GESCO AG
Half year interim report
1 January to 30 June 2021

Q2
2021

NEXT LEVEL strategy – In Transition

The Executive Board and the Supervisory Board of GESCO AG developed and adopted the NEXT LEVEL strategy in autumn 2018. Based on a shared vision of GESCO as a group of hidden champions, the strategy defines key measures and objectives for the Group's strategic and operational development in the years ahead.

GESCO again made solid progress on its NEXT LEVEL strategy in 2020. By selling a group of six subsidiaries in late 2020 and agreeing to a management buy-out at VWH in early 2021, GESCO has balanced out its direct dependency on the automotive market and discontinued its Mobility segment. The Group has also made good progress on its strategic excellence programmes.

The guiding theme of financial year 2021 is "in transition". We intensively focus on our target portfolio architecture and will achieve further success in the implementation of our excellence programmes in order to safeguard the future of our subsidiaries and remain successful in the long term.

The strategy as an integrated concept

Portfolio Architecture

Target portfolio with three core investments

12 basic investments with substantial size

Hidden Champions

Innovative niche providers with a leading market position

Expand methodological competence and expertise

M&A

- Growing (an)organically
- Stronger focus on add-ons
- Acquire larger companies
- Network generates constant deal flow

Excellence Programme

- CANVAS – Business Model
- MAPEX
- OPEX
- LEADEX

Overview of key points

- **Strong growth in the second quarter**
- **Significant increase in incoming orders and sales**
- **Noticeable earnings effects from OPEX projects**
- **Outlook for the full year raised**

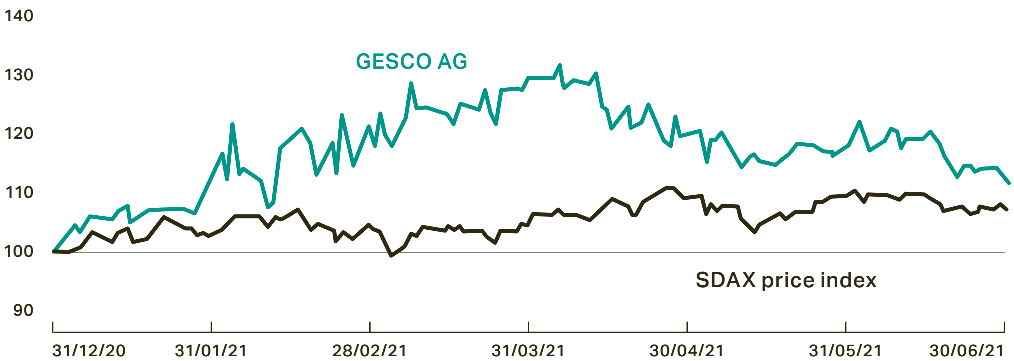
GESCO Group at a glance

Key figures

€'000	01/01/2021 – 30/06/2021 (continuing operations)	01/01/2020 – 30/06/2020 (continuing operations)	Change (in %)
Incoming orders	274,508	202,272	35.7
Sales	228,079	190,265	19.9
EBITDA	23,411	10,334	> 100.0
EBIT	15,235	421	> 100.0
EBIT margin (in %)	6.7	0.2	646 bp
EBT	14,571	- 451	> 100.0
Group result[1]	8,236	- 2,472	> 100.0
Earnings per share (in €)	0.76	- 0.23	> 100.0
Closing price (in €)[2]	20.50	15.25	34.4
Employees[3]	1,744	1,741	0.2

[1] After minority interest. [2] XETRA closing price as at the balance sheet date. [3] Number as at the balance sheet date.

Share performance in the reporting period



Source: Bloomberg, share performance indexed and in %.

Letter to shareholders

Dear Shareholders,

John Lennon once sung the lyrics "Life is what happens while you're busy making other plans". This titbit of wisdom applies not only in our everyday lives, but also when it comes to the complex conditions under which we currently operate in our day-to-day business. The recent floods in many regions of Germany are a sad example of both. Events of this nature confront us with our own vulnerability and inevitable mortality. But they also teach us how important it is to be well prepared – or at least as well prepared as we can be given the circumstances. Our thoughts are with the families of the victims and with all affected. We would like to take this opportunity to express our condolences and sorrow.

Fortunately, the companies of GESCO Group were largely spared any damage or losses as a result of the extraordinary weather situation. Wherever possible, appropriate protective measures were taken in advance. The tailwind with which our companies started the current year – on the heels of a challenging financial year 2020 – continued in the second quarter, as did the positive effects from OPEX projects. As a result, we were able to refine the spring forecast for 2021 during the virtual Annual General Meeting on 30 June 2021 and hone in on the upper end of the range specified for the key performance indicators. In light of the anticipated positive result, there will be a dividend again in 2022.

We were also able to announce good news from the world of M&A in the first half of the year. On 15 June 2021, we acquired 100 % of the shares in Bückeburg-based United MedTec Holding GmbH. In structural terms, we acquired W. Krömker GmbH, held by United MedTec Holding GmbH (the principal operating company), as well as Tragfreund GmbH (the licensing company). Collectively, they are referred to as UMT Group. W. Krömker GmbH is a European market leader for support arm systems and an innovation leader for high-quality medical technology products. The company complements the existing portfolio of long-standing subsidiary HASEKE from Porta Westfalica. UMT Group is assigned to the Healthcare and Infrastructure Technology segment. The group of companies is already included in the current Group balance sheet and in the consolidated income statement. Due to the short time frame, UMT Group did not yet have a material impact on sales and earnings in the first half of the year. By integrating UMT Group, we are creating a substantial basic investment with the potential to become a real hidden champion in the attractive segment of medical technology.

