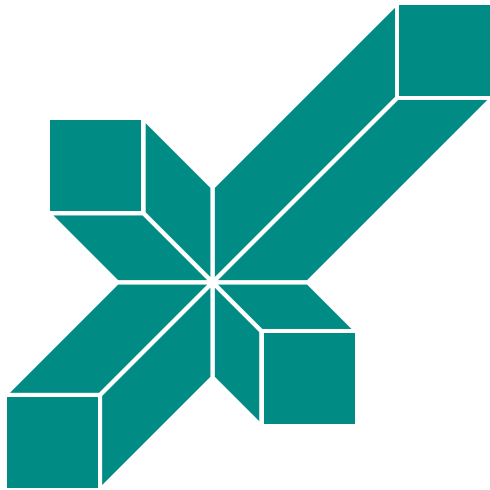




2020

NEXT LEVEL strategy



NEXT LEVEL
In Progress

Objectives

The NEXT LEVEL strategy developed in financial year 2018 / 2019 has kicked off a comprehensive transformation of the GESCO Group. In the abbreviated financial year 2019, we pursued the implementation of the strategy on a wide-reaching basis and with a great deal of intensity.

Portfolio architecture

NEXT LEVEL defines a balanced and resilient target portfolio with three anchor investments and a series of basic investments of a substantial size.

Hidden champions

Under the motto “Hidden Champions”, NEXT LEVEL systematically develops the group companies within the framework of excellence programmes to promote their growth and increase their efficiency.

Goals

GESCO companies are aiming to outperform respective market growth by 3 % and increase sales per employee by 3 % on an annual basis. GESCO envisions a target EBIT margin of 8 % to 10 % throughout the economic cycle.

Status

Business model analysis workshops were organised at the majority of subsidiaries in the abbreviated financial year 2019. On this basis, we launched operative excellence (OPEX) or market and product excellence (MAPEX) programmes. The coronavirus pandemic caused us to postpone workshops involving a large number of participants for the protection of our employees. Programmes that had already been initiated are continuing to the greatest extent possible.

Overview of key points

- Coronavirus pandemic exacerbates reluctance to invest in automotive sector and capital goods industry
- Incoming orders and sales decline
- Earnings significantly down on the figure of the previous year's period, as expected
- Full-year outlook confirmed

GESCO Group at a glance

GESCO Group key figures for the first quarter of the 2020 financial year

01.01. – 31.03.		I. Quarter 2020	I. Quarter 2019 adjusted	Change
Incoming orders	€'000	136,997	156,935	- 12.7 %
Sales	€'000	129,453	145,820	- 11.2 %
EBITDA	€'000	8,421	13,794	- 39.0 %
EBIT	€'000	1,781	7,761	- 77.1 %
Earnings before tax	€'000	1,034	6,964	- 85.2 %
Group net income after minority interest	€'000	390	3,988	- 90.2 %
Earnings per share pursuant to IFRS	€	0.04	0.37	- 90.2 %
Employees as at balance sheet date	No.	2,688	2,682	0.2 %

Letter to shareholders

Dear Shareholders,

We published the key figures for the first quarter of the current financial year 2020 as preliminary figures at the annual accounts press conference for the abbreviated financial year 2019 on 28 April 2020. The final figures published in this quarterly statement correspond to the preliminary figures.

The outlook in the automotive sector and capital goods industry had already waned in the final few months of the abbreviated financial year 2019, but the weak demand situation has worsened significantly over the past months in the wake of the coronavirus pandemic. Factory closures initially affected China before spreading to Europe and the US. GESCO Group's supply chains remained intact – thanks in part to a predictive procurement management system – so we have had no supply-related production losses to report. No Group companies are currently subject to any government-imposed closures, with the exception of one in the US. However, factory closures did mean that customers were not able to purchase supplied parts and preliminary materials at times, and acceptance procedures for completed machinery and systems as well as sales of capital goods were also deferred.

