

When reviewing the financial indicators below, it should be noted that the sale of a subsidiary (AstroPlast) and the sale of two business divisions at Doerrenberg ('Foundry' and 'Steelworks') took place at the end of 2024. The subsidiary Eckart GmbH was acquired at the beginning of July, with effect from 01/01/2025.

Despite the decline in sales and the burden arising from the write-down of loans and receivables at Doerrenberg, the Group's margin was maintained. This was countered in particular by the discontinuation of loss-making activities, as well as cost-cutting measures such as short-time working, the reduction of temporary staff and headcount, and stringent cost and investment discipline.

Over the course of the year, working capital was significantly reduced, not least due to the introduction of lean management processes. Contrary to this trend, there was an increase as at the balance sheet date due to a substantial stock purchase at Dörrenberg carried out shortly before the end of the year.

Overall, the balance sheet ratios remain encouragingly solid.

Due to a weak fourth quarter, as well as loan defaults resulting from the insolvency, the Executive Board had to revise its forecast for the 2025 financial year. Accordingly, the Executive Board expected consolidated sales of MEUR480 – 500 and consolidated earnings after minority interests of approximately MEUR7.0 – 10.0 for 2025.

This forecast was met.

Group's financial position

Earnings

The GESCO Group's order intake reached MEUR476.0 in the 2025 financial year (previous year: MEUR519.1) and was thus 8.3% below the previous year's figure. Whilst the Materials Refinement & Distribution and Health Care & Life Science segments were below the previous year's levels, order intake in the Industrial Assets & Infrastructure segment grew significantly. The financial year closed with an order book of MEUR161.8 (previous year: MEUR188.9), i.e. 14.4% lower than in the previous year.

Consolidated sales totalled MEUR495.0, 3.7% below the previous year's figure (MEUR513.8).

Due to the moderate decline in purchase prices over the course of the year and margin improvements in the Health Care & Life Science and Industrial Assets & Infrastructure segments, the cost of materials ratio stands at 54.2%, down from the previous year (56.8%).

The payroll-to-sales ratio fell only slightly from 25.5% to 25.4%, primarily due to lower sales, wage increases for staff and higher social security contributions, despite efficiency gains. In absolute terms, the cost of wages and salaries fell from MEUR105.7 to MEUR101.3. Social security contributions, at MEUR18.7, remained virtually unchanged from the previous year (previous year: MEUR18.9). The wage increases of around 5% per annum seen in Germany over the last three years were primarily the result of high inflation rates. With the rate falling to just over 2%, nominal wages are expected to rise by approximately 3% per annum in future.

Other operating income was slightly below the previous year's level and primarily comprises income from the release of provisions amounting to MEUR3, income from currency translation amounting to MEUR1.6, and income from the sale of land amounting to MEUR1.1. The impairment of financial assets amounting to MEUR6.0 relates exclusively to the two loans written down due to the insolvency of Bergische Edelstahlwerke GmbH.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to MEUR33.8, compared with MEUR36.7 in the previous year.

Depreciation and amortisation amounted to MEUR18.3 in the reporting period (previous year: MEUR21.5) and included scheduled depreciation and amortisation. Consequently, earnings before interest and taxes (EBIT) reached MEUR15.5 (MEUR15.2). The EBIT margin rose slightly to 3.1% (previous year: 3.0%).

The improved financial result of MEUR–4.1 (previous year: MEUR–5.2) is primarily attributable to the repayment of long-term financial liabilities and lower interest rates. It should be noted that current financial liabilities doubled to MEUR63.0 at the end of the year due to the purchase of the warehouse from Doerrenberg.

Earnings from investments is reported at MEUR0.0 (previous year: MEUR0.4). Interest and similar expenses fell significantly from MEUR5.3 to MEUR4.1.

Earnings before tax (EBT) amounted to MEUR11.4 (MEUR9.6). At 9.6%, the tax rate was significantly lower than in the previous year (43.8%). This is primarily due to the capitalisation of deferred tax assets on tax loss carry-forwards.

After minority interests in corporations of MEUR0.4 (previous year: MEUR1.2), consolidated earnings after minority interests amounted to MEUR9.9, compared with MEUR4.4 in the previous year. Earnings per share under IFRS amounted to EUR0.96 (previous year: EUR0.42).

Sales and earnings by segment

As at 01/01/2025, GESCO SE implemented a new segmentation of its portfolio companies. The segments are structured more clearly, particularly for investors. They are based on established end-user markets and aligned with the respective business models of the individual subsidiaries. This repositioning followed the M&A activities in December 2024 and ensures greater transparency, comparability and balance within the segments. Similarly, the three segments also reflect the strategic focus on value-added and customer-centric business models centred on industrial processes, products and projects. The GESCO Group's business activities are divided into the following three segments:

Materials Refinement & Distribution: This segment comprises the companies Doerrenberg, PGW and Funke. These companies generate customer value through complex production processes and the ability to deliver highly specialised raw materials and semi-finished products with short lead times. They are characterised both by their ability to manage global supply chains and by ensuring the highest quality standards in their processes. Their diversification across various end-user markets and global customers makes them more resilient to economic fluctuations.

Health Care & Life Science: This segment comprises the companies Setter, INEX and Amtrion. The companies within this segment offer tailor-made products and solutions. They target the rapidly growing markets in the health, medical, pharmaceutical and food sectors. Thanks to their innovative strength, which is closely aligned with real customer needs, they are well placed to meet the rising demands in these key sectors.

Industrial Assets & Infrastructure: This segment comprises the companies SVT, MAE, Eckart and Kesel, all of which are leaders in mechanical and plant engineering within their respective infrastructure markets. They are all globally positioned, key players in international markets. Their excellent capabilities in managing large and complex projects enable them to fulfil even highly individual customer requirements on time and efficiently.

The Materials Refinement & Distribution segment also performed very unevenly during the reporting period. Whilst Doerrenberg fell significantly short of its own targets due to difficult operating conditions and one-off charges, the shortfall at Funke and PGW was moderate.

At MEUR207.0, order intake was below the previous year's level of MEUR234.4. The order backlog, at MEUR46.0, was also below the previous year's figure (MEUR53.8). Sales fell significantly, reaching only MEUR209.4 compared with MEUR239.5 in 2024. Segment EBIT amounted to MEUR–1.6, compared with MEUR–0.1 in the same period of the previous year. The result is primarily impacted by Doerrenberg. Customer reluctance and the burden of loan write-downs in connection with the insolvency of Bergische Edelstahlwerke GmbH are the main factors here. The segment's ROS fell accordingly from 0.0% (2024) to –0.8%.

With the planned spin-off of the Casting division into newly formed CASTEON GmbH in 2026 and the Doerrenberg Group's consequent focus on its core competence as an internationally active trading organisation for tool steel, the course has been set for the future.

Despite a reduction in order intake and a slight decline in sales, the Health Care & Life Science segment was able to significantly increase its earnings in the 2025 financial year. Order intake fell by 19.0% year-on-year to MEUR128.4. In line with the lower order intake, the order backlog at the end of 2025 decreased by 42.0% to MEUR25.7. Sales in the segment stood at MEUR143.5, virtually unchanged from the previous year (MEUR144.1). EBIT improved by 52.0% to MEUR12.3. This corresponds to a ROS of 8.6% (previous year: 5.6%).

The Industrial Assets & Infrastructure segment experienced a very mixed performance. The newly acquired Eckart and SVT enjoyed very strong business performance. Our smallest subsidiary, Kesel, on the other hand, was affected by customers' high reluctance to invest, which overall also led to a lack of new orders and a significant decline in sales. MAE performed solidly in the face of challenging market conditions.

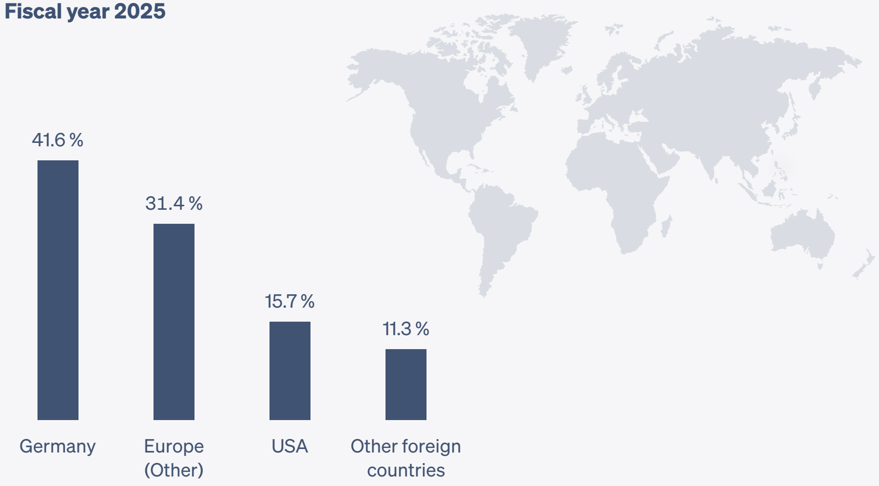
Overall, order intake in the segment developed very positively. This was also aided by MAE's record order from the US specialist in high-performance alloys, Haynes International, amounting to approximately MEUR8. As a result, order intake stood at MEUR140.6 in the 2025 financial year, 25.7% higher than the previous year's figure of MEUR111.9. This resulted in an order backlog of MEUR90.1 as at the reporting date (2024: MEUR86.4).

