GESCO AG
Annual Report 2020

NEXT LEVEL
In Transition

NEXT LEVEL
In Transition

“We made solid progress on our strategy NEXT LEVEL in 2020. We balanced out our direct dependency on the automotive market and discontinued our Mobility segment. We have made good progress on our excellence programmes and have achieved a great deal. But there is still a long way to go.”

Ralph Rumberg, CEO

Profile

GESCO Group pools the power of the technology-driven German SME segment into one single share. The industries range from tool steel to stainless steel containers, from paper sticks to suspension arms for medical technology. Many of the companies are niche providers. Some are market leaders. And all are recognized players with established brands. The 11 companies are allocated to three segments that are geared towards customer markets.

GESCO-Group

3

Segments

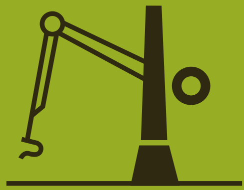
1,695

employees worldwide

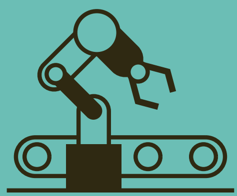
(as at the reporting date)

30

locations worldwide



Resource Technology



Production Process Technology

Healthcare and Infrastructure Technology

GESCO at a Glance

Key figures GESCO Group (IFRS)

Financial years up to 2018 / 2019: 01/04 – 31/03 Abbreviated financial year 2019: 01/04 – 31/12 Financial years from 2020: 01/01 – 31/12		2012 / 2013 01/04 – 31/03	2013 / 2014 01/04 – 31/03	2014 / 2015 01/04 – 31/03	2015 / 2016 01/04 – 31/03
Sales	€ '000	440,417	453,336	451,434	494,014
of which domestic	€ '000	286,609	300,263	303,597	323,862
of which foreign	€ '000	153,808	153,073	147,837	170,152
EBITDA	€ '000	51,763	48,719	46,171	53,261
EBIT	€ '000	37,341	32,010	27,300	31,457
Earnings before tax (EBT)	€ '000	33,825	29,018	24,553	28,828
Taxes on income and earnings	€ '000	- 11,088	- 9,261	- 10,401	- 10,307
Taxation rate	%	32.8	31.9	42.4	35.8
Group net income from continuing operations[1]	€ '000	–	–	–	–
Earnings per share	€	–	–	–	–
Group net income from discontinued operations[1]	€ '000	–	–	–	–
Earnings per share	€	–	–	–	–
Group net income from continuing and discontinued operations[1]	€ '000	20,916	18,121	12,350	16,127
Earnings per share[2]	€	2.10	1.82	1.24	1.62
Investment in property, plant and equipment[3]	€ '000	21,609	27,164	29,525	23,974
Depreciation on property, plant and equipment	€ '000	12,190	14,136	15,475	16,940
Equity[4]	€ '000	166,500	176,604	182,803	195,773
Total assets[4]	€ '000	357,547	379,950	403,739	410,175
Equity ratio[4]	%	46.6	46.5	45.3	47.7
Employees[4]	No.	2,292	2,360	2,465	2,537
of which trainees[4]	No.	120	144	156	153
Share price (XETRA) at the end of the financial year[2]	€	25.18	25.38	25.46	24.71
Dividend per share[2]	€	0.83	0.73	0.58	0.67

[1] After minority interests.
[2] Figures for financial years 2012 / 2013 to 2015 / 2016 adjusted to share split 1:3 from Dec. 2016.
[3] Without additions from changes to the scope of consolidation and in 2019 without first-time accounting according to IFRS 16.
[4] As at the reporting date.

397.2

€ million sales (continuing operations)

16.7

€ million EBIT (continuing operations)

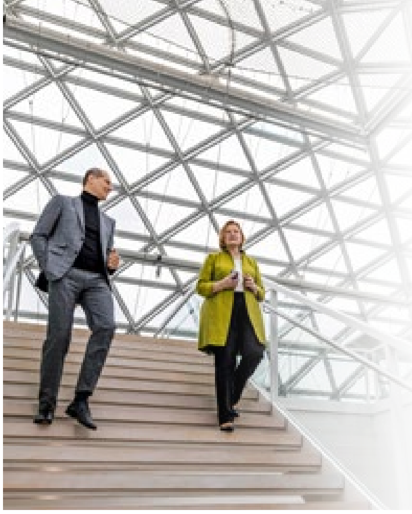
0.54

€ earnings per share (continuing operations)

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

5) Financial years up to 2018 / 2019 (as reported) include the subsidiaries for the respective calendar year. The consolidated financial statements as at 31 March 2019 were adjusted so that the subsidiaries were included for the period from April 2018 to March 2019. The financial year of GESCO AG was changed to match the calendar year in order to harmonise the financial years of GESCO AG and the subsidiaries, which resulted in a nine-month abbreviated financial year.

01
NEXT LEVEL In Transition



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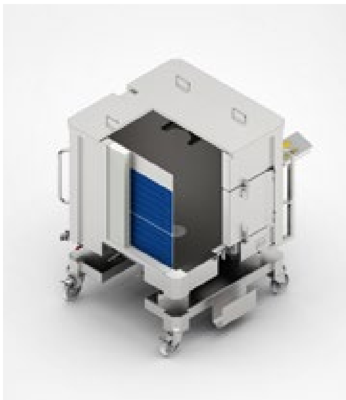

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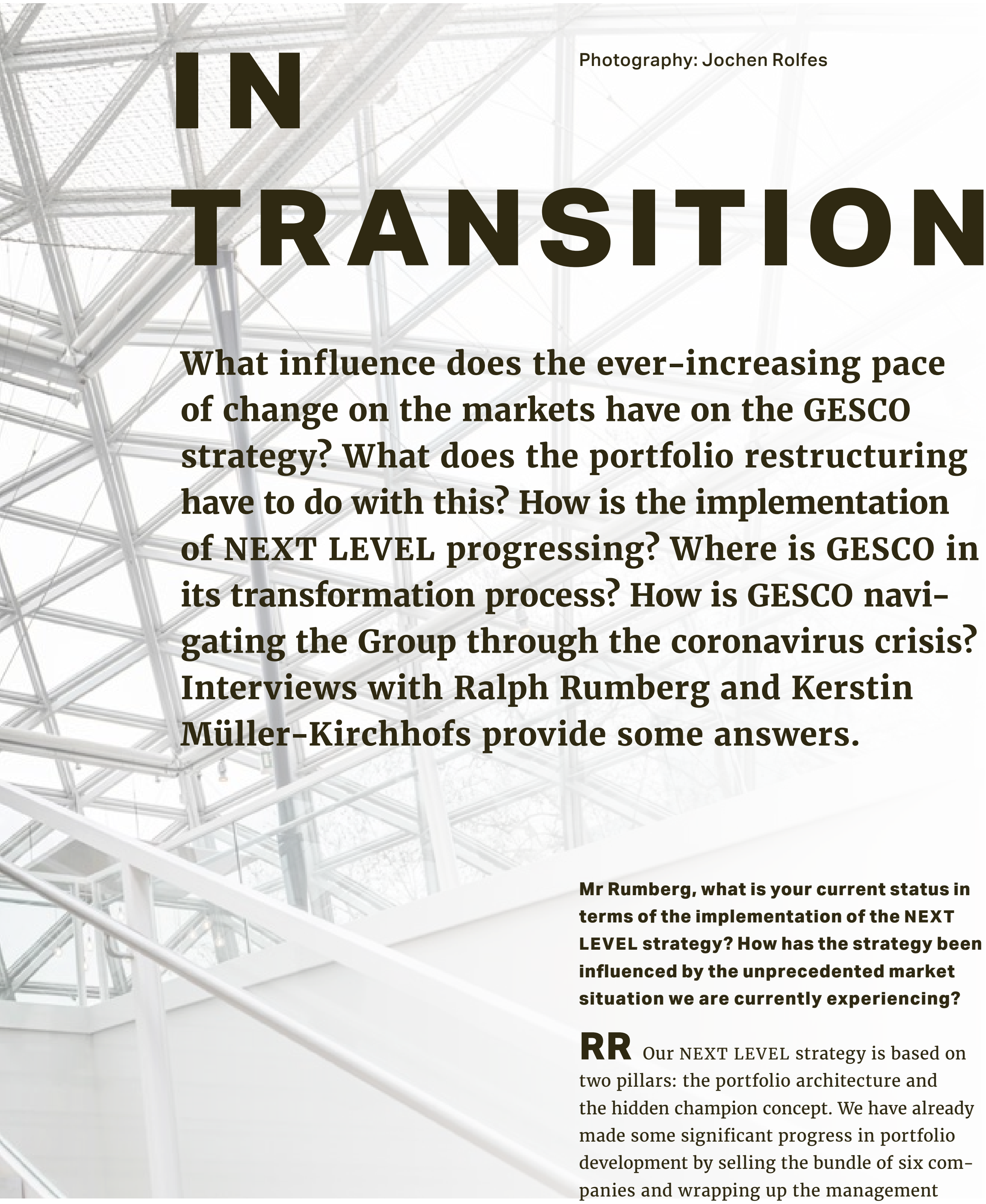
01

NEXT LEVEL – In Transition



Photography: Jochen Rolfes

IN TRANSITION

What influence does the ever-increasing pace of change on the markets have on the GESCO strategy? What does the portfolio restructuring have to do with this? How is the implementation of NEXT LEVEL progressing? Where is GESCO in its transformation process? How is GESCO navigating the Group through the coronavirus crisis? Interviews with Ralph Rumberg and Kerstin Müller-Kirchhofs provide some answers.

Mr Rumberg, what is your current status in terms of the implementation of the NEXT LEVEL strategy? How has the strategy been influenced by the unprecedented market situation we are currently experiencing?

RR Our NEXT LEVEL strategy is based on two pillars: the portfolio architecture and the hidden champion concept. We have already made some significant progress in portfolio development by selling the bundle of six companies and wrapping up the management buy-out at VWH GmbH. These transactions have allowed us to balance out our direct dependency on the automotive market and discontinue our Mobility Technology segment. We have also sold off a number of smaller subsidiaries, thus making our portfolio more robust. The unprecedented market situation is, of course, shaped not only by structural changes in the automotive industry but also by the coronavirus pandemic. At holding level, we are already well prepared for future shifts in working models thanks to the systematic digitalisation of our workflows and the expansion of opportunities to work from home. These changes were one of the main challenges at our manufacturing subsidiaries, but our teams on location certainly rose to the challenge. We owe them a debt of gratitude!

Given all the upheaval at present, why have you chosen now to embark on the largest portfolio restructuring in the company's history? Does this mean that GESCO AG has moved away from its long-term approach?

RR No, the long-term approach is part of GESCO's DNA. Our subsidiaries need to be able to respond quickly to change if they are to remain successful for the long term in these fast-paced times. As part of our CANVAS business model analysis, we got together with our subsidiaries in 2019 and 2020 to look into their business models and think about how to transform these companies into genuine hidden champions. In some cases we found out – for a variety of reasons – that such a transformation is not possible with GESCO. Since the beginning of 2020, we have been assessing the potential sale of these subsidiaries to safeguard the future success both of GESCO AG and the subsidiaries themselves – and with great success.

Why does this move make the portfolio more future-proof?

RR We have mainly sold off smaller subsidiaries, whose substance and resilience have not allowed us to establish a basic investment that makes regular and significant contributions to sales revenues and earnings and help provide portfolio stability at the same time. In addition, the sale of subsidiaries has also reduced our

"We recognise companies with the potential to become hidden champions by their management teams showing a willingness for change and the desire to move forward with intent and resolve. The coronavirus pandemic was a good litmus test in this regard."

Ralph Rumberg, CEO, GESCO AG

dependency on the automotive industry to a healthy and well-balanced level. Uncertainty in this industry regarding the future of mobility makes it difficult, particularly for smaller companies, to pursue the various technologies of the future in parallel while maintaining secure market prospects. That is why we focused our efforts on selling the Mobility Technology segment, in order to give these subsidiaries new perspectives for the future. Last but not least, this transaction also significantly improved our operating earnings.

How was the largest portfolio restructuring in the company's history successful in such unparalleled market conditions – and how did the process come about?

RR Initial contact with the seller was established in a joint event before the pandemic. As I mentioned, we transferred all of our processes to the digital domain extremely rapidly and concluded the transaction process almost in its entirety in video sessions. We were working day and night at key stages of the transaction to make progress. It goes without saying that we are also very grateful that the buyer was so accommodating given the circumstances. We met in person again for the first time in six months at the notary appointment.

It is also worth noting that we were also establishing a new M&A team while negotiating the transaction. I would like to thank the entire team for their commitment and dedication, as they had to get to know each other and how to work together while handling the largest transaction in GESCO's history at the same time. This is something we are incredibly proud of!

Are you planning any further changes to the portfolio structure?

RR Yes, definitely. We are looking to harmonise the portfolio with three anchor investments and a wide range of basic investments. This approach is about striking the right balance across multiple industries and ensuring that the anchor investments that form the pillars of our strategy do not share the same market cycles. The basic investments give us the opportunity to gain a foothold in new industries and applications and respond quickly to various trends. This is precisely the reason why we consider it our job at GESCO to bring these companies to the NEXT LEVEL.

Are you targeting any further anchor investments that could give GESCO Group a better balance?

RR While focusing on the sale of subsidiaries, we have also looked into interesting industries, companies and applications. Our network opens up a wide range of contacts, but we also approach companies directly where necessary. Ultimately all of the pieces of the puzzle have to fit together.

What about the hidden champions concept? Have you been able to identify any potential targets at all in the coronavirus pandemic?

RR Our understanding is that hidden champions are the leaders of their respective niche markets. They can anticipate what their customers want, are innovative and set high barriers for market entry with their unique products. We recognise companies with the potential to become hidden champions by their management teams showing a willingness for change and the desire to move forward with intent and resolve. The coronavirus pandemic was a good litmus test in this regard. It really highlighted companies that are willing to change and revealed how quickly companies can adapt to new market conditions.

How is GESCO AG progressing in its transformation process?

RR NEXT LEVEL is a new chapter for GESCO and represents the most significant transformation in the company's history. For our subsidiaries, the process of transformation to become hidden champions also means some significant changes. It is vital that we accompany the teams on their respective journeys and drive forward the pace of change, which is why we have strengthened our investment management team at holding level, further enhanced our method competency and set up a new M&A team – all with the intention of reaching the NEXT LEVEL.

We have made some solid progress, including in the positioning of the holding company, at our subsidiaries through our excellence programmes and in the portfolio architecture through our transactions. We have already achieved a great deal, but there is still a long way to go.

In an ideal world, where would you like to see yourself in two years' time with NEXT LEVEL?

RR In two years' time our portfolio should have taken a major step forward, through suitable acquisitions and the impact of our excellence programmes.

€ 5.8 million

We originally anticipated Group net income after minority interests from continuing operations of approximately € 5 million, but surpassed this target markedly with a figure € 5.8 million.

Ms Müller-Kirchhofs, how can the largest restructuring in the company's history be expressed in figures?

KMK Essentially, by restructuring our portfolio, we reduced our sales base but also strengthened our earnings and margins at the same time. In December 2020, we adjusted the forecast for financial year 2020 for continuing operations with Group sales of approximately € 400 million, against the backdrop of the transaction. If we include the management buy-out at VWH GmbH, we ultimately achieved sales from continuing operations of € 397 million, as well as sales of € 98 million attributable to discontinued operations. In total, Group sales therefore came to € 495 million.

We originally anticipated Group net income after minority interests from continuing operations of approximately € 5 million, but surpassed this target markedly with a figure € 5.8 million.

Why did the adjusted forecast not apply to the entire Group?

KMK The sale of the bundle of six companies in December 2020 resulted in their deconsolidation (removal from the consolidated financial statements), which is why we reported the sold companies separately in the annual report as "discontinued operations" pursuant to IFRS 5. The adjusted forecast for financial year 2020 was therefore based on the anticipated performance of our continuing operations. The figures presented in the income statement in the consolidated financial statements are also focused on these operations, giving us a solid basis for comparison in 2021. The figures for continuing operations reported in the nine-month previous-year period have also been adjusted to facilitate a better understanding of business performance.

“The current financial parameters provide us with an extremely promising platform for future activities.”

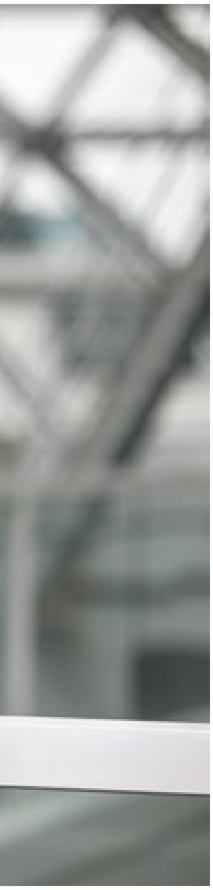
Kerstin Müller-Kirchhofs, CFO, GESCO AG

But the overall result of the Group is negative by a significant margin.

KMK That is true, the overall result of the Group was negative at € -16.6 million, as expected. Discontinued operations contributed to this figure with a negative result of € – 22.9 million, which was primarily impacted by non-cash impairments of € 15.5 million. Other factors included the negative current earnings and a loss from the deconsolidation of the corresponding companies. As you can clearly see, the transaction involving the bundle of six companies means that, for a sale price of € 27 million, we have surrendered one fifth of Group sales but, more importantly, have eliminated risks and shed negative earnings contributions to a notable extent.

According to your dividend strategy, GESCO distributes between 20 % and 60 % of its Group net income as a dividend. How will you proceed for financial year 2020?

KMK Before we distribute a dividend, we need to make sure that there is something available to distribute in the first place. Given that the Group’s overall result is negative, we have decided in agreement with the Supervisory Board to suspend the dividend payment for financial year 2020. Following the distribution of a dividend in the coronavirus year of 2020 for the preceding abbreviated financial year, the decision to suspend the dividend was taken in harmony with the communicated dividend strategy, which we will continue to pursue moving forward.



But what does this mean for your shareholders?

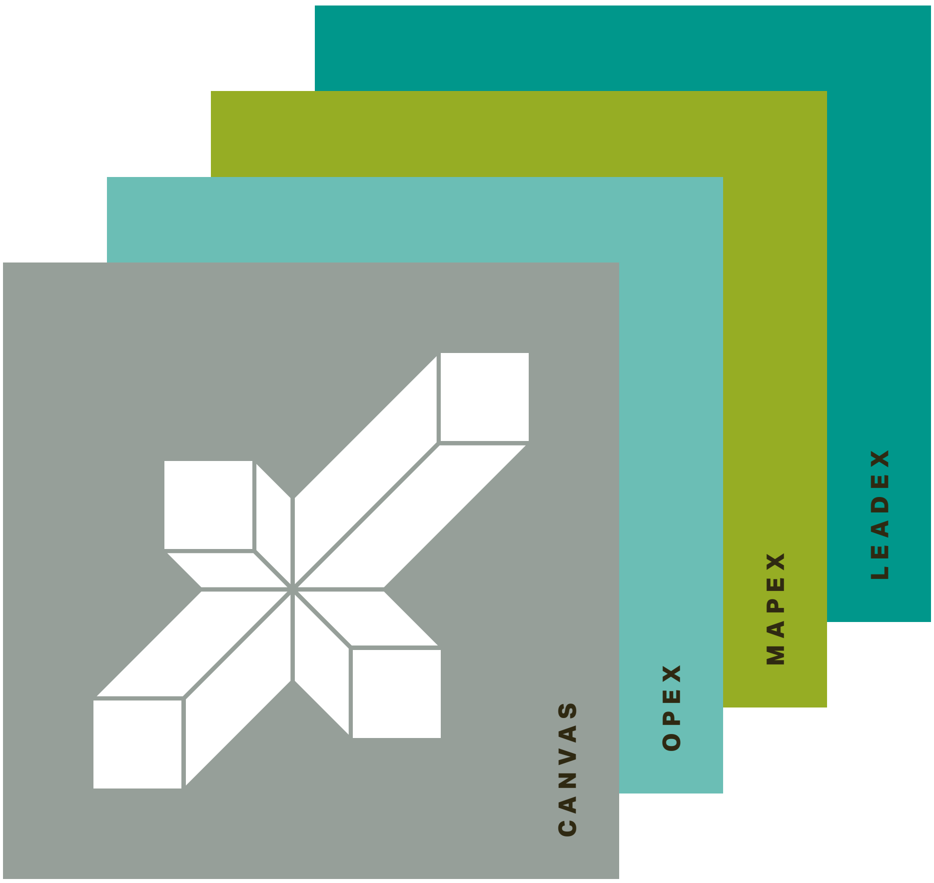
KMK Our shareholders hold a stake in a company with extremely solid foundations, even in times of crisis. We were able to reduce the Group's net debt substantially in financial year 2020, above all as a result of the successful portfolio restructuring – through the partial payment we have already received of € 18 million and the disposal of bank liabilities. In addition, the reduction of working capital and a cautious investment and liquidity management strategy also helped cut net debt by around € 70 million. Provisions for pension obligations and lease liabilities also declined by a considerable margin. Operating cash flow improved in spite of the negative result. The current financial parameters provide us with an extremely promising platform for future activities. We anticipate positive earnings contributions in the current financial year and in financial years to come, which will naturally be shared with our shareholders as part of our dividend strategy.

How would you translate this for 2021? What can we expect?

KMK It is impossible to assess the final impact of the current pandemic. One thing is for sure though, the Group will benefit from its reduced exposure to the automotive and capital goods industries. Programmes forming part of the NEXT LEVEL strategy are already bearing fruit and we continue to actively search for and negotiate with attractive industrial companies in the SME segment. In terms of figures, at the time of writing we expect to generate at least a 10 % increase in sales year on year and Group net income that is significantly in the double-digit million range. We all firmly believe that we will be able to return to a course of profitable growth and emerge from this crisis stronger than ever before.

NEXT LEVEL

In Transition



The following pages provide information on the progress made on the NEXT LEVEL strategy. The investment managers at GESCO AG use examples to report on where and how the initiated excellence programmes are being jointly established at the subsidiaries: Bringing the strategy to life by sharing experiences.

The Executive Board and the Supervisory Board adopted the NEXT LEVEL strategy in autumn 2018. It defines the key measures and objectives for GESCO Group's strategic and operational development in the years ahead, together with the aim of providing GESCO Group with a viable position for the future. The focus of the strategy is on balancing out the portfolio architecture and developing the subsidiaries into hidden champions through the excellence programmes already initiated.

In the 2020 reporting year, GESCO implemented the largest portfolio restructuring in company history with the sale of a group of subsidiaries. After this sale, GESCO discontinued its Mobility Technology segment and created a robust and more profitable portfolio. At the same time, GESCO began to take the subsidiaries to the NEXT LEVEL by establishing the excellence programmes.

The GESCO AG investment managers support the subsidiaries they supervise with their expertise in the implementation of the various excellence activities. Reports from the field:

Target EBIT margin:
(throughout the whole cycle)
p. a.

8 – 10 %

"First, we instil common understanding in the management team and identify the potential for development. Then, the actual work starts."

Philipp Hormes, Investment Manager, GESCO AG

CANVAS – business model analysis
The CANVAS business model analyses are already a firm fixture of the annual planning process at many subsidiaries and serve as a common benchmark for our excellence activities.

Philipp Hormes, Investment Manager at GESCO AG, supports the subsidiaries with his expertise:

In the 2020 reporting year, he worked with SVT GmbH, a leading global manufacturer of equipment and systems for the safe loading of liquids and gases, on the ever-present issue of the digital challenge. After an initial kick-off meeting on site, subsequent meetings were held virtually by video link due to the coronavirus situation that had occurred by then. The results are impressive: the team, comprising more than ten members, managed to pull together and work towards the same goal despite the challenging conditions. Each session was held individually or in small groups so that the actual workshops could take place very efficiently. Everyone's opinions were heard and taken into account, making the collaboration very rewarding.