As explained in the annual accounts press conference, this resulted in incoming orders and sales declining in the first quarter compared to the adjusted previous-year figures, and earnings also being disproportionately low. This sluggish start to the new financial year, particularly in terms of earnings, was, of course, taken into consideration in the outlook we published at the annual accounts press conference. Based on the information available at the current time, we confirm this outlook and continue to expect full-year Group sales of between € 540 million to € 560 million and Group net income after minority interest of € 8 million to € 11 million. However, we would like to remind you that our expectations may change significantly at short notice in view of the dynamic worldwide development of the coronavirus crisis.

In light of the coronavirus pandemic, the GESCO Group has acted quickly to implement an extensive package of measures to protect employees and business partners alike, and intensified dialogue within the Group. Of the 2,688 employees, only three are currently suspected of having contracted coronavirus and are currently self-isolating at home. No cases of acute symptoms have been reported. Local authorities have praised the protective measures taken by subsidiaries affected by the coronavirus. As an employer, we only have limited influence on the health of our employees. This is why we do everything we can to protect our employees within our sphere of influence.

As can be expected in such a heterogeneous business portfolio, the impact of the crisis varies greatly from company to company. In its capacity as a holding company, GESCO AG is therefore providing targeted assistance to its subsidiaries in accordance with their needs. Protecting our employees and ensuring that we maintain cooperative, fair and reliable relationships with our customers and suppliers is our top priority.

We began implementing our NEXT LEVEL strategy on a broad scale in the previous financial year, organising numerous business model analysis workshops and initiating excellence programmes designed to boost margins and expand business volume. The coronavirus pandemic caused us to postpone workshops involving a large number of participants for the protection of our employees. Programmes that had already been initiated are continuing to the greatest extent possible using video conferencing facilities. NEXT LEVEL is geared towards making our companies stronger and less susceptible to economic fluctuations and increasing the robustness of our portfolio.

Wuppertal, Germany, May 2020



Ralph Rumberg (CEO)



Kerstin Müller-Kirchhofs (CFO)

Business performance and the development of Group sales and earnings

The decision to change the financial year of GESCO AG to coincide with the calendar year resolved by the Annual General Meeting 2019 resulted in a nine-month abbreviated financial year from 1 April to 31 December 2019. In this statement for the first quarter, the previous-year figures have been adjusted to establish consistency in the reporting periods of GESCO AG and the subsidiaries. This means that the previous year's figures are only comparable to a limited extent with the figures published in August 2019 in the quarterly statement for the first quarter of the then-financial year 2019 / 2020.

GESCO Group recorded relatively high demand in the first quarter of 2019, with incoming orders soaring to their second-highest single-quarter level in the company's history of € 156.9 million (adjusted), whereas reluctance to invest in the automotive sector and capital goods industry and the effects of the coronavirus pandemic had a noticeable effect on the reporting period. Incoming orders came to € 137.0 million, while sales stood at € 129.5 million (previous year, adjusted: € 145.8 million).

As explained at the annual accounts press conference, earnings were disproportionately low in the first quarter. The Healthcare and Infrastructure Technology segment reported stable earnings in this period, whereas the order and earnings situation in the Mobility Technology segment deteriorated further. The latter's EBIT was negative for the first quarter and is set to remain negative over the course of the year as a whole. In Production Process Technology, work

has begun on the construction of machinery, plant and equipment, which – as is customary in the first few months of the year – will only have an impact on sales and earnings later on in the year. EBIT in this segment was therefore still negative in the first quarter of the year, but will be significantly positive over the year as a whole. Margins were down in the Resource Technology segment, with orders in project business only having an impact on sales and earnings later in the year. The ratio of material expenditure to total output rose slightly, whereas the personnel expenditure ratio climbed by a considerable margin due to the worsening capacity utilisation. Earnings before interest, taxes, depreciation and amortisation (EBITDA) came to € 8.4 million (€ 13.8 million), and EBIT was € 1.8 million (€ 7.8 million). There was only a minor change in the financial result and a slight rise in the tax rate, so Group net income after minority interest was € 0.4 million (€ 4.0 million).