Nevertheless, it is important to keep an eye on developments as they emerge. As a consequence of the nascent catch-up effects since the start of the year and the economic recovery, the German mechanical and plant engineering sector has seen an increase in material shortages and bottlenecks that has been associated with a noticeable rise in prices. The extent to which the individual segments have been affected varies greatly, with the supply of steel, metal, plastics and control components feeling a particularly marked impact. At the same time, however, the VDMA stands by its forecast for production growth, which it has raised from 7 % to 10 % on account of the further rise in capacity utilisation in July and the reduction in short-time work.

The companies of GESCO Group can confirm these developments. Fortunately, the high level of revived demand in the first quarter continued in the second quarter for the companies of GESCO Group. Business with stainless steel products contributed to the positive trend, as did strip steel and stainless steel and business involving paper sticks in the confectionery and hygiene industries. When it comes to capital goods in the Production Process Technology segment, we are seeing the usual cyclical earnings development over the course of the year in 2021, with a weak first half. For the second half of the year, we expect a time lag in terms of sales and earnings contributions, as the pent-up demand since the start of the year is reflected in a significant rise in incoming orders and order backlogs. Overall, all three segments report positive and considerably improved figures for the reporting period on all fronts, with the Healthcare and Infrastructure Technology segment even outperforming the good results seen in the previous year. The substantial increases in efficiency resulting from the OPEX projects, which were launched in 2019 and intensified in 2020, also led to positive progress with regard to EBIT.

In light of the continued positive performance and the expectations for the rest of the year, we have raised the outlook for financial year 2021. Based on the current findings, we now expect Group sales of between € 465 million and € 485 million, along with Group net income after minority interest of € 20 million to € 22 million (both key performance indicators before M&A activities and without changes to the scope of consolidation).

Given the decidedly more promising yet complex situation, which remains affected by the coronavirus pandemic, the companies of GESCO Group will continue keeping a close eye on their supply of materials. They are taking early, forward-looking action to avoid delivery problems and price pressures as far as possible. We at GESCO AG are supporting our subsidiaries and working with them to implement the NEXT LEVEL strategy with the help of the excellence programmes already in place. Our intensive efforts towards achieving the Group's target portfolio architecture continue. As a result, we are on solid footing on our path to profitable growth.

Wuppertal, Germany, August 2021

Ralph Rumberg	Kerstin Müller-Kirchhofs
CEO / Spokesman of the Executive Board	CFO / Chief Financial Officer

Half year interim report

Change of financial year and portfolio restructuring

Financial year 2021 marks a return to full comparability on a twelve-month basis for GESCO (2021 versus 2020). In reporting year 2020, GESCO completed its first full financial year running concurrently with the calendar year after the financial year was changed to 31 December with an abbreviated financial year in 2019.

Following the completed portfolio restructuring in 2020, the associated sale of a group of six subsidiaries and the discontinuation of the Mobility Technology segment, the sold companies were reported as “discontinued operations” in the consolidated financial statements for financial year 2020. The same applies for the majority shareholding in VWH GmbH, which was sold as part of a management buy-out in February 2021. We will continue to report this investment under “discontinued operations” in financial year 2021, as the figures for VWH GmbH were still included in the financial statements to a minor extent in January 2021. The “discontinued operations” in financial year 2020 contain the figures of the seven sold subsidiaries. The figures for continuing operations reported in the previous reporting period have also been adjusted for the purpose of comparison (abbreviated in the following as “H1 2020-c” or “Q2 2020-c”).

Changes to the scope of consolidation

In June 2021, GESCO AG acquired 100 % of the shares in United MedTec Holding GmbH, Bückeburg, Germany. In structural terms, this means GESCO acquired W. Krömker GmbH, held by United MedTec Holding GmbH, as the principal operating company, as well as Tragfreund GmbH (collectively UMT Group). As a supplier of support arm systems in the field of medical engineering, W. Krömker GmbH complements the existing portfolio of long-standing subsidiary Haseke GmbH & Co. KG, Porta Westfalica, Germany. In financial year 2020, W. Krömker GmbH generated sales of about € 20 million with around 60 employees. Tragfreund GmbH is the licensor of the SKYDOQ® series, an innovative suspension arm system for demanding clinical use that was developed in-house and has received multiple patents. UMT Group is assigned to the Healthcare and Infrastructure Technology segment. UMT, along with its asset and liability items, is already included in the Group balance sheet as at 30 June 2021. It is included in the consolidated income statement on a pro rata basis in June 2021.

Business performance and the development of Group sales and earnings

Fortunately, the high level of revived demand in the first quarter of 2021 continued in the second quarter of 2021 for the companies of GESCO Group. Business involving stainless steel products contributed to the positive development, as did strip steel and tool steel, as well as business involving paper sticks for the hygiene and confectionery industries. UMT Group did not yet have a material impact on the figures for the first half of the year.

The Production Process Technology and Resource Technology segments reported considerably improved sales and earnings figures overall in the first half of 2021 compared to the weak period of the previous year. After generating a positive, stable sales and earnings contribution in the first quarter of 2021, business in the Health and Infrastructure Technology segment generated picked up further in the second quarter. As a result, the segment ended the first half of 2021 above the already strong level of the previous year.