Segment sales rose by 23.2% from MEUR115.5 in the previous year to MEUR142.3. EBIT reached MEUR13.6 in the reporting period, compared with MEUR12.4 in the previous year, corresponding to an EBIT margin of 9.6% (2024: 10.7%). The decline is primarily attributable to Kesel and MAE, whose earnings are below the previous year's levels.

The GESCO SE/other companies segment includes GESCO SE and a number of subsidiary companies. AstroPlast is also included in this segment for the 2024 financial year. Due to the change in the segment structure as at 01/01/2025, AstroPlast, which was sold in December 2024, was allocated to this segment. The 'Reconciliation' item shows consolidation effects as well as the reconciliation to the corresponding IFRS consolidated figures.

Sales by region

Fiscal year 2025



Sales by region

In the financial year, the proportion of Group sales generated abroad was 58.4% (previous year: 53.3%). The share of sales from Europe (excluding Germany) increased to 31.4% compared with the previous year (30.0%). Within Europe, France and Italy are among the most significant individual markets, contributing significantly to the Group's sales performance. These markets demonstrate relatively steady demand for the GESCO Group's products and services, which is evidence of resilient business relationships and a strong market presence.

Asia's share of sales stood at 7.9%, remaining at the previous year's level (8.0%). China's share was 2.9%, compared with 2.8% in the previous year.

In North America, economic uncertainties – not least due to highly volatile tariff policies – have meant that expansion has not progressed as originally planned. Nevertheless, the US's share of sales has increased to 15.7% (previous year: 13.1%) and remains the most significant market outside Germany.

The proportion of foreign sales varies significantly between the individual subsidiaries, which operate under different business models. Some subsidiaries have export ratios of over 80%, which points to their strong international focus and market strategies centred on global trade. These high export ratios highlight the subsidiaries' competitiveness in international markets and their ability to adapt the GESCO Group's products to different needs.

It is also important to consider the significance of the GESCO Group's domestic customers, many of whom are also strongly export-oriented. This leads to significant interaction between domestic and international business, meaning that the GESCO Group generates a considerable volume of indirect exports. However, these indirect exports are, by their very nature, difficult to quantify, as they are often influenced by the customers' value chains.

The broad regional distribution of sales and the high proportion of overseas business demonstrate GESCO SE's international diversification, which plays a crucial role in strategic planning and future business development. The Group's strong market position across various regions enables it to adapt flexibly to market changes and continue to grow successfully.

Financial position

Capital structure

The GESCO Group's balance sheet continues to show very strong balance sheet ratios with a high level of equity. Goodwill stands at a low level of 14.2% (14.4%) of equity. Overall, the GESCO Group has the necessary financial resources for internal and external growth.

On the liabilities side, equity stood at MEUR272.6, slightly above the level at the start of the financial year of MEUR269.0, resulting, among other things, from the currency translation adjustment and the dividend paid out. Together with the sharper rise in current liabilities, primarily in connection with the purchase of inventory, and the corresponding reduction in non-current liabilities, the balance sheet total increased by 3.4% compared with the previous year to MEUR447.4. Despite a higher level of equity in absolute terms, the equity ratio fell from 62.3% to 60.9% due to the higher total assets.

Financial liabilities to banks totalled MEUR80.1 as at the balance sheet date and comprise revolving overdraft facilities and traditional bank loans. The overdraft facilities carry variable interest rates and are predominantly linked to the EURIBOR. The bank loans carry fixed interest rates for the respective term.

The largest share was accounted for by current financial liabilities at MEUR63.0. The remaining financial liabilities predominantly have medium-term maturities of two to five years.

The currency structure of financial liabilities is predominantly euro-denominated. Foreign currency positions exist only to a limited extent. In the case of significant business transactions, currency risks are hedged through forward exchange contracts.

Investments

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

Overall, investments in tangible assets and intangible assets for all companies amounted to MEUR17.0, compared with MEUR11.4 in the previous year. This includes right-of-use assets recognised as investments in accordance with IFRS 16, amounting to MEUR5.2 in the reporting period and MEUR3.1 in the previous year.

In the reporting year, the total volume was distributed across various replacement, modernisation and expansion investments. The focus of investment this year was again on the Materials Refinement & Distribution segment at Pickardt & Gerlach.

Depreciation and amortisation of tangible assets and intangible assets amounted to MEUR18.3 in the reporting period (previous year: MEUR21.5).

Liquidity and net debt

Cash management is handled individually for each Group company; there is no central cash pooling within the Group.

Cash and cash equivalents stood at MEUR35.1 as at the balance sheet date, slightly above the figure of MEUR33.3 as at the previous year's balance sheet date.

Current and non-current liabilities to banks rose by MEUR22.8 to MEUR80.1. The significant increase is primarily attributable to the short-term interim financing required for the purchase of inventory at Doerrenberg. Current and non-current lease liabilities decreased by MEUR0.9 from MEUR17.6 to MEUR16.7.

Net debt thus rose from MEUR24.0 to MEUR45.0. Taking lease liabilities into account, this represents an increase from MEUR41.6 to MEUR61.7.

Based on EBITDA of MEUR33.8, the net debt-to-EBITDA ratio is therefore 1.3, or 1.8 including IFRS 16. In the previous year, the net debt-to-EBITDA ratio was 0.7, or 1.1 including IFRS 16.

At the end of the financial year, committed but undrawn credit facilities amounted to MEUR51.2. The Group was always in a position to meet its payment obligations.

Based on the positive earnings for the period before minority interests of MEUR10.3, cash flow from operating activities increased year-on-year to MEUR38.9 (previous year: MEUR34.8). Cash flow from working capital was significantly negative at MEUR–20.6. In the previous year, this figure stood at MEUR29.9. This is primarily attributable to Doerrenberg's acquisition of the German Edelstahlwerke's stock of tool steel at the end of the financial year. Cash flow from operating activities was accordingly only MEUR6.3 (previous year: MEUR51.2). The calculated figure for cash flow from investing activities of MEUR–19 is MEUR12.2 higher than in the previous year (MEUR–6.3), partly due to the acquisition of Eckart GmbH.

Financial Position

Total assets in the GESCO Group stood at MEUR447.3 as at the balance sheet date, compared with MEUR433.3 in the previous year. Non-current assets fell by 6.2% to MEUR167.1 (previous year: MEUR178.0) due to significantly lower financial assets (MEUR–9.3) and lower other intangible assets (MEUR–2.9), alongside an increase in deferred tax assets (MEUR+2.9). Inventories rose by MEUR14.7 to MEUR159.0, primarily due to the purchase of stock from Doerrenberg at the end of the year. The other components of current assets also increased, resulting in an overall rise of MEUR25.0, or 9.8%, to MEUR280.3.

Financial Performance of GESCO SE

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

GESCO SE's income from investments in the 2025 financial year, at MEUR4.5, was below the level of the previous financial year (MEUR6.0). Distributions are determined on a case-by-case basis, considering the earnings, asset and liquidity position of the subsidiaries, as well as with a view to optimising liquidity within the GESCO Group.

As in the previous year, no loss transfers had to be recorded in 2025. Income from profit transfer agreements fell from MEUR13.1 to MEUR12.5 in the reporting year. As at the balance sheet date, there are a total of three profit and loss transfer agreements with the following subsidiaries:

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

As in the previous year, no depreciation on financial assets was required in the 2025 financial year.

Sales, which fell slightly compared with the previous year to MEUR1.5 (previous year: MEUR1.8), resulted from the passing on of expenses to the associated companies as well as consultancy services.

Other operating income amounted to MEUR0.3 in the reporting year (previous year: MEUR0.6). Other operating expenses increased from MEUR6.7 to MEUR7.3 and consist primarily of legal and consultancy costs, as well as recruitment and onboarding costs. The increase in the 2025 financial year is attributable to land transfer tax of MEUR1.6, which arose in connection with the repurchase of shares held by former managing directors from previous years.

In the 2025 financial year, the net profit amounted to MEUR7.6 (MEUR12.0).

In the management report for the 2024 financial year, GESCO SE had forecast figures for investment income and net profit for the new 2025 financial year at roughly the same level as in 2023. In November 2025, GESCO SE had revised its forecast for the 2025 consolidated figures downwards; as a result, the original forecast figures for GESCO SE were also no longer achievable. The significantly lower income from investments and from profit transfer agreements in the 2025 financial year consequently led to a net profit for the year that was below the original forecast.

GESCO SE's balance sheet total stood at MEUR251.3 as at the balance sheet date (previous year: MEUR246.5).

On the assets side, financial assets increased by MEUR12.8 to MEUR178.1 because of the higher shareholdings in associated companies following the acquisition of Eckart GmbH. Other loans, by contrast, fell by a total of MEUR5.3 to MEUR7.5. These relate to vendor loans associated with the transactions carried out at the end of 2020 and the end of 2024, which were repaid as scheduled.

Cash and cash equivalents amounted to MEUR7.7 as at the balance sheet date (previous year: MEUR3.4). During the 2025 financial year, a dividend of EUR0.10 per share – totalling MEUR1.0 – was paid to the Company's shareholders.

The decrease in bank borrowings from MEUR4.6 to MEUR2.1 is attributable to the repayment of bank loans.

Overall, GESCO SE's balance sheet as at the balance sheet date shows very sound ratios, with a very high equity ratio, low debt and sufficient cash and cash equivalents. For the 2025 financial year, GESCO reports an equity ratio of 96.5% (previous year: 95.6%). Against this backdrop, GESCO SE continues to have sufficient access to debt capital on attractive terms. The Company is therefore fully capable of operating both in terms of its equity base and its debt capital.

At the end of the financial year, GESCO SE had committed but undrawn credit facilities amounting to MEUR10.0 (previous year: MEUR9.2).