The optimisation potential identified during the workshops covered a wide variety of areas, ranging from the value creation and supplier structure, order processing and selected service concepts to the use of new software and interactive media, such as voice-controlled VR glasses for global customer support. For more information, see the short article entitled "Old values, new technologies" on page 47.

The fields of action identified are now being implemented as part of the OPEX activities. The aim now is to leverage the potential that has been identified.

"With our OPEX activities, we are in a position to improve processes in all corporate functions, thereby improving our efficiency."

Jean Christ, Investment Manager, GESCO AG

OPEX – Operative Excellence

Depending on the specific needs of a particular subsidiary, the appropriate excellence programme is launched following the CANVAS business model analysis. The OPEX activities serve to optimise the processes and thereby boost efficiency. The analyses focus on the value creation processes, in particular with regard to quality, lead time and delivery performance, as well as cost structures. The set goal is an annual growth of sales per employee of 3 % with a lead time of nine to twelve months.

Jean Christ, Investment Manager at GESCO AG, helps the subsidiaries achieve this with his methodology expertise:

Hubl GmbH, a full-service provider in stainless steel sheet metal processing, started its OPEX analysis in the middle of 2019. The company then worked together with Jean Christ in 2020 to implement and advance the measures derived based on the analysis results. The analysis showed that reducing the lead times was crucial for the biotechnology sector, for example. By reducing the lead times, Hubl is able to achieve quicker delivery times and thereby boost customer satisfaction.

OPEX goal:
(9–12 months to efficiency)
Annual growth of sales per employee

3 %

Furthermore, the synchronised production of stainless steel containers (particularly "palletanks", as they are known) increased the quantity produced by around 100 % in order to meet customer expectations, especially during the coronavirus crisis. Learn more about the valuable contribution that Hubl's palletanks are making to the fight against the coronavirus crisis on page 24 in the article entitled "Seizing opportunities".

Other OPEX projects are currently in the early concept phase at Hubl. Up to now, the company has been focused only on customised assembly. By adopting the LEAN principles[1)] and industrialising individual assembly lines, non-value-adding activities are further minimised, making it possible to reduce the lead time even further.

MAPEX – Market and Product Excellence
The MAPEX programmes in turn focus on the further development of product portfolios and target markets. The programme activities provide the opportunity to identify promising fields of action specifically for the respective company with the help of a very comprehensive toolbox. Customer segments, product offerings, customer channels and relationships are analysed. The aim is to expand sales volumes and acquire market share while targeting annual sales growth that outperforms the market by 3 % with a lead time of 12 to 24 months.

"We can use new product ideas and a strong position in the markets to expand our market share and tackle new market segments."

Thomas Bierlich, Investment Manager, GESCO AG

Thomas Bierlich, Investment Manager and long-standing team member at GESCO AG, knows the subsidiaries he supervises inside out and supports them with the implementation:

Beginning with a period of analysis in 2019, the implementation of the derived measures started at Maschinen- und Apparatebau Götzen GmbH (MAE), a leading provider of automatic straightening machines and wheel set presses, in early 2020. One focus was on expanding the range of services in the rail segment in order to gain even better and more effective access to customers. The expansion of activities focused in particular on additional sales growth in the area of maintenance contracts. Read more about this in the short article entitled "Better service for greater customer benefits" on page 45.

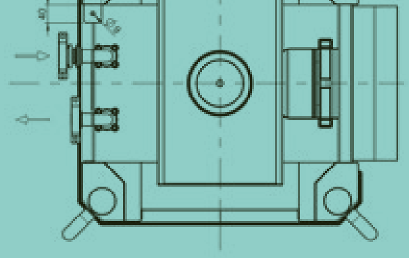
Another starting point in the same segment was the expansion of the product range, including complementary products. A variety of strategic options were analysed and assessed for this purpose. Expanding the product range allowed MAE to put itself in a better position than full-service providers for certain modules.

LEADEX – Leadership Excellence
The LEADEX programs are aimed at establishing a common corporate culture with a well-balanced performance. Leadership skills are promoted in a dynamic environment and developed to boost the corporate culture and increase the appeal of the subsidiary as an employer.

MAPEX goal:
(12 – 24 months to efficiency)
Annual sales growth
above the market of

3 %

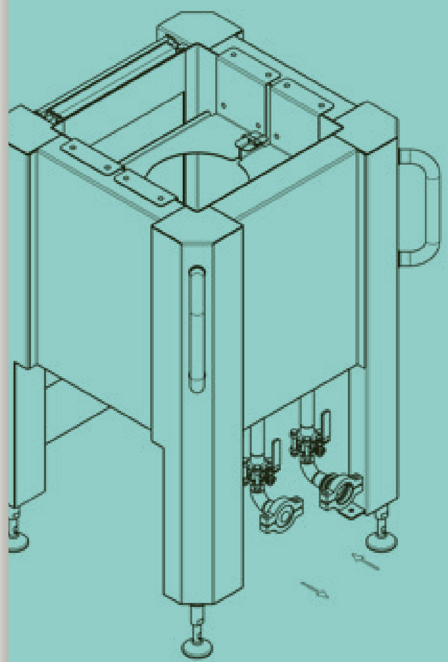
[1] The term LEAN comes from the principles of lean management. The main idea behind it is to create values without wasting valuable resources. The aim is to optimally and efficiently coordinate all activities necessary for value creation so that unnecessary activities can be avoided.



Seizing

Palletanks enable the safe and efficient production of sensitive products such as pharmaceuticals and foodstuffs. GESCO's subsidiary Hubl specializes in building these sterile stainless-steel containers – and thus makes an important contribution to the production of COVID-19 vaccines.

Text: Heimo Fischer
Photography: Hubl GmbH



opportunities

From the palletank into the ampoule and then into the arm: important vaccines are mixed and stored in the tanks.

At first glance, the rectangular container on four rollers doesn't look like high-tech. The impression is deceptive, however. A palletank from Hubl is made of elaborately developed material that must meet the strictest requirements. A bag made of sterile plastic is hidden behind the double stainless-steel housing. It is suited for substances that are not allowed to contain even the smallest dust or dirt particles. "Cleanliness and safety are absolute priorities for palletanks. This is especially true for use in vaccine production," explains Thomas Stek, Sales Manager for Hubl from Vaihingen an der Enz.

The GESCO subsidiary specializes in stainless steel. The alloy with a matte finish comes in 50 different versions and is used in applications that require sterile conditions. The smooth, hard surface is easy to clean and prevents germs from settling in crevices. Only a few suppliers have mastered the processing of stainless steel in such a way that they meet the demands of the food and pharmaceutical industries. The company based near Stuttgart is one of them.

25 %

annual increase in sales of palletanks at Hubl

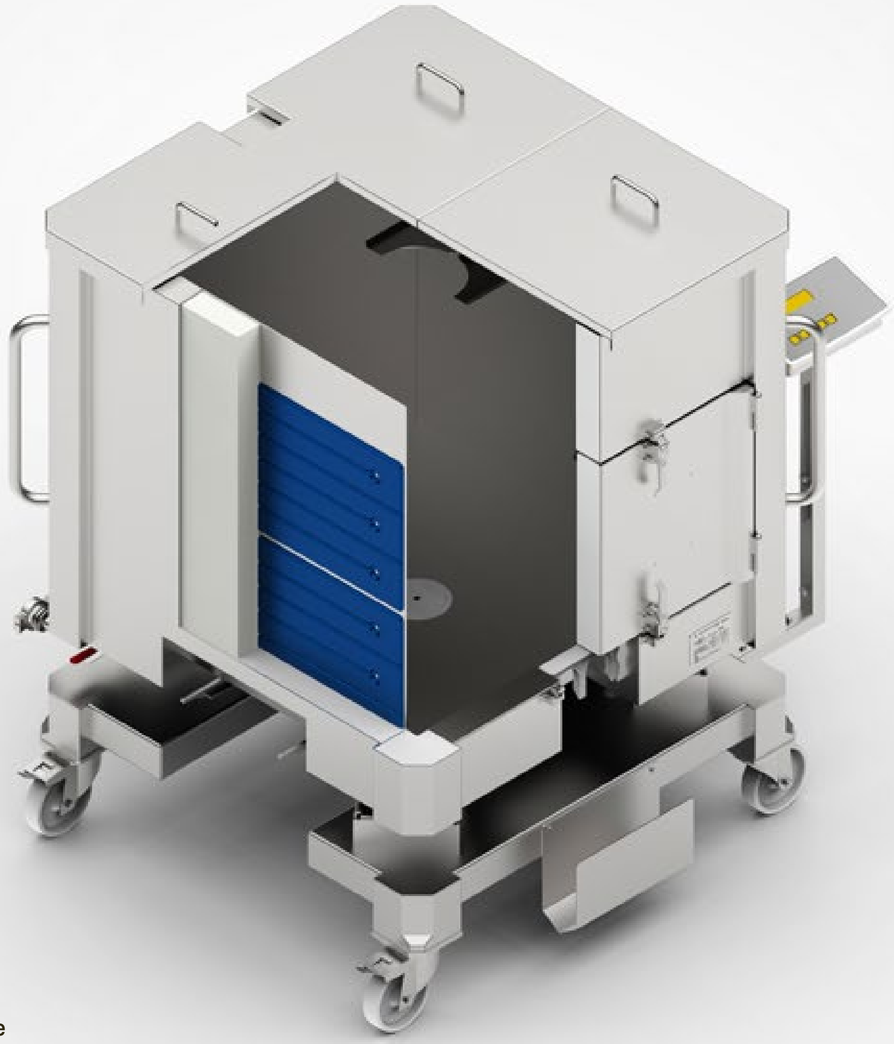
Since billions of people are waiting for a vaccination against the coronavirus, Hubl's palletanks are in particularly high demand. New production lines are being built all over the world. They are built by specialized equipment suppliers, mostly globally active companies. They often purchase complete stainless steel product families from Hubl – from transport systems and laboratory benches to cabinets and housings for the control electronics.

Fighting the pandemic Manufacturers of vaccine sera use palletanks to store their basic ingredients during the production process. Workers wearing protective clothing fill the inner container with a substance, seal it carefully and push the palletank to the next station where processing continues. "The manufacturers usually mix the finished product from developed basic substances," Stek explains. Several palletanks are then linked together, with a pump unit that ensures the right mixing ratio located in the middle. The freshly mixed end product then rolls to the filling plant in a fourth palletank, from where it is sent to the vaccination centres in small ampoules.

Manufacturers of related applications and from other industries also rely on Hubl's modern palletanks. "We have achieved growth rates of 25 percent in recent years," says Stek. Sales rose by another 15 percent in 2020 due to the construction of vaccine production plants around the world.

“Cleanliness and safety have absolute priority with palletanks.”

Thomas Stek, Sales Manager, Hubl GmbH



The vaccine manufacturers have deliberately chosen a standard model because it can be supplied quickly and in large numbers.

The fact that Hubl has largely standardized the palletanks and production processes as part of its OPEX activities and can ship them quickly is paying off now. They can be as small as a bedside table or as large as an entire closet. The company currently sells around 500 tanks with a capacity of between 50 and 3,000 litres. Every single palletank is subjected to days of testing before it is shipped to the customer.

Shaken or stirred

Many of the basic ingredients that are processed in the tanks are extremely sensitive. Some are not allowed to be heated up or cooled down. Others must be mixed, stirred or otherwise agitated non-stop. This applies not only to medicines, but also to the production of various foodstuffs. Palletanks are therefore equipped with heat exchangers or with a propeller that lies at the bottom of the bag and rotates due to magnetic force.

Hubl equips the palletanks with further functions at the customer's request, for example with weighing cells that determine the weight of the contents. Sensors that measure the temperature, pressure, flow rate or other specifications of the substance contained in the inner bag are also available.

In the past, pharmaceutical manufacturers filled the substances directly into the stainless-steel container. While this is possible, there are disadvantages because a lengthy cleaning process is necessary after the production process that costs time, money and energy. Today, the plastic bags inside the container can be sterilized with gamma rays and be exchanged after use – and often recycled.

The heat exchangers are welded to the inside walls of the tank.

Working on the new heat exchanger

Hubl started developing a new generation of palletanks in 2008, when the technical manager of a customer who equips plants for the pharmaceutical and biotechnology industries contacted the company. “He was looking for a company that could supply high-quality, reliable and economically usable palletanks from a single source,” Stek explains.

This was uncharted territory for Hubl at the time. Stek started evaluating construction plans together with a colleague. It quickly turned out that the construction of the heat exchanger posed the greatest difficulty. The function of this part is to keep the temperature in the palletank constant. The tubes in the heat exchanger that are usually filled with a water-glycol mixture wind between the two stainless steel walls that surround the palletank. The liquids transfer the desired temperature and release it into the substance in the bags.

Brilliant idea in front of the fireplace

Construction is made more difficult by the fact that the entire system of the heat exchanger is under pressure. The metal has to be as thick as necessary to avoid cracks, but as thin as possible to save energy. The problem ultimately centred on how to machine the heat exchanger’s stainless-steel sheets, according to Stek. “This kept me busy for months,” he says.

He came up with an idea while sitting in front of the fireplace in the evening. A short time later, he had the stainless-steel sheet produced as a prototype in a modern sheet metal processing centre. Thanks to the new working method, it is very thin to enable better heat transfer and saves energy. The tester at the laboratory was thrilled – process improvements of up to 50 percent without compromising on safety! The solution was found!

“Competitors have been trying to copy Hubl’s double-walled palletanks equipped with a modern heat exchanger for years,” says Stek with a smile. “No one has succeeded so far.”

Sales Manager Thomas Stek is an expert on palletanks and heat exchangers.

500

This is how many palletanks are currently produced by Hubl per year

FULLY CHARGED

The e-bike industry is booming. High-performance, strong batteries that are manufactured sustainably are thus in greater demand than ever before. After all, micro- and e-mobility contribute to climate protection. Pickhardt & Gerlach, a company that specializes in steel strip finishing, has developed an innovative material for the inner workings of the batteries that saves energy – and makes the batteries even more powerful.

Text: André Boße

EMONI® was developed especially for batteries for use in e-mobility. The steel strip represents a small revolution in this regard.

The market for micro- and e-mobility is growing. Millions of e-bikes are on the road on bicycle paths, smart forklifts are doing their jobs in factories, and logistics is developing intelligent delivery vehicles. The battery that provides clean, quiet and efficient propulsion is the key element. Lithium-ion batteries, in whose cells electricity is generated through electrochemical reactions, have proven their value in this regard. To enable this current to flow, the individual cells must be connected with a material that conducts it with as low losses as possible, however. The material also needs to be easy to form, cut and weld. After all, the compact modules are always constructed differently depending on the application. Last, but not least, it is important that the material can be produced sustainably. After all, the goal behind micro- and e-mobility is to advance climate protection.

A conductive all-rounder is thus what is needed. For batteries with low current flow, the industry has relied on nickel-plated, diffusion-annealed steel to date. This has proven itself – so why change anything? “Because we have a better alternative because we developed it during our MAPEX Innovation Workshop,” says Guido Müller-Späth.

He is Commercial Managing Director of the Pickhardt & Gerlach Group (PGW), based in Sauerland, one of Europe’s leading companies in the field of steel strip finishing. “In standard processes, the steel is diffusion annealed after being coated with a thin layer of nickel,” he explains. This means heating it to several 100 degrees for several hours. The annealing process forms a mixed layer of steel and nickel, making the material more formable. The disadvantage to this is that the process consumes energy, however. “The steel strip we have developed doesn’t require this heat treatment. It can be used for its intended purpose without this process,” explains Müller-Späth.

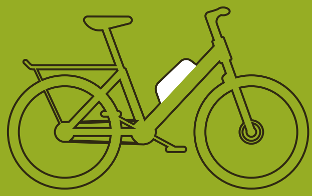
“It was clear to us that we needed proof.”

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

The GESCO subsidiary was so convinced by the innovation that it developed its own brand name for it as part of its MAPEX activities: EMONI®. However, an established industry standard cannot be shaken by simply citing circumstantial evidence. “It was clear to us that we needed proof,” he adds.

The company contacted Philipp Ziegan’s project team to obtain it. The engineer is Head of Battery Consulting at PEM Motion, a spin-off of RWTH Aachen University. “We tested EMONI® for use in e-bike batteries,” says Ziegan. Mechanical testing, electrical performance testing – we tested it thoroughly. “We first thought that PGW’s material would be less mouldable due to the lack of diffusion annealing,” he admits. The result was that there were no negative effects, not even with regard to weldability to the cell housing. In terms of electrical efficiency, EMONI® even performed a bit better than the market standard.

Guido Müller-Späth feels confirmed and motivated by the results. “A lot is happening right now in the field of micro- and e-mobility,” he says, “be it power trucks, autonomous vehicles in factories or innovations for city mobility. Therefore, there will be more uses for EMONI®. And today, we know what this innovation is capable of. We are ready to establish it on the market.”

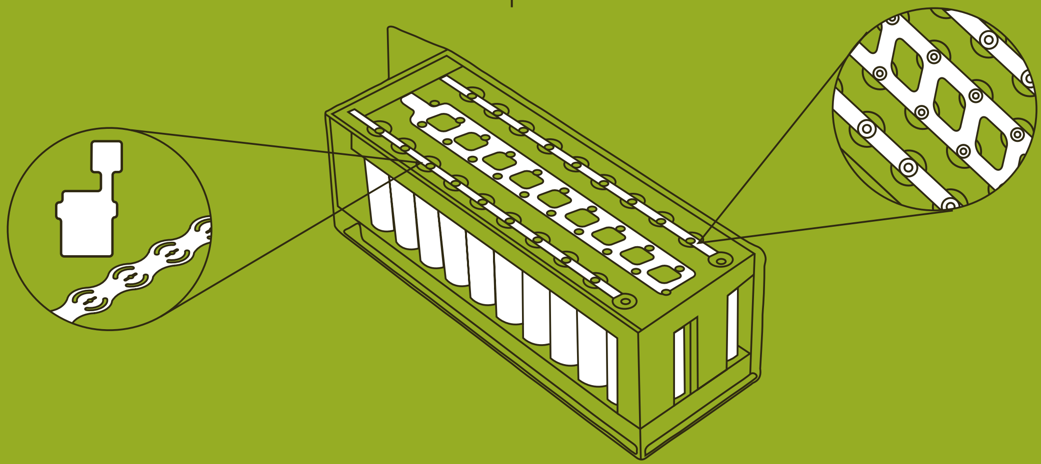


4.3 million

German households already owned an e-bike at the beginning of 2020. That is nearly three times as many as in 2015, when only 1.5 million households had electric bikes.

1,000 x

A high-quality lithium-ion battery can be charged up to 1,000 times.



The EMONI® steel strip is shaped and welded for the battery module in such a way that it connects the various cells of the lithium-ion battery. It conducts the electrical energy generated in the cells practically without loss. At the same time, it emits as little heat as possible so the battery doesn't overheat. According to the LiVe study, the electrical efficiency of EMONI® is more than 99.9 percent.

80 kg

Up to 80 kilograms of CO_2 per ton of steel can be saved if a non-diffusion-annealed steel such as EMONI® is used to connect the cells.

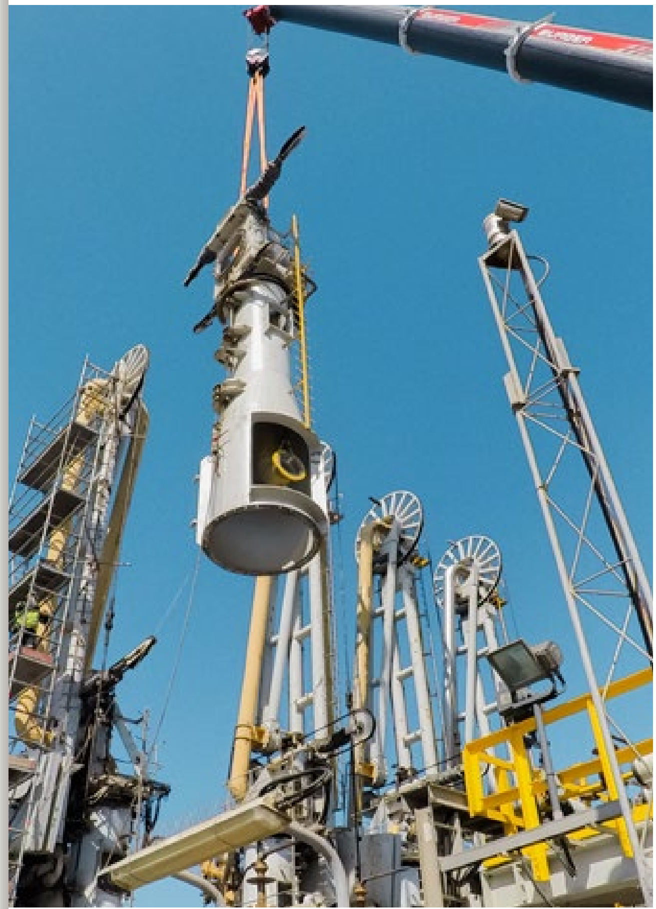
Earthquake?

SVT GmbH is replacing five loading arms for liquid natural gas in Quintero, Chile. These impressive high-tech constructions must meet extremely high demands – not only because earthquakes often take place here. Pierre Kozießa is in charge of the installation of the arms that are more than 35 metres high and through which liquid gas flows at a temperature of −163 °C.

Text: Dirk Böttcher
Photography: SVT GmbH

Yet, still safe!

Tool box meeting: The team meets every morning to discuss the day's tasks.



“We are a typical hidden champion; our market is very broad. The LNG sector is currently the main growth driver, but we are also active in the oil and chemicals sectors.”

Michael Schauerte, CEO, SVT GmbH

On his daily route to the LNG terminal in Quintero, Pierre Kozießa looks out over a beautiful bay. On good days, he can see dolphins jumping through the waves. Quintero is located on the deep blue Pacific Ocean, a two-hour drive south of the Chilean capital of Santiago, surrounded by picturesque nature and imposing coastal cliffs. The town is named after the Spanish navigator Alonso Quintero, who discovered the bay in 1536. The harbour is one of the oldest in Chile. The facility that Pierre Kozießa is in charge of is one of the most modern in the country. It is the first terminal in the southern hemisphere where Liquefied Natural Gas (LNG) can be landed, stored and transformed back into gas.

The liquid state is achieved by cooling the natural gas to at least -163 °C. This reduces the volume to one sixth-hundredth of its original size. Large quantities of it can then be transported. The cargo of one of the up to 300-metre-long tankers that navigate to Quintero's LNG terminal could supply the city of London with energy for an entire month. The huge ships in the harbour dock at the jetty, a steel pier that extends out more than three kilometres into the ocean. Pierre Kozießa is overseeing the replacement of five loading arms in Quintero for SVT GmbH. Each is worth more than a million euros.

The complex high-tech systems provide a link between the moving vessels and the rigid pipeline system through which the liquefied gas reaches several surrounding power plants that supply millions of households in the province of Valparaiso to Santiago with heat and electricity. An undertaking that is a real challenge for a number of reasons.

As picturesque as the area may seem, people live restlessly here. For Pierre Kozießa, it definitely "takes some getting used to" that the ground trembles almost every day. Earthquakes are part of everyday life for the inhabitants of Quintero and often measure four to six on the Richter scale. In 2010, a particularly strong earthquake triggered a tsunami that caused devastating destruction. At the time, loading arms from SVT GmbH were also in use at the LNG terminal. They survived the catastrophe and have since also defied the sea air, which strongly attacks any material here. In 2019, the Chilean customer decided to have the more

300 m

300-metre-long tankers dock at the Quintero LNG terminal. The jetty, a steel pier, extends almost a kilometre into the ocean.

than 12-year-old loading arms replaced with new models that offered additional functions. In August 2019, a senior project engineer from GNL Quintero visited SVT in Schwelm to test the installation of these newly developed loading arms in individual assemblies. After all, the installation of these systems was still to become a major challenge.