In the cumulative reporting period, incoming orders at GESCO Group companies reached a total of € 274.5 million and were therefore markedly above the comparable period (€ 202.3 million, H1 2020-c). In the second quarter of 2021, incoming orders, at € 138.2 million, were once again slightly higher than in the first quarter of 2021 (€ 136.4 million). Compared to the second quarter of the previous year, which was heavily impacted by the effects of the coronavirus pandemic, incoming orders increased significantly (Q2 2020-c: € 87.5 million), confirming the rise in demand that was already noticeable in the first quarter of the current year.

In the first half of 2021, Group sales amounted to € 228.1 million, clearly exceeding the level of the previous year's reporting period by 19.9 % (H1 2020-c: € 190.3 million). The first quarter of 2021 ended the reporting period with a 10.5 % higher sales contribution than in the previous year. In the second quarter of 2021, the sales contribution rose by 30.7 % year on year to € 115.5 million (Q2 2020-c: € 88.3 million).

As at the reporting date, the Group's order backlog stood at € 199.5 million (H1 2020-c: € 139.5 million).

The ratio of material expenditure to total output fell from 59.9 % in the first half of the previous year to 55.7 %. In both the first and second quarters of 2021, the ratio of material expenditure ranged between 55 % and 56 % (Q1 2020-c: 61.2 %; Q2 2020-c: 58.4 %). Similarly, the personnel expenditure ratio fell from 28.3 % in H1 2020-c to 24.1 % in the first half of 2021 due to better capacity utilisation, adjusted capacity and the efficiency increases resulting from the OPEX activities. In both quarters of the reporting period, the personnel expenditure ratio stood at approximately 24 % (versus 27.6 % in Q1 2020-c and 29.2 % in Q2 2020-c). Other operating income was higher in the first half of 2021 than in the comparable period. Other operating expenses grew at a lower rate than sales revenues in both the cumulative and individual reporting periods. Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached a total of € 23.4 million in the first half of 2021, significantly exceeding the result of the first half of 2020 (H1 2020-c: € 10.3 million). The first quarter accounted for € 11.4 million, and the second quarter for € 12.0 million.

Compared to the same period of the previous year, depreciation and amortisation fell by 17.5 % in the first half of 2021 and by 26.0 % in the second quarter of 2021. No impairment losses were recognised. At € 15.2 million, EBIT was significantly higher in the cumulative reporting period than in the weak comparable period of the previous year (H1 2020-c: € 0.4 million). The same applies to EBIT in the second quarter of 2021 at € 7.8 million compared to € -1.7 million in Q2 2020-c. The EBIT margin stood at 6.7 % in the first half of 2021 (versus 0.2 % in H1 2020-c) and 6.8 % in the second quarter of 2021.

The financial result again improved noticeably, both for the cumulative and the individual reporting period. The improved tax rate stood at 36.4 % in the first half of 2021, compared to 36.2 % in the second quarter of 2021 and 36.6 % in the first quarter of 2021. Altogether, Group net income after minority interest amounted to € 8.2 million in the first half of 2021 (versus € -2.5 million in H1 2020-c) and € 4.2 million in the second quarter of 2021 (versus € -3.6 million in Q2 2020-c).

Earnings per share for continuing business operations amounted to € 0.76 in the accumulated reporting period (H1 2020-c: € - 0.23). Including discontinued operations, earnings per share also stood at € 0.76 (H1 2020: € -1.60).

Segment performance

In the **Production Process Technology** segment, incoming orders increased in the first half of 2021 from € 21.8 (H1 2020-c) to € 42.7 million compared to the same period of the previous year, thereby almost doubling, with the second quarter of 2021 contributing significantly to this positive development with € 23.4 million (versus € 9.6 million in Q2 2020-c). Stainless steel processing in particular saw a rise in business volume in the reporting period.

The companies in the segment were able to increase their sales from € 21.2 million (H1 2020-c) to a total of € 24.8 million in the first half of 2021, and from € 11.2 million to € 12.4 million in the second quarter of 2021. Segment EBIT amounted to € 1.0 million in the first half of 2021, compared to € - 3.4 million in H1 2020-c. At € - 32 thousand (Q2 2020-c: € - 2.3 million), the segment's EBIT was slightly negative in the second quarter of 2021. The segment's EBIT margin totalled 4.0 % in the first half of 2021. The positive contribution to sales and earnings was mainly generated by the stainless steel technology business. In addition, restructuring expenses were included in the previous year, leading to improved results for the current year. Nevertheless, earnings for capital goods remained negative in the first half of the year due to a still noticeable reluctance to invest as a result of the second coronavirus lockdown and the effects of structural change in the automotive industry. The segment's usual sales and earnings development also plays a role, as the delivery of machines and equipment that entered production in recent months are customarily not delivered until the second half of the year. As a result, sales and earnings are higher in the second half of the year than in the first half. Since the beginning of 2021, however, higher demand due to catch-up effects and gains in market share have become noticeable in the form of a significant rise in incoming orders and order backlogs. As a result, we expect corresponding increases in sales and earnings after a time lag.

For the year as a whole, we continue to expect a further slight recovery in mechanical and plant engineering, rising sales and earnings thanks to high-margin growth in stainless steel processing, and relief on earnings due to restructuring effects from the previous year.

The companies in the **Resource Technology** segment recorded a significant recovery in demand in the first half of 2021 compared to the same period of the previous year. Incoming orders came to € 73.1 million in Q2 2021-c (+44.8 % compared to € 50.5 million in Q2 2020-c), resulting in a 25.4 % rise in incoming orders to € 147.8 million during the first half of 2021. Sales revenues increased by 23.7 % from € 108.4 million (H1 2020-c) to € 134.1 million in the first half of 2021, following a 35.0 % increase in segment sales to € 67.1 million in the second quarter of 2021 (versus € 49.7 million in Q2 2020-c).