Overall assessment of business performance

The forecast for sales and consolidated earnings after minority interests published in April 2025 assumed that there would be no significant improvement in the economic situation compared with 2024. We expected a stable level for the mechanical and plant engineering sectors, and slightly positive momentum for the construction and electrical sectors as well as the vehicle and automotive industries.

The first nine months developed in line with expectations. However, ongoing geopolitical instability and tariff-related turbulence in the fourth quarter led to a further deterioration in the business environment for many companies within the GESCO Group. This was compounded by various one-off effects and potential postponements of customer acceptances until January. This necessitated a revision of the forecast in early November. The insolvency of Bergische Edelstahlwerke in February 2026 led to a further need for correction due to the resulting write-down of existing loans and receivables amounting to MEUR6.3 before tax.

Despite numerous measures introduced, the subsidiaries were unable to fully escape the adverse conditions of the year. Nevertheless, consolidated earnings after minority interests was at the upper end of the forecast range of MEUR7–10 revised in February 2026 and in the middle of the forecast of MEUR9–12 valid up to that point.

Consolidated net profit includes non-recurring items totalling MEUR–2.6. These non-recurring items include, amongst other things, the write-down of loans and receivables as well as provisions for anticipated losses that had to be made due to the insolvency of Bergische Edelstahl Werke GmbH, including offsetting deferred tax assets. The consolidated operating result, adjusted for these one-off effects, was therefore at the upper end of the forecast range communicated in November. The GESCO Group was able to hold its own despite a persistently recessionary environment and ended the financial year with a stable positive result.

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

Non-financial performance indicators

Environmental protection

The GESCO Group is committed to practising environmental protection beyond legal requirements. This commitment applies to the entire production process and the life cycle of every product, including recycling.

Aligning development and production with environmental concerns can open new market opportunities. Resource conservation and energy efficiency are compelling selling points. But it is not only the products that have environmental aspects. Energy considerations are also considered in construction projects and investments in machinery and plant. The aim is to reduce follow-up costs and emissions.

Climate-relevant emissions are calculated as CO_2-equivalents per million euros of sales.

Further information on environmental protection can be found in the non-financial group report in accordance with Section 315b(3) of the German Commercial Code (HGB). From 2021 to 2023, the report was based on the German Sustainability Code. For the financial year 2025, GESCO followed the CSRD guidelines, as it did in the previous year.

Employees

As at the balance sheet date, the GESCO Group employed a total of 1,662 staff (previous year: 1,642).

In the fourth quarter of 2025, GESCO offered all domestic employees of the GESCO Group the opportunity to purchase employee shares as part of an employee share ownership scheme for the 26th time. GESCO SE regards this scheme as an important tool for employee retention. Consequently, the scheme is set to continue in the future.

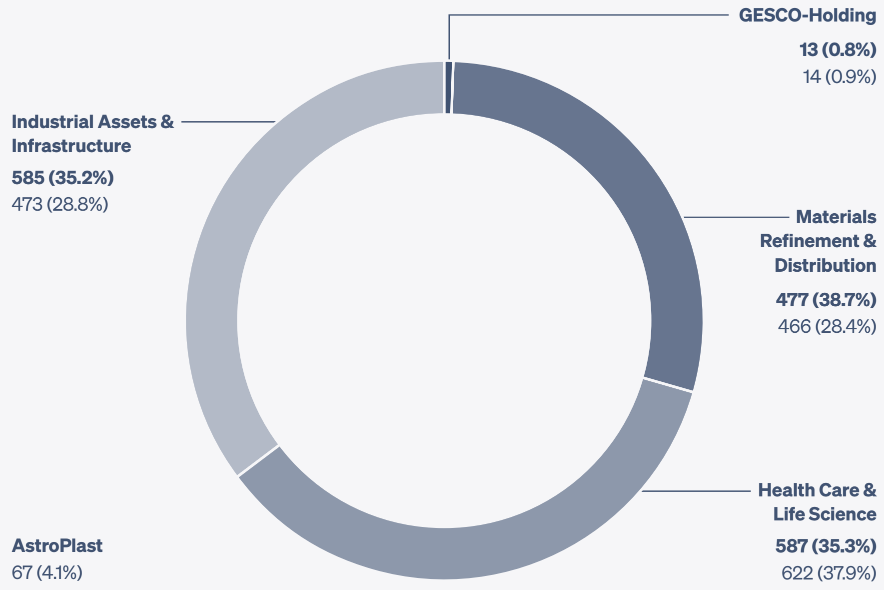
The future viability of the companies within the GESCO Group depends heavily on attracting and retaining qualified and motivated employees in the long term. Training and further education are given high priority within the Group. In addition, the subsidiaries actively position themselves as attractive employers.

There are numerous activities ranging from participation in school events such as Girls' Days and dual study programmes to collaborations with universities and other educational institutions. Doerrenberg Edelstahl GmbH has been presenting the "Doerrenberg Award" for many years. This is a prestigious award for students in the fields of materials science and engineering.

Performance indicators such as the training ratio, costs and hours spent on further training are determined for evaluation purposes.

Further information on the topic of employees is provided in the separate non-financial Group report in accordance with Section 315b of the German Commercial Code (HGB).

Employees by segment (end of financial year)



*Excluding trainees.

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 2025 financial year and published on the GESCO SE website in accordance with Section 162 of the German Stock Corporation Act (AktG).

Treasury shares

As part of its share buyback programme announced on 28 March 2024, which commenced on 11 April 2024 and ended on 25 April 2024, the Company repurchased 499,974 shares via a voluntary public share buyback offer. Including the shares already held prior to the share buyback offer, the Company subsequently held 511,304 treasury shares. In connection with its 2024 and 2025 employee share ownership schemes, the Company distributed 45,495 treasury shares to the custody accounts of employees participating in the scheme in accordance with Section 71(1)(2) of the German Stock Corporation Act (AktG), of which 19,752 were distributed in December 2025. As at the balance sheet date, GESCO SE thus held 465,929 shares.

Forecast, Opportunities and Risks Report

Forecast

At the time of preparing this Group Management Report, it is not yet possible to reliably assess the nature, scope and duration of the recently escalated military conflict in the Middle East, nor its medium- and long-term economic impact.

Depending on how the situation develops, negative effects could arise in particular from rising energy and raw material prices, disruptions to international supply chains, increased volatility on the financial markets, and possible further trade restrictions or sanctions. These effects have not yet been taken into account in the following forecast.

According to forecasts by various economic institutes and the German government, the German economy will experience a gradual recovery over the next two years (2026 and 2027).

In 2026, a moderate recovery is on the horizon for the German economy, though this will be characterised by persistent structural problems and external uncertainties. Following years of stagnation and recession – with GDP growth of just 0.1% to 0.2% in 2025 – leading economic institutes and the German government expect a slight upturn, driven primarily by domestic factors. Forecasts vary between 0.8% and 1.3% for real GDP growth, with the consensus standing at around 1%.

In its latest forecast from January 2026, the International Monetary Fund (IMF) anticipates German economic growth of 1.1% in the current year. This would mean growth would be 0.2 percentage points higher than forecast in October. For 2027, IMF experts expect a further acceleration in growth to 1.5%.

The German government lowered its annual projection to 1.0% at the end of January 2026, driven by fiscal stimulus such as infrastructure investment and defence spending, which are expected to contribute around 0.3 percentage points, whilst exports are forecast to rise by only 0.8% due to US tariffs and weak global demand.

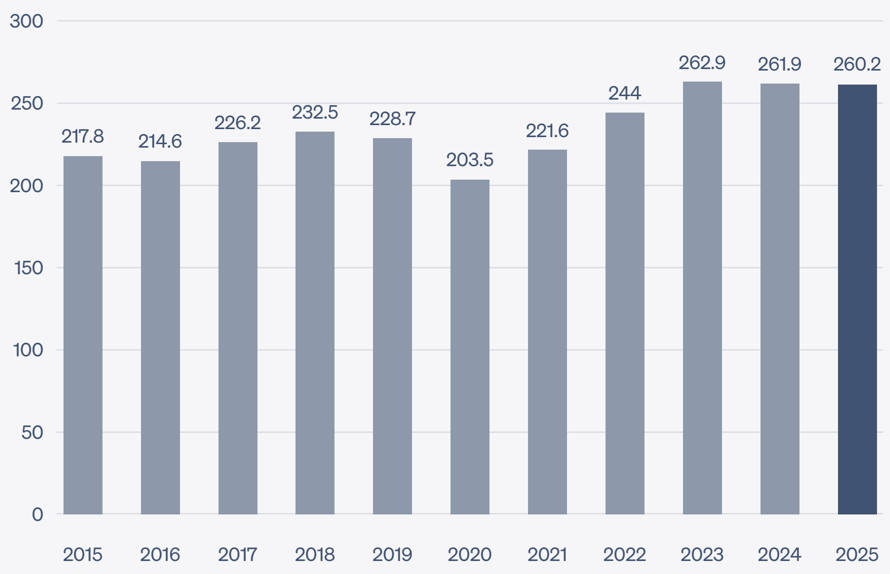
The inflation rate is expected to stabilise at 2.0% to 2.2%, influenced by wage increases and service prices, but tempered by falling energy prices. The unemployment rate is uniformly expected to be 6.2% to 6.3%, with the number of people in employment stagnating or falling slightly due to demographic challenges. Private consumption is set to grow by 0.8% to 1.0%, and government spending by up to 2.4%, whilst investment is being stimulated by public programmes, though private sector caution persists due to bureaucratic hurdles. Risks such as a persistent slump in exports, competition from China and geopolitical conflicts could dampen the recovery, which is why all sources are urging for needed reforms in regulation, energy supply and social systems to secure long-term potential.