Segment performance

In the **Production Process Technology** segment, the increased reluctance to invest in the automotive industry due to the coronavirus crisis led to a decline in order intake to € 14.9 million (adjusted previous-year period: € 23.4 million). Demand had already been weak in previous months, and so sales declined to € 13.7 million (€ 18.1 million) year on year. As is standard practice in this segment, the companies began producing machinery, plant and equipment that is usually only completed as the year progresses, which is also when these activities first have an impact on sales and earnings. As a result, segment EBIT has little relevance in the first quarter. It came to € -1.0 million, down from

€ 0.2 million in the adjusted previous-year period. We expect sales to decline moderately and earnings to fall by a disproportionately high margin in financial year 2020 as a whole compared to the annualised previous-year period, with subsidiaries generating a high share of business from the automotive industry set to be particularly affected.

In the **Resource Technology** segment, customer demand for tool steel was down due to general market conditions and the coronavirus crisis, whereas the number of incoming orders for loading technology rose. Incoming orders in this segment came to € 67.4 million (€ 76.4 million) and sales stood at € 58.8 million (€ 69.9 million). EBIT in the segment amounted to € 2.3 million (€ 5.7 million). The reasons for this disproportionately high decline in earnings were general pressure on the price of tool steel due to market conditions and also the fact that, although work has already begun on loading technology projects, these projects will only have an impact on sales and earnings in subsequent quarters. Over the year as a whole we expect sales to decline moderately on an annualised basis, whereas the fall in earnings will be disproportionately high as other areas of business will not be able to offset declining margins in the tool steel business.

The **Healthcare and Infrastructure Technology** segment was in a stable condition in the first quarter, demonstrating once again that it is largely unaffected by conditions in the capital goods industry. Incoming orders may have been slightly down on the adjusted previous-year figure of € 44.9 million at € 43.9 million, but sales still climbed from € 39.9 million to € 43.1 million. At € 3.8 million, EBIT was practically unchanged compared to the adjusted previous-

year figure of € 3.9 million. We expect to see sales growth and a disproportionately high increase in earnings in this segment over the year as a whole. Business involving paper sticks is expected to continue its impressive performance.

The already subdued performance of the **Mobility Technology** segment has been further exacerbated by the coronavirus crisis, with large tool manufacturing particularly affected. It is extremely questionable whether the market recovery originally anticipated in the second half of the year will actually materialise. This segment's incoming orders in the first quarter came to € 10.8 million (€ 12.2 million) and sales amounted to € 14.0 million (€ 18.1 million). The positive segment EBIT of € 1.0 million in the adjusted previous-year period slipped into the red in the reporting period at € - 0.8 million. On an annualised basis, we expect sales for the year as a whole to decline and segment EBIT to be negative.

Assets and financial position

Total assets remained almost identical to the figure reported at the beginning of the financial year at € 505.6 million. Non-current assets fell slightly, while current assets were up by a marginal amount. At € 29.7 million, liquid assets remained roughly on par with the most recent reporting date (€ 30.9 million).

On the equity and liabilities side, there was barely any change in equity at € 251.0 million, and the equity ratio stood at 49.6 %. There was a slight decline in non-current liabilities and a minor increase in current liabilities. It was possible to reduce bank debts by € 11.9 million.

Employees

A total of 2,688 employees were employed at the GESCO Group as at the reporting date, which is almost identical to the previous-year figure of 2,682. The Group's workforce declined by 30 compared to the figure of 2,718 reported on 31 December 2019 at the end of the previous year, although the Setter Group's workforce has been increased by 15 in the first quarter. This is the effect of the first wave of personnel adjustments that we implemented at subsidiaries affected by a sustained fall in demand.

Opportunities and risks

Statements on the subject of opportunities and risks in the consolidated financial statements as at 31 December 2019 remain essentially valid. For more details, please refer to the Annual Report for the abbreviated financial year 2019, which is available online at www.gesco.de/en/financial-reports.