Segment EBIT improved in both the cumulative and individual reporting periods many times over, rising from € 3.9 million (H1 2020-c) to € 13.0 million in the first half of 2021, and from € 1.6 million (Q2 2020-c) to € 7.1 million in the second quarter of 2021. As a result, the segment's EBIT margin increased from 3.6 % (H1 2020-c) to 9.7 % in the first half of 2021, and from 3.2 % (Q2 2020-c) to 10.6 % in the second quarter of 2021. The significant rise in sales and earnings, combined with improved margins, was once again driven by all companies in the segment.

Owing to the higher demand in the tool and strip steel business and the ongoing healthy order situation for loading technology, we continue to expect a significant increase in sales and a disproportionately steep rise in earnings year on year for the year as a whole that will also be supported by positive effects from material price trends.

After the **Healthcare and Infrastructure Technology** segment confirmed it was on a firm footing during the first quarter of 2021, the segment's companies also proved to be in an excellent position in the second quarter, allowing the segment to exceed the good figures seen in the previous year. At € 41.7 million, incoming orders in the second quarter of 2021 exceeded the incoming orders of the comparable quarter by 52.0 % (Q2 2021-c € 27.4 million) and were roughly level with the first quarter of 2021 in terms of absolute figures. In total, the segment's incoming orders came to € 84.0 million in the first half of 2021 following € 62.6 million in H1 2020-c, an increase of 34.2 %. The main drivers were the construction, pharmaceutical and biotech sectors. While sales were roughly on a par with the previous year in the first quarter of 2021, segment sales rose by 30.1 % from € 27.6 million (Q2 2020-c) to € 35.9 million in the second quarter of 2021. In the first half of 2021, sales increased by 13.8 % from € 60.8 million (H1 2020-c) to € 69.2 million (by 11.5 % excluding UMT). Due to the disproportionate rise in earnings compared to sales growth from € 3.1 million (Q2 2020-c) to € 4.5 million in the second quarter of 2021, segment EBIT increased by 22.1 % from € 6.5 million (H1 2020-c) to € 7.9 million in the cumulative reporting period. This results in an improved EBIT margin of 11.4 % and 12.5 % respectively for the first half of 2021 and the second quarter of 2021, compared to 10.7 % (H1 2020-c) and 11.2 % (Q2 2020-c).

For the full year, we continue to expect positive sales development on the whole at all companies in the segment and a stable EBIT margin on a like-for-like basis.

Assets and financial position

At € 424.1 million, total assets were higher as at the reporting date than at the beginning of the financial year (€ 390.8 million). The increase in total assets is mainly due to the UMT Group, which was acquired in June. The group of companies, along with its asset and liability items, is already included in the Group balance sheet as at 30 June 2021. Due in particular to the € 28.6 million increase in intangible assets, non-current assets rose from € 159.8 million as at 31 December 2020 to € 188.0 million as at 30 June 2021. At € 236.1 million, current assets remained roughly at the level of the last balance sheet date (31 December 2020: € 231.1 million).

At € 47.1 million, liquid assets reflected a similarly strong cash position as compared to € 49.2 million as at 31 December 2020 – down from € 60.9 million as at 31 March 2021 due to the acquisition of UMT Group. UMT Group contributed liquid assets of € 2.9 million to the initial consolidation, but no liabilities to banks.

The equity ratio stood at 55.6 % as at the reporting date despite the rise in equity due to the increase in total assets (compared to 58.3 % as at 31 December 2020). Non-current liabilities rose by 7.6 %, mainly as a result of increased deferred tax liabilities. Current liabilities increased by 25.2 %, largely due to higher trade payables, prepayments received on account of orders and other liabilities. Current and non-current liabilities to banks remained almost unchanged.

Cash flow from ongoing business activities improved from € 17.6 million in the first half of 2020 to € 28.6 million in the first half of 2021.

Investments

The difficult economic conditions led to a review of investment projects in financial year 2020. Investment projects that were not absolutely essential were subsequently postponed. In light of the improving economic situation, the companies were able to slightly increase their investment volumes again in the first half of 2021. The investments were mainly spread across a series of small and medium-sized replacement and modernisation projects. The reconciliation from the operating segments to the Group figures includes, among other things, the rights of use capitalised in accordance with IFRS 16. These were slightly lower in the first half of 2021 than in the same period of the previous year. Including new leases, a total of € 4.7 million was invested in GESCO Group's property, plant and equipment and intangible assets in the reporting period (H1 2020-c: € 3.8 million).

Employees

A total of 1,744 people were employed at GESCO Group's continuing business operations as at the reporting date (continuing business operations as at 30 June 2020: 1,741). Compared to the figure of 1,695 as at 31 December 2020, the Group workforce increased slightly in the reporting period.

The number of employees in the Production Process Technology and Resources Technology segments fell slightly, while the Healthcare and Infrastructure Technology segment recorded an increase that was mainly due to the acquisition of UMT Group and its roughly 60 employees in June 2021.

Opportunities, risks and risk management

Our general explanations on the subject of opportunities and risks, as well as the presentation of specific individual risks in the Group financial statements as at 31 December 2020, remain essentially unchanged and valid. For more details, please refer to the Annual Report for financial year 2020, which is available online at https://www.gesco.de/en/investor-relations/financial-reports/.