Overall, the economic situation remains tense. Targeted measures and strategies are needed to overcome the challenges and set the course for a sustainable recovery.

According to the latest assessment by the German Engineering Federation (VDMA), a slight recovery in the sector is forecast for 2026. Price-adjusted production in the German mechanical and plant engineering sector is expected to rise by +1%.

The VDMA speaks of a bottoming out and stabilisation at a low level following several years of decline or stagnation. However, an increase of just one per cent does not yet represent genuine growth momentum; significantly stronger growth would be required for that. Globally, the association expects moderate sales growth of +2% in real terms for the machinery industry, with Asia expected to perform above average.

Sales development in German mechanical engineering in billion €



Quelle: Statistisches Bundesamt, VDMA e.V.

Sentiment in the sector has brightened somewhat recently: many companies are looking ahead with slightly greater confidence, although capacity utilisation remains low. The VDMA forecast is subject to change and depends heavily on political reforms (such as improvements to the business environment, reducing bureaucracy and easing the burden of energy costs), an easing of geopolitical conflicts, and the development of global demand. Persistent trade conflicts, high costs and competitive pressure – particularly from China – continue to weigh on the sector.

In summary, the VDMA views 2026 as a transitional year marked by initial stabilisation and moderate recovery, though one that remains far from a robust upturn. The sector is urgently calling for structural measures to secure long-term competitiveness.

All three segments of the GESCO Group continue to face a challenging market environment. The persistently high level of macroeconomic uncertainty, the tense geopolitical situation and protectionist trade and customs policies are leading to marked customer caution across all end-user markets.

In the Materials Refinement & Distribution segment, the continuing difficult situation in the German steel industry is also having an impact. The expected adjustments to European customs policy – in particular the Carbon Border Adjustment Mechanism (CBAM) and the safeguard measures expected to come into force from the third quarter of 2026 – are likely to lead to falling import quotas in this segment and thus contribute to rising price levels.

For the Health Care & Life Science segment, we anticipate continued subdued performance in 2026 given the ongoing volatility in demand and order patterns. In the Industrial Assets & Infrastructure segment, too, delayed ordering behaviour is still expected due to global investment reluctance. The market for LNG, which is crucial for SVT, is expected to continue growing in 2026.

Against this backdrop, we anticipate subdued demand growth across all segments in the first half of 2026. We do not expect economic activity to pick up until the second half of the year at the earliest. Supported by inventory effects and the measures implemented in the subsidiaries as part of the GESCO Business System, we anticipate a gradual improvement in the relevant financial indicators for the 2026 financial year as a whole.

We anticipate the following developments for our financial performance indicators (Group) in the 2026 financial year: We expect Group sales to increase by a mid- to high-single-digit percentage compared with 2025. Consolidated earnings after minority interests should improve, particularly due to the absence of the one-off expenses from 2025. We expect consolidated earnings after minority interests to be in the range of MEUR15 to MEUR20.

Our non-financial performance indicators, which we monitor across the Group, include the continuous analysis and minimisation of human rights and environmental risks. The GESCO Group's objective is to prevent serious workplace accidents through occupational safety measures and health protection. The individual subsidiaries also aim to keep the number of workplace accidents as low as possible and to continue reducing them. Across the Group, three key objectives are being pursued: reducing energy consumption, cutting CO_2 emissions across all companies, and increasing the share of renewable energy in the Group's electricity mix to 80% by 2030. To implement these, specific, measurable targets are derived within the companies. Furthermore, GESCO has established clear objectives along the material flows to measurably improve efficiency, quality and environmental impact. Across the board, the GESCO Group aims to reduce the scrap rate by 10% by 2030 compared to the base year 2025, thereby permanently reducing material usage, emissions and costs.

At the end of the 2025 financial year, the GESCO Group has solid balance sheet ratios and low debt. In view of the continuing high geopolitical risks and persistent weakness in demand, the Group's focus will remain on securing and strengthening its financial and asset position. The measures introduced as part of the GESCO Business System are intended to reduce working capital and thereby strengthen cash flow.

Negative deviations in segment results and in the results of individual subsidiaries could have an impact on impairment indicators.

The continuing tense geopolitical situation, high price levels and interest rates, and generally subdued growth expectations could have a significant impact on some of our subsidiaries. Furthermore, due to the difficult economic situation facing many companies and rising insolvencies, our subsidiaries could face additional challenges arising from potential supplier failures. The subsidiaries are addressing this through active supplier management.

We have taken the conditions known to us or foreseeable into account in our expectations; however, recent years have shown how quickly these can change, meaning that we are currently unable to make more precise statements regarding the extent of all direct and indirect effects.

Should there be an economic downturn or unforeseen government or regulatory intervention, this could have a corresponding impact on the expectations presented. Furthermore, deviations due to macroeconomic uncertainties cannot be ruled out.

GESCO SE faces the same opportunities and risks as the GESCO Group as a whole. The expectations regarding sales and earnings trends underlying the forecasts of the operating segments and subsidiaries have an impact on the future development of income from investments and the net profit of GESCO SE. These expectations are influenced by market and economic trends as well as geopolitical and regulatory developments. For the financial year 2026, GESCO SE (separate financial statements, HGB) forecasts the following developments in key performance indicators: We expect income from investments to be between MEUR17 and MEUR20 and earnings for the year to be between MEUR9 and MEUR12. GESCO SE's equity ratio is expected to remain above 80% in 2026, provided there are no significant changes within the group of subsidiaries.

GESCO SE continues to pursue a growth strategy aimed at external growth through the acquisition of medium-sized industrial companies. As part of this strategy, we are actively seeking acquisition targets with sales of between MEUR20 and MEUR50. Strategically motivated complementary acquisitions, known as add-on acquisitions of subsidiaries, are carried out in smaller sales brackets.

The forecasts in the report on future development are based on the assumptions and assessments available to GESCO SE at the time of writing. These statements are subject to risks and uncertainties; therefore, actual results may differ from our expectations. No guarantee can be given as to the accuracy of this information.

Management of opportunities and risks

GESCO SE's business model is entrepreneurially oriented. Entrepreneurial activity is inherently fraught with risks – these cannot be ruled out, but can be managed through appropriate risk management. The GESCO Group's approach is, on the one hand, geared towards identifying, assessing and capitalising on opportunities in national and international markets, and, on the other hand, towards identifying and mitigating risks. The management of risks and opportunities is a continuous business process. The structure of the GESCO Group is designed in such a way that adverse developments in individual companies do not jeopardise the entire Group.

An overall assessment of the Company's situation is carried out during planning meetings, monthly reviews and annual strategy meetings. This involves, on the one hand, analysing business opportunities and strategies for expanding business volume both domestically and abroad, as well as for increasing profitability, and, on the other hand, assessing the respective risks.

Management of opportunities

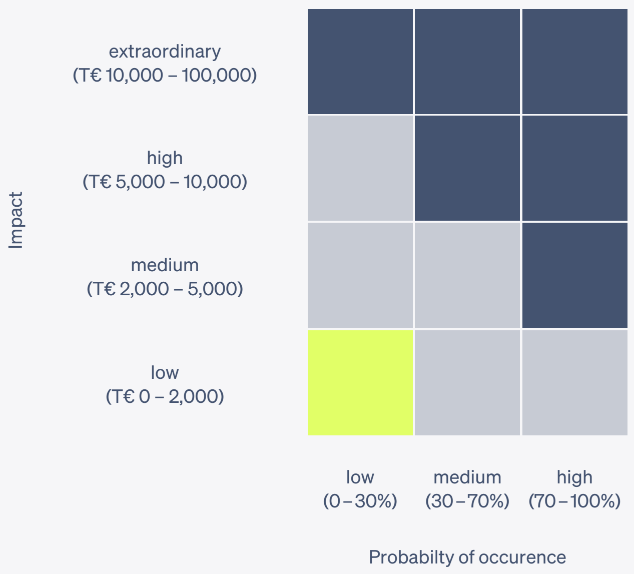
Significant opportunities for GESCO SE lie in the acquisition of further medium-sized industrial companies and in the expansion of existing corporate structures. By maintaining the network, raising awareness of GESCO SE as an investor and directly approaching promising companies, a deal flow is generated which is evaluated and processed through a step-by-step analysis. Furthermore, significant opportunities for GESCO SE lie in the positive operational performance of the portfolio companies, as well as the associated investment income and distributions. To this end, the holding company offers its subsidiaries intensive advice and support in order to leverage and utilise synergy effects for the entire Group.

For the operating subsidiaries, the ongoing task is to identify opportunities in both national and international markets and translate them into successful business operations. Strategy development, sales and marketing, product development, and quality and innovation management are crucial factors in this regard.

Risk management within the GESCO Group

The GESCO Group has an internal risk management system. The GESCO Group uses a software-based system to record risks. Risks are assessed and categorised in the risk statistics by evaluating their impact on earnings before interest and taxes (EBIT) and the probability of occurrence, with the focus on the net assessment of the risk impact following mitigating measures. Risks are weighted on a company-specific basis, taking into account the sales and profitability of the respective company. Specific classifications are defined at Group level. The combination of risk impact and probability of occurrence results in an assessment of the risks according to the following matrix, with dark blue indicating the highest risk level.

Risk matrix



The risks reported by the subsidiaries are included in a monthly report. The risks are reported by the managing directors in consultation with the respective business directors in the finance department. High-risk issues are also reported ad hoc by the subsidiaries to GESCO SE.