On the way to becoming the world leader

SVT GmbH is one of two major competitors in this market. "We are a typical hidden champion; our market is very broad. The LNG sector is currently the main growth driver, but we are also active in the oil and chemicals sectors," says Michael Schauerte. He has been Managing Director at SVT GmbH for a year. He has never regretted the step from an international corporation to a medium-sized German company. "I have a great deal of freedom here in terms of how we shape the business, what ideas we implement and how we choose to grow. That is very motivating," says Schauerte. His goal is to make SVT GmbH the number one worldwide together with his team. "To help us achieve this, GESCO AG supports us with a lot of support and know-how."

He considers the Schwelm location, where SVT produces and the management is based, to be ideal: “The Ennepe / Ruhr region offers extremely well-trained expert personnel for innovations, high productivity and a good digital infrastructure thanks to the excellent universities. We are close to the ports of Rotterdam and Hamburg, and thus have quick access to export markets.” The loading arms for LNG terminals are currently the company’s biggest revenue generator. They need to be designed in such a way that a plant can supply products for different types of ships with a wide range of dimensions. Orders are almost always for customized individual products that take close to a year to work on. “We are in the process of developing a modern modular system, however, so that individual solutions can be realized quickly in the future from the various combinations of these standard components,” says Schauerte. A second new approach is to expand the spare parts business and develop a general overhaul concept. “We have installed more than 13,000 loading arms over the past 50 years and are now starting to modernize them. Our customers really appreciate this,” Schauerte adds.

The company is also working on new digital solutions. Sensors that permanently measure the condition of the system and thus display the maintenance work necessary before wear occurs are to be installed in the future. Tests are also underway to enable customers to use VR glasses to inspect the systems on site together with the experts in Schwelm. SVT will thus be able to offer remote maintenance service worldwide from North Rhine-Westphalia.

Michael Schauerte wants to install lean production processes together with his team. The focus of the OPEX measures is on reducing throughput times to be able to better meet customer demands. The subsidiary in Houston, Texas, will also be developed further. SVT GmbH has a worldwide network of agents that sell its products on a commission basis. The company is particularly strong in China, Russia, Indonesia, the United States and Africa.

64

Because of the earthquakes, the 35-metre-high loading arms are bolted to the ground with 64 boreholes instead of the usual 32.

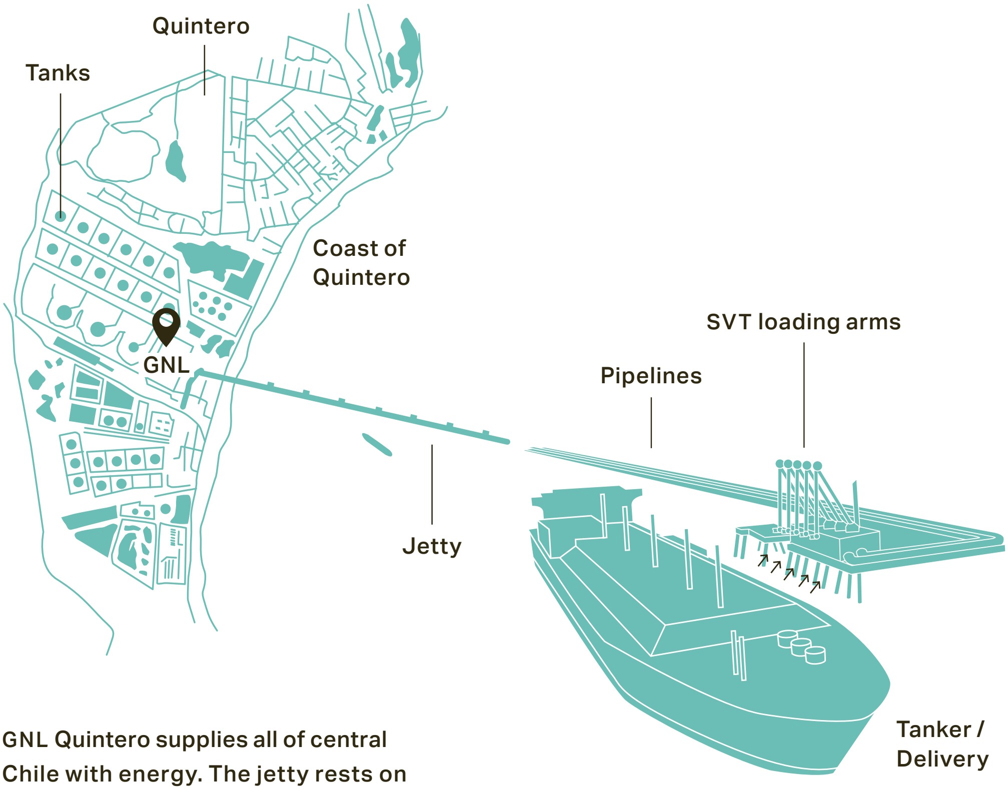
SVT GmbH positions itself to compete with its innovative engineering. “We want to offer our customers the best possible solutions,” says Schauerte. The demands placed on the product are very high. The material has to tolerate temperatures of -163 °C, for example. The gas is cooled down to this extreme value so that it liquefies. Furthermore, the gas is not allowed to leak at any point in the loading arm, despite the many moving connecting parts.

Automatic connection

The optimal dimensions had to be found for the new loading arms for the LNG terminal in Quintero. It is important to have the right centre of gravity in order to guarantee the necessary stability of the structures that weigh several tons, even with earthquakes measuring six on the Richter scale. Various modifications were developed on the basis of a standard arm. For example, the 35-metre-high loading arms are bolted to the extended stand column with 64 instead of the usual 32 boreholes on the ground.

Every connection needs to be 100 percent tight. If any of the natural gas escapes, the entire system could explode.

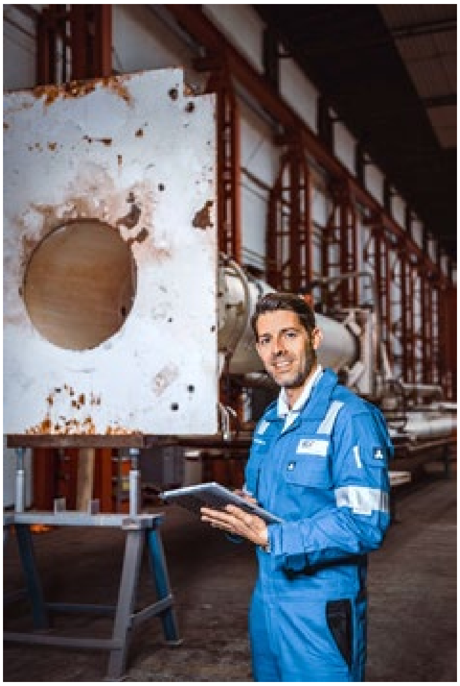
LNG terminal arrivals in Chile



GNL Quintero supplies all of central Chile with energy. The jetty rests on 504 columns and is earthquake and tsunami proof. Five tankers can dock at the same time at its end.

-163 °C

The thick layer of ice on the valves shows how cold the LNG is. Only at these sub-zero temperatures can it be compressed 600 times and thus become transportable.



Pierre Kozießa sees to it that the loading arms are replaced according to SVT's high quality standards.

The loading arms can load 12,000 cubic metres of LNG per hour.

Installation was scheduled to begin in November 2019, but the customer experienced delays. Afterwards the corona pandemic caused many wheels to come to a standstill worldwide. Pierre Kozießa has now been in Chile since November 2020 to manage the installation. The new models of the loading arms have an automated hydraulic coupling. While the connection to the ship previously had to be made manually, the operators now carry it out remotely. These professionals can move the huge units, which have six swivel joints, in six directions with a remote control via joystick.

The installation of the loading arms that weigh up to 40 tons is a real challenge. "The LNG terminal has grown and grown around the loading system in the meantime to form a complex tangle of buildings and pipelines," Kozießa explains. Installing and dismantling high-tech equipment weighing tons here is a real achievement. This type of loading arm can no longer be installed in one piece, as there would be no room on site for the cranes that are needed. "We therefore had to design the arm in such a way that it can also be assembled on site in individual components that are no heavier than ten tons," says Kozießa. The same applies to the dismantling of the old loading arms that also have to be taken apart into their individual parts in a time-consuming process.

"There is an incredible amount of detailed work involved. Where do the cables run, where is the crane, which trades are working today?"

Pierre Kozießa, Customer Service, Senior Site Supervisor
SVT GmbH

Furthermore, the dismantling and assembly is not allowed to interfere with the landings of the incoming liquefied gas shipments. The region is dependent on the transports. The work is therefore being done during ongoing operations, or as Kozießa puts it, "it's open heart surgery." All of the scaffolding is taken down at least once a week, whenever the next tanker arrives, and put up again after 24 hours – that's how long it takes to unload. Then construction workers climb up again with mountaineering equipment to assemble the individual modules. Kozießa is the "jack-of-all-trades" and keeps in touch with the customer and the construction company, while overseeing mechanics, electricians, hydraulic technicians and crane workers.

"There is an incredible amount of detailed work involved. Where do the cables run, where is the crane, which trades are working today?" This is how Kozießa describes his work. He communicates with his superiors at the site in Schwelm every day, writes reports, handover protocols and makes phone calls. The so-called tool box meeting takes place every morning on site. "Then we discuss the day's tasks with the project engineer, the customer and the construction company," Kozießa reports. Today, a 22-ton component has to be moved, a challenge that will be successfully completed by the evening. If everything goes according to plan, Kozießa will be back home with his children in October of this year. A state-of-the-art LNG loading facility from SVT GmbH will then be operating in Quintero – again guaranteed earthquake-proof.

Service: A business sector whose immense potential is being discovered by a growing number of companies. Exploiting it takes creativity, a feel for trends and a deep understanding of customers. The MAE Group, SVT GmbH and the Kesel Group are proof of all of this – each of them by offering individual service concepts that provide customers with added value.

Text: Tobias Rohe
Photography: GESCO Group

Service makes the difference

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Text:
Photo

The Video Service app enables MAE's techni-cians in Erkrath to provide audio-visual support to customers worldwide in the event of technical problems.

“The development of the service business still has potential. After all, service isn’t a department, but rather the mindset of every employee.”

Christoph Scheider, Operations and Service Manager, MAE Erkrath

Better service for greater customer benefits

First it was the structural changes in the automotive industry, then the corona pandemic – the world market leader for automatic straightening machines and wheelset presses for rail vehicles is facing challenges, as is the entire industry in doing business with new machines and systems. Improving and expanding its service was therefore an obvious step. MAE is now pursuing a clearly competitive approach with a new pricing mechanism for spare parts. Customers benefit from expert technical advice and spare parts from a wide range of manufacturers from a single source and at competitive prices. In terms of organisation, the separation of commercial and technical service ensures a focus. This means faster and clearly structured support. Service products are validated regularly and supplemented with features such as a video app for remote technical support. Customers can now be supported by MAE technicians via video call in case of problems. This saves time and money. The MAE retrofit team is also very successful. The service life of existing machines can be extended by modernising and converting them. The effect for the customer is production reliability like that on the very first day.

Far away, yet very close: by using VR glasses, SVT can offer worldwide support without having to leave the main plant.

Old values, new technologies

SVT GmbH is the global market leader for systems for loading and unloading ships as well as tank and container wagons with liquid and gaseous substances. Service is a good way for the specialised company from Schwelm to stand out from the competition. The company has been expanding the "general overhaul" line of business since 2019. Old equipment is reconditioned very successfully at the main plant in Schwelm because the process brings advantages for all sides. Less effort is required for construction work than when building new plants, less material is used and shorter throughput times mean more efficient and cheaper added value for the customer. Investment, effort for approval procedures and waiting time are reduced – from up to 12 months to about ten weeks. SVT expects strong growth in this area in 2021.
Digital services are also on the rise. Technicians have been working with voice-controlled VR glasses since the beginning of the year. The technician can contact the control centre via an integrated display and a mobile phone or WLAN connection. There one can see what he sees, provide him with information and support him. A real benefit on site.

"The competition in the area of systems engineering is very intense. Nevertheless, we stand out with our excellent service and our customers honour this."

Alexander Jäger, Head of After Sales, SVT GmbH

Understood, well informed and perfectly looked after – that's how a customer feels when he is addressed personally with Kesel's personalised website.

"People don't have time and are inundated with advertising. Because we address them in a personalised manner, they take our messages seriously."

Simon Lowes, Head of Marketing,
Georg Kesel GmbH & Co. KG

It all starts with trust

German mechanical engineering companies also need to offer excellent service. And this is in demand right from the very first customer contact. The Kesel Group, a producer of highly specialised machine tools for linear gears, has found a way to address potential customers from the very beginning in such an individual and informative way that a trusting contact is established immediately. The company has learned here from the market leaders in the B2C sector. "Kesel Personalised URL" – Kesel Purl for short – is the name of the tool with which prospective customers are provided with much more than just a brochure and an offer after the initial contact. The website that is personalised down to the customer logo is only accessible to the customer addressed. On it, he is greeted by name, even with personal words through a specially produced video clip. Of course, there is also contact information, an image film, service offers, reasons why Kesel machines are the solution for the customer, as well as detailed information, pictures and videos on the recommended machines. After all, that's what it's all about.

Leading Innova U

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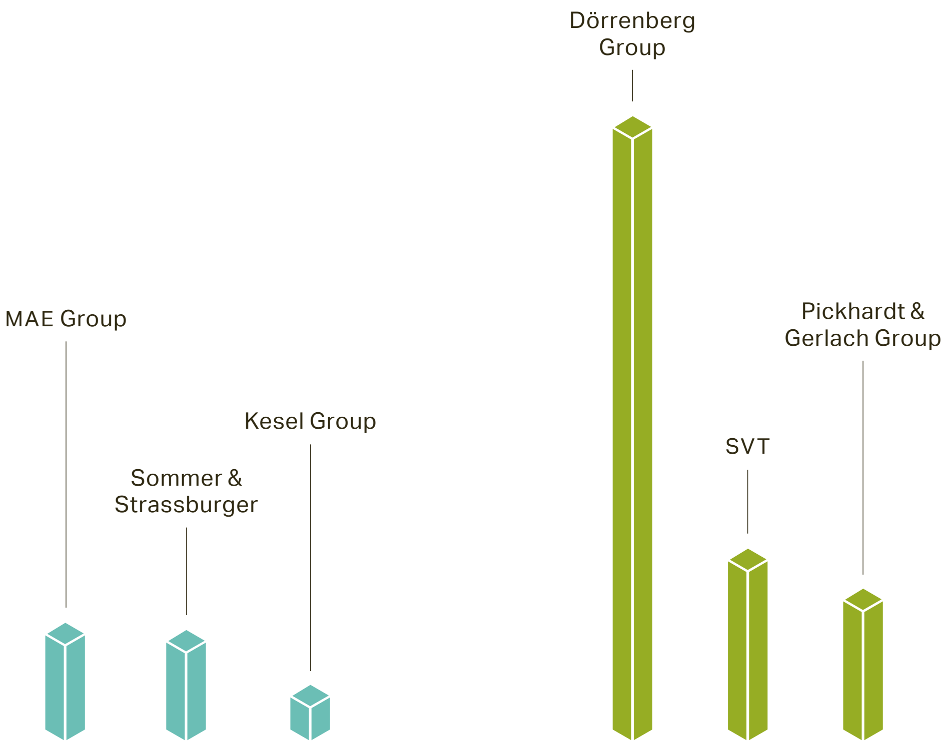
nique.

The subsidiaries in profile

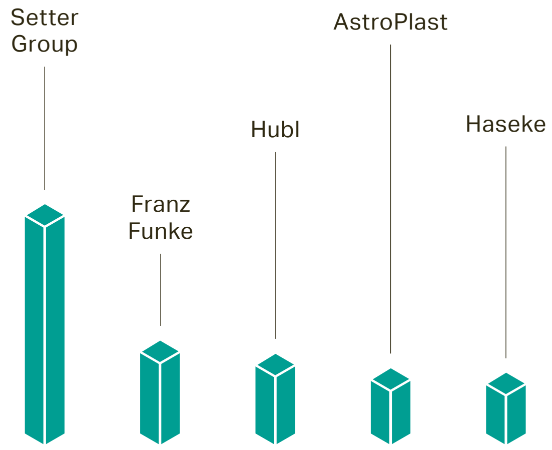
These are the three characteristics which, in our opinion, turn a medium-sized company into a “Hidden Champion” at GESCO. With our NEXT LEVEL strategy, we form eleven such hand-picked companies to fit into our portfolio. Divided into three strategic areas, our subsidiaries represent a good starting point on the way to a balanced and robust portfolio.

GESCO Group at a glance

Significant subsidiaries by sales

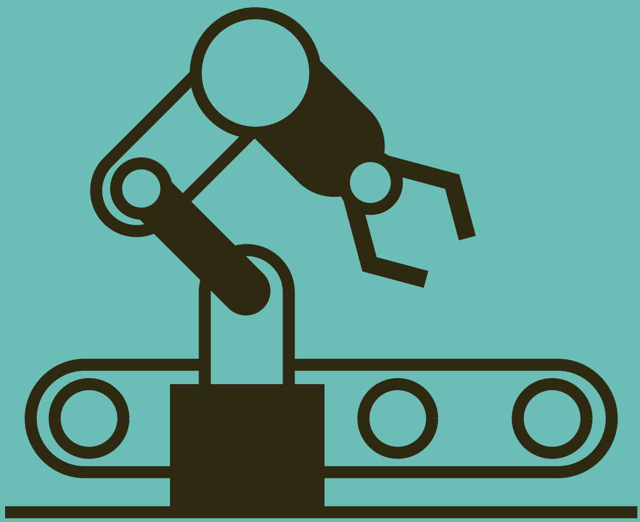


Company	Sales 2020 €'000	Staff 31/12/2020	GESCO AG shareholding in %
Production Process Technology			
MAE Group	23,532	173	100 %
Sommer & Strassburger GmbH & Co. KG	21,764	139	100 %
Kesel Group	8,895	58	90 %
Resource Technology			
Dörrenberg Group	152,274	503	90 %
SVT GmbH	42,144	191	100 %
Pickhardt & Gerlach Group	31,970	43	100 %



Healthcare and Infrastructure Technology

Company	Sales 2020 €'000	Staff 31/12/2020	GESCO AG shareholding in %
Healthcare and Infrastructure Technology			
Setter Group	54,022	207	100 %
Franz Funke Zerspanungstechnik GmbH & Co. KG	20,740	95	100 %
Hubl GmbH	16,716	112	80 %
AstroPlast Kunststofftechnik GmbH & Co. KG	13,185	84	100 %
Haseke GmbH & Co. KG	12,094	69	80 %



3

Companies

14 %

share of
GESCO Group sales

54.2

€ million sales
(previous year 71 € million)

371

Employees 31/12/2020
(previous year 422)

Production Process Technology

The companies in the Production Process Technology segment target dynamic markets being shaped by automation with a high degree of innovation. In doing so, the subsidiaries usually occupy themselves with creating solutions for the automation of machine and plant engineering. With their products and services, they primarily assist series manufacturers with their production processes.

MAE Group

Erkrath

173

Employees
31/12/2020
(previous year 218)

23.5

€ million sales
(previous year
37.9 € million)

1931
Founding year

1997
Acquisition by GESCO

Claas Jorde
Managing Director

100 %
Shareholding
GESCO

The MAE Group is world market leader in automatic straightening machines and wheel set presses. MAE has underpinned its technology leadership in both segments with its trailblazing innovations. Its product range is rounded off by a standard line of manual straightening presses and special machines for joining, assembling, testing and reforming. Major customer segments include the automotive and automotive supply industries, railway vehicle manufacturers and maintenance work-shops, and the machine tools and steel industries. With MAE Eitel Inc., MAE has a subsidiary for construction, production, sales, service and training in the US, and it also has a subsidiary for sales and service in China.

Status NEXT LEVEL

CANVAS OPEX MAPEX

Sommer & Strassburger GmbH & Co. KG

Bretten

139

Employees
31/12/2020
(previous year 144)

21.8

€ million sales
(previous year
20.8 € million)

1973
Founding year

2018
Acquisition by GESCO

Michael Hilpp
Managing Director

100 %
Shareholding
GESCO

Sommer & Strassburger develops and produces processing equipment with a focus on the pharmaceutical, food, water technology and chemical industries. The high-end processor of stainless steel has positioned itself as a leading edge provider with its own range of products. Sommer & Strassburger has decades of experience, extensive materials expertise and its own system development team. The company has the process technology know-how to understand its customers' methods and develop solutions that function reliably. An outstanding vertical depth of production, including in-house surface treatment, provides the highest quality for the respective customer sectors.

Status NEXT LEVEL

Kesel Group

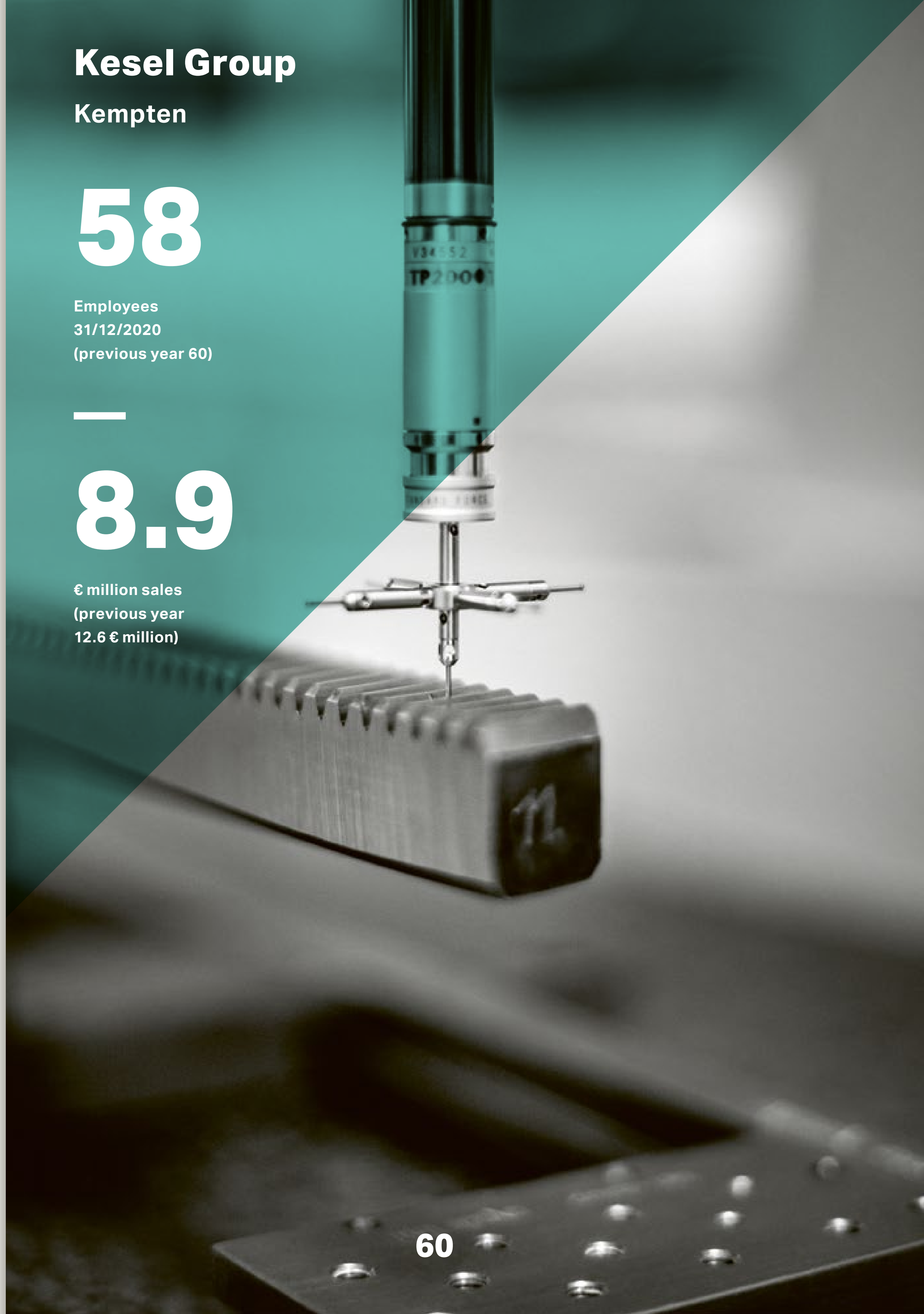
Kempten

58

Employees
31/12/2020
(previous year 60)

8.9

€ million sales
(previous year
12.6 € million)



1889
Founding year

2009
Acquisition by GESCO

Martin K. Klug
Managing Partner

10 %
Shareholding Management

90 %
Shareholding GESCO

Status NEXT LEVEL

CANVAS OPEX MAPEX

The Kesel Group develops and manufactures machine tools with a focus on highly specialised milling and grinding machines for linear tooth profiles. Machines for the manufacture of bandsaws – which are used in particular in industries such as metal processing and in milling tooth profiles for steering systems and drive components in automotive manufacturing and industrial toothed racks – are among its special products. The company also develops and produces clamping systems with a wide range of specifications, sizes and clamping forces. The Kesel Group's customers are mainly companies from the steel, gear-cutting and automotive industries. Kesel is present in China and the US with subsidiaries for sales and service, storage of spare parts and repair facilities.