In the consolidated financial statements as at 31 December 2020, the coronavirus pandemic was cited as a significant risk, and it was pointed out that the financial impact of the pandemic on GESCO AG and GESCO Group could not be judged with any degree of certainty at that particular time. A conclusive assessment is still not possible at this point in time. The risks for the operating business of the GESCO Group companies concern both the stability of company operating processes, the supply chains and the customers.

A further risk is the shortage of materials that has since arisen, especially for steel, metal, plastics and control components, as well as the associated price increases. By contrast, the order situation remains healthy, and the capacity utilisation of the subsidiaries has improved considerably overall. The companies of GESCO Group are therefore keeping a close eye on their supply of materials and taking early, forward-looking action to avoid delivery problems and price pressures as far as possible.

Outlook and events after the reporting date

GESCO published an outlook for financial year 2021 on 27 April 2021, which forecast Group sales of between € 445 million and € 465 million, along with Group net income after minority interest of € 16.5 million to € 18.5 million (both key performance indicators before M&A activities and without changes to the scope of consolidation).

Given the sustained positive business performance and the expectations for the remainder of the year, we have raised the outlook for financial year 2021. Based on the findings presented here, we now expect Group sales of between € 465 million and € 485 million, as well as Group net income after minority interest of € 20 million to € 22 million (both key performance indicators before M&A activities and without changes to the scope of consolidation).

GESCO had already confirmed this outlook when publishing its figures for the first quarter of 2021. During the virtual Annual General Meeting of GESCO AG on 30 June 2021, the Executive Board refined the outlook, specifying the upper end of the range in each case.

In light of the continued positive performance and the expectations for the rest of the year, we raise the outlook for financial year 2021. Based on the current findings, we now expect Group sales of between € 465 million and € 485 million, along with Group net income after minority interest of € 20 million to € 22 million (both key performance indicators before M&A activities and without changes to the scope of consolidation). As the effects of the pandemic and material supply situation cannot currently be assessed with any degree of certainty, the outlook for the financial year may also change significantly at short notice.

No further significant events occurred after the end of the reporting period.

GESCO AG
The Executive Board

Wuppertal, August 2021

GESCO Group Consolidated Statement of Financial Position

€'000		30/06/2021	31/12/2020
Assets			
A.	**Non-current assets**		
I.	Intangible assets		
1.	Industrial property rights and similar rights and assets as well as licences to such rights and assets	30,331	16,613
2.	Goodwill	38,222	23,347
3.	Prepayments	164	116
		68,717	**40,076**
II.	Tangible assets		
1.	Land and buildings	56,986	57,649
2.	Technical plant and machinery	27,536	28,764
3.	Other plant, fixtures and fittings	16,286	15,710
4.	Prepayments and assets under construction	3,857	2,643
		104,665	**104,766**
III.	Financial investments		
1.	Shares in affiliated companies	0	0
2.	Shares in companies recognised at equity	1,925	1,868
3.	Investments	156	236
4.	Other loans	9,861	9,861
		11,942	**11,965**
IV.	Other assets	440	441
V.	Deferred tax assets	2,226	2,506
		187,990	**159,754**
B.	**Current assets**		
I.	Inventories		
1.	Raw materials, supplies and consumables	28,824	22,856
2.	Unfinished products and services	26,475	22,634
3.	Finished products and goods	54,353	63,308
4.	Prepayments	660	119
		110,312	**108,917**
II.	Receivables and other assets		
1.	Trade receivables	67,019	56,286
2.	Amounts owed by affiliated companies	1,390	1,455
3.	Amounts owed by companies recognised at equity	566	301
4.	Other assets	8,559	5,926
		77,534	**63,968**
III.	Cash and credit with financial institutions	47,099	49,226
IV.	Accounts receivable and payable	1,199	928
V.	Assets held for sale	0	8,028
		236,144	**231,067**
		424,134	**390,821**

€'000	30/06/2021	31/12/2020
Equity and liabilities		
A. Equity		
I. Subscribed capital	10,839	10,839
II. Capital reserves	72,364	72,364
III. Revenue reserves	145,929	137,871
IV. Other comprehensive income	- 4,530	- 5,432
V. Minority interests (incorporated companies)	11,195	12,128
	235,797	**227,770**
B. Non-current liabilities		
I. Minority interests (partnerships)	752	903
II. Provisions for pensions	11,732	11,115
III. Other non-current provisions	535	524
IV. Liabilities to financial institutions	38,288	38,256
V. Lease liabilities	13,176	13,032
VI. Other liabilities	1,633	1,678
VII. Deferred tax liabilities	7,312	2,734
	73,428	**68,242**
C. Current liabilities		
I. Other provisions	9,017	8,314
II. Liabilities		
1. Liabilities to financial institutions	43,304	44,357
2. Lease liabilities	3,030	2,287
3. Trade payables	18,296	8,701
4. Payments received on account of orders	14,660	8,620
5. Liabilities to affiliated companies	1,326	1,021
6. Liabilities to companies recognised at equity	0	0
7. Other liabilities	24,899	18,322
	105,515	**83,308**
III. Accounts receivable and payable	377	159
IV. Liabilities directly relating to assets held for sale	0	3,028
	114,909	**94,809**
	424,134	**390,821**

GESCO Group Consolidated Statement of Income for the half year period (01/01 to 30/06)