Outlook and events after the reporting date

As expected, the effects of the coronavirus crisis have intensified since the end of the reporting period on 31 March 2020. April saw customers in Europe and the US forced to close their factories, and so demand for supplied parts and preliminary materials was correspondingly low. Capital goods procurement was largely suspended for the duration of the factory closures. International travel restrictions also brought a halt to service technicians' activities, leading to the postponement of acceptance procedures for completed machinery and systems. Customers' production ramp-ups raise hopes of a gradual recovery in demand, but process efficiency is still significantly down on pre-crisis levels.

Beyond the factors impacted by the coronavirus crisis, no other events of particular significance have taken place since the reporting period. Based on the information available at the current time, we confirm the outlook for the ongoing financial year 2020 that we published at the annual accounts press conference on 28 April. We continue to expect full-year Group sales of between € 540 million to € 560 million and Group net income after minority interest of € 8 million to € 11 million. However, we would like to remind you that our expectations may change significantly at short notice in view of the dynamic development of the coronavirus crisis.

Financial year 2020 will undoubtedly pose significant challenges to the GESCO Group. That being said, these challenges appear manageable from the current standpoint. Our solid financial basis with liquid assets of approximately € 30 million and a Group equity ratio of roughly 50 % will help us in this regard. The nature of our group, which consists of small and medium-sized enterprises, and its decentralised decisions and flexible implementation is beneficial in a situation that requires particular flexibility and creativity. And, last but not least, with NEXT LEVEL we are moving in the right direction to exit this crisis in stronger and healthier shape.

GESCO Group balance sheet

€'000	31.03.2020	31.12.2019
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	19,740	20,354
2. Goodwill	26,981	26,927
3. Prepayments	80	133
	46,801	47,414
II. Property, plant and equipment		
1. Land and buildings	82,378	83,039
2. Technical plant and machinery	59,091	55,979
3. Other plant, fixtures and fittings	21,441	21,810
4. Prepayments and assets under construction	6,957	11,487
	169,867	172,315
III. Financial assets		
1. Shares in affiliated companies	0	0
2. Shares in companies valued at equity	1,548	1,635
3. Investments	236	236
4. Other loans	100	100
	1,884	1,971
IV. Other assets	706	652
V. Deferred tax assets	4,261	4,318
	223,519	226,670
B. Current assets		
I. Inventories		
1. Raw materials and supplies	28,707	28,480
2. Unfinished products and services	50,280	42,489
3. Finished products and goods	75,500	79,576
4. Prepayments	1,108	976
	155,595	151,521
II. Receivables and other assets		
1. Trade receivables	76,707	79,072
2. Amounts owed by affiliated companies	1,708	2,086
3. Amounts owed by companies valued at equity	667	319
4. Other assets	15,740	14,597
	94,822	96,074
III. Cash and credit with financial institutions	29,726	30,870
IV. Accounts receivable and payable	1,913	964
	282,056	279,429
	505,575	506,099

€'000	31.03.2020	31.12.2019
Equity and liabilities		
A. Equity		
I. Subscribed capital	10,839	10,839
II. Capital reserves	72,364	72,364
III. Revenue reserves	158,439	158,049
IV. Own shares	0	0
V. Other income	-5,340	-5,388
VI. Minority interest (incorporated companies)	14,667	14,564
	250,969	250,428
B. Non-current liabilities		
I. Minority interest (partnerships)	756	992
II. Provisions for pensions	17,194	17,728
III. Other non-current provisions	569	550
IV. Liabilities to financial institutions	65,672	66,938
V. Lease liabilities	20,138	20,530
VI. Other liabilities	1,478	1,493
VII. Deferred tax liabilities	2,708	2,774
	108,515	111,005
C. Current liabilities		
I. Other provisions	9,928	10,683
II. Liabilities		
1. Liabilities to financial institutions	56,160	66,793
2. Lease liabilities	4,001	4,027
3. Trade payables	19,983	14,978
4. Prepayments received on orders	22,731	19,310
5. Liabilities to affiliated companies	740	675
6. Liabilities to companies valued at equity	0	5
7. Other liabilities	32,190	28,012
	135,805	133,800
III. Accounts receivable and payable	358	183
	146,091	144,666
	505,575	506,099