As at 12/31/2025, there are no individual risks falling into the dark blue category. The focus of the individual risks recorded within the yellow category was on legacy issues and warranty risks, each with a low impact.

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

In addition to the individual risks identified, we see risks to future development particularly in the following areas:

Risks and opportunities associated with the acquisition of companies

GESCO SE pursues both internal growth through the further development of its existing portfolio and external growth through the acquisition of further medium-sized industrial companies. New acquisition opportunities are identified on an ongoing basis, with the analysis of opportunities and risks as part of pre-acquisition due diligence being of particular importance. Prior to a purchase, we subject potential companies to a thorough due diligence review to identify the risks associated with the acquisitions, insofar as they are identifiable. Key due diligence aspects include financial, tax, technology and market-related risks, environmental considerations, as well as corporate culture, the age structure of the workforce and legal risks. In this regard, GESCO SE relies on both internal and external expertise.

Every acquisition carries the inherent risk that the newly acquired company will not develop as planned and that the targeted EBIT margin will not be achieved. In succession planning in particular, the appointment of a new managing director following the departure of the previous owner-managing director is a critical success factor, as this often entails a cultural shift.

Following the acquisition, the companies are integrated into the GESCO Group's reporting system through a structured process. They are also incorporated into the GESCO Group's systems for risk management, compliance, data protection and insurance management.

Opportunities may arise if the acquired company performs better than originally planned. Such positive developments may be facilitated by favourable market conditions, as well as by the swift introduction and implementation of the GESCO Business System (GBS). The departure of a previous owner-manager may also create new opportunities, as a new managing director can tap into additional potential through their experience and promote the company's development with fresh perspectives.

Risks and opportunities relating to operational business

All subsidiaries of GESCO SE are exposed to the typical opportunities and risks of their respective sectors, as well as general economic risks, in their operational business. As an industrial group with significant direct and indirect exports, we are affected by economic fluctuations both domestically and abroad. Our diversification strategy regarding customer sectors aims to partially offset economic fluctuations in individual sectors and thus mitigate the risks arising from economic cycles.

In addition to the economic situation, the strategic orientation of the companies, considering technological and social change, presents both risks and opportunities for the subsidiaries. These include, in particular, issues such as digitalisation, the emergence of new competitors, the political and economic development of regional markets, shifting social values, the targeted reduction of CO_2 emissions, the energy transition, geopolitical risks and a more stringent regulatory environment.

The GESCO Group addresses these challenges with the GESCO Business System (GBS), which contributes to increasing market share and enhancing efficiency within the subsidiaries. Regular discussions between the Executive Board of GESCO SE, the Business Directors and the managing directors of the subsidiaries, as well as their teams, facilitate analysis and continuous dialogue on strategic issues. Significant regulatory tightening and legislative changes affecting GESCO SE are managed and implemented centrally by GESCO SE.

A fundamental risk arises from customer complaints and claims due to inadequate quality, failure to deliver promised services or missed deadlines. The companies counter this with meticulous processes, quality management and close customer contact.

In plant engineering, specific risks associated with the respective business model must be monitored. The relevant Group companies are regularly faced with customer requirements whose technical feasibility in terms of time and cost is difficult to calculate in advance, which carries the risk of loss-making contracts. At the same time, challenging customer projects offer opportunities, as they often lead to innovative approaches that result in marketable product innovations.

To reduce procurement risks, the subsidiaries aim to gain planning certainty through framework agreements with suppliers and service providers or to agree to price escalation clauses with customers and suppliers. A partnership-based and long-term relationship with key suppliers promotes security of supply.

Where deemed appropriate, the companies of the GESCO Group use trade credit insurance to secure trade receivables. In the case of relevant customers who cannot be insured, the subsidiaries analyse the situation in direct dialogue with the customer and define the next steps. In the case of significant uninsured risks, consultation takes place with the Executive Board of GESCO SE. This always involves balancing the need to limit risks against the need to seize business opportunities, so as not to jeopardise customer relationships. This challenge is further complicated by the instrument of insolvency avoidance, which is, however, covered by group insolvency avoidance insurance.

Currency risks arising from operating activities are generally hedged at the level of the respective subsidiaries for contracts of a significant size.

Geopolitical risks

In addition to typical economic fluctuations and the operational risks already mentioned, GESCO SE regards the high level of political uncertainty as the most serious risk to its operational business. Further developments in Ukraine, as well as the generally tense geopolitical situation, which has a wide-ranging impact on the business performance of the subsidiaries and the economy as a whole, are by their very nature difficult to predict. Should significant changes, escalations or intensifications occur, additional sanctions and noticeable effects on energy and commodity markets could affect our subsidiaries in various ways.

The strategic competition between the US and China brings with it additional risks. Trade tensions, technological advances and their impact on the energy sector are factors influencing the global economy. The growing reliance on renewable energies may cause tensions with countries that rely heavily on fossil fuels and nuclear energy. Furthermore, the US government under President Trump is forcing Europe to reposition itself in terms of its economic, energy and environmental policies.

By international standards, European companies face very high bureaucratic and regulatory requirements. Examples include the implications of the Supply Chain Due Diligence Act and CSRD reporting, which pose significant challenges and undermine international competitiveness.

Climate change has become a highly political issue worldwide, threatening national security and global stability. Extreme weather events, rising sea levels and water scarcity are becoming more frequent, which is having a significant impact on countries' economic development. Access to available and accessible energy resources is crucial. Various factors – in particular climate change, cyber security threats and the conflict in Ukraine – have exacerbated the vulnerability of energy security in Europe. The issues of energy security and high energy prices will remain key problem areas and risks in the 2026 financial year.

The US administration has, within a short space of time, called fundamental certainties into question. With its policy of appeasement towards Russia and the uncertainty surrounding NATO's protection of Europe, the threat level on the continent is higher than it has been since the Cold War. The tariffs announced and introduced have the potential to significantly exacerbate existing trade conflicts. According to calculations by the German Economic Institute (IW Cologne), the trade dispute between the USA and the EU could cost Germany around 180 billion euros over the four years of Trump's term in office. This corresponds to over one per cent of Germany's annual economic output. Further analyses by the Prognos Institute show that, mathematically speaking, around 1.2 million jobs in Germany depend on exports to the US, which corresponds to ten per cent of jobs dependent on exports.

It is to be feared that US protectionism and escalating trade conflicts will pose ongoing challenges. The growing trade dispute between the US and its Western trading partners, including Canada and Mexico, as well as between the US and China, will not only affect global production of goods and services but also significantly influence trade flows. The increase in exports from China to Europe is likely to continue if sales opportunities in the US continue to deteriorate.

An end to the Russian invasion of Ukraine involving the cession of Ukrainian territory could make a military conflict between China and Taiwan more likely. This would have dramatic economic consequences, as Taiwan is home to TSMC, the leading manufacturer of high-performance semiconductors and microchips. A disruption to this production could trigger a severe global recession.

GESCO's subsidiaries may be affected by these global developments in a variety of ways, both directly and indirectly. Direct impacts result from a shortage of energy supplies and rising energy prices. Even though GESCO was able to sell the most energy-intensive divisions of Doerrenberg and the subsidiary AstroPlast by the end of the 2024 financial year, the availability of energy at competitive prices remains a decisive factor influencing the business performance of the remaining subsidiaries. Furthermore, some subsidiaries have high export ratios and are partly dependent on international suppliers, which makes them directly vulnerable to general geopolitical developments. Indirect effects may affect subsidiaries with major international customers: if their supply chains are disrupted or global changes lead to difficulties for direct customers, this may affect their purchasing behaviour.

These general geopolitical risks have concrete effects on the subsidiaries' operational business, referred to as 'decoupling' or 'derisking' effects, which affect the entire economy. From a regulatory perspective, contradictory and often extraterritorial local laws and regulations are in place, which, in the event of breaches, can range from exclusion from public tenders and fines to a ban on operations (for example, import bans in the event of breaches of the CO_2 border adjustment mechanism 'CBAM'). This affects raw materials and may result in export and import restrictions on rare earths or export restrictions. In sales markets, this manifests itself in the form of punitive tariffs and non-tariff trade barriers, as well as import and export bans on products such as chips, network equipment and certain chemicals, which are associated with market entry barriers. In the area of data protection, this results in bans on data transfers to other countries and the obligation to make data and algorithms available to government bodies. This is accompanied by corresponding countermeasures, such as the US Cloud Act and the General Data Protection Regulation (GDPR). Technologically, this manifests itself in the establishment of uniform standards per region, as well as in the definition of different interfaces and usage bans for business-relevant software. Regarding environmental protection, this leads to differing environmental standards, which create competitive advantages and disadvantages.

In the context of GESCO's accelerated internationalisation strategy, the decoupling effects pose increased risks for subsidiaries with existing international locations and customers. These risks manifest themselves in rising procurement and production costs due to 'multiple regional sourcing' instead of 'single global sourcing' from the cheapest supplier worldwide, in additional costs for research and development, and in reduced economies of scale due to regionally varying norms and standards. Furthermore, additional costs for compliance management systems, high implementation costs and a considerable implementation effort may arise.

Personnel restrictions may take the form of bans or obstacles to the employment of foreign specialists, or travel restrictions on business trips (for example, through limitations on work visas, tax disadvantages and travel restrictions). The ban on employing foreign researchers in research institutes also has a negative impact. These travel restrictions pose risks particularly for subsidiaries with international customers and service operations, as trade fairs, customer visits and the deployment of service technicians often cannot take place to the extent required.

It is to be expected that the overall impact of decoupling will continue to increase in the future. For this reason, GESCO's subsidiaries abroad should increasingly follow the 'Local for Local' strategy. This means that foreign customers should rely more heavily on locally produced goods in future.