€'000	01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020
CONTINUING OPERATIONS		
Sales revenues	**228,079**	**190,265**
Change in stocks of finished and unfinished products	628	9,170
Other company-produced additions to assets	250	261
Other operating income	2,616	2,084
Total income	**231,573**	**201,780**
Material expenses	- 126,995	- 114,018
Personnel expenses	- 55,036	- 53,921
Other operating expenses	- 26,085	- 23,463
Impairment losses on financial assets	- 46	- 44
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**23,411**	**10,334**
Amortisation of intangible assets and depreciation on property, plant and equipment	- 8,176	- 9,913
Earnings before interest and tax (EBIT)	**15,235**	**421**
Earnings from companies valued at equity	186	135
Other interest and similar income	181	15
Interest and similar expenses	- 1,028	- 1,036
Third-party profit share in partnerships	- 3	14
Financial result	**- 664**	**- 872**
Earnings before tax (EBT)	**14,571**	**- 451**
Taxes on income and earnings	- 5,301	- 1,588
Earnings from continuing operations	**9,270**	**- 2,039**
DISCONTINUED OPERATIONS		
Earnings from discontinued operations	**- 19**	**- 14,963**
Group result	**9,251**	**- 17,002**
of which:		
Shares held by third parties in incorporated companies		
Earnings from continuing operations	1,034	433
Earnings from discontinued operations	- 6	- 42
	1,028	**391**
Shares held by GESCO shareholders		
Earnings from continuing operations	8,236	- 2,472
Earnings from discontinued operations	- 13	- 14,921
	8,223	**- 17,393**
Earnings per share (€)		
From continuing operations	0.76	- 0.23
From continuing and discontinued operations	0.76	- 1.60

GESCO Group Consolidated Statement of Income for the second quarter (01/04 to 30/06)

€'000	01/04/2021 – 30/06/2021	01/04/2020 – 30/06/2020
CONTINUING OPERATIONS		
Sales revenues	**115,448**	**88,346**
Change in stocks of finished and unfinished products	1,508	4,358
Other company-produced additions to assets	127	116
Other operating income	1,014	965
Total income	**118,097**	**93,785**
Material expenses	- 64,676	- 51,602
Personnel expenses	- 27,519	- 25,761
Other operating expenses	- 13,883	- 12,403
Impairment losses on financial assets	- 22	- 22
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,997**	**3,997**
Amortisation of intangible assets and depreciation on property, plant and equipment	- 4,203	- 5,683
Earnings before interest and tax (EBIT)	**7,794**	**- 1,686**
Earnings from companies valued at equity	189	116
Other interest and similar income	90	6
Interest and similar expenses	- 503	- 500
Third-party profit share in partnerships	- 8	8
Financial result	**- 232**	**- 370**
Earnings before tax (EBT)	**7,562**	**- 2,056**
Taxes on income and earnings	- 2,735	- 1,395
Earnings from continuing operations	**4,827**	**- 3,451**
DISCONTINUED OPERATIONS		
Earnings from discontinued operations	**0**	**- 14,203**
Group result	**4,827**	**- 17,654**
of which:		
Shares held by third parties in incorporated companies		
Earnings from continuing operations	640	192
Earnings from discontinued operations	0	- 63
	640	**129**
Shares held by GESCO shareholders		
Earnings from continuing operations	4,187	- 3,643
Earnings from discontinued operations	0	- 14,140
	4,187	**- 17,783**
Earnings per share (€)		
From continuing operations	0.39	- 0.34
From continuing and discontinued operations	0.39	- 1.64

GESCO Group Consolidated Statement of Comprehensive Income for the half year period (01/01 to 30/06)

€'000	01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020
Group result	**9,251**	**- 17,002**
Revaluation of benefit obligations not impacting income	**344**	**- 1,052**
Items that cannot be reclassified to the income statement	**344**	**- 1,052**
Difference from currency translation		
a) Reclassification to the income statement	- 6	0
b) Changes in value with no effect on income	833	- 278
Difference from currency translation from companies valued at equity		
a) Reclassification to the income statement	0	0
b) Changes in value with no effect on income	- 129	- 167
Market valuation of hedging instruments		
a) Reclassification to the income statement	0	0
b) Changes in value with no effect on income	- 174	- 76
Items that can be reclassified to the income statement	**524**	**- 521**
Other comprehensive income	**868**	**- 1,573**
Comprehensive income for the period	**10,119**	**- 18,575**
of which shares held by third parties in incorporated companies	1,159	355
of which shares held by GESCO shareholders	8,960	- 18,930

GESCO Group Consolidated Statement of Cash Flows for the half year period (01/01 to 30/06)

€'000	01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020
Group net loss / income for the period (including share attributable to minority interests in incorporated companies)	**9,251**	**- 17,002**
Amortisation of intangible assets and depreciation on property, plant and equipment	8,176	26,780
Earnings from companies valued at equity	- 186	- 135
Share attributable to minority interests in partnerships	3	- 14
Decrease in non-current provisions	- 174	114
Other non-cash income	206	- 473
Cash flow for the year	**17,276**	**9,270**
Losses from the disposal of tangible / intangible assets	0	28
Gains from the disposal of tangible / intangible assets	- 26	- 119
Gains from the disposal of financial assets	- 291	0
Decrease / increase in inventories, trade receivables and other assets	- 10,102	73
Increase in trade payables and other liabilities	21,712	8,358
Cash flow from ongoing business activity	**28,569**	**17,610**
Incoming payments from disposals of tangible / intangible assets	45	186
Disbursements for investments in tangible assets	- 3,556	- 4,372
Disbursements for investments in intangible assets	- 289	- 602
Incoming payments from disposals of financial assets	354	316
Disbursements for investments in financial assets	186	0
Disbursements for the acquisition of consolidated companies and other business units	- 27,814	0
Incoming payments from the sale of consolidated companies and other business operations	3,500	0
Cash flow from investment activity	**- 27,760**	**- 4,472**
Disbursements to shareholders (dividend)	0	- 2,493
Disbursements to minority interests	- 1,141	- 1,116
Incoming payments from taking out (financial) loans	7,900	6,405
Disbursements for the repayment of (financial) loans	- 8,921	- 10,739
Disbursements for the repayment of leasing liabilities	- 870	- 2,158
Cash flow from funding activity	**- 3,032**	**- 10,101**
Changes in cash and cash equivalents	**- 2,223**	**3,037**
Exchange rate-related changes in cash and cash equivalents	**96**	**- 5**
Cash and cash equivalents on 01/01	49,226	30,870
Cash and cash equivalents on 30/06	**47,099**	**33,902**

Note: Incl. discontinued operations.