3

Companies

57 %

share of
GESCO Group sales

226.4

€ million sales
(previous year 281 € million)

737

Employees 31/12/2020
(previous year 749)

Resource Technology

The subsidiaries in the Resource Technology segment supply products to material-intensive industrial companies with a focus on niches and customer service. The companies supply the markets with primary materials according to customer specifications, for example in the material supply or loading technology sectors.

Dörrenberg Group

Engelskirchen

503

Employees
31/12/2020
(previous year 527)

152.3

€ million sales
(previous year
204.9 € million)

1860
Founding year

1996
Acquisition by GESCO


Dr.-Ing. Frank Stahl (left)
Gerd Böhner (right)
Managing Partner

10 %
Shareholding Management

90 %
Shareholding GESCO

Status **NEXT LEVEL**

The Dörrenberg Group operates globally in the fields of special steels, steel foundry, casting products, and coating and hardening. The company provides its customers from a wide variety of industries with expert technical consulting, often as early as in the design stage. The customer industries are widely spread, with the main industries being machine and plant construction, tool manufacturing and the automotive industry. The company has developed in-depth knowledge of metallurgy over decades, conducts research and development activities with universities and institutes and owns numerous patents on steels that have been developed in-house. Dörrenberg Edelstahl GmbH has a majority shareholding in a joint venture in Spain that focuses on surface treatments and minority shareholdings in renowned tool steel companies in Turkey and Romania. The company has also had subsidiaries in Singapore, Taiwan, China and South Korea for many years now. In 2018, Dörrenberg founded a subsidiary in the US in order to intensify its efforts to serve the local market with high-alloyed tool steel.

SVT GmbH

Schwelm

191

Employees
31/12/2020
(previous year 177)

42.1

€ million sales
(previous year
44.8 € million)

1968
Founding year

2002
Acquisition by GESCO

Michael Schauerte
Managing Director

100 %
Shareholding
GESCO

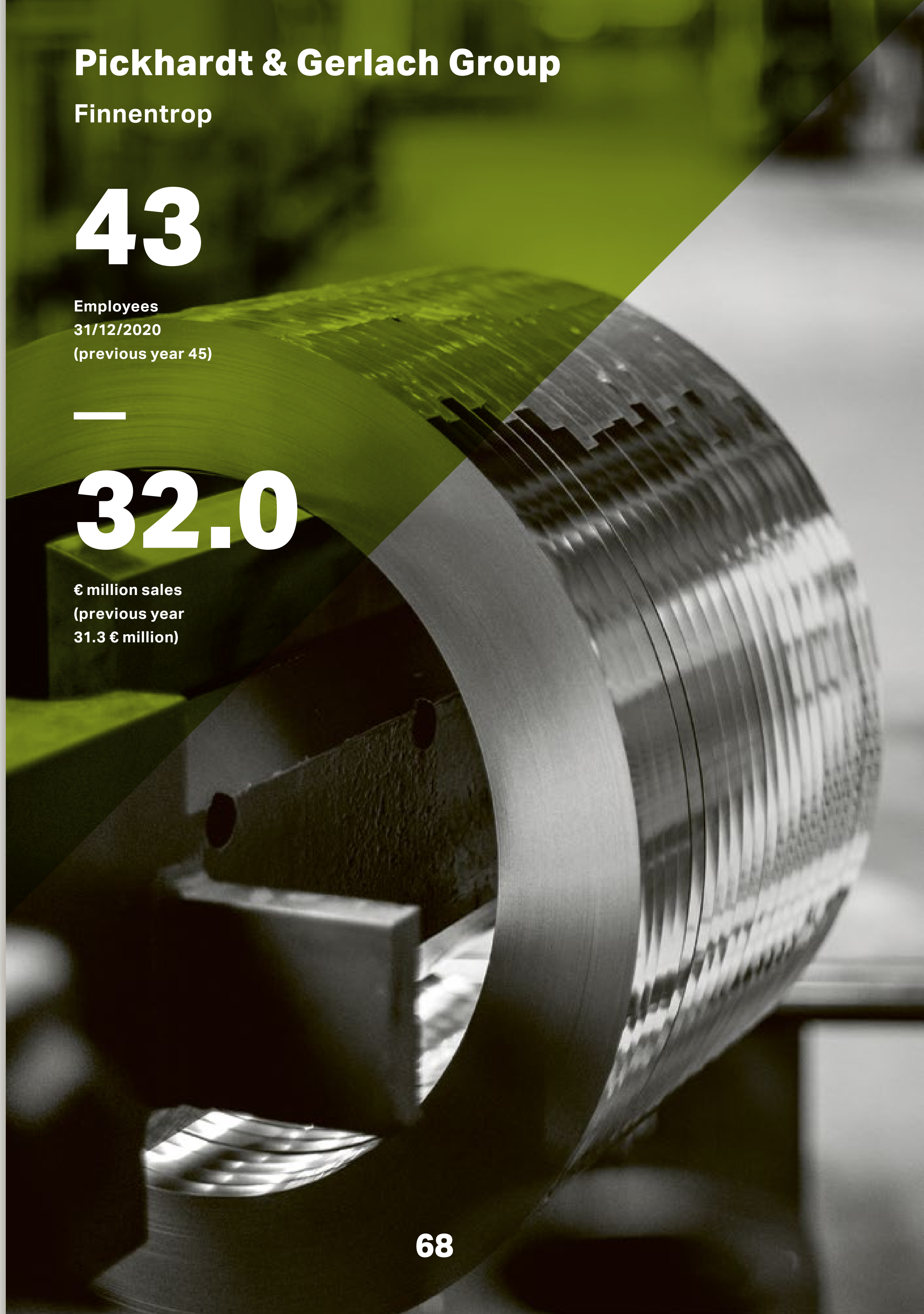
As the world's leading manufacturer of loading technologies, SVT GmbH develops and manufactures complete loading systems for safe loading of liquids and gases. The company has a great deal of technological expertise in designing and building complex systems and control units for loading and unloading ships as well as tank and tank wagons with liquid and gaseous substances. SVT supplies to the chemical, petrochemical and oil and gas industries and supports the sustainable role of LNG (Liquefied Natural Gas) with special loading technology for more environmentally friendly fuels. SVT guarantees its customers a strong service network, quickly available spare parts and service up to general overhaul over the entire life cycle with more than 13,000 loading arms delivered worldwide and stands for quality "Made in Germany."

Status **NEXT LEVEL**

CANVAS OPEX MAPEX

Pickhardt & Gerlach Group

Finnentrop



43

Employees
31/12/2020
(previous year 45)

32.0

€ million sales
(previous year
31.3 € million)

1902
Founding year

2017
Acquisition by GESCO


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

100 %
Shareholding GESCO

Status NEXT LEVEL

CANVAS OPEX MAPEX

The Pickhardt & Gerlach Group is one of Europe's leading strip steel processors. The company utilises a state-of-the-art and fully automated galvanic production process to apply brass, copper, nickel, zinc and partial stainless steel coatings to steel strips. Customers appreciate the excellent quality tailored to meet their individual needs as well as the company's uncompromising service. This niche product has an extremely wide range of applications. Components made from processed strip steel are used in the electrical engineering industry, in household appliances, in decorative items, in the furniture industry, for office materials and in the manufacturing of sporting items, for example.

5

Companies

29 %

share of
GESCO Group sales

116.7

€ million sales
(previous year 115 € million)

567

Employees 31/12/2020
(previous year 564)

Healthcare and Infrastructure Technology

The Healthcare and Infrastructure Technology segment unites companies that supply products to providers in mass consumer markets such as the medical, hygiene, food and sanitary sectors. These markets have proven that they are not particularly cyclical and that they are relatively robust in the face of economic fluctuations. Most of the companies supply components, modules and precursors.

Setter Group

Emmerich

207

Employees
31/12/2020
(previous year 180)

54.0

€ million sales
(previous year
50.4 € million)

1964
Founding year

2004
Acquisition by GESCO

Steffen Grasse
Managing Director

100 %
Shareholding
GESCO

Setter Group is the world's leading manufacturer of paper sticks, which it develops and produces for sale to customers from the confectionery and hygiene industries. The sticks are used in products such as lollipops, as stirrers, cake pops, cotton buds or medical products. There are hardly any limits to the possible individual customer specifications. The options range from various diameters, colours and lengths to printing – either for decorative purposes or for labelling with an EAN code, for example. Setter Group owes its quality leadership, and therefore its international success, to production systems developed in house. The company markets its products across all continents. Setter supplies its products to the world from its headquarters in Emmerich and has always had a focus on international business. Setter has been manufacturing in the United States based on its own technology for many years via a licensing model and acquired its U.S. supplier Setterstix Corp. at the beginning of 2015. In 2018, the company also founded a subsidiary in Mexico in order to be able to serve the South American market from there.

Status NEXT LEVEL

Franz Funke Zerspanungstechnik GmbH & Co. KG

Sundern

95

Employees
31/12/2020
(previous year 95)

20.7

€ million sales
(previous year
20.3 € million)

1919
Founding year

1995
Acquisition by GESCO

Till Wasner
Managing Director

100 %
Shareholding GESCO

Status NEXT LEVEL

Franz Funke Zerspanungstechnik turns high-precision parts made from brass, aluminium, red brass and Cuphin with diameters of 6 to 180 mm by utilising its machine park comprising more than 25 cutting-edge CNC-controlled machines. The company's customers primarily come from the plumbing, air conditioning, electrical and mechanical engineering sectors. In addition to machining-based manufacturing, Funke offers services including galvanic surface finishing, assembly installation and thermal material treatments, as well as connection technology such as soldering, welding and compression. With its consulting and other services, Franz Funke has positioned itself as a problem solver and strengthens customer retention.

Hubl GmbH

Vaihingen / Enz

112

Employees
31/12/2020
(previous year 118)

—

16.7

€ million sales
(previous year
16.4 € million)

1976
Founding year

2002
Acquisition by GESCO

Rainer Kiefer
Managing Partner

20 %
Shareholding
Management

80 %
Shareholding
GESCO

Status NEXT LEVEL

CAN VAS OPEX MAPEX

Hubl is a full-service provider in stainless steel sheet metal processing. The company's strengths lie predominantly in product development, technical design and construction but also in high-end production. Innovative tailor-made solutions meeting extremely high standards of quality are the company's speciality. Hubl's short lead times and broad technical manufacturing expertise make it a sought-after partner, particularly for prototype production, pilot series and limited-run series for customers in the pharmaceuticals and biotechnology, mechanical engineering, cleanroom and food technology industries.

AstroPlast Kunststofftechnik GmbH & Co. KG

Meschede

84

Employees
31/12/2020
(previous year 90)

13.2

€ million sales
(previous year
13.6 € million)

1972
Founding year

1995
Acquisition by GESCO

André Krichel
Managing Director

**100 %
Shareholding
GESCO**

Status NEXT LEVEL

CANVAS OPEX MAPEX

AstroPlast is a specialist in high-precision injection- moulded technical plastics. The company develops and markets its own range of special plastic spools, which are sold to manufacturers of wires, cables, tapes and optical fibres. AstroPlast also manufactures technical injection-moulded parts of various kinds. One specialty is the manufacture of large components made from crystal-clear thermoplastics. On the basis of its outstanding expertise in process engineering, its state-of-the-art machine park with clamping forces of 50 to 2,300 tonnes and its tool manufacturing capabilities, AstroPlast supplies a wide range of customer sectors with a focus on companies from the electrical engineering and household appliance industries, the construction industry, the medical technology sector, and the logistics and waste disposal sectors.

Haseke GmbH & Co. KG

Porta Westfalica

69

Employees
31/12/2020
(previous year 81)

12.1

€ million sales
(previous year
14.4 € million)

1983
Founding year

1990
Acquisition by GESCO

Uwe Kunitschke
Managing Partner

20 %
Shareholding
Management

80 %
Shareholding
GESCO

Status NEXT LEVEL

Haseke is a leading name in the development and manufacture of ergonomic, technically sophisticated suspension systems and enclosure technology. Its product range features suspension arms, including height-adjustable swivel arm systems, and control units and monitor brackets. The company's sophisticated, innovative modular system allows it to quickly implement individual customer requirements and use them to create new products. In its role as a systems supplier, Haseke offers its customers extensive services and advice, both before and after sales. Its products are used in medical technology, mechanical engineering, plant construction and automation technology. Simply put, Haseke products are required everywhere that people move around control units and displays – true to the Haseke concept: "Intelligent Movement."

02

To our shareholders

Foreword by the Executive Board

Dear Shareholders,

2020 was a year of change, in keeping with the “In Progress” theme outlined in last year’s annual report. However, the year also saw GESCO Group make tremendous advances in pursuing its NEXT LEVEL strategy. Today, GESCO Group is less reliant on the automotive sector and therefore rests on a more resilient basis than at the start of the year. We have also made progress in operating terms as well.

The changed conditions in 2020, combined with the economic and social influences, significantly affected the way we work within GESCO Group and with our partners. The coronavirus pandemic also had a greater impact on GESCO Group than anticipated at the start of the year. We adapted rapidly to the situation, converted our processes to digital media and successfully introduced the use of remote working in many areas.

We will maintain this high degree of flexibility in 2021 and beyond in order to be optimally prepared for foreseeable and unforeseeable influences alike. To this day, it is still not possible to predict what kind of impact the coronavirus pandemic will have going forward. All that is certain is that our world remains in motion – and so does GESCO!

NEXT LEVEL – In progress

Even at first glance, GESCO Group looks quite different today than it did at the start of the year. Instead of 18 direct subsidiaries, we have eleven. We have discontinued the Mobility Technology segment following the sale of six subsidiaries in December 2020. The transaction was rounded off by a management buy-out of VWH GmbH at the start of the year. In the past, GESCO Group had a relatively high level of direct dependency on the automotive market. But now, the dependencies are much more balanced, and the Group rests on a more sound basis overall. Despite having sold a total of seven subsidiaries, GESCO remains an industrial Group that is fundamentally focused on the sustainable and long-term development of its companies – provided we see the potential for them to become true hidden champions.

A CANVAS analysis of all our subsidiaries’ business models to determine their potential, which was a focal point of our activities in 2019 and 2020, has played a pivotal role in the NEXT LEVEL strategy since its introduction in 2018. At some subsidiaries, this approach has revealed that GESCO is not the best partner for them on their path to the future. We view the sale of these companies to Switzerland’s Evoco Group as a win-win deal for everyone involved.

In addition to optimising the portfolio, the focus was primarily on implementing and overseeing the OPEX and MAPEX programmes in order to entrench operative, market and product excellence more firmly within the subsidiaries. We have made substantial progress in this regard. At Hubl, for example, we were able to make a contribution to fighting the coronavirus by significantly expanding production lines as part of our OPEX activities. At Pickhardt & Gerlach Group (PGW), we made a positive environmental contribution to expanding e-mobility through the launch of EMONI®. But read more about it yourself in our stories.

World – In change

From markets and technologies to the coronavirus itself, change was a defining force in many areas in 2020. Digitalisation is not a new issue, but its pace has accelerated. The conditions associated with the pandemic have forced us to digitalise processes to a greater degree – something that has benefited us. At first, making processes in production and administration safer and more resilient took priority, be it through concepts for remote working or by reducing the need for physical contact during and between shifts in production. The focus was on protecting each and every employee. Fortunately, the measures paid off. The number of people infected with the coronavirus within the Group has so far been very low.

However, there was also a need to ensure that our employees were able to communicate with each other. Today, video tools have taken on a key role in our working lives throughout GESCO Group – for meetings, for sharing and working on documents, and for the short exchange of information face to face using virtual means. Video tools have also proven their value in keeping in touch with customers. While they cannot replace personal contact, virtual tools make it possible to communicate directly with customers and interact with products whenever it is neither feasible nor advisable to conduct demonstrations on site at plants, customers' offices or trade fairs. These tools even allow us to safely perform technical acceptance procedures for major projects. In fact, it is now hard to imagine the world of M&A without videoconferencing and virtual collaboration.

The now ubiquitous use of these various tools will continue making collaboration within our Group and with our business partners more efficient and flexible in the future.

Business figures – In flux

The figures in our annual report are hard to compare with those in the past. Last year, we temporarily introduced an abbreviated nine-month financial year to change our reporting date to 31 December. This year, GESCO completed its first full financial year that was identical to the calendar year. Even though GESCO Group had 18 direct operating subsidiaries until the end of December, our sales of € 397 million reflect only the continuing operations. The € 98 million in sales revenues from the companies sold are included in the earnings from discontinued operations. Accordingly, we are reporting a negative overall result of

€ -16 million. However, with positive earnings from continuing operations (after minority interests) of around € 6 million, we have demonstrated that our continuing and future companies were appropriately successful even in difficult times.

Share – In motion

The GESCO share also looks back on a volatile year 2020. After getting off to a promising start, stock markets tumbled from February on, leading to a very low annual low for the GESCO share as well in March. As the year progressed, the share resumed its upward trajectory. Fuelled by the portfolio restructuring efforts, it developed positively in the final months of 2020 and caught up to the SDAX in the first quarter of 2021.

Future – In Transition

We once again set ambitious goals for ourselves in 2021. The guiding theme of this financial year is "in transition." We plan to systematically continue enhancing our portfolio architecture and achieve further success in the implementation of our excellence programmes.

Unchanged: Thanks

We look back on a challenging and exciting 2020 with conditions that were out of the ordinary. We would like to thank our Managing Directors and employees at the subsidiaries and GESCO AG for their dedication, perseverance and cooperation. In particular, we would like to expressly thank our shareholders, who have demonstrated their faith in us in these turbulent times and bestowed us with their trust.

We look forward to continuing down the path of our NEXT LEVEL strategy with you in the new financial year.

Sincerely yours,

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

Report from the Supervisory Board for financial year 2020

Klaus Möllerfriedrich, Chairman

Stefan Heimöller, Deputy Chairman

Jens Große-Allermann

Dr Nanna Rapp

The work of the Supervisory Board in 2020 primarily focused on the challenges posed by the coronavirus pandemic, not only in relation to topics and issues that needed to be dealt with, but also in terms of the nature of communication and collaboration. The Executive Board and the team at GESCO AG and the subsidiaries successfully continued their work towards implementing the NEXT LEVEL strategy, irrespective of the pressures of the coronavirus crisis and weak economic development. The first milestone was reached with the sale of a group of six subsidiaries and the resulting discontinuation of the Mobility Technology segment. The Executive Board and the subsidiaries will continue to systematically pursue NEXT LEVEL implementation in the current financial year. One new feature in financial year 2020 was that the reporting period of GESCO AG and therefore also of the Group is now fully synchronised with the financial years of the subsidiaries. The preceding financial statements for the abbreviated financial year 2019 comprise the months April to December 2019 due to the change in the financial year. All Supervisory Board members were re-elected for the next five years by the Annual General Meeting on 18 June 2020.

Due to the ongoing coronavirus pandemic, the outlook for the current financial year remains subject to extreme uncertainty. Direct automotive business in the portfolio has been balanced out by the sale of a total of seven subsidiaries and the resulting increase in Group profitability gives the Executive Board and the Supervisory Board the necessary support to steer the GESCO Group through this crisis proactively and in the best possible way.

In this report, the Supervisory Board provides information about its activities during financial year 2020. The main topics are its continuous dialogue with the Executive Board and the audit of the annual financial statements and consolidated financial statements.

Cooperation between the Executive Board and the Supervisory Board

The Supervisory Board re-elected by the Annual General Meeting on 18 June 2020 and the Executive Board were able to ensure an intensive and trusting working relationship from the outset. Throughout the reporting year, the Supervisory Board observed the control and advisory tasks incumbent upon it in accordance with German law and the Articles of Association. These tasks included the regular exchange of information with the Executive Board and the supervision of the company's management with regard to its legality, regularity, appropriateness and economic viability.

The Supervisory Board was directly involved in all decision-making of fundamental importance to the company. The financial position of GESCO AG and the subsidiaries was discussed on an ongoing basis and in detail. As in previous years, the Supervisory Board also focused on recruiting new management personnel for subsidiaries. It also concentrated on providing assistance with sales activities in 2020.

The Executive Board regularly briefed the Supervisory Board both in writing and verbally, promptly and comprehensively on all relevant issues of corporate planning and its strategic development, on the course of transactions, the position of the Group and the individual subsidiaries, including the risk situation, as well as on risk management and compliance management. Between meetings, the Supervisory Board was also informed in detail and on an ongoing basis, both through written reports and verbally, about all projects and plans that were of particular significance to the company. In addition, a suitable electronic information system was set up to meet the requirements of the coronavirus pandemic. The Supervisory Board used the system to keep up to date with the impact of the pandemic, including at the subsidiaries. The Supervisory Board received detailed reports from the compliance management system and the internal control and risk management system from the GESCO AG employee responsible for these areas at its regular quarterly meetings. The Supervisory Board engaged with the structure, content and functionality of these systems, as planned. In all cases, the members of the Supervisory Board dealt closely and critically with the reports presented to them and contributed their own recommendations. This enables the scope and nature of the reporting process to be updated continuously.

Business performance was discussed in detail with the Executive Board. Deviations in the course of business from the respective annual plans and objectives were explained to the Supervisory Board in detail at the meetings and collectively analysed by both the Executive Board and Supervisory Board. The members of the Supervisory Board and the Chairman in particular were also in regular contact with the Executive Board outside Supervisory Board meetings and stayed informed on current trends in the business situation and any significant business transactions. The Supervisory Board thoroughly considered the reports and proposals for resolutions from the Executive Board and, as far as this was required in accordance with legal and statutory provisions, cast its vote.

Significant strategic investments at subsidiaries were discussed in depth on the basis of detailed investment plans. The Supervisory Board focused particularly on companies under threat from the general economic situation (particularly automotive business) or the coronavirus. These included a tool manufacturer within the Group, for which the Executive Board drew up a special recovery and restructuring plan.

No management meetings with the involvement of the Supervisory Board were possible in 2020 due to the coronavirus pandemic. As a result, the Supervisory Board was unable to exchange ideas directly with the individual Managing Directors of GESCO AG subsidiaries, as has been the case in previous years. Individual Supervisory Board members paid visits to subsidiaries. A Supervisory Board meeting was combined with an on-site visit in compliance with all necessary measures to combat the pandemic at MAE Maschinen und Apparatebau Götzen GmbH in Erkrath, Germany.

Changes to the management of subsidiaries were discussed in detail by the Supervisory Board and the Executive Board. Newly recruited members of management teams were invited for an interview with the Supervisory Board before the approval resolution was tabled.