At the same time, however, there are also opportunities. The measures adopted in Germany, such as the energy price cap, are helping to alleviate the burden of high energy prices. The position of many subsidiaries as market leaders, combined with continued internationalisation and the development of sustainable supply chains, opens opportunities to increase market share. Information gained through the implementation of the national Supply Chain Due Diligence Act can be used to stabilise global supply chains, optimise risk management and build resilient supply chains.

Furthermore, the subsidiaries of GESCO SE source raw materials, supplies and services predominantly from Germany and other EU countries, which significantly reduces the impact of decoupling and geopolitical risk.

With consistent risk management and the diversification of its business activities, the GESCO Group remains well-positioned and capable of overcoming these challenges.

Compliance risks

Compliance risks include, among other things, corruption, breaches of human rights and environmental due diligence obligations, antitrust violations and criminal conduct, which may lead to fines and claims for damages. These risks pose both a significant financial threat and a potential reputational risk. The GESCO Group addresses these challenges through a comprehensive compliance management system, which comprises a group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rulebook) for GESCO Group employees, supporting training programmes, case-specific spot checks, and a whistleblowing system for employees and external parties. In addition, a complaints system exists in accordance with the Supply Chain Due Diligence Act (LkSG). The managing directors of the subsidiaries are responsible for implementing the relevant requirements and principles within their companies.

Compliance management is centrally designed and managed by the Group Compliance Officer of GESCO SE. In the 2025 financial year, closer cooperation with the subsidiaries was promoted, through the establishment and expansion of a compliance governance structure. Such a structure enables the subsidiaries to focus more closely on their core business, as regulatory requirements are becoming increasingly stringent and are expected to tighten further in the future.

Responsibility for this system lies primarily with the Group Compliance Officer, who is accountable to the Executive Board of GESCO SE. A compliance report is prepared regularly, at least once a year, and submitted to the Executive Board of GESCO SE. This report also sets out the compliance strategy and the specific objectives for the current financial year and serves as the basis for the continuous improvement of compliance processes across the entire Group.

Risks and opportunities relating to personnel

Qualified personnel play a decisive role in the current performance and long-term competitiveness of GESCO SE's subsidiaries. Companies in Germany's manufacturing industry face the constant challenge of attracting sufficiently qualified skilled workers and retaining them in the long term. This difficulty is exacerbated by demographic change, which is leading to a decline in the available workforce. In mechanical engineering in particular, the recruitment of highly qualified skilled workers is essential to keep pace with rapidly advancing technological developments and to develop innovative solutions that are crucial for competitiveness in the market locations as well as for the entire industry.

To address these challenges, the companies within the GESCO Group are implementing a wide range of measures to position themselves as attractive and competitive employers in their regions. These include creating a positive working environment, flexible working time models and extensive further training opportunities that help employees to continuously develop their skills. These initiatives not only stimulate interest among potential new employees but also strengthen the loyalty of existing staff to the company.

An additional risk to the performance of companies within the GESCO Group arises from the potential loss of expertise. If valuable knowledge and skills possessed by experienced employees are not adequately passed on to less experienced colleagues, this can lead to a significant knowledge gap. To counteract this risk and ensure long-term success, the subsidiaries implement targeted measures for the transfer of know-how. These include structured mentoring systems, workshops and training courses that facilitate effective knowledge exchange and ensure the careful documentation of business processes.

Of particular importance is also the recruitment and retention of suitable managing directors and executives for the companies within GESCO SE. These key positions are crucial for the successful implementation of the corporate strategy. Managers who fail to meet the high expectations of senior management or who experience frequent staff turnover can pose significant risks. Such instability not only has a negative impact on the internal corporate culture but also on the external perception of the companies. GESCO SE addresses this risk with great care. Through a multi-stage selection process, which includes comprehensive interviews and assessments, great importance is attached to ensuring the right fit for executives as early as the selection phase. Furthermore, the Supervisory Board is involved in the selection process to enhance transparency and accountability.

At the level of GESCO SE, difficulties in recruiting and retaining qualified staff can also jeopardise the company's overall success. Building a trusting and stable working relationship within the holding company and with its subsidiaries requires personnel continuity and transparent knowledge transfer. Regular team meetings, open lines of communication and a culture of mutual respect and appreciation are crucial to ensuring a productive working environment.

The targeted recruitment of managing directors and management positions entails not only risks but also numerous opportunities. A positive leadership culture reduces staff turnover, boosts employee motivation and contributes to an overall positive working atmosphere, which in turn promotes the achievement of corporate objectives. Furthermore, GESCO SE's established leadership development programmes offer significant potential. These programmes are designed to effectively promote and adapt leadership skills within the subsidiaries as well as within the holding company. Such investments in leadership development not only strengthen relationships within the companies but also intensify the ties between the holding company and the subsidiaries.

In summary, qualified personnel are of crucial importance to GESCO SE and its subsidiaries. Through strategic initiatives to attract skilled workers, effective measures to safeguard expertise, and the targeted selection of leaders, GESCO SE will not only meet current challenges but also emerge from them stronger. Ultimately, the aim is to create a dynamic, innovative and competitive group of companies that responds agilely to market demands, thereby laying the foundation for sustainable success.

GESCO SE's employee share ownership scheme enables the Group's domestic employees to regularly participate in the Company by purchasing discounted GESCO shares, thereby building up assets for their retirement provision. GESCO SE regards this scheme as a significant tool for employee retention.

Risks and opportunities arising from information technology

In today's interconnected world, cyberattacks represent a growing geopolitical risk that poses a significant threat to both businesses and national security. An increasing number of countries are exposed to a rising threat from cybercrime, which targets critical infrastructure such as energy supply networks, water treatment plants and communication systems. In addition to physical damage, such attacks can also have far-reaching economic and social consequences. In this context, global cooperation to combat cyberattacks is complicated by a complex interplay of differing geopolitical interests and conditions, which in turn leads to a tense and often unstable insurance market.

The risks arising from information technology are of central importance to the GESCO Group, as they can have a direct impact on the operational processes and stability of its subsidiaries. In particular, IT system failures within companies can not only cause significant downtime but also lead to serious consequences such as industrial espionage, loss of know-how, data misuse and unauthorised data access. A targeted attack on corporate data could cause considerable technical and financial damage and permanently damage the trust of customers, business partners and the public.

To effectively counter these potential threats, GESCO SE invests in state-of-the-art hardware and software solutions characterised by resilience and flexibility. These investments are both reactive and proactive, ensuring that systems are always up to date and capable of withstanding potential threats. In addition, GESCO SE has implemented a comprehensive Information Security Management System (ISMS) that is continuously adapted to address evolving threats.

Comprehensive training programmes for employees are a key component of the security strategy. These training sessions aim to raise general awareness of IT risks and provide specific guidance on the secure use of company resources. Employees are kept informed about current threats and learn how to identify and report potential security vulnerabilities at an early stage.

The IT security guidelines are clearly formulated and specifically govern the handling of company-owned hardware and software, as well as data security requirements. This includes access to sensitive information and the use of password-protected systems to prevent unauthorised access. Furthermore, external IT service providers are contractually obliged to comply with defined security standards, thereby promoting a consistent security culture at all levels of the Company.

In collaboration with an external IT security officer, information security management is regularly refined and reviewed through comprehensive testing of systems and processes to ensure that all security measures are comprehensive and effective. GESCO SE also conducts regular surveys on the status of information security management in its subsidiaries to identify potential vulnerabilities at an early stage and make necessary adjustments.

Another significant area of reform for the GESCO Group is the transition to digital technologies and the implementation of Industry 4.0 principles. This transformation requires considerable investment and a fundamental rethink of production processes. Companies must proactively address the digitalisation of their manufacturing processes to remain competitive and meet dynamic market requirements. The creation of a digital infrastructure requires integrated approaches and long-term planning to ensure that synergistic effects can be realised.

In this context, there are also risks, particularly if competitors make the transition to digital solutions more quickly and efficiently. Strategies for automation and digitalisation must be carefully evaluated and implemented to successfully overcome the associated challenges.

Despite the challenges associated with digital transformation, there are also significant opportunities for the GESCO Group. The automation and digitalisation of processes and workflows enable companies to realise efficiency gains and increase their agility. This includes, for example, the digitalisation of workflows across the entire value chain, which optimises the production process whilst ensuring better traceability and quality assurance.

Furthermore, innovative working methods such as mobile working and the creation of paperless offices foster a modern working environment that enables rapid access to relevant data and information. These developments enhance responsiveness to customer needs and support a culture of continuous learning and process improvement.

To capitalise on these opportunities in a targeted manner, GESCO SE is actively driving forward the digitalisation of internal processes and the development of digital business models within its subsidiaries. The innovation processes initiated enable the subsidiaries to tap into new market segments and strengthen their competitiveness in the long term.

In summary, GESCO SE is addressing both the challenges and opportunities arising from digital transformation and cyber risks with a proactive and integrated strategy. Through investment in modern security infrastructures, targeted training measures for employees and the implementation of a robust information security management system, GESCO aims to strengthen its market position. At the same time, we aim to actively shape the digital transformation and position the GESCO Group as an innovative and forward-looking player.

Opportunities and risks of using artificial intelligence

The integration of Artificial Intelligence (AI) into businesses is a double-edged sword, presenting both significant opportunities and serious risks. The dynamic and rapid development of the technology is fundamentally changing the way companies operate, optimise processes and make decisions.