GESCO Group Consolidated Statement of Changes in Equity

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01/01/2020	**10,839**	**72,364**	**158,049**	**0**
Dividends			- 2,493	
Group net loss / income for the period			- 17,393	0
As at 30/06/2020	**10,839**	**72,364**	**138,163**	**0**
As at 01/01/2021	**10,839**	**72,364**	**137,871**	**0**
Dividends			0	
Sale of shares in subsidiaries			- 165	
Group net loss / income for the period			8,223	0
As at 30/06/2021	**10,839**	**72,364**	**145,929**	**0**

GESCO Group Segment report for the half year period (01/01 to 30/06)

€'000	Production Process Technology		Resource Technology		Healthcare and Infrastructure Technology	
	01/01/2021 – 30/06/2021	**01/01/2020 – 30/06/2020**	**01/01/2021 – 30/06/2021**	**01/01/2020 – 30/06/2020**	**01/01/2021 – 30/06/2021**	**01/01/2020 – 30/06/2020**
Order backlog	38,757	26,335	98,230	79,472	62,494	33,690
Incoming orders	42,711	21,789	147,794	117,861	84,003	62,622
Sales revenues	24,794	21,235	134,129	108,426	69,179	60,809
of which with other segments	16	38	3	165	4	2
Depreciation and amortisation	722	795	2,551	2,665	2,109	2,183
EBIT	1,028	- 3,401	13,031	3,902	7,892	6,454
Investments	714	756	982	1,133	2,125	1,443
Employees (number / reporting date)	380	406	718	736	624	580

	Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interests (incorporated companies)	Equity
	- 405	**- 4,927**	**- 56**	**235,864**	**14,564**	**250,428**
				- 2,493	- 850	- 3,343
	- 409	0	- 76	- 17,878	355	- 17,523
	- 814	**- 4,927**	**- 132**	**215,493**	**14,069**	**229,562**
	- 2,220	**- 3,386**	**174**	**215,642**	**12,128**	**227,770**
				0	- 1,097	- 1,097
		165		0	- 995	- 995
	587	324	- 174	8,960	1,159	10,119
	- 1,633	**- 2,897**	**0**	**224,602**	**11,195**	**235,797**

	GESCO AG / other companies		Reconciliation		Group	
	01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020	01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020	01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020
	0	0	0	0	199,481	139,497
	0	0	0	0	274,508	202,272
	615	392	- 638	- 597	228,079	190,265
	615	392	- 638	- 597	0	0
	66	88	2,728	4,182	8,176	9,913
	- 3,788	- 3,404	- 2,928	- 3,130	15,235	421
	22	34	807	458	4,650	3,824
	22	19	0	0	1,744	1,741

Explanatory notes

Accounts, accounting and valuation methods

The report of GESCO Group for the first six months (1 January to 30 June 2021) of financial year 2021 (1 January to 31 December 2021) 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.

Unless otherwise stated, the accounting and valuation principles applied generally correspond to those in the consolidated financial statements as at 31 December 2020. 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.

The figures from the previous year have been adjusted accordingly due to the sale of subsidiaries as part of the portfolio restructuring completed in 2020.

Application and impact of new and amended standards

The following new and/or amended standards are mandatory as of the reporting year:

IFRS 4 Insurance Contracts (amendments):

The amendment to IFRS 4 concerns the extension of the temporary exemption from applying IFRS 9 to 1 January 2023 and is applicable from 1 January 2021. This does not have any material impact on the consolidated financial statements.

Interest rate benchmark reform phase 2:

Phase 2 of the interest rate benchmark reform of 27 August 2020 comprises additional amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, which concern the accounting of hedging relationships (hedge accounting). The amendments are applicable from 1 January 2021. This does not have any material impact on the consolidated financial statements.

Changes to the scope of consolidation / Business combinations pursuant to IFRS 3

In June 2021, GESCO AG acquired 100 % of the shares in United MedTec Holding GmbH, Bückeburg, Germany, with its subsidiaries W. Krömker GmbH and Tragfreund GmbH (together UMT Group). As a supplier of support arm systems for industrial and medical uses, UMT Group complements the existing portfolio of long-standing subsidiary, Haseke GmbH & Co. KG, Porta Westfalica, Germany. UMT Group, along with its asset and liability items, is already included in the Group balance sheet as at 30 June 2021. It is included in the consolidated income statement on a pro rata basis in June 2021. UMT Group is assigned to the Healthcare and Infrastructure Technology segment. The purchase price allocation carried out is temporary according to IFRS 3.45 et seq.