Organisation of the Supervisory Board

The Supervisory Board of GESCO AG consists solely of shareholder representatives. The Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman), Dr Nanna Rapp and Mr Jens Große-Allermann.

The Supervisory Board of GESCO AG has been deliberately kept small in order to facilitate efficient work and in-depth discussions on both strategic and detailed issues. The Supervisory Board therefore believes that it is not sensible or appropriate to create Supervisory Board committees. This also applies to an audit committee, whose tasks continue to be carried out by the entire Supervisory Board. Supervisory Board committees were therefore not created in financial year 2020. However, the Supervisory Board has delegated individual tasks to its members, who deal with particular issues and propose decisions to the board for final discussion and decision-making, particularly concerning acquisitions, personnel decisions and auditing. The four members of the Supervisory Board have different areas of competency that complement each other and, from GESCO AG's perspective, therefore ensure that the Supervisory Board offers sufficient professional diversity. The Supervisory Board has summarised these areas of competency into a competency matrix, which is published as part of the Declaration of Corporate Governance.

Meetings and resolutions of the Supervisory Board

There were a total of 14 Supervisory Board meetings in financial year 2020, of which one took place internally without the involvement of the Executive Board. Supervisory Board meetings were predominantly held in the form of video conferences. All members of the Supervisory Board attended each of these meetings. The financial development of the GESCO Group, the development of certain subsidiaries, personnel-related matters relating to subsidiaries, target achievement with regard to the annual budget and ongoing transaction projects were all matters discussed by the Supervisory Board on a continuous basis. A GESCO AG employee reported to the Supervisory Board on a quarterly basis on the compliance management system and the internal control system and risk management system. In addition, the Supervisory Board sought advice and, if necessary, passed resolutions on the following issues:

- Discussion of the annual financial statements and consolidated financial statements of GESCO AG as at 31 December 2019; adoption of the annual financial statements and the consolidated financial statements as at 31 December 2019
- Annual budget for 2020
- Agenda of the Annual General Meeting 2020
- NEXT LEVEL strategy implementation at GESCO AG and GESCO Group
- Matters relating to the Supervisory Board, Executive Board and personnel
- Declaration of Compliance and corporate governance
- Internal control, risk management and compliance management system
- Investment at subsidiaries
- New arrangement regarding remuneration of the Executive Board
- Sale of subsidiaries
- Appointment of a new auditor for the financial statements of GESCO AG and GESCO Group

Between meetings, the Supervisory Board was also informed in detail through written reports about all projects and plans that were of particular significance to the company.

Corporate governance

The Supervisory Board continuously monitored the development of corporate governance standards. The Executive Board and the Supervisory Board report on corporate governance at GESCO AG in their joint Declaration of Corporate Governance, which is also contained in the Annual Report.

The Executive Board and Supervisory Board submitted a declaration of compliance with the German Corporate Governance Code on schedule and as required by law in December 2020. In accordance with this declaration, GESCO AG complies with the recommendations of the Government Committee on the German Corporate Governance Code, with the exception of the deviations given and explained in the Declaration of Compliance.

The members of the Supervisory Board did not participate in any external training measures in the reporting year due to the coronavirus pandemic. Instead, they looked into relevant Supervisory Board issues in newspapers, articles and publications by supervisory board associations.

The most recent efficiency audit of the Supervisory Board was conducted in 2019. There were no changes in the selection of Supervisory Board members in 2020, so no efficiency audit was carried out. Furthermore, the coronavirus restrictions have resulted in temporary changes to how the Supervisory Board operates.

Executive Board remuneration

The Management Reports and notes to the financial statements of GESCO AG and the consolidated financial statements provide more extensive information on the Executive Board remuneration system. The structure of Executive Board remuneration was not changed in the reporting year and was also taken into consideration in the contracts of current members of the Executive Board. It corresponds to the Executive Board remuneration system approved with a majority of 98.9 % of all votes cast by the Annual General Meeting on 30 August 2018 as part of the Say-on-Pay resolution. A modified remuneration system will be presented to the Annual General Meeting 2021 for approval that takes into consideration the changes effected by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the latest recommendations of the German Corporate Governance Code.

Change to the Supervisory Board remuneration system

The Supervisory Board concerned itself with the remuneration of Supervisory Board members, including the underlying system, in financial year 2020 and presented a revised Supervisory Board remuneration system to the Annual General Meeting on 18 June 2020 for approval. The modified remuneration system was approved by the Annual General Meeting by a majority of 93.26 % and amended in the articles of association.

Audit of the annual and consolidated financial statements

Corresponding to the legal provisions, the auditor selected by the Annual General Meeting on 18 June 2020, Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Wuppertal, Germany, was commissioned by the Supervisory Board on 26 June 2020 to audit the annual financial statements and consolidated financial statements. The auditor confirmed its independence to us in a letter dated 30 March 2020. Furthermore, the auditor provided evidence that it is qualified to audit listed companies due to its successful participation in a quality control audit conducted by the German Chamber of Public Accountants.

The annual financial statements drawn up by the Executive Board for the financial year from 1 January to 31 December 2020 in accordance with the regulations of the German Commercial Code (HGB) and the Management Report of GESCO AG were audited by the auditor. The auditor issued an unqualified audit report on 26 March 2021.

The consolidated financial statements and Group Management Report of GESCO Group for the financial year from 1 January to 31 December 2020 were drawn up by the Executive Board and audited by the auditor on the basis of the International Financial Reporting Standards (IFRS), taking into account Section 315e of the German Commercial Code (HGB). The auditor furnished the consolidated financial statements and Group Management Report with an unqualified audit report on 26 March 2021.

This year, the focal points of the audit for the individual financial statements of GESCO AG were the disclosure of the sale of investments in the annual financial statements, the recognition and valuation of investments, the accrual and recoverable amount of receivables from associated companies and completeness and valuation of other provisions. The focal points of the audit of the consolidated financial statements were the presentation of the deconsolidation and calculation of sale proceeds and the recoverability of goodwill (impairment testing). The focal points of the audit are agreed with the auditor before the audit takes place. The Supervisory Board did not place any special demands on the auditor this year. The focal points of the audit identified by the auditor already included the Supervisory Board's desired scope. The Supervisory Board and the auditor were in contact during the ongoing audit activities with regard to exchanging information about the audit. In the final phase of the audit, the Supervisory Board liaised intensively with the auditor on the progress of the audit for the purpose of preparing for the committee's decision.

The complete financial statements as well as the auditor's accompanying audit reports were sent to all members of the Supervisory Board in good time before the accounts meeting and included in the Supervisory Board's audit. They were the subject of intensive discussions in the meeting of the Supervisory Board on 26 March 2021. The auditors were in attendance at this meeting, reported in detail on the main results of the audits and were available to the Supervisory Board for questions and additional information. The auditors gave comprehensive answers to all questions from the Supervisory Board. No objections were raised to the annual financial statements, the Management Report, the consolidated financial statements or the Group Management Report after the final result of the audit carried out by the Supervisory Board. After its own audit of the annual financial statements, the consolidated financial statements, the Management Report and the Group Management Report, the Supervisory Board unanimously approved the result of the audit by the auditor and accepted the annual financial statements and the consolidated financial statements in the meeting on 1 April 2021. The annual financial statements of GESCO AG have thereby been adopted. No resolution on the appropriation of retained profit was necessary. The individual financial statements of GESCO AG for financial year 2020 do not report any retained profit, and so there is no need for a resolution on its appropriation at the Annual General Meeting 2021.

Election to the Supervisory Board

The GESCO AG Annual General Meeting on 18 June 2020 re-elected the four members of the Supervisory Board, Dr Nanna Rapp, Jens Große-Allermann, Stefan Heimöller and Klaus Möllerfriedrich. In its constituent meeting on 18 June 2020, the Supervisory Board elected Klaus Möllerfriedrich as its Chairman and Stefan Heimöller as its Deputy Chairman.

Thanks for all the effort

People are a key factor in the success of the GESCO Group. The Supervisory Board would like to thank the Executive Board, the Managing Directors of the subsidiaries and all GESCO Group employees for their outstanding loyalty and great commitment in the past financial year, particularly in the face of the restrictions and additional strains caused by the coronavirus pandemic. The subsidiaries' Managing Directors and employees managed to maintain business activities while complying with the necessary protective measures.

Wuppertal, Germany, 1 April 2021

On behalf of the Supervisory Board
Klaus Möllerfriedrich,
Chairman of the Supervisory Board

GESCO share

GESCO has been building a bridge between German SMEs and the capital market since its IPO in 1998. GESCO AG offers companies a home for the long term and enables investors to access a portfolio of entrepreneurial, technology-driven, industrial companies through the GESCO share.

Share price development 2020

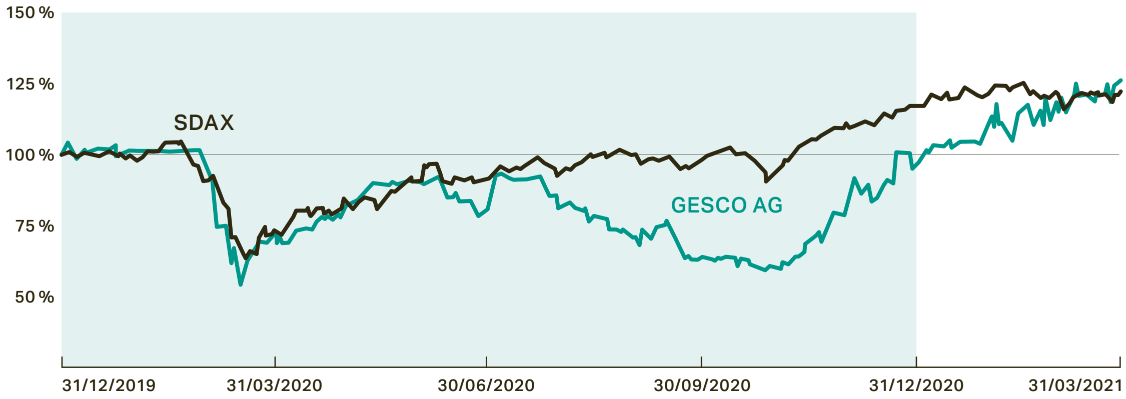
The stock markets experienced a turbulent 2020. The year began promisingly, with the DAX reaching a new all-time high of 13,795 points in early February, the SDAX also showing solid gains and the GESCO share price rising to what would ultimately prove to be its high for the year of € 19.70 on 2 January 2020. The markets were then thwarted in February, firstly by the emergence of coronavirus in China and secondly by the global economic downturn caused by the drastic measures taken to combat the pandemic. Uncertainty regarding the anticipated impact of the coronavirus crisis sent the SDAX into a nosedive by mid-March, by which time GESCO shares had lost almost 50 % of their market value. GESCO shares fell to their lowest point in 2020 on 17 March, dipping to € 10.28.

The coronavirus crisis and the economic contraction were also factors in GESCO share performance in the second quarter. By July, following multiple attempts to emerge from this trough, GESCO shares had already returned to pre-crisis price levels. Overall, the stock markets had also recovered to a similar level by then.

However, the second half of the year saw widespread price corrections and, against the backdrop of the second wave of the pandemic and declining sentiment, price losses of the same magnitude seen in the first quarter. GESCO shares did not fall any lower than their March annual low and managed to achieve sustained, significant gains from the end of October trending towards the price level from the start of the year as 2020 drew to a close. The largest portfolio restructuring in the company's

GESCO AG (excluding dividend) vs SDAX (price index)

Financial year 2020



Source: Bloomberg

history, announced on 21 December 2020, also supported this performance. GESCO sold a group of six subsidiaries, discontinued the Mobility Technology segment and revised its outlook for 2020.

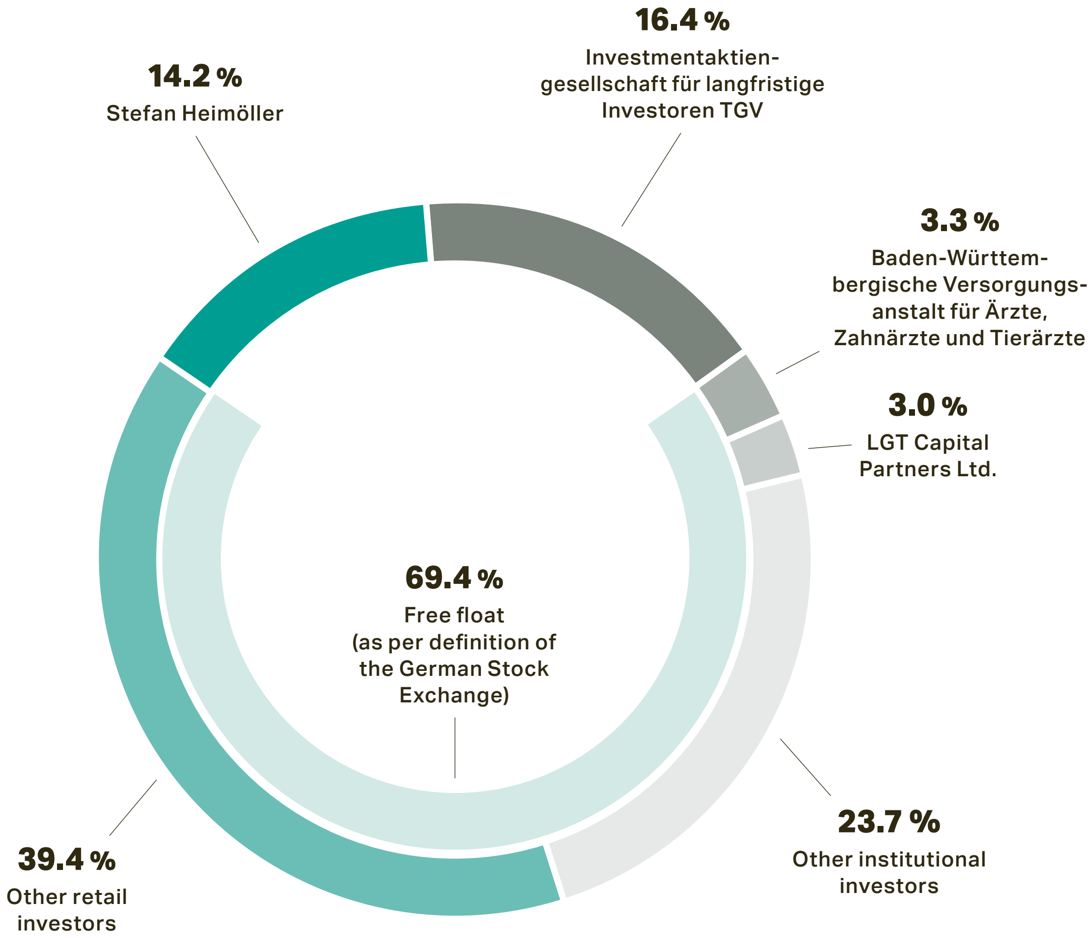
In consideration of the dividend paid in the reporting period of € 0.23 per share, GESCO shares declined by -1.5 % in financial year 2020 (– 2.7 % without a dividend). The SDAX performance index, which also includes dividend payments, offered a yield of 18.0 % (16.4 % without dividends in the SDAX price index) in the same period. The GESCO share price was able to make up the remaining ground to the SDAX index in the first three months of financial year 2021.

Shareholder structure

GESCO shares remain widely diversified, with share capital in the hands of some 8,500 investors. To our knowledge, Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, Germany, whose Executive Board member Jens Große-Allermann joined the Supervisory Board of GESCO AG in October 2017, and the entrepreneur Stefan Heimöller, who has been a member of the Supervisory Board since the 2013 Annual General Meeting, hold the largest shares of the share capital. Investmentaktiengesellschaft für langfristige Investoren TGV held 15.1% of the shares as at the reporting date and has since increased its shareholding to 16.4 %. Mr Heimöller holds 14.2 % of shares.

Shareholder Structure

As at 26/02/2021



According to the regulations of Deutsche Börse AG, all shares not held by major shareholders (holding over 5 % of share capital) are considered to part of free float. As a result, Mr Heimöller's stake is deducted from free float. Shares held by institutional investors are generally considered to be part of free float. However, in the case of the shares held by Investmentaktiengesellschaft für langfristige Investoren TGV, these shares are also deducted from free float by Deutsche Börse as this company is represented on the GESCO AG Supervisory Board through Mr Große-Allermann and can therefore influence GESCO AG's strategy. Free float amounted to approximately 70.7 % as at the reporting date and is now at 69.4 %.

In early October 2020, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte notified us that it has risen above the 3 % threshold with a share of voting rights of 3.34 %. Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte is an institutional investor that has invested in GESCO for a significant period of time and reached the reporting threshold by increasing its shareholding.

To our knowledge, 39 % of the remaining shares in free float are held by private investors and around 27 % are held by institutional investors, including LGT Capital Partners, which has a 3.04 % stake. The vast majority of shares, 82 %, are held by German investors.

In financial year 2020, Kerstin Müller-Kirchhofs, Chief Financial Officer of GESCO AG, informed the company of the acquisition of GESCO shares. The company immediately initiated the corresponding statutory releases.

Active investor relations

Since the IPO on 24 March 1998, GESCO AG has maintained an active, open approach to investor relations and seeks dialogue with its owners. It interacts with institutional investors at capital market events and conferences, roadshows, one-on-one meetings and conference calls. We not only engage in personal dialogue with private investors at the Annual General Meeting, but also at conventions and events hosted by organisations that represent the interests of private investors, as well as at various opportunities during the year by e-mails, letters and phone calls.

We have been a member of the **Deutsches Aktieninstitut e. V. (DAI)** since 1999 and support the development of share culture in Germany.

Since 2000, GESCO AG has been a member of the **Deutscher Investor Relations Verband e. V. (DIRK)** and stands by its principles of open and continuous communication.

Research

GSC Research, Pareto Securities, SMC Research and Warburg Research compiled regular research on GESCO shares in the reporting year. As at the reporting date, four analysts rated the share as “buy” and one as “hold”.

Analyst ratings

As at 31/03/2021	Price target	Recommen-dation	As at
GSC Research	€ 27.00	Buy	31/03/2021
Pareto Securities	€ 24.00	Buy	15/01/2021
SMC Research	€ 35.80	Buy	30/03/2021
Warburg Research	€ 22.00	Buy	28/01/2021

Designated sponsoring

Pareto Securities and M.M. Warburg are engaged in the area of designated sponsoring.

Dividend policy

One of the aims of the NEXT LEVEL strategy is to make the portfolio more robust and balanced. In addition, the minimum sales for potential direct investments has also been raised. The Executive Board and Supervisory Board have decided to adjust the GESCO AG dividend policy in order to support the associated acquisition strategy. Under the previous dividend policy, approximately 40 % of Group net income after minority interests was to be distributed. Since the introduction of the new policy, distributions have been within the range of 20 % to 60 %. That puts GESCO AG in a position to keep liquid assets within the company by reducing the distribution ratio, particularly when acquisitions or major investments are planned. Meanwhile, in phases with strong results, distributions can significantly exceed the past limit of 40 %. Overall, the implementation of the NEXT LEVEL strategy will give the company greater flexibility.

Given the negative result on the whole in financial year 2020, the Executive Board and Supervisory Board have decided to suspend the dividend payment for financial year 2020. The decision was made in consideration of the current dividend strategy and also serves to maintain liquid reserves in light of the acquisition plans associated with the NEXT LEVEL strategy. GESCO will, however, continue to pursue its fundamental dividend policy, which gives GESCO shareholders the opportunity to participate appropriately in the performance of the business.

Employee share scheme

Since its IPO in 1998, GESCO AG has offered domestic GESCO Group employees the chance to buy shares in the company at favourable terms within the scope of an annual employee share scheme.

In return for a moderate annual financial commitment, the programme offers employees the chance to build a considerable investment over time, which combines share price development and dividend payments, thereby making a contribution to their own pension plans. In addition, employees own a stake in the company, helping to foster a shareholder culture. Last but not least, this programme allows us to support the development of share culture in Germany.

Unfortunately, it was not possible arrange the scheme in 2020 for regulatory reasons. GESCO AG plans to continue this programme as it considers it to be an important instrument in personnel retention.

Stock exchanges

XETRA
Frankfurt (regulated market)
Berlin (open market)
Düsseldorf (open market)
Hamburg-Hanover (open market)
Munich (open market)
Stuttgart (open market)

Information on GESCO shares[1)]

International Securities Identification Number (ISIN)	DE000A1K0201
Securities Identification Number (SIN)	A1K020
Stock market abbreviation	GSC1
Share capital (31/12/2020)	€ 10,839,499
Number of shares (31/12/2020)	10,839,499
IPO	24 March 1998
Year-end price, previous year (31/12/2019)	€ 18.86
Year-end price, financial year (31/12/2020)	€ 18.35
Reporting year high (02/01/2020)	€ 19.70
Reporting year low (17/03/2020)	€ 10.28
Market capitalisation (31/12/2020)	approx. € 198.9 million
Free float (31/12/2020)	approx. 70.7 %
Market capitalisation of free float (31/12/2020)	approx. € 140.6 million
Transparency standard	Prime Standard
Indices	CDAX overall index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

1) All share prices reflect the XETRA closing price.

Contact

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investorrelations@gesco.de

Declaration of Corporate Governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) Financial year 2020

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

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

The Executive Board and Supervisory Board submitted a declaration of compliance on schedule and as required by law in December 2020 and made it permanently available to shareholders on the company's website (www.gesco.de). On account of the entry into force of the amended Code during the reporting period, this declaration is based on the Code amended as at 7 February 2017 and on the current version of the Code dated 16 December 2019.

The declaration of compliance issued in December 2020 is included in this corporate governance report. Previous declarations of compliance are also available to our shareholders and other interested parties from the Compliance and Corporate Governance section of the company website at www.gesco.de. The GESCO AG Articles of Association are also available in this section of the website.

Compliance management system

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

Shareholders and Annual General Meeting

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

In accordance with the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic (GesRuaCOVBekG) of 27 March 2020, in conjunction with the Ordinance on the Extension of these Measures (GesRGenRCOVMVV) of 20 October 2020, annual general meetings may be held as virtual events without the physical presence of shareholders or their authorised representatives until the end of the calendar year of 2021.

Executive Board and Supervisory Board

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

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

Executive Board

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

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

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

Relevant details regarding management practices

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

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

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

Long-term succession planning for the Executive Board

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

Supervisory Board

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

The Supervisory Board of GESCO AG has been deliberately kept small. This has proven to be extremely effective, as strategic issues and detailed questions can be discussed in depth from an overall perspective within the entire Supervisory Board. It is obviously not practical to form committees from a Supervisory Board of this size, so no committees are formed at GESCO AG. The company feels that a strong point of the Supervisory Board derives from the fact that its members are equally involved in all issues. In this regard the Executive Board and Supervisory Board declare a deviation from the recommendations D.2 sentence 1, D.3 and D.5 GCGC.

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

The Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman), Dr Nanna Rapp and Mr Jens Große-Allermann.

The Supervisory Board believes it is appropriate for at least two members of the company's Supervisory Board to be independent within the meaning of the Code. All members of the Supervisory Board currently meet the independence criteria. Although Mr Möllerfriedrich has been a member of the company's Supervisory Board for more than 12 years, the Supervisory Board still considers him to be independent within the meaning of recommendation C.7 GCGC. In view of the performance of his duties to date, the Supervisory Board remains of the conviction that despite his many years on the Supervisory Board, Mr Möllerfriedrich continues to maintain the critical distance to the company and its Executive Board necessary for the performance of his duties. What's more, Mr Möllerfriedrich does not have any personal or business relationships with the company or its Executive Board that could give rise to a conflict of interest, nor does he hold any shares in the company. All members of the Supervisory Board also have the appropriate expertise to act as financial experts in accordance with Section 100 para. 5 AktG. In their entirety, the members of the Supervisory Board are familiar with the sector in which GESCO AG operates.