A key argument in favour of using AI is increased efficiency. AI has the potential to automate routine tasks and optimise business processes. This allows resources to be deployed more effectively and productivity to be increased. Companies that implement such systems not only benefit from significant time and cost savings but are also able to deliver higher-quality results. These efficiency gains can create direct competitive advantages and position companies within the dynamics of the market.

Another significant potential of AI lies in the analysis of large volumes of data. In the era of big data, AI enables companies to process comprehensive information and gain valuable insights into market trends, customer preferences and internal processes. These data-driven decisions support a more precise market approach and a faster response to changes in customer behaviour or the competitive environment.

In addition, AI promotes the personalisation of products and services. Companies can offer bespoke solutions that are precisely tailored to the individual needs of their customers. This personalisation not only improves customer satisfaction but also strengthens customer attachment to the brand, which contributes to customer loyalty in the long term.

Despite the compelling benefits, the use of AI carries significant risks. A key risk relates to data protection. The use of AI requires access to large volumes of sensitive data, raising concerns about misuse and the protection of personal information. A breach of data protection regulations can result not only in legal consequences but also in massive reputational damage, which can permanently undermine trust in the Company.

Furthermore, the implementation of AI brings with it challenges regarding transparency and traceability. Decisions made by AI algorithms are often not traceable – a phenomenon known as the ‘black box’. This lack of transparency can breed mistrust among both employees and customers, particularly in the case of decisions that have significant personal or economic implications.

Furthermore, companies are increasingly exposed to attacks using deepfake technologies. The early detection of such threats and the implementation of appropriate countermeasures require a high response speed as well as the provision of suitable resources. The ability to fend off these attacks is crucial to protecting the integrity of corporate communications and data.

Excessive reliance on AI technologies also leads to increased vulnerability to technical glitches, cyberattacks and system failures, which can jeopardise the Company’s operational performance. Furthermore, regulatory uncertainty poses a significant risk, as the rapid advancement of AI technologies is often not accompanied by a clear legal framework, which can place companies in uncertain and potentially risky situations. Finally, the high costs of implementing and maintaining AI systems are a further challenge that should not be underestimated.

Overall, the use of AI in businesses requires sound risk management. It is essential to minimise potential pitfalls and utilise the benefits responsibly. Businesses must develop strategic approaches to balance the requirements of data protection, transparency, security measures and change management so that they can make the most of the opportunities offered by AI.

Risks relating to data protection

Risks in the area of data protection lie in the loss or public disclosure of confidential internal information, trade secrets and personal data, and the associated reputational damage and risk of fines. Violations may result in the imposition of fines and the filing of lawsuits for the disclosure of personal or otherwise sensitive data belonging to third parties. In the area of data protection, GESCO SE works with an external data protection officer.

Risks and opportunities arising from financing

Risks arising from financing could include a lack of equity and/or debt capital for the holding company. Access to debt capital on adequate terms depends significantly on the operational success of the GESCO Group and the associated ability to make interest and principal payments as agreed. The subsidiaries have a direct influence on this, whilst the holding company has an indirect influence through its acquisition decisions, as well as in reporting and in the management and support of the subsidiaries. In the event of adverse economic developments at individual subsidiaries, there is a risk of constraints on the supply of debt capital for the respective subsidiary. Furthermore, there is a risk that such adverse developments could damage the reputation of GESCO SE and, where applicable, other subsidiaries as debtors. To limit the interest rate risk associated with variable interest rates, the companies enter into interest rate swaps where necessary, thereby exchanging a variable interest rate for a fixed rate. Following the sharp rise in inflation since the first quarter of 2022, central banks raised interest rates. Although interest rates have recently been cut again, financing conditions have improved only marginally.

When it comes to accessing equity capital through potential capital increases by GESCO SE, key factors include the state of the capital market at the relevant time, the economic performance of the GESCO Group, the reputation of GESCO SE, and consistent, credible investor relations. We currently see no need to raise new equity capital.

With regard to financing structures, the GESCO Group is organised in such a way that adverse developments at individual companies do not jeopardise the Group as a whole. For this reason, we largely avoid cross-company instruments such as cash pooling or contingent liabilities. In the interests of financial stability, GESCO SE avoids speculative elements both in the investment of free cash and on the financing side. The GESCO Group works with around two dozen different banks to limit its dependence on individual institutions.

Opportunities in financing arise from GESCO's access to the capital market. A solid balance sheet and a good equity ratio facilitate easy access to debt capital.

Environmental risks

Environmental damage can have significant financial consequences and pose substantial reputational risks for companies. In extreme cases, these risks can even threaten a company's very existence. Depending on their respective business models and the relevant environmental aspects, the subsidiaries of GESCO SE pursue different approaches to risk mitigation and environmental management.

One example of proactive environmental management is Doerrenberg Edelstahl GmbH, which established a comprehensive environmental management system as early as 1997. This system is continuously developed and regularly audited to ensure that it complies with current legal requirements and industry best practices. Internal and external audits assess the system's effectiveness, and necessary adjustments are made to minimise environmental impact and maximise resource conservation.

Regular environmental audits are carried out at the Pickhardt & Gerlach Group, particularly in view of its classification as an incident site. These audits are crucial for identifying potential environmental risks and implementing appropriate risk mitigation measures. As part of these assessments, a comprehensive analysis of operational processes is carried out to ensure compliance with all legal requirements regarding environmental protection and to identify potential areas for improvement.

GESCO SE has established clear guidelines for its subsidiaries to ensure that they strictly comply with the necessary permits and licences. Specific questionnaires are used to highlight relevant environmental aspects and to plan and implement the corresponding measures. The information gathered from this analysis has been integrated into the existing risk management system of LkSG, enabling a holistic approach to risk mitigation.

As part of its non-financial reporting, particularly regarding the implementation of the CSR Directive Implementation Act (CSR-RUG), GESCO SE has intensified its reporting on environmental risks. This is supported by a software-based process that ensures precise and continuous monitoring of environmental impacts. The use of modern software solutions enables data to be collected and analysed in real time, which improves transparency regarding environmental risk assessment.

Furthermore, software-supported monitoring ensures that risk mitigation measures are effectively implemented and regularly reviewed. This not only promotes operational efficiency but also continuously improves the environmental performance of the entire GESCO Group.

Overall, GESCO SE aims to systematically identify, assess and actively manage environmental risks. By implementing effective environmental management systems in its subsidiaries, conducting regular environmental audits and strictly adhering to legal requirements, GESCO SE pursues not only compliance with environmental standards but also sustainable corporate governance, which contributes to long-term environmental protection and the safeguarding of competitiveness.

Risks at the level of GESCO SE

GESCO SE faces risks relating to the recoverability of its investments and receivables from associated companies. Such risks may arise when the operational performance of the subsidiaries falls short of the expectations and assumptions underlying the original purchase price calculation and the current carrying amount of the investment. These discrepancies may result from various factors, such as unexpected market changes, operational challenges, management decisions or economic conditions that have a negative impact on the business performance of the subsidiaries.

To proactively counteract these potential negative developments, GESCO SE has implemented a comprehensive and sustainable investment management framework. This framework involves the regular monitoring of operational key performance indicators, the analysis of market trends and close collaboration with the subsidiaries to adjust at an early stage and provide support. Targeted measures are designed to ensure that the subsidiaries achieve their objectives and that the value of the investments is maintained in the long term.

Risks and opportunities arising from insurance cover

Insurance cover within the GESCO Group is reviewed regularly and systematically to ensure adequate protection at market-driven terms. The Group currently employs a dualistic insurance management approach, encompassing both group and individual insurance policies.

Opportunities for the GESCO Group arise through the creation of synergy effects when insurance is taken out as group policies. Examples of this include D&O (Directors and Officers) insurance, insolvency avoidance insurance, cyber risk insurance and group accident insurance. These group rates not only enable cost savings but also improved risk diversification.

However, GESCO SE, like the entire sector and industrial insurers, is exposed to the effects of the aforementioned ‘decoupling’ and ‘derisking’. These developments give rise to risks that manifest themselves in rising insurance premiums and the possibility of certain risks becoming uninsurable. The GESCO Group is responding to these challenges through enhanced and more intensive insurance management. This involves the proactive identification of risks, the search for alternative insurance solutions and the optimisation of existing contracts.

The terms “decoupling” and “derisking” describe a long-term trend that has been increasingly influenced in recent years by the “America First” policy and China’s “dual circulation” strategy, as well as by growing geopolitical risks. These factors have a significant impact on the insurance market and are increasing pressure on insurance premiums and conditions within the GESCO Group.

Legal risks

The companies within the GESCO Group face a wide range of potential legal risks. For the operating companies, these relate in particular to product liability and warranty claims, as well as risks arising from customs and foreign trade law. A further significant risk arises from potential sanctions against third countries, which may affect target countries for exports. In addition, legal risks exist in the areas of antitrust and competition law, employment law and environmental regulations.

The GESCO Group addresses these legal risks through prudent project management, which includes appropriate documentation and a quality-oriented management system. This involves the timely engagement of knowledgeable external experts to clarify specific legal issues. Furthermore, GESCO SE provides its subsidiaries with external legal advice to ensure comprehensive legal protection. To mitigate risks, the instruments described in the Compliance section are also utilised.

Furthermore, we monitor significant regulatory developments at national and supranational levels, particularly at European level, which have or could have a significant impact on the GESCO Group. In the 2025 financial year, the GESCO Group prepared intensively for the requirements of the CSR Directive Implementation Act (CSR-RUG).

In addition, other European legislation, such as the carbon border adjustment mechanism (CBAM) and the regulation on deforestation-free supply chains (EUDR), as well as numerous national and supranational regulations also require a strong commitment to implementation in 2025 and beyondThese challenges require GESCO SE to implement comprehensive planning and management measures to support its subsidiaries.