The preliminary impact of the addition of the fully consolidated Group is as follows:

€'000	
Intangible assets	14,791
Property, plant and equipment	2,220
Inventories	3,803
Receivables and other assets	846
Cash and credit with financial institutions	2,886
Other assets	1,211
Provisions	1,678
Liabilities	8,191
Net assets acquired	**15,888**
Goodwill	14,812
Consideration transferred	**30,700**

The fair value of the trade receivables acquired amounted to € 846 thousand. The gross amount of the receivables amounted to € 854 thousand. No receivables were considered to be irrecoverable.

The consideration amounted to € 30.7 million and was transferred in the form of cash.

Goodwill results from the anticipated synergies being generated in connection with Haseke GmbH & Co. KG, among other things. We do not expect a portion of the reported goodwill to be deductible for tax purposes.

Goodwill development during the reporting period was as follows:

€'000	Acquisition and manufac-turing costs	Accumulated depreciation / amortisation	Net book value
As at 1 January 2021	24,214	- 867	23,347
Addition of UMT (preliminary)	14,812	0	14,812
Change in exchange rate differences	63	0	63
As at 30 June 2021	**39,089**	**- 867**	**38,222**

The acquired companies are included with sales revenues of € 1,377 thousand and EBIT of € 10 thousand in the reporting period. If the acquisition had already taken place on 1 January 2021, the acquired companies would have contributed sales revenues of € 10,328 thousand and EBIT of € 1,208 thousand.

The liquidation of Georg Kesel Machinery (Beijing) Co., Ltd., Beijing, China, was completed in June 2021. The company has been removed from the scope of consolidation without an effect on the consolidated financial statements.

Related-party transactions

Business relationships between fully consolidated and not fully consolidated companies within the Group are conducted under regular market terms and conditions. Receivables from related companies are mainly due from Connex SVT Inc., USA. Stefan Heimöller, member of the Supervisory Board, maintains business relationships to a minor extent with Dörrenberg Edelstahl GmbH as well as SVT GmbH through his company Platestahl Umformtechnik GmbH. These business relationships are conducted under regular market terms and conditions.

Financial audit

The condensed half-year interim financial statements as at 30 June 2021 and the interim management report and the adjusted previous-year figures were neither audited in accordance with Section 317 German Commercial Code (HGB) nor reviewed by an auditor.

Information on financial instruments

€'000	Book value 30/06/2021	Not in the scope of application of IFRS 9	Application IFRS 9	Of which at fair value	Of which at amortised cost
Financial investments	11,942	1,925	10,017	156	9,861
Receivables	68,975	0	68,975	0	68,975
Other assets	8,999	3,349	5,650	0	5,650
Liquid assets	47,099	0	47,099	0	47,099
Financial assets	**137,015**	**5,274**	**131,741**	**156**	**131,585**
Liabilities to financial institutions	81,592	0	81,592	0	81,592
Lease liabilities	16,206	0	16,206	0	16,206
Trade payables	18,296	0	18,296	0	18,296
Other liabilities	27,858	2,216	25,642	0	25,642
Financial liabilities	**143,952**	**2,216**	**141,736**	**0**	**141,736**

€'000	Book value 31/12/2020	Not in the scope of application of IFRS 9	Application IFRS 9	Of which at fair value	Of which at amortised cost
Financial investments	11,965	1,868	10,097	236	9,861
Receivables	58,042	0	58,042	0	58,042
Other assets	6,367	2,290	4,077	251	3,826
Liquid assets	49,226	0	49,226	0	49,226
Financial assets	**125,600**	**4,158**	**121,442**	**487**	**120,955**
Liabilities to financial institutions	82,613	0	82,613	0	82,613
Lease liabilities	15,319	0	15,319	0	15,319
Trade payables	8,701	0	8,701	0	8,701
Other liabilities	21,021	1,179	19,842	0	19,842
Financial liabilities	**127,654**	**1,179**	**126,475**	**0**	**126,475**

Assignment of financial instruments to categories according to IFRS 9

€'000	Balance sheet recognition		Net results in the income statement	
IFRS 9 category	**30/06/2021**	**31/12/2020**	**30/06/2021**	**31/12/2020**
Financial assets measured at fair value included in earnings	156	487	0	0
Financial assets measured at cost of acquisition	131,585	120,955	181	85
Financial assets measured at fair value without affecting income	0	0	0	0
Financial assets	**131,741**	**121,442**	**181**	**85**
Financial liabilities measured at fair value included in earnings	0	0	0	99
Financial liabilities measured at cost of acquisition	141,736	126,475	- 989	- 711
Financial liabilities	**141,736**	**126,475**	**- 989**	**- 612**

Statement of the legal representatives

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

GESCO AG
The Executive Board

Wuppertal, August 2021

Financial calendar

24 August 2021
Publication of the
Half Year Interim Report

19 November 2021
Publication of the
quarterly statement for
the third quarter

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If you would like to be informed regularly, please contact us via e-mail or telephone. Or use the order function on our website at https://www.gesco.de/en/investor-relations/service-ir-contact/. We will be happy to add you to our permanent mailing list by post or e-mail.

Note:

This interim report contains forward-looking statements that are based on current assumptions and forecasts of the Executive Board of GESCO AG. These statements are therefore subject to risks and uncertainties. The results and business development of GESCO AG and GESCO Group may, under certain circumstances, deviate substantially from the estimates provided in this interim report. GESCO AG does not assume any obligation to update such forward-looking statements or adjust them according to future events or developments.

Despite extensive precautions, discrepancies may occur between this interim report and the accounting documents submitted to the German Federal Gazette, especially for technical reasons (e.g. conversion of electronic formats). In this case, the version submitted to the German Federal Gazette takes precedence.

A German version of the interim report is also available; in the event of any discrepancies, the German version takes precedence.

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