The most recent efficiency audit of the Supervisory Board was conducted in 2019. There were no changes in the selection of Supervisory Board members in 2020, so no efficiency audit was carried out. Furthermore, the coronavirus restrictions have resulted in temporary changes to how the Supervisory Board operates.

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

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

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

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

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

Target regarding the inclusion of women

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

GESCO Group companies pursue a clear and absolute policy of equal opportunities in their day-to-day business. This is a matter of course, irrespective of any legal obligations. The companies make a conscious effort to receive job applications from female candidates, support interested candidates in their applications, take part in campaigns such as "Girls' Days" and actively seek out dialogue with schools and universities. This is not based on the desire to fulfil a quota, but rather derives from the conviction and necessity to recruit highly qualified individuals for vacant roles. GESCO Group companies have a great interest in positioning themselves as attractive employers.

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

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

The organisational structure of GESCO AG was expanded effective 1 September 2020 with the addition of a **first level of management below the Executive Board**. There is no second level of management below the Executive Board. The Executive Board has specified a target of 25 % for the share of women on the first level of management. This target is currently met.

We are keeping 30 June 2022 as the deadline for the next review of target achievement.

Comprehensive and transparent communication

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

Shareholdings and members of executive bodies

In accordance with the legal provisions, GESCO AG publishes without delay transactions by the persons referred to in Article 19 of the Market Abuse Regulation – particularly by members of executive bodies, and by persons closely associated with them, involving equities and debt instruments of the company or financial instruments related thereto – that require notification under the regulation. The transactions reported to GESCO AG in the past financial year are available from the Investor Relations section of the company website at www.gesco.de.

Remuneration Report

The remuneration report is part of the Group Management Report.

Accounting and audit of financial statements

The individual financial statements of GESCO AG are prepared in accordance with the German Commercial Code (HGB). Since the financial year 2002 / 2003, the consolidated financial statements of GESCO AG have been prepared according to International Financial Reporting Standards (IFRS). The individual and consolidated financial statements were audited by Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal, Germany. The responsible auditor is Mr Alexander Koch.

The following auditing firms were responsible for auditing the individual financial statements of the subsidiaries: Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal, Germany; Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany; and Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, Germany. Audits of the foreign subsubsidiaries are largely conducted by international cooperation partners of our German auditors.

The auditor is appointed by the Annual General Meeting for a period of one financial year in accordance with legal requirements. The Annual General Meeting of 18 June 2020 agreed to the Supervisory Board's proposal and appointed Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal, Germany, as auditors of the annual and consolidated financial statements for financial year 2020 and for any potential audit of the abbreviated financial statements and interim Management Report as at 30 June 2020. The Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements in line with this resolution. The half-year interim report and/or first- and third-quarter statement were not audited in the reporting year.

GESCO AG, Wuppertal

Securities Identification Number (SIN) A1K020
ISIN DE000A1K0201

Declaration of Compliance in accordance with Section 161 AktG

The Executive Board and Supervisory Board of GESCO AG declare in accordance with Section 161 AktG that the recommendations of the Government Commission German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) on 24 April 2017 were followed pursuant to the version of the Code dated 7 February 2017 since the last Declaration of Compliance was issued in December 2019 and until the entry into force of the new version of the Code dated 16 December 2019 on 20 March 2020 with the following exceptions:

Section 5.3: Establishment of Supervisory Board committees

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

Section 5.4.1, para. 2, sentence 2: Regular limit on the length of membership for Supervisory Board members

The Supervisory Board of GESCO AG believes that a long term of service on the Supervisory Board goes hand in hand with the sustainable and long-term business model of GESCO AG. For this reason, we do not consider setting a regular limit of length of Supervisory Board membership to be appropriate or practical.

Section 5.4.6, para. 2, sentence 2: Performance-oriented Supervisory Board remuneration

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

Section 7.1.2 sentence 3 GCGC: Publishing financial information

The change in the financial year of GESCO AG to match the calendar year in the abbreviated financial year 2019 and the resulting accounting adjustments resulted in the Group financial statements and the Group Management Report for the abbreviated financial year 2019 (1 April 2019 to 31 December 2019) not being able to be published within 90 days of the end of the financial year.

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

D.2 sentence 1, D.3, D.5: Establishment of Supervisory Board committees

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

F.2: Publishing financial information

The change in the financial year of GESCO AG to match the calendar year in the abbreviated financial year 2019 and the resulting accounting adjustments resulted in the Group financial statements and the Group Management Report for the abbreviated financial year 2019 (1 April 2019 to 31 December 2019) not being able to be published within 90 days of the end of the financial year and the mandatory interim financial information for financial year 2020 (1 January 2020 to 31 December 2020) not being able to be published within 45 days of the end of the reporting period. In financial year 2021, GESCO AG aims to publish its interim financial information within 45 days of the end of the reporting period. However, due to accounting adjustments, it will not be possible to publish the Group financial statements and the Group Management Report for financial year 2020 (1 January 2020 to 31 December 2020) within 90 days of the end of the financial year.

G.1 to G.11: Executive Board remuneration

The new version of the Code published on 20 March 2020 contains new recommendations on Executive Board remuneration (G.1.). The current Executive Board remuneration system, most recently approved by the Annual General Meeting on 30 August 2018 granted with 98.9 % of the votes does not comply in every aspect with the new recommendations. This due to the fact that it takes a certain amount of time to adjust the Executive Board remuneration system. The Supervisory Board will present a revised remuneration system for approval at the Annual General Meeting 2021.

G.18: Supervisory Board remuneration

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

Wuppertal, December 2020

GESCO AG

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

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

03

Sustainability

Non-Financial Statement / CSR Report

Summarised non-financial report for the abbreviated financial year 2020 for GESCO AG and GESCO Group pursuant to the CSR Directive Implementation Act (CSR-RLUG)

Since its founding in 1989, GESCO AG has pursued a business policy focused on the principles of long-term entrepreneurship and sustainability that is aligned with the interests of shareholders, customers, employees and other stakeholders as well as the principles of good corporate governance and compliance. It is also duly bound to conduct business in an environmentally friendly manner. In this **non-financial statement**, GESCO AG reports on the primary aspects of its sustainability activities. We have established a systematic reporting process and are currently setting up a corresponding sustainability management concept. Looking further forward, we intend to implement sustainability reporting in accordance with an established standard such as the Global Reporting Initiative (GRI) or the German Sustainability Code (GSC). In our non-financial statement, we are not applying an existing framework for the time being and are following the requirements of the CSR Directive Implementation Act (CSR-RLUG). We consider CSR (corporate social responsibility) to include all issues relating to our responsibility towards the environment, employee-related and social issues, including human rights, compliance and principles of sound corporate governance.

Our CSR Report is **aimed** at providing internal and external stakeholders with transparent insight into the strategies and processes at GESCO AG and GESCO Group and, at the same time, raising our own awareness of these issues, analysing opportunities and risks in a more differentiated manner, questioning strategies and, last but not least, strengthening the Group's future. CSR reporting helps to analyse and assess the consequences of our entrepreneurial activities and to improve the way we do business.

In **establishing its systematic CSR reporting process**, GESCO AG joined forces with an external partner and opted for a roadmap involving several different stages and running across multiple years. Initial cross-functional workshops also took place in this regard. The first workshop involved addressing issues linked to the group of subsidiaries. In the second workshop, discussions centred on the holding company and included looking into internationally recognised regulatory frameworks such as GRI, ISO 26000 and the UN Global Compact, performing a relevance review of key issues and taking into account the provisions of CSR-RLUG. In particular, the role of the holding company and its effects on the five CSR aspects was analysed. This resulted in the five issues outlined in CSR-RLUG being defined in precise terms and specifically attributed to GESCO AG. The report focuses on the following issues:

Environmental concerns
- Reducing energy consumption
- Saving resources

Employee matters
- Occupational health and safety
- Corporate culture

Social concerns
- Corporate social responsibility in the value chain
- Enabling succession

Respecting human rights
- Preventing human rights violations in the value chain

Fighting corruption and anti-competitive conduct
- Ensuring compliant conduct

A comprehensive stakeholder matrix was recently established, which serves as a basis for the materiality matrix and the associated aspects and fields of action. Taking into account the results of the competition and best-practice analysis for CSR reporting, which is ongoing, further workshops are planned for 2021 with the Executive Board and GESCO AG employees together with integration workshops with the subsidiaries to finalise the GESCO AG and GESCO Group sustainability strategy. In reporting year 2021, GESCO aims to publish its first sustainability report in accordance with established standards and frameworks.

In this report, we present the GESCO business model and explain the basic strategy when dealing with relevant CSR matters. The risks, concepts pursued, measures and outcomes, as well as targets and performance indicators, are described for each CSR matter. More information on risks from these matters can be found in the Opportunity and Risk Reports of GESCO AG and GESCO Group. Social matters and respecting human rights have been summarised.

The business model

GESCO Group is an association of small and medium-sized enterprises operating independently from one another with a decentralised organisational structure under the umbrella of GESCO AG, which functions as a holding company. GESCO strives to generate profitable growth on the basis of its existing portfolio and external growth by acquiring further industrial SMEs, particularly in the case of succession situations. The holding company's management of the Group is based on this target. The subsidiaries are small industrial companies. Excluding Dörrenberg Edelstahl GmbH and its subsidiaries, which is the largest company in the Group by a considerable margin, the companies in continuing business operations generate an average sales volume of some € 25 million with an average workforce of 120 employees. Each subsidiary is allocated to one of three segments: Production Process Technology, Resource Technology and Healthcare and Infrastructure Technology. The individual business models vary greatly, and the products range from mechanical and plant engineering to components for agricultural engineering and manufacturing paper sticks for the hygiene and confectionery industries.

The financial situation and business performance of GESCO AG and GESCO Group is presented in the corresponding Management Reports in the financial statements for financial year 2020. The Annual Report of GESCO AG and the websites of GESCO Group companies provide more information on the business models and areas of activity of each subsidiary.

GESCO AG's role as a shareholder

GESCO Group has a decentralised organisational structure, with individual companies managed independently from one another by separate Managing Directors or Managing Partners respectively. The holding company does not perform any central functions. Matters such as finances, human resources and purchasing are therefore left to the subsidiaries.

GESCO AG performs its activities as a shareholder primarily at the following levels:

- General decisions on the acquisition of companies and therefore on the composition of the portfolio
- Appointing the management teams of subsidiaries
- Approving annual budgets
- Approving larger investments
- Involvement in subsidiaries' strategic consultations
- Ongoing reporting
- Establishing Group-wide standards (such as a code of conduct)
- Project-related consulting and support on all company-relevant issues
- Group-wide management meetings with opportunities to share knowledge and experience and draw on external expertise
- Group-wide training and information events for Managing Directors and, depending on the topic, also for technical and management personnel

GESCO AG is in continuous dialogue with the management teams and management personnel at subsidiaries and has fixed processes and reporting structures on all aspects of entrepreneurial activities. The holding company has a variety of different competencies in place to offer a range of perspectives on the subsidiaries' tasks; these include Executive Board members, investment managers and representatives from Legal, M&A, Finance and Investor Relations.

We pushed for more and established intensive dialogue between the subsidiaries in the reporting year and established further methodological expertise at the GESCO AG level. CSR issues that are already considered significant as part of the current process will also be included in the central expansion of expertise in the long term.

GESCO Group is an association of small and medium-sized enterprises operating independently from one another under the umbrella of GESCO AG.

Environmental matters

The majority of the operating subsidiaries operate in the areas of mechanical and tool engineering, mechanical manufacturing and assembly, and therefore have less of a direct impact on the environment compared to other areas of the manufacturing industry. Two subsidiaries are of greater relevance when it comes to environmental issues due to their business operations in the metallurgy and electroplating industries. These subsidiaries use environmental management systems or operate under strict manufacturing conditions.

Most manufacturing sites are located in Germany and are therefore subject to extremely high standards and strict legal requirements. By complying with legal requirements and standards, and exercising a great deal of care in their business processes, the companies consider themselves to be well equipped to minimise their impact on the environment to the greatest extent possible. As a result, we believe that the risks posed by the business operations of GESCO Group on the environment are comparatively low.

Nevertheless, we consider **energy and resource efficiency at subsidiaries and their customers** to be a material issue and include it in our CSR reporting process. This is due to the fact that saving energy and resources can give subsidiaries a competitive advantage and that issues such as these are fundamentally relevant from the perspective of competition for raw materials and the potential tightening of legal requirements. Energy and resource efficiency is a matter that directly concerns companies' own manufacturing operations and, in the case

Most manufacturing sites are located in Germany and are therefore subject to extremely high standards and strict legal requirements.

of our mechanical and plant engineering companies, the manner in which their products are used in their customers' manufacturing operations. As an administrative company, the business operations of GESCO AG itself only have negligible effects in this regard.

Besides the risks of GESCO Group's business operations having a negative impact on the environment and risks resulting from damage to the environment and their associated financial and reputational effects, the long-term strategic risks that GESCO Group is exposed to include technological change, which itself is strongly affected by environmental issues such as climate change and the resulting political aim to reduce CO_2. Specifically, this change manifests itself in the development of alternatives to the internal combustion engine and the use of alternative resources. Subsidiaries take these risks into account by duly adjusting their strategies and business models in line with these changes. This process of transformation can give rise to risks but also to opportunities for new products and services.

Environmental issues are generally managed on a decentralized basis within the individual companies. GESCO Group companies aim to exceed legal requirements and standards when it comes to resource efficiency and saving energy where possible and where it makes economic sense. The companies also strive to implement new, resource efficient materials and procedures in place of those that have a negative impact on the environment. GESCO AG is fully behind these efforts and is generally supportive when it comes to environmentally friendly technologies. This mindset is defined in the Group's Code of Conduct. As a long-term investor, GESCO AG also supports companies' efforts to modernise technical equipment and promotes the use of automation where appropriate.

The domestic companies within GESCO Group have all conducted an energy audit in which they identified potential for energy savings.

When reviewing company acquisitions and investments in land and buildings, GESCO also reviews environmental aspects such as potential land contamination. When drawing up construction projects, GESCO AG also supports investments in measures to promote the protection of the environment and conserve resources.

The general trend towards conserving energy and resources can lead to opportunities arising. This particularly applies to subsidiaries operating in the areas of mechanical and plant engineering that are able to offer their customers innovative solutions to conserve energy in their own production facilities.

As a manufacturer of paper sticks for the hygiene and confectionery industry, the Setter Group operates in a market that is currently highly dynamic in nature. To cut down on plastic waste, the EU agreed on a ban on plastics in March 2019, according to which it will no longer be permissible to sell cotton buds made of plastic from 2021. Setter is currently the only European manufacturer of paper sticks and sees good prospects of benefiting from this growing market.

We believe the issue of corporate culture to be material to securing the companies' future from an employee-related perspective.

Environmental aspects, and particularly resource and energy efficiency, are to be taken into greater consideration on a more systematic basis in future investment requests from subsidiaries.

Employee matters

In our workshops, we identified occupational health and safety and corporate culture as two significant aspects of employee matters. We consider employee health problems and challenges in attracting and retaining qualified employees to be relevant risks. Each individual company is responsible for human resources management.

GESCO Group companies consider **occupational health and safety** to be key management tasks. They place great importance on properly organised, ergonomic workspaces and regular training. As a long-term investor, GESCO AG is keen to implement modern technology and ensure that adequate safety equipment is in place. These guidelines are defined in the GESCO Group Code of Conduct. In reporting year 2020, GESCO AG and the Managing Directors and employees of the subsidiaries focused particularly on maintaining business operations while complying with the necessary protective measures implemented against the backdrop of the coronavirus pandemic.

GESCO AG collects data on employee absences on a monthly basis, which it also communicates in anonymous form to the rest of GESCO Group. Any significant discrepancies or increases in employee absences are discussed in monthly meetings with the subsidiaries.

At some subsidiaries, employee matters also concern their products and the manner in which their products are used by customers. Through their products, subsidiaries can help their customers improve the workplace for their employees. This gives our companies additional selling points for their products and an advantage over the competition.

Subsidiaries operating in the mechanical and plant engineering sectors have implemented a range of measures to ensure that their customers' employees can use products safely and appropriately. Training, induction and commissioning periods are just as important as comprehensive product documentation and after-sales service and assistance.

We believe the issue of **corporate culture** to be material to securing the companies' future from an employee-related perspective. In particular, the concept covers issues relating to the organisational structure of the company, its status as an employer and training and further education. For GESCO AG, it is vital that all positions throughout the company are held by the most suitably qualified, loyal and motivated employees that are willing to perform. LEADEX programmes are planned as part of the NEXT LEVEL strategy to promote and develop executives, showcase specific prospects at GESCO Group and sharpen leadership skills in a dynamic environment.

In 2015, GESCO AG joined forces with an external partner and began to conduct systematic **employee surveys** at certain companies. One of the goals is to authentically gauge sentiment on aspects such as job satisfaction and stress levels while identifying potential room for improvement. In addition, the surveys also give companies specific and credible arguments for their status as an employer.

Since its IPO in 1998, GESCO AG has offered GESCO Group employees in Germany the opportunity to participate in an **employee share scheme**. This scheme allows participants to acquire GESCO shares at a reduced price using tax-free allowances. This way, GESCO AG helps its employees make personal contributions to their pension plans, promotes employee investment in productive capital, enables employees to own a stake in the company and fosters a shareholder culture. We use the level of participation among eligible employees in the annual employee share scheme as a performance indicator. After GESCO AG offered all GESCO Group employees the chance to buy shares in the company at favourable terms for the twenty-first year in succession in autumn 2019, the programme was unable to be organised in 2020 for regulatory reasons. GESCO AG plans to continue this programme, as it considers it to be an important instrument in personnel retention.

The companies also value **sustainable training** and offer courses in both commercial and technical areas as and when possible and required as a result of their business operations. Furthermore, many companies also offer dual study programmes in partnership with universities.

GESCO Group companies position themselves as **attractive employers** in their respective sectors and regions. Dörrenberg Edelstahl GmbH has presented its Dörrenberg Award for several years now. This award is a highly acclaimed prize for up-and-coming materials technology talents. Other company activities include participation in initiatives such as Girls' Day and other partnerships with schools, guided tours for visitors as part of the Night of Industrial Culture event or company events for employees and their families.

Social matters / respecting human rights

In the areas of social matters and human rights, we have identified "corporate social responsibility in the value chain" and "preventing human rights violations in supply chains and by customers" to be key issues. As a result, we report on these two issues together. In addition, we consider "enabling succession" to be a key contribution from GESCO AG to the issue of social matters and we therefore report on it separately.

Risks relating to corporate social responsibility in the value chain concern relationships with suppliers and customers alike. The production of raw materials as well as the local conditions, working conditions and environmental conditions at suppliers can have negative consequences that could be attributed to us. The same goes for the potential impact of products and their use by customers on the safety of people, health and the environment. Severe problems relating to social matters and human rights violations could put the company at risk of reputation damage and financial losses.

GESCO AG companies are mostly based in Germany, and therefore operate in a highly regulated environment. As small and medium-sized enterprises, they mainly procure raw materials, preliminary materials and components from established German suppliers. Over 80 % of sales are generated in Germany and the rest of Europe, and therefore also in markets subject to regulation. By using conventional supply chains mostly involving established and often large suppliers and customers, we believe that we have met our responsibilities in terms of the supply chain to a sufficient extent, although this is based on the assumption that suppliers and customers operate in accordance with the law and regulatory requirements. Given that the majority of our subsidiaries are small and medium-sized enterprises, we also consider the potential to influence other levels of the value chain to be limited.

The GESCO Group Code of Conduct governs general questions concerning customers and suppliers (see "fighting corruption and anti-competitive conduct"). So far we have not implemented any further dedicated concepts regarding the issues of social matters and human rights as we believe GESCO Group companies have a limited influence on such topics.

We must continue to check whether this area can be developed in line with the GRI 414 Supplier Social Assessment standard in areas in which subsidiaries can exert particular influence due to their market position or the particular nature of their relationships with business partners.

GESCO Group companies position themselves as attractive employers in their respective sectors and regions through a variety of activities.

Through a multi-year support programme, GESCO AG is supporting the Junior Uni Wuppertal, a unique educational and research institution for young people in Germany.

Supporting Wuppertal's Junior Uni

GESCO AG's focus in living up to its social responsibility in the field of education is on STEM subjects. In May 2019, GESCO AG agreed to provide funding for Junior Uni Wuppertaler Kinder- und Jugend-Universität für das Bergische Land gGmbH, or Junior Uni. For an initial period of three years, GESCO is helping to pay the salary of a scientific coordinator by providing € 60 thousand in annual funding. Founded in 2008, Junior Uni is a unique educational and research institution in Wuppertal, Germany, that provides young people between the ages of four and 20 with courses designed to spark their interest in science and research. With more than 65,000 students in over 5,500 courses since its founding, Junior Uni has earned a reputation as a place of extracurricular learning for hands-on, scientific education. All year round, instructors from the worlds of business, science and education convey practical, hands-on knowledge in a variety of subjects to groups of no more than 15 participants. Guided by its mission to leave no talent behind, Junior Uni is preparing young people for further education and professional life. Junior Uni is financed entirely by private donations and the broad support of society.

Special issue: enabling succession

GESCO's founding principle and business model is based on enabling succession and developing companies in line with our long-term investment approach. This goes hand in hand with fostering prosperity and generating income for employees, shareholders, business partners and the public sector.

Acquisition strategy

Since its founding, GESCO AG has aimed to acquire further industrial companies in the SME segment. In this process, GESCO analyses potential takeover candidates that the company becomes aware of through its established network but that may also be identified and contacted directly.

Due diligence is then conducted, in which the potential acquisition target is analysed and assessed in terms of its risks, opportunities and future viability. This process covers financial, legal and tax-related criteria as well as technology and market-related aspects. CSR issues are also taken into consideration. Environmental aspects of due diligence checks include assessing potential land contamination and checking a company's certifications and approvals. From a social and employee perspective, the investment decision is also made on the basis of the personnel structure, occupational health and safety and the corporate culture. GESCO AG uses both internal resources and external expertise as part of the due diligence process.

Finding and developing entrepreneurs

If an owner-manager retires and a successor is sought, GESCO AG installs a new management team that is offered the chance to acquire shares of between 5 % and 20 % in the company they are managing, depending on the size of the company.

Regional responsibility

Beyond simply disclosing information that is then publicly available, GESCO AG seeks dialogue with the regional policymakers and financing banks relevant to the acquired company to introduce itself as the new owner of the business. Following an acquisition, GESCO always aims to maintain the current location, workforce and corporate identity of the company concerned so that the existing network and stakeholders such as customers, suppliers, municipalities, neighbours and banks can continue to rely on a proven partner. There is no plan to sell off the company at a later date. However, doing so makes sense for strategic reasons if GESCO no longer considers itself to be the best possible owner of the company. When selling a company, GESCO seeks to achieve an entrepreneurial, socially acceptable solution.

We calculate our performance based on GRI Standard 201 (Economic Performance), indicator GRI 201-1 "Direct economic value generated and distributed." Figures are based on the consolidated financial statements for financial year 2020. In this period, GESCO Group's continuing business operations generated sales of € 397.2 million. Wages and salaries, social security contributions and expenses for pensions amounted to € 104.0 million. A total of € 2.5 million was paid out to company shareholders in the form of dividends, while € 2.0 million in interest was also paid. Taxes in the amount of € 8.6 million were paid to the public sector.

We present value development as a combination of the share price performance and the dividend payment. The GESCO share price fell only slightly by - 2.7 % in the reporting year, with the total return including the dividend paid in the reporting year amounting to - 1.5 %.

Fighting corruption and anti-competitive conduct

Damages from corruption, violations of anti-trust law, criminal activities and other offences can escalate to an extent that threatens a company's existence as a going concern and lead to long-term reputation damage. As a result, our aim and a key area of focus is to guarantee **compliant conduct** at all levels of the company and counteract the risk of supporting corruption or profiting from corruption in the supply chain.