GESCO Group income statement

€'000	I. Quarter 2020	I. Quarter 2019 adjusted
Sales revenues	129,453	145,820
Change in stocks of finished and unfinished products	4,205	6,142
Other company-produced additions to assets	214	138
Other operating income	1,375	2,051
Total income	135,247	154,151
Material expenditure	- 72,528	- 81,084
Personnel expenditure	- 39,565	- 40,733
Other operating expenditure	- 14,711	- 18,526
Impairment losses on financial assets	- 22	- 14
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,421	13,794
Amortisation of intangible assets and depreciation on property, plant and equipment	- 6,640	- 6,033
Earnings before interest and tax (EBIT)	1,781	7,761
Earnings from companies valued at equity	19	85
Other interest and similar income	16	10
Interest and similar expenditure	- 788	- 882
Third party profit share in incorporated companies	6	- 10
Financial result	- 747	- 797
Earnings before tax (EBT)	1,034	6,964
Taxes on income and earnings	- 382	- 2,393
Group net income	652	4,571
Minority interest in incorporated companies	- 262	- 583
Group net income after minority interest	390	3,988
Earnings per share (€) acc. to IFRS	0,04	0,37
Weighted average number of shares	10,839,499	10,839,499

GESCO Group income statement

€'000	I. Quarter 2020	I. Quarter 2019 adjusted
Group net income	652	4,571
Revaluation of benefit obligations not impacting income	303	- 359
Items that cannot be transferred into the income statement	303	- 359
Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	128	489
Difference from currency translation from companies valued at equity		
a) Reclassification into the income statement	- 1	2
b) Changes in value with no effect on income	- 104	- 39
Market valuation of hedging Instruments		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	- 255	- 44
Items that can be reclassified into the income statement	- 232	408
Other income	71	49
Total result for the period	723	4,620
of which shares held by minority interest	285	640
of which share attributable to GESCO shareholders	438	3,980

GESCO Group statement of changes in equity

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.01.2019 adjusted	10,839	72,364	151,817	0
Dividends				
Result for the period			3,988	
As at 31.03.2019 adjusted	10,839	72,364	155,805	0
As at 01.01.2020	10,839	72,364	158,049	0
Dividends				
Result for the period			390	
As at 31.03.2020	10,839	72,364	158,439	0

GESCO Group segment report

€'000	Production Process Technology		Resource Technology		Healthcare and Infrastructure Technology	
	I. Quarter 2020	I. Quarter 2019 adjusted	I. Quarter 2020	I. Quarter 2019 adjusted	I. Quarter 2020	I. Quarter 2019 adjusted
Order backlog	35,554	51,105	77,558	79,267	44,708	51,961
Incoming orders	14,943	23,445	67,365	76,369	43,854	44,887
Sales revenues	13,717	18,139	58,764	69,888	43,076	39,850
of which with other segments	10	0	83	125	1	2
Depreciation and amortization	700	768	1,330	1,171	1,544	1,625
EBIT	-1,050	224	2,345	5,725	3,802	3,888
Investments	732	451	718	1,314	1,074	3,333
Employees (No. / reporting date)	599	618	751	744	900	853

	Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity
	- 577	- 3,624	- 43	230,776	14,518	245,294
				0	- 3,650	- 3,650
	349	- 317	- 40	3,980	640	4,620
	- 228	- 3,941	- 83	234,756	11,508	246,264
	- 405	- 4,927	- 56	235,864	14,564	250,428
				0	- 182	- 182
	11	292	- 255	438	285	723
	- 394	- 4,635	- 311	236,302	14,667	250,969