These regulatory developments bring with them both risks and opportunities. The risks include the considerable effort required to implement the new regulations, as well as rising costs for governance and compliance. On the other hand, opportunities arise from the efficient and targeted implementation of these requirements, supported by GESCO SE. This enables the subsidiaries to focus on their core business whilst positioning themselves as strategic suppliers for their customers.

In the future, a progressive tightening of regulatory requirements is to be expected, particularly in the wake of the European Union’s ambitious climate policy.

Reputational risks

Reputational risks could hinder GESCO SE both in its ability to acquire further medium-sized industrial companies and in its relationship with the capital market. They could also limit the Company’s ability to attract qualified personnel. The subsidiaries could face restrictions in their operational activities and in their human resources management. The GESCO Group addresses this risk with great care in its business processes, through a compliance system, LkSG management, and open, trust-building communication both internally and externally.

Final risk assessment

Within the GESCO Group, the composition of the investment portfolio plays a crucial role, as it comprises various business models operating in a wide range of markets. This diversified structure of the Group acts as an effective mitigating factor when aggregating the risks arising from the individual subsidiaries.

On the one hand, the identified risks are diverse and heterogeneous due to the different business activities; on the other hand, the companies operate largely independently of one another. This means that risks tend to arise in isolated instances rather than affecting the entire Group. This independence helps to minimise the overall risk to the value of GESCO SE's investments. Furthermore, the holding company's high equity ratio ensures stability, even in the event of significant risk-related impairments of individual investments.

When assessing risk, we also place particular emphasis on the financial situation of the respective companies and the holding company, as well as their currently available credit lines. Our assessment is based on the GESCO Group's overall risk-bearing capacity, understood as the ability to cover potential losses using equity and liquidity. Furthermore, additional sources of liquidity, such as debt in the form of loans or bonds, are also available.

We currently see the greatest challenges in the rapidly changing geopolitical environment, as well as in the areas of information technology, data protection and the tightening of regulatory requirements, along with the associated insurability of these risks. Geopolitical uncertainties have increased significantly over the past year and could intensify further. We are also observing a global rise in cyber security threats, which have intensified during the war in Ukraine. The trend towards decoupling and derisking is also likely to intensify in the future, particularly if the US continues to pursue a confrontational foreign policy course.

Corporate risks	Risk significance	Change compared to the previous year
Risks associated with corporate acquisitions	low	–
Risks relating to operating activities	medium	–
Geopolitical risks	high	increased
Compliance risks	medium	–
Risks relating to staff	medium	–
Risks arising from information technology	high	increased
Risks associated with the use of AI	medium	–
Risks associated with data protection	medium	–
Risks arising from financing	low	–
Environmental risks	low	–
Value retention of investments	moderate	–
Insurance cover	medium	–
Legal risks	medium	–
Reputational risks	low	–

At present, we do not identify any specific risks which, either individually or in aggregate, could jeopardise or significantly impair the continued existence of GESCO SE and the Group; however, we are aware of the increasing risks and intend to address these through enhanced risk management at the level of GESCO SE.

Internal control and risk management system relating to the financial reporting process

The internal control and risk management system relating to the financial reporting process (ICS) is designed and overseen by the Executive Board and monitored by the Supervisory Board. It comprises principles, procedures and measures designed to ensure the correctness of internal and external financial reporting and compliance with legal requirements, as well as to identify risks arising from financial reporting in a timely manner. The ICS is continuously developed.

The subsidiaries are responsible for their own financial reporting. Group financial reporting is carried out by the relevant staff at GESCO SE based on the subsidiaries' reports. Detailed Group guidelines, set out in a manual, define a binding standard for all Group companies and all auditors. Changes to laws, accounting standards or other regulations are reviewed for their relevance to the accounting process and, where necessary, incorporated into the internal guidelines. Where required, external service providers are engaged, for example to value pension obligations.

The responsible staff at GESCO SE are available to the managing directors, finance managers and relevant staff at the subsidiaries as points of contact and advisors on all matters relating to financial reporting. The relevant staff receive regular training. To mitigate risks arising from the accounting process, measures such as IT-supported and manual plausibility checks, the principle of segregation of duties and the dual-control principle have been implemented. As part of the annual audit, the auditors assess the functionality and effectiveness of the ICS.

Takeover-relevant information

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

No. 1: Composition of the subscribed capital

As at the balance sheet date, the share capital of GESCO SE amounts to €10,373,570.00 and is divided into 10,373,570 registered no-par value shares. The shares are fully paid up. All shares carry the same rights and obligations. The rights and obligations of the shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), in particular in 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 confers one vote at the Annual General Meeting and determines the shareholder's share in the Company's profits. This excludes treasury shares held by the Company, from which the Company derives no rights. As at the balance sheet date, the company held 465,929 treasury shares. In the cases specified in Section 136 of the German Stock Corporation Act (AktG), the voting rights attached to the shares concerned are excluded by law.

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

Details of shareholdings exceeding 10% of the voting rights are included in the notes.

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

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

No. 5: Control of voting rights in the event of employee share ownership

There is no control of voting rights if employees hold an interest in the capital of GESCO SE and do not exercise their control rights directly.

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

The appointment and dismissal of members of the Executive Board is governed by Article 39 of the SE Regulation, Section 16(1) of the SE Implementation Act, Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 7 of the Articles of Association of GESCO SE. Accordingly, members of the Executive Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term of office, in each case for a maximum of five years, is permitted. The Supervisory Board may revoke an appointment if there is good cause. Pursuant to Section 7(1) of the Articles of Association of GESCO SE, the Executive Board consists of one or more persons. In accordance with Section 7(2) of the Articles of Association and within the framework of the statutory provisions, the Supervisory Board appoints the members of the Executive Board and determines their number; it may also appoint deputy members of the Executive Board.

Amendments to the Articles of Association are governed by Article 59 para. 1 SE Regulation, Section 179 AktG and Article 18 of the Articles of Association of GESCO SE. In accordance with Article 59 para. 1 SE Regulation and Section 179 para. 1 sentence 1 AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting. Pursuant to Section 179 para. 1 sentence 2 AktG in conjunction with Section 18 para. 2 of the Articles of Association, however, the Supervisory Board is authorised to make amendments to the Articles of Association that only affect their wording. Otherwise, amendments to the Articles of Association require a majority of two-thirds of the votes cast when the resolution is passed in accordance with Article 59 para. 1 of the SE Regulation and, insofar as there are no mandatory statutory provisions to the contrary, in accordance with Section 18 para. 1 of the Articles of Association in conjunction with Section 179 para. 2 sentence 2 AktG. § Section 179 para. 2 sentence 2 AktG of the simple majority of the share capital represented when the resolution is passed.

No. 7: Authorisation of the Executive Board to issue or repurchase shares

The Company currently has no authorised capital.

The Company may repurchase its own shares only based on an authorisation by the Annual General Meeting or in the few cases expressly provided for in the German Stock Corporation Act. The Annual General Meeting of 25 June 2025 authorised the Company, with the approval of the Supervisory Board, to acquire treasury shares up to 10 per cent of the share capital – taking into account treasury shares already held by the Company – until 24 June 2030. The authorisation may be exercised for any legally permissible purpose; trading in own shares is excluded. The acquisition shall take place, at the discretion of the Executive Board and subject to conditions specified in the authorisation resolution, either via the stock exchange or by means of a public offer addressed to all shareholders. The Executive Board is further authorised, with the approval of the Supervisory Board, to sell the acquired own shares via the stock exchange or by means of a public offer addressed to all shareholders. In the event of a sale via the stock exchange, shareholders shall have no subscription rights. In the event of a sale by public offer, the Executive Board is authorised to exclude shareholders' subscription rights for fractional amounts. Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board and subject to conditions specified in the authorisation resolution, to use the acquired own shares as follows, excluding shareholders' subscription rights:

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

The Executive Board is further authorised, with the approval of the Supervisory Board, to cancel treasury shares acquired, in whole or in part, without a further resolution of the Annual General Meeting.

These authorisations may be exercised once or on several occasions, in full or in instalments, individually or jointly, by the Company or by its affiliated companies, or by third parties on behalf of the Company or its affiliated companies.

As part of its share buyback programme announced on 28 March 2024, which began on 11 April 2024 and ended on 25 April 2024, the Company repurchased 499,974 shares via a voluntary public share buyback offer. Including the shares already held prior to the share buyback offer, the Company subsequently held 511,304 treasury shares. In connection with its 2025 employee share ownership schemes, the Company distributed 19,752 (12/31/2024: 25,623) of its own shares to the custody accounts of the employees participating in the programme. As at the balance sheet date, GESCO SE thus held 465,929 (12/31/2024: 485,681) of its own shares.

No. 8: Material agreements of the Company subject to a change of control following a takeover bid

There are no agreements of the Company that are subject to a change of control following a takeover bid.

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

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

Corporate Governance Statement

The Corporate Governance Declaration in accordance with Sections 289f and 315d of the German Commercial Code (HGB) is published on our website at **www.gesco.de/en/investor-relations/financial-reports** ↗.

Wuppertal, 26 March 2026

GESCO SE
– Executive Board –

Johannes Pfeffer CEO / Spokesperson for the Executive Board	Andrea Holzbaur CFO

Statement by the legal representatives

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

Wuppertal, 26 March 2026

GESCO SE
– Executive Board –

Johannes Pfeffer CEO / Spokesperson for the Executive Board	Andrea Holzbaur CFO