GESCO Group has set up a compliance management system, which includes a Group-wide Code of Conduct, accompanying guidelines and work instructions, an online information system (Rule book) for GESCO Group employees, accompanying training courses, random case-by-case assessments and a whistleblower system for both employees and external parties. The Managing Directors' job is to anchor these requirements and principles in their company's corporate culture. To do so, they implement further measures such as internal training, review existing business on a case-by-case basis and scrutinise current business processes.

Our aim is to guarantee compliant conduct at all levels of the company.

Subsidiaries are responsible for monitoring and ensuring compliance of their own operations with legal requirements and terms of embargoes against countries, organisations or individuals, with the holding company also on hand to provide recommendations or draw attention to any serious changes.

We measure our performance in accordance with the GRI 419 standard and indicator 419-1 by the number of incidents and violations of the law and regulations in the social and economic area. We did not record any such incidents or violations in financial year 2020.

GESCO AG has identified a number of fields of action in which it will be creating additional transparency and, if necessary, providing subsidiaries with additional assistance. These issues include the remuneration models of sales representatives. In addition, the holding company intends to determine whether it makes sense to expand its reviews to include Group companies based abroad.

04

Group Management Report

01 – Fundamentals of the Group

Business model

Since it was founded in 1989, GESCO AG has been acquiring stakes in financially sound companies in the German industrial SME sector for the purpose of maintaining and developing them over the long term. In most cases, these investments are conducted as part of succession arrangements in which GESCO AG acquires a majority interest, usually 100 %. To support the long-term, entrepreneurial nature of the business model, we offer new management personnel the chance to acquire a stake in the company they are managing. The shareholding ratio amounts to between 5 % and 20 %, depending on the size of the company. The subsidiaries are independent operating entities. They are taken into account in reporting and in the risk management system of GESCO Group.

As at the reporting date, GESCO Group comprised GESCO AG, its 11 direct material operating subsidiaries (continuing business operations) and their domestic and international subsidiaries.

GESCO AG has been a listed company since 24 March 1998 and GESCO shares are traded on the Prime Standard of the Frankfurt Stock Exchange.

NEXT LEVEL strategy

The Executive Board and Supervisory Board of GESCO AG developed and adopted the NEXT LEVEL strategy from autumn 2018. Based on a shared vision of GESCO as a group of hidden champions, the strategy defines key measures and objectives for GESCO Group's strategic and operational development in the years ahead. Core elements include balancing out the portfolio architecture and developing the operating subsidiaries into hidden champions.

To make the portfolio more balanced and resilient, plans are in place to establish three anchor investments and multiple basic investments of a substantial size. Dörrenberg Group is to be one of these anchor investments, alongside two further investments with target markets that correlate as little as possible with the market cycles typical of Dörrenberg. These new anchor investments may be either acquired or developed on the basis of an existing subsidiary through strategic acquisitions. The portfolio is to be rounded off with multiple basic investments with relevant sales and earnings contributions that expand the spectrum of target markets. Our focus within the scope of the NEXT LEVEL strategy is on companies with sales of between € 20 million and € 100 million, although strategically motivated supplementary acquisitions of subsidiaries may be subject to lower sales criteria.

After finalising the restructuring of our M&A team in 2020, we are well-positioned and were able, in December 2020, to complete the sale of a group of six subsidiaries and make significant progress towards achieving our target portfolio. The management buy-out of a seventh company in February 2021 is supporting our efforts to balance out our reliance on direct automotive business.

In line with the NEXT LEVEL strategy, GESCO AG began further establishing its excellence programmes among its subsidiaries during the reporting period as part of daily improvement activities to take the Group's SMEs to the next level. The move was associated with a new focus and a shift in GESCO AG's role as an owner. At GESCO AG level, we finalised the new investment management team in 2020 and acquired targeted methodological competency and expertise in the process. This means that our subsidiaries have a broad and extensive range of operative experience available to them in the systematic implementation of upcoming activities.

The CANVAS business model analysis, conducted for the first time in 2019, has become a firm fixture of the annual planning process for many subsidiaries and serves as a common benchmark for our activities. We subsequently launched a number of MAPEX and OPEX programmes in the past financial year based on the specific needs of the respective subsidiary. MAPEX is focused on analysing and developing target markets and the product portfolio with a focus on expanding sales volumes and gaining market share. OPEX serves to optimise processes in all corporate functions, thereby increasing efficiency. The LEADEX programs are aimed at establishing a common corporate culture with a well-balanced performance.

MAPEX projects were initiated at MAE Group, Frank Group, Pickhardt & Gerlach Group and Modell Technik Formenbau, all of which are naturally at different stages of implementation. In addition, the OPEX projects initiated at Hubl and Sommer & Strassburger in 2019 were continued with initial success, and further projects were started at Dömer and SVT.

The goal of the NEXT LEVEL strategy is to provide GESCO Group with a viable position for the future and create added value at all levels, thereby generating above-average sales growth, margins and cash flow.

Changing the financial year

The Annual General Meeting of GESCO AG on 29 August 2019 voted to change the financial year of GESCO AG, and therefore that of GESCO Group, to the calendar year with effect from 1 January 2020. This resulted in a nine-month abbreviated financial year for GESCO AG in the previous year from 1 April to 31 December 2019. The figures for the reporting year covering the twelve-month period are therefore only comparable with the previous year's figures to a limited extent.

Significant changes to the scope of consolidation

In December 2020, GESCO AG sold all of its shares in the following companies (discontinued business operations):

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

- Production Process Technology segment
  - C.F.K. CNC Fertigungstechnik Kriftel GmbH, Kriftel, Germany

- Healthcare and Infrastructure Technology segment
  - Frank Walz- und Schmiedetechnik GmbH, Hatzfeld, Germany; including its subsidiaries Frank-Hungaria Kft., Òzd, Hungary; Frank Lemeks Tow, Ternopil, Ukraine; and OOO Frank RUS, Orjol, Russia

The disposal was concluded effective as at 22 and 23 December 2020, with the exception of the disposal of Paul Beier GmbH & Co. KG, which was subject to approval from the Federal Ministry for Economic Affairs and Energy. The disposal has already been recognised because it was highly likely that approval would be given and GESCO AG is contractually obliged to dispose of its shares subject to the approval. The transaction was concluded following a letter from the ministry in March 2021.

With this sale, GESCO has discontinued its Mobility Technology segment and also implemented the largest portfolio restructuring in company history. The transaction was carried out within the scope of the NEXT LEVEL strategy and is aimed at making the portfolio more balanced and therefore also more profitable. The companies' sales prices amounted to € 27 million with immediate cash inflow of € 18 million.

After the reporting date, GESCO AG also signed a contract concerning the sale of its majority stake in VWH GmbH on 4 February 2021 as part of a management buy-out. The deal calls for the disposal of the majority shareholding of 80% in VWH GmbH. Based in Herschbach, Germany, the company provides products and services in the field of special machines and tool manufacturing (injection moulding forms, laser technology, automation and testing technology), primarily for customers in the automotive industry. VWH was a member of the GESCO Group from 2007 and part of the Production Process Technology segment. The successful sale of the automotive-related VWH business complemented the transaction from December 2020 and balanced out GESCO's direct automotive business share.

In the previous year, GESCO AG acquired the minority shareholding of 10% held by the then Managing Director of SVT GmbH, Schwelm, Germany, effective as at 7 August 2019. Since then, GESCO AG has held 100% of the shares in the company.

Management system

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

GESCO AG draws up a Group budget on the basis of the subsidiaries' individual budgets. The Executive Board of GESCO AG presents its outlook for Group sales and Group net income after minority interests for the new financial year at the annual accounts press conference; this outlook is adjusted further in the course of the quarterly reports. The key performance indicators are incoming orders, sales, EBIT and the equity ratio, as well as Group net income after minority interests at Group level.

Research and development

Most of our subsidiaries are SMEs whose research and development activities are largely market and customer-driven. Technical innovations as well as new products and applications are usually developed in the course of projects related to customer orders. Depending on the task at hand, companies also partner with universities and institutions and take part in publicly subsidised research projects.

Besides focusing on various additive manufacturing applications (3D printing) at Dörrenberg Edelstahl GmbH, strip steel refinement specialist Pickhardt & Gerlach also developed innovative strip steel for the inner workings of batteries used in electric mobility. The strip steel is formed and welded for the battery module such that it combines the different cells in the lithium-ion battery. It conducts the electrical energy produced in the cells with practically zero loss, while dissipating minimal heat so that the battery does not overheat. Pickhardt & Gerlach established a new brand name for this application: EMONI®. Together with a spin-off of RWTH Aachen University, Pickhardt & Gerlach analysed EMONI®'s suitability in e-bike batteries and found that the electrical efficiency actually surpassed the market standard. C.F.K. CNC Fertigungstechnik concentrated on its "CFK goes digital" initiative and optimising its process chains using its in-house web configurators and increasing the visibility of the CFK website through search engine optimisation.

02 – Economic Report

Macroeconomic and industrial sector conditions

Gross domestic product in Germany was 5.0 % lower in 2020 than in the previous year. After ten consecutive years of growth, the German economy entered a deep recession in 2020 due to the coronavirus crisis. In particular, private consumer spending saw an unprecedented decline of (- 6.0 %), while government spending climbed by 3.4 %, partly due to the procurement of personal protective equipment and hospital services. Enormous disruption to supply and logistics chains had a substantial impact on foreign trade. Imports and exports of goods and services fell for the first time since 2009 (exports – 9.9 %, imports – 8.6 %). The consistent rise in employment for more than 14 years now came to an end in 2020 due to the coronavirus pandemic, although additional job losses are likely to have been prevented by the extension of short-time work regulations.

Production in the German mechanical engineering industry shrunk by 2.8 % in 2019, leading the Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA) to forecast stagnation in global plant and machine sales for 2020 at the start of the year. At the time, the VDMA expected no further declines, in particular due to the increasing importance of China. VDMA economists would have expected a further 2 % decline in production in Germany even though there were no signs of any deep recession at the time.

Faced by the heady mix of trade conflicts, weak global economic development, structural change in the automotive industry and the coronavirus pandemic at the beginning of 2020, the German mechanical and plant engineering industry was set back even more significantly than expected in early 2020, leading the VDMA to lower its 2020 forecast for production in the industry to - 5 % in March. For the second half of the year, the VDMA forecast at least pent-up global demand but not at a level that would compensate for the losses experienced.

The widespread impact of the coronavirus pandemic and the first wave of lockdowns presented an increasing number of new challenges to businesses. Large swathes of production in Germany and abroad were brought to a standstill on account of the pandemic. The first signs of bottlenecks in the supply of international pre-products began to appear. Global economic recovery in the industry was brought to an abrupt stop by the coronavirus. With significant order declines and cancellations and disruption to supply chains, the escalating situation also caused increased capacity adjustments in the German mechanical and plant engineering industry. Employees were put on short-time work, production activities halted and jobs axed.

The mechanical and plant engineering industry saw a moderate decline in orders totalling 2 % in the first quarter of 2020 (domestic orders +1 %, international orders – 4 %). The first far-reaching effects of the coronavirus pandemic started to be felt in March, with incoming orders down 9 % year on year, domestic orders declining by 2 % and international orders declining by 12 %. The order situation took a significant turn for the worse up to the halfway point of the year.

Recovery effects began to emerge in the summer months as borders were reopened and disruptions to supply chains subsided. The German government's stimulus plan also bolstered recovery. Prospects for economic development across the EU gradually brightened again in June. In July, incoming orders in the German mechanical and plant engineering industry declined less sharply compared to previous months by only 19 % year on year, less than in the previous months, raising the VDMA's economists' hopes of having passed the low point. In September, the association then corrected its full-year guidance for 2020 to a decline in production of (-17 %), coupled with a slightly confident outlook for 2021 (+ 2 %).

At the end of the third quarter, a renewed rise in infection rates spread uncertainty and had an adverse effect on investment propensity in the mechanical and plant engineering industry. Hopes of rapid economic recovery visibly dissipated under the spectre of further nationwide lockdowns. The ongoing slump in order volumes presented many companies with additional challenges. Mechanical and plant engineering companies focused on recruitment freezes and job-cut strategies as they began to adjust to the fact that recovery would take a significant amount of time.

The second wave of the pandemic and the resulting restrictions and uncertainty had a less significant effect on order books in the fourth quarter than originally feared. Incoming orders in October provided the first signs of easing tensions, which led the VDMA to slightly raise its production forecast for 2020 in December to a decline of (-14 %). According to preliminary figures of the Federal Statistical Office (Destatis), price-adjusted production in the German mechanical and plant engineering industry declined by 13.8 % in 2020.

The M&A market in 2020 was also dominated by the COVID-19 pandemic. A number of sale projects in the SME sector were put on hold by sellers or postponed indefinitely, particularly in the spring of 2020. A situation in which extremely high demand meets a limited supply remains. Strategic buyers, financial investors and, increasingly, entrepreneurial families are looking to make direct investments in industrial SMEs. In this environment, GESCO is pushing to contact entrepreneurs and business owners directly while continuing to participate in selected auctions. In addition, GESCO is stepping up its search for supplementary acquisitions for its current portfolio companies.

Business performance

GESCO Group's companies operate primarily in the capital goods industry. Following initial production losses due to the pandemic, the industry was put under increasing pressure as the year progressed. Correspondingly, the VDMA (as the relevant association) reported a 13.8 % drop in price-adjusted production in mechanical engineering year on year. In this environment, sales were down in total and margins were under substantial pressure at GESCO Group as well.

Another factor is that 2020 was an unprecedented year that was dominated by the coronavirus pandemic. After a satisfactory start to the year, subsidiary business was drastically disrupted by the pandemic in March. The pandemic is affecting GESCO Group companies in a variety of different ways. The coronavirus has exacerbated the situation for companies already suffering from a reluctance to invest in the automotive industry on account of technological change. Companies across all segments felt the effects of closures at customer factories on a selective basis, particularly in the spring, while travel restrictions had an impact on sales and service throughout the year. The general uncertainty led to a reluctance to invest among customers and a decline in incoming orders. The Healthcare and Infrastructure Technology segment proved stable. Positive developments were noted in particular in the production of paper sticks and in the area of stainless steel products. Incoming orders for loading technology also increased.

GESCO Group companies regard procurement as a strategic matter and, depending on the task at hand and supply needs, pursue international procurement strategies. Subsidiaries usually maintain long-term, constructive partnerships with their suppliers. They strive to avoid becoming reliant on individual suppliers and conclude framework agreements with suppliers to obtain planning security. Our companies did not experience any serious supply bottlenecks in the reporting year.

Situation of the Group

Earnings position

GESCO Group recorded a significant decline in demand in the coronavirus year of 2020 compared to calendar year 2019. Customers in the automotive industry continued to be particularly reluctant in terms of their investments, which negatively affected the Mobility Technology and Production Process Technology segments above all. The Healthcare and Infrastructure Technology segment, on the other hand, proved to be relatively robust to development.

Incoming orders at GESCO Group came to € 492.8 million in the financial year (nine-month previous year: € 403.2 million) and Group sales came to € 495.2 million in total (€ 439.6 million). Incoming orders among continuing companies stood at € 407.1 million in the financial year, compared to € 331.9 million in the previous abbreviated financial year. Group sales for continuing companies came to € 397.2 million (€ 354.8 million). GESCO Group closed the financial year with an order backlog of € 139.7 million (€ 191.2 million or rather € 129.7 million from continuing operations).

The ratio of material expenditure to total output rose slightly in the reporting period, as did the personnel expenditure ratio from 27.1 % to 29.0 % across all companies and from 23.5 % to 26.2 % among continuing companies in spite of the decline in the number of employees. This was due to the lower capacity utilisation. Other operating income remained virtually unchanged year on year. Other operating expenses for continuing operations developed in proportion to sales. Earnings before interest, taxes, depreciation and amortisation (EBITDA) for continuing business operations came to € 33.4 million (€ 37.0 million over the nine-month period).

Depreciation and amortisation for continuing business operations amounted to € 16.7 million in the reporting period (€ 12.6 million in the abbreviated financial year). Impairment losses solely concerned discontinued business operations.

Earnings before interest and taxes (EBIT) for continuing business operations totalled € 16.7 million (€ 24.4 million in the previous nine-month period), putting the EBIT margin at 4.2 % (6.9 %).

The financial result of € – 3.8 million included impairments on financial assets of € 2.1 million indirectly related to the sale of companies. The other financial result came to € –1.7 million, compared to the previous year's result from continuing business operations of € –1.0 million, which included income from an investment in a non-consolidated subsidiary.

Earning before tax (EBT) from continuing business operations stood at € 12.9 million and was therefore indirectly affected by the transaction in the amount of € 2.1 million.

The tax rate was 46.6 %, compared to 32.7 % in the abbreviated financial year, for continuing operations on account of the significant non-capitalisation of deferred tax loss carryforwards above the standard rate.

After minority interests in remaining incorporated companies of € 1.1 million (€ 1.2 million), Group net income for the year after minority interests for continuing operations amounted to € 5.8 million, compared to € 14.5 million in the nine-month abbreviated financial year. Earnings per share pursuant to IFRS (continuing operations) stood at € 0.54 (€ 1.34).

Earnings before taxes attributable to discontinued business operations stood at € – 21.7 million. Besides current earnings of € – 2.1 million (abbreviated financial year: € –1.6 million), this figure also included impairment losses on assets, including goodwill impairment, of € 15.5 million and losses from deconsolidation of € 4.1 million.

All in all, the Group net result after minority interests stood at € –16.6 million (abbreviated financial year: € 12.4 million), € 21.7 million of which was attributed to expenditure for valuation allowances for financial assets (continuing operations), impairments and deconsolidation losses (both discontinued operations).

In the previous year's consolidated financial statements, we assumed from the outset that development within GESCO Group would be subdued in financial year 2020 on account of the weak economic environment. Given what we know about the coronavirus pandemic, we expected sales and earnings to be slightly down on the twelve-month projection of the figures reported for the abbreviated financial year.

In light of the sale of various companies in December 2020, we specified the outlook for financial year 2020 from continuing operations at Group sales of roughly € 400 million and Group net income for the year after minority interests of approximately € 5 million. With sales of € 397.2 million and Group net income for the year after minority interests of € 5.8 million, we are within the outlook range.

Sales and earnings by segment

Development in the **Production Process Technology** segment continued to be shaped by a significant reluctance to invest among customers in the automotive industry. Incoming orders for all companies stood at € 60.7 million (nine-month abbreviated financial year: € 62.0 million). Incoming orders from continuing operations stood at € 49.7 million in the calendar year, slightly up on the figure reported in the abbreviated financial year of € 48.0 million. Sales were down on the previous-year period at € 70.0 million (€ 76.4 million) and € 54.2 million (€ 58.2 million) for continuing operations. Sommer & Strassburger GmbH & Co. KG, acquired in August 2018, performed well in this segment, increasing its sales by almost 5 % on a comparable twelve-month basis. EBIT among continuing operations stood at € 0.4 million (€ 6.9 million), while the significant margin increase at Sommer & Strassburger resulting from the OPEX programme and other measures was unable to compensate for restructuring expenses and the effects of lower capacity utilisation at other companies. As a result, the EBIT margin here stood at 0.7 % (11.8 %). Taking discontinued operations into account, EBIT is negative.

In the **Resource Technology** segment, the decline in the capital goods industry and resulting material price effects with pressure on margins remained marked. Incoming orders in this segment, which was not impacted by the sale of companies, came to € 233.3 million (€ 200.1 million). SVT, which manufactures loading systems for gases and fluids, was able to acquire the largest project order in its history in financial year 2020. Sales in this segment stood at € 226.4 million (€ 211.4 million). With EBIT coming in at € 13.7 million (€ 17.9 million), the EBIT margin declined to 6.0 % from 8.5 % in the previous-year period.

Healthcare and Infrastructure Technology, the second-largest segment, continued to demonstrate its independence from cyclical trends in the unprecedented year of 2020 with stable sales and positive margins. Sales from continuing operations were up 6.5 % on the figure reported for calendar year 2019, while the EBIT margin climbed from 8.7 % to 9.8 %. Within the segment, the Setter Group once again generated significant growth in a dynamic market in its role as a manufacturer of paper sticks for the hygiene and confectionery industries. Incoming orders from continuing operations in this segment came to € 124.0 million (€ 83.8 million), while sales stood at € 116.7 million (€ 85.7 million). EBIT amounted to € 11.4 million (€ 7.4 million).

A handful of companies of minor significance are included in the **GESCO AG and other companies** segment along with GESCO AG. Consolidation effects and reconciliations to the corresponding IFRS Group values are disclosed in the line item **Reconciliation**.

Sales by region

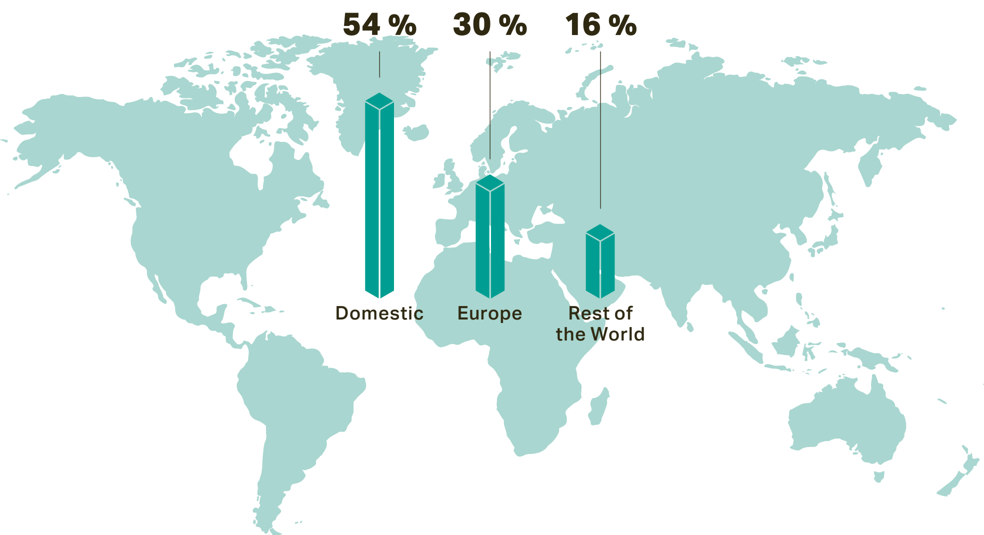
The share of Group sales generated abroad stood at 46.6 % for continuing operations (abbreviated financial year: 45.2 %). A total of 30.3 % (26.0 %) of sales were generated in Europe (excluding Germany), with France, Hungary and Italy being the most important individual markets. The share of sales generated in Asia came to 7.5 %, 1.7 percentage points of which were attributable to China. With a share of 6.3 %, the US was the most important market outside Germany.

Individual companies' international sales vary significantly depending on their respective business models. A number of subsidiaries have export ratios of over 70 %.

When looking at this regional distribution of sales, it is worth bearing in mind that many of our companies' domestic customers are in turn export-oriented. It is therefore likely that GESCO Group has a notable level of indirect exports, which by their very nature cannot be determined precisely.

Sales by region

Financial year 2020 (continuing operations)



Discontinued operations

Companies in the **Mobility Technology** segment suffered from a reluctance to invest in the automotive and automotive components supply industries in the reporting period. The segment's incoming orders came to € 36.6 million (€ 32.5 million), while sales stood at € 46.9 million (€ 39.5 million). Low capacity utilisation and pressure on margins meant that the segment once again reported negative EBIT from ongoing business activity (before impairment losses) of € – 2.7 million (previous-year period: € – 2.1 million). In terms of the **other** three **companies from the Production Process Technology and Healthcare and Infrastructure Technology segments**, which are reported as discontinued operations, sales stood at € 51.0 million compared to € 45.3 million in the abbreviated financial year. EBIT from the ongoing business activity of these companies came to € 0.9 million (€ 1.7 million).