	Mobility Technology		GESCO AG / other companies		Reconciliation		Group	
	I. Quarter 2020	I. Quarter 2019 adjusted	I. Quarter 2020	I. Quarter 2019 adjusted	I. Quarter 2020	I. Quarter 2019 adjusted	I. Quarter 2020	I. Quarter 2019 adjusted
	36,610	41,974	0	0	0	0	194,430	224,307
	10,835	12,234	0	0	0	0	136,997	156,935
	13,995	18,070	192	231	- 291	- 358	129,453	145,820
	5	0	192	231	- 291	- 358	0	0
	1,062	1,048	45	29	1,959	1,392	6,640	6,033
	- 763	964	- 1,565	- 1,690	- 988	- 1,350	1,781	7,761
	276	623	8	33	0	0	2,808	5,754
	419	451	19	16	0	0	2,688	2,682

GESCO Group cash flow statement

€'000	I. Quarter 2020	I. Quarter 2019 adjusted
Group net income for the year (including share attributable to minority interest in incorporated companies)	652	4,571
Depreciation on property, plant and equipment and intangible assets	6,640	6,033
Earnings from companies valued at equity	- 19	- 85
Share attributable to minority interest in partnerships	- 6	10
Decrease in non-current provisions	- 82	- 206
Other non-cash income	- 467	165
Cash flow for the period	6,718	10,488
Losses from the disposal of property, plant and equipment / intangible assets	5	16
Gains from the disposal of property, plant and equipment / intangible assets	- 78	- 116
Increase in stocks, trade receivables and other assets	- 3,603	- 15,292
Increase in trade creditors and other liabilities	11,624	10,429
Cash flow from ongoing business activity	14,666	5,525
Incoming payments from disposals of property, plant and equipment / intangible assets	192	444
Disbursements for investments in property, plant and equipment	- 2,609	- 5,652
Disbursements for investments in intangible assets	- 199	- 234
Incoming payments from disposals of financial assets	200	0
Cash flow from investment activity	- 2,416	- 5,442
Incoming payments from minority interests	13	0
Disbursements to minority interests	- 412	0
Incoming payments from raising (financial) loans	5,179	5,510
Outflow for repayment of (financial) loans	- 17,078	- 7,558
Outflow for repayment of lease liabilities	- 1,115	0
Cash flow from funding activities	- 13,413	- 2,048
Changes in cash and cash equivalents	- 1,163	- 1,965
Exchange-rate related changes in cash and cash equivalents	19	19
Financial means on 01.01.	30,870	30,587
Financial means on 31.03.	29,726	28,641

Explanatory notes

Accounts, accounting and valuation methods

The statement of GESCO Group for the first quarter (1 January to 31 March 2020) of financial year 2020 was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). It was drawn up in compliance with IAS 34.

The accounting and valuation principles applied generally correspond to those in the consolidated financial statements as at 31 December 2019. The financial statements are affected by the accounting and valuation methods as well as assumptions and estimates which affect the level and recognition of assets, liabilities and contingent liabilities on the balance sheet, as well as those of the income and expenditure items. Sales-related figures are accrued throughout the year.

Financial calendar

29 May 2020

Publication of the quarterly statement for the first quarter

18 June 2020

(Virtual) Annual General Meeting

August 2020

Publication of the half-year interim report

November 2020

Publication of the quarterly statement for the third quarter

27 April 2021

Annual accounts press conference and analysts' meeting

30 June 2021

Annual General Meeting at the Stadthalle Wuppertal, Germany

Dear Shareholder,

If you would like to receive regular information on GESCO AG, please add your name to our information service. Please print this page, fill it out and return it to us by post or fax. You can also register on our website www.gesco.de, send us an e-mail at info@gesco.de or call us on + 49 202 24820-18.

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- Please send me your annual report for abbreviated financial year 2019
- Please add me to your mailing list. I would like to receive information by
 - e-mail.
 - e-mail (please send annual report per post).
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