Financial situation

Capital structure

The GESCO Group balance sheet is in healthy shape with a strong equity base and, as at 31 December 2020, above-average liquidity. At 10.3 % of equity, goodwill remains low. All in all, GESCO Group is on a solid financial footing for internal and external growth.

On the liabilities side, equity amounted to € 227.8 million and was down on the figure reported of € 250.4 million at the beginning of the financial year due in particular to the negative Group net income of € –16.0 million. Given the decline in total assets due to deconsolidation and the lower working capital, the equity ratio climbed from 49.5 % to 58.3 %.

Investments

As a long-term investor, GESCO AG regularly supports its subsidiaries with their investments in technical equipment in order to strengthen their competitiveness. These include investments in property, plant and equipment as well as in the latest technology, and particularly in systems to ensure efficient production planning and management.

In view of the drop in demand, we deferred any investment projects that were not urgently necessary. All in all, investments in property, plant and equipment and intangible assets of all companies stood at € 12.4 million, down from € 16.8 million in the nine-month abbreviated financial year. This amount includes rights of use of € 1.4 million in the reporting period and € 1.7 million in the previous year, which are reported as investments pursuant to IFRS 16.

This total volume was spread across a series of small and medium-sized replacement and modernisation investments in the reporting year. The Setter Group was a focus of investment activity, as it expanded its manufacturing capacities further on the back of rising demand for paper sticks in the confectionery and hygiene industries.

Commitments totalled € 772 thousand (previous year: € 271 thousand) as at the reporting date and related mainly to machinery and technical equipment ordered by numerous companies which has yet to be delivered. It is estimated that these investments will be concluded in financial year 2021.

Depreciation and amortisation of property, plant and equipment and intangible assets from continuing operations amounted to € 16.7 million in the reporting period compared to € 12.6 million in the abbreviated financial year. In terms of the discontinued operations, regular depreciation and amortisation amounted to € 8.7 million while € 15.5 million was attributable to impairment losses, € 2.1 million on goodwill.

Liquidity and net debt

At € 49.2 million, liquid assets were significantly higher than the previous year's value of € 30.9 million. A dividend of € 2.5 million was distributed to the company's shareholders for the abbreviated financial year 2019 in the reporting period.

Current and non-current liabilities to financial institutions declined by € 51.1 million to € 82.6 million (€ 133.7 million). Current and non-current lease liabilities declined by € 9.3 million from € 24.6 million to € 15.3 million. The previous-year figure included bank liabilities and lease liabilities from discontinued operations of € 28.8 million and € 7.8 million respectively.

Net debt decreased from € 102.8 million to € 33.4 million accordingly. Taking lease liabilities into account, net debt improved from € 127.4 million to € 48.7 million. Net debt from discontinued operations was included in the previous-year figures at € 18.6 million and € 26.4 million respectively, including leasing.

With EBITDA from continuing operations standing at € 33.4 million, the net debt to EBITDA ratio came to 1.0.

At the end of the year, the Group had access to approved but unused credit lines totalling € 35.1 million. The Group was able to meet its payment obligations at all times.

In spite of the negative Group net income of € –16.0 million, operating cash flow improved to € 59.6 million compared to the nine-month previous-year period (€ 38.6 million). This was primarily due to the reduction in working capital, which had risen in the previous-year period. It should also be noted that impairment losses and valuation allowances that did not contribute significantly to the negative net income are non-cash expenses.

Assets

GESCO Group's total assets stood at € 390.8 million as at the reporting date, down from € 506.1 million in the previous year. There was barely any change in non-current assets attributable to continuing operations compared to the previous-year comparison value. These companies' inventories and trade receivables, on the other hand, declined by € 22.9 million.

The capitalisation ratio stood at 26.8 % (previous-year reporting date: 34.0 %). At 1.9 (1.6), the ratio of long-term capital to non-current assets remained the same as in the previous year.

Non-financial performance indicators

Environmental protection

The obligation to protect the environment, even beyond legal regulations and requirements, is firmly anchored in the self-image of GESCO Group. This applies to production as well as the life cycle of products up to the point of recycling. Aligning development and production to comply with environmental issues opens up attractive market opportunities for the companies, as the sustainable use of resources and energy efficiency represent additional selling points. However, it is not only products that are relevant in terms of the environment; energy issues are also taken into account in construction projects and investments in machinery and equipment at GESCO Group to minimise follow-up costs and emissions.

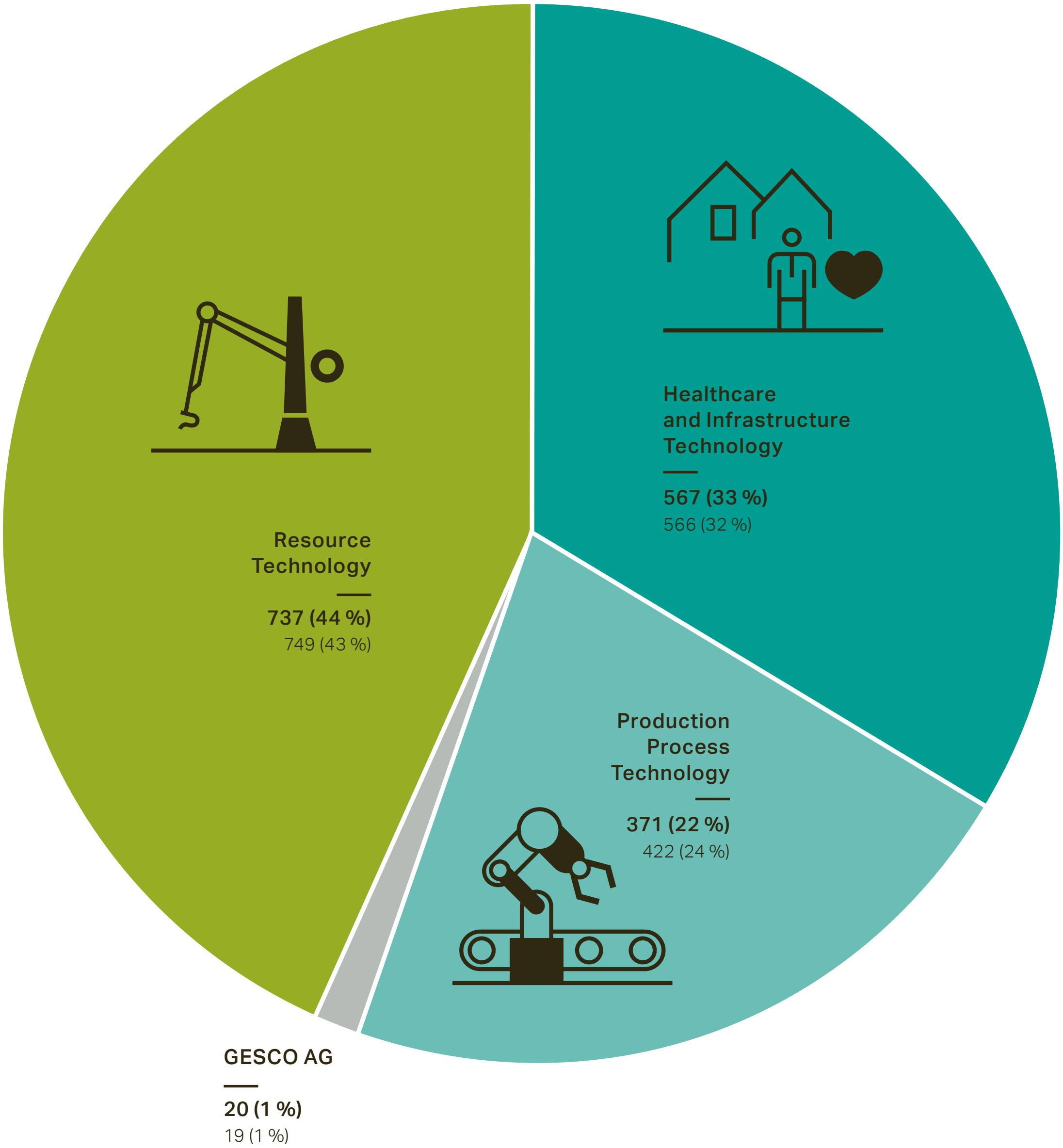
The Group non-financial report pursuant to the CSR Directive Implementation Act (CSR-RLUG) provides further information on issues relating to environmental protection. It is published as a separate non-financial report as part of the annual report and disclosed together with the Group Management Report.

Employees

A total of 1,695 people were employed at GESCO Group's continuing operations as at the reporting date (continuing operations in the previous year: 1,756). Given the decline in demand in the capital goods industry, GESCO Group has in some cases not extended employment contracts and reduced employee numbers in some cases. We make use of short-time work instruments where possible, especially with regard to the effects of the coronavirus crisis. The number of employees declined in the Production Process Technology segment and decreased slightly in the Resource Technology segment. In the Healthcare and Infrastructure Technology segment, the number of employees remained practically unchanged.

Employees by segment (end of the financial year)

Financial year 2020 (continuing operations) vs abbreviated financial year 2019 (continuing operations)



After GESCO AG offered all GESCO Group employees in Germany the chance to buy shares in the company at favourable terms as part of an employee share scheme for the twenty-first year in succession in autumn 2019, the scheme was unable to be organised in 2020 for regulatory reasons. GESCO AG plans to continue this programme as it considers it to be an important instrument in personnel retention.

Attracting qualified, motivated employees and fostering their loyalty to the company is absolutely essential in guaranteeing the future of GESCO Group. That is why training and continuing education is extremely important within the Group. In addition, the subsidiaries use a variety of activities to position themselves as attractive long-term employers. These activities range from involvement in educational initiatives such as Girls' Day through to dual study programmes and partnerships with universities and other educational institutions. For many years now, Dörrenberg Edelstahl GmbH has been giving out its Dörrenberg Award, a highly acclaimed prize for students studying materials technology and engineering.

The Group non-financial report pursuant to the CSR Directive Implementation Act (CSR-RLUG) provides further information on employees.

03 – Other information

Remuneration report

GESCO AG's Executive Board remuneration system was presented to the Annual General Meeting on 30 August 2018 as part of a say-on-pay ruling. Approval was granted with 98.9 % of the votes.

The remuneration for Executive Board members comprises three components: a **fixed component**; a variable, performance-related component; and a component linked to long-term incentives. This remuneration structure remained unchanged during the reporting year.

The **fixed component** comprises the annual base salary, additional benefits and pension commitments. The additional benefits consist mainly of the private use of company vehicles as well as regular, preventative medical examinations.

The **variable component** is generally granted in the form of a performance-related bonus, which is geared towards the Group's net income after minority interests. This component is based on a multi-year calculation base. Two-thirds of the respective bonus are based on the Group's net income after minority interests for the financial year and one-third on the average Group net income after minority interests for the financial year and the two financial years preceding it.

The total amount of the variable component is capped at twice the annual base salary. As the bonus is linked to Group earnings, it may not be paid out at all in certain cases. If Group net income after minority interests is negative, in other words the company has reported a loss for the year, this loss is carried forward to the next year and reduces the basis for calculating the bonus.

If Group net income after minority interests is negative in the financial year prior to an Executive Board member leaving or in the same year that a member leaves, this particular Executive Board member shares in the loss. If Executive Board members leave the company during the year, the bonus is paid on a pro rata basis.

The **remuneration components with long-term incentives** constitute stock options issued to Executive Board members on the basis of the approved stock option programme (SOP). The stock option programme is designed so that Executive Board members have to contribute GESCO shares acquired with their own private funds, which may not be resold for the duration of the vesting period. Ten options can be purchased for each share. The vesting period is four years and two months after the option is issued; after the end of the vesting period, the options for the tranches issued in 2015 to 2016 may be exercised at any time up to 15 March of the year after next, while the options for the tranches issued between 2017 and 2020 are exercised on a defined issue date.

The stock options for the tranches 2015 to 2016 were issued at an exercise price equating to the average XETRA closing price of the GESCO share on the ten consecutive trading days following the Annual General Meeting in the year the options were issued. The average XETRA closing price of the GESCO share in the six months prior to the Annual General Meeting is the key factor in determining the issue price for the tranches issued between 2017 and 2020. The average closing price of the SDAX price index over the same period serves as a benchmark. The profit from the programme is determined once the vesting period of four years and two months is over, with the average closing price of the GESCO share and the average closing price of the SDAX price index of the six months prior to the end of the vesting period being the deciding factor. The options were issued within one month of the Annual General Meeting taking place.

If and how many options can be exercised depends on the achievement of an absolute and relative performance target. The absolute performance target is met when the price of the GESCO share has developed positively at the time the option is exercised. The relative performance target is met when the price of the GESCO share has outperformed the SDAX at the time the option is exercised. If both targets are met, the Executive Board members are able to exercise 100 % of their options. If the absolute performance target is met but not the relative performance target, members of the Executive Board may only exercise 75 % of their options for tranches 2015 to 2016 and 50 % of their options for the tranches issued between 2017 and 2020, with the remaining 25 % and 50 % respectively expiring completely without recourse. If neither target is met at the point at which the options may be exercised, all options of the corresponding tranche expire completely without recourse. The maximum profit of the Executive Board members is capped at 50 % of the exercise price. The profit from the programme is paid out in cash.

The tranche set up by the Supervisory Board in June 2020 resulted in 50,400 options being issued to members of the Executive Board and managers of GESCO AG. Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in other provisions. The model assumes volatility of 28.75 % and a risk-free interest rate of – 0.59 %; the options' exercise price is € 16.58. The vesting period is four years and two months after the date of the Annual General Meeting. The fair value per option on the issue date is € 0.98.

Executive Board members receive contributions in the amount of a certain percentage of their base salary for the purpose of **pension planning**.

In the past, remuneration of the Executive Board was recognised for the reporting year and the previous year on the basis of the model tables recommended in the German Corporate Governance Code. These tables record compensation and actual payments separately in order to improve the transparency of Executive Board remuneration. The payments include the achievable minimum and maximum values of the respective remuneration components.

Executive Board remuneration: compensation

Compensation	Ralph Rumberg Spokesman (since 01/07/2018)			
€ '000	**01/04/ – 31/12/2019**	**01/01/ – 31/12/2020**	**01/01/ – 31/12/2020 (min)**	**01/01/ – 31/12/2020 (max)**
Fixed remuneration	244	325	325	325
Additional benefits	18	25	25	25
Total	**262**	**350**	**350**	**350**
One-year variable remuneration	207	152	0	650
Multi-year variable remuneration (SOP)				
Tranche 2019	23	0	0	0
Tranche 2020	0	18	0	149
Total	**230**	**170**	**0**	**799**
Pension-related expenses	49	65	65	65
Total remuneration	**541**	**585**	**415**	**1,214**

Compensation	Kerstin Müller-Kirchhofs Chief Financial Officer (since 01/05/2019)			
€ '000	**01/04/ – 31/12/2019**	**01/01/ – 31/12/2020**	**01/01/ – 31/12/2020 (min)**	**01/01/ – 31/12/2020 (max)**
Fixed remuneration	187	280	280	280
Additional benefits	9	13	13	13
Total	**196**	**293**	**293**	**293**
One-year variable remuneration	176	175	0	560
Multi-year variable remuneration (SOP)				
Tranche 2019	23	0	0	0
Tranche 2020	0	18	0	149
Total	**199**	**193**	**0**	**709**
Pension-related expenses	37	56	56	56
Total remuneration	**432**	**542**	**349**	**1,058**

Executive Board remuneration: payments

Payments	Ralph Rumberg Spokesman (since 01/07/2018)		Kerstin Müller-Kirchhofs Chief Financial Officer (since 01/05/2019)	
€ '000	**01/04/– 31/12/2019**	**01/01/– 31/12/2020**	**01/04/– 31/12/2019**	**01/01/– 31/12/2020**
Fixed remuneration	244	325	187	280
Additional benefits	18	25	9	13
Total	**262**	**350**	**196**	**293**
One-year variable remuneration	276	249	0	211
Multi-year variable remuneration (SOP)	0	0	0	0
Total	**276**	**249**	**0**	**211**
Pension-related expenses	32	65	37	56
Total remuneration	**570**	**664**	**233**	**560**

Remuneration for the **Supervisory Board** consisted of a fixed salary plus a fixed payment for each Supervisory Board meeting. The Chairman of the Supervisory Board received twice the amount and the Deputy Chairman of the Supervisory Board received one and a half times the amount of fixed remuneration. In addition, each member of the Supervisory Board received performance-based remuneration calculated as a fixed percentage of Group net income after minority interests.

The Annual General Meeting of GESCO AG of 18 June 2020 approved the system of **Supervisory Board remuneration** detailed below with a majority of 93.26 % effective from financial year 2020.

(1) From financial year 2020, members of the Supervisory Board receive **fixed annual remuneration** payable at the end of the respective financial year. This fixed remuneration amounts to € 50,000.00 per member. The Chair receives fixed remuneration of € 75,000.00 and the Deputy Chair receives € 55,000.00. In addition, each member of the Supervisory Board receives a **performance-based remuneration** component following the approval of the annual and consolidated financial statements amounting to 0.15 % of the calculation base per financial year. The calculation base is Group net income after minority interests prior to the deduction of performance-related remuneration for the Supervisory Board. If the calculation base is negative, it is carried forward to the next year and offset against positive amounts. Total annual remuneration for each individual member is limited to two times the fixed

annual remuneration payable pursuant to sentences 2 and 3 and para. 2.

(2) If the Supervisory Board forms committees, the members of the Supervisory Board receive further fixed annual remuneration of € 3,000.00 for each additional position on a committee that meets at least once per year. Committee chairs receive remuneration of € 5,000.00.

(3) Supervisory Board members who were only members of the Supervisory Board or a committee for part of the financial year receive remuneration on a pro rata basis for each month commenced in their role. The company reimburses members of the Supervisory Board for all expenses incurred in relation to their position on the Supervisory Board, including training costs and any VAT charged on their remuneration and expenses compensation.

(4) The company includes the activities of the members of the Supervisory Board in its directors' and officers' liability insurance. The company is responsible for paying the premiums for this insurance.

Remuneration received by the Supervisory Board – distributed among its members – is as follows:

	Fixed remuneration		Variable remuneration		Total remuneration	
€ '000	**01/04/ – 31/12/2019**	**01/01/ – 31/12/2020**	**01/04/ – 31/12/2019**	**01/01/ – 31/12/2020**	**01/04/ – 31/12/2019**	**01/01/ – 31/12/2020**
Klaus Möllerfriedrich	16	75	44	0	60	75
Stefan Heimöller	14	55	44	0	58	55
Jens Große-Allermann	11	50	44	0	55	50
Dr Nanna Rapp	12	50	44	0	56	50
Total remuneration	**53**	**230**	**176**	**0**	**229**	**230**

04 – Outlook, Opportunity and Risk Report

Outlook / events after the reporting date

The German government expects the country's gross domestic product to increase by 3.0 % in 2021. This forecast is lower than the guidance published by the German Council of Economic Experts in November 2020, which anticipates GDP growth of 3.7 %. According to the German government's assumptions, the coronavirus pandemic will continue to leave a significant mark on the economy in the first quarter of 2021. The situation is only expected to stabilise, and the economy to begin to recover over the course of the year as a result of widespread vaccination and the easing of restrictions on public life. The service sector, which has a comparatively high reliance on social contact, will only gradually be able to recover once the pandemic has been eliminated. By contrast, the industrial sector is performing strongly. Growth is bolstered by private consumer spending and fuelled by rising employment, increasing wages and a marginally positive trade balance. The projection for 2021 is based on current underlying conditions and is subject to a high level of uncertainty on account of the risks resulting from the future course of the pandemic.

The Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) believes that the level of sales in the mechanical and plant engineering sector will not return to pre-crisis levels even in the second year of the pandemic. Besides the adverse effects of the pandemic itself, another reason for this trend is that many companies were already reporting significant losses before the crisis took hold due to the process of structural change in the automotive industry, which will not be over even when the pandemic is. Even though the VDMA is not yet giving the all-clear, companies are beginning to regain confidence. Thanks to the marked economic recovery recently, capacity adjustments are on the decline. The recently concluded trade and cooperation deal between the EU and the UK, the EU coronavirus recovery plan and easing of tensions in relations with the US should also have a positive impact. VDMA economists currently anticipate production growth of 4 % in 2021 and believe that this growth heralds the start of a low-level recovery phase following the significant slump in 2020.

GESCO Group's development will benefit from the fact that above all the automotive industry – and also the capital goods industry – will have less of an impact on the portfolio of continuing operations compared to previous years. In addition, we believe that the MAPEX and OPEX programmes that form part of the NEXT LEVEL strategy will continue to have an effect. Given what we currently know about the effects of the coronavirus pandemic on business activity at GESCO Group, we expect sales to rise by at least 10 %. In terms of earnings, we anticipate a rise of € 5.8 million (earnings after minority interests from continuing operations) to a figure safely in the double-digit million range.

However, we would like to explicitly note that the ongoing impact of the pandemic cannot be assessed at the current time. As a result, expectations for financial year 2021 may change significantly at short notice.

We continue to consider the minimum equity ratio at GESCO Group to be 40 % in the new financial year.

GESCO AG continues to aim to generate external growth by acquiring further industrial companies in the SME segment. We have raised the sales criteria of target companies to between € 20 million and € 100 million as part of the NEXT LEVEL strategy. Strategically motivated supplementary acquisitions of subsidiaries may be subject to lower sales criteria. We continue to generate a consistent flow of deals through our existing network and by directly approaching business owners.

The statements on future development made in the outlook refer to assumptions and estimates made on the basis of information that was available to GESCO AG at the time this report was created. These statements are subject to risks and uncertainties, meaning that the actual results may differ from those originally expected. Therefore, we assume no liability for the information presented.

Managing opportunities and risks

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

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

Managing opportunities

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

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

Risk management at GESCO Group

GESCO Group has a comprehensive internal controlling and risk management system. It uses a software system that assesses risks but not opportunities. Risks and the classification thereof are assessed by estimating the effects on earnings before interest and taxes (EBIT) and their probability of occurrence. Risks are weighted depending on the specific company and in consideration of its sales volume and profitability. Risks are classified as follows at Group level:

Risk impact:

up to € 2 million	low
€ 2 million to € 5 million	moderate
over € 5 million	high

Probability of occurrence:

0 % to 10 %	very low
10 % to 30 %	low
30 % to 70 %	moderate
70 % to 100 %	high

Risks are reported on a monthly basis by the subsidiaries, while high risks are reported to GESCO AG ad hoc.

The Executive Board is responsible for conducting risk management and the Supervisory Board is responsible for oversight. The GESCO AG employee responsible for risk management reports to the Supervisory Board on the development of risks in quarterly meetings. The Supervisory Board is notified on an ad hoc basis in the event of larger risks.

Risks in acquiring companies

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

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

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

Risks relating to operating business

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

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

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

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

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

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

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

Compliance risks

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

Risks relating to personnel

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

Acquiring and retaining capable Managing Directors for GESCO AG companies is also particularly important. Managers unable to meet what is required of them, as well as frequent changes in these key functions, represent a significant risk with negative consequences both within the Group and externally. GESCO AG mitigates this risk by taking particular care when selecting personnel and following a multi-stage selection process with the involvement of the Supervisory Board. Following an induction phase, GESCO AG generally offers its new management personnel the opportunity to personally invest in the company they are managing. This is aimed at fostering a long-term commitment to the company.

GESCO AG can also experience difficulties in recruiting and retaining qualified employees and see its performance suffer as a result. Building up expertise and maintaining consistency in terms of personnel are key when it comes to establishing a resilient working environment based on trust within the holding company and, in particular, for the subsidiaries.

The GESCO AG employee share scheme regularly offers GESCO Group employees in Germany the chance to invest in the company by acquiring GESCO shares at a reduced cost and thus make a personal contribution to their pension plans. GESCO AG considers this scheme to be an important part of its personnel retention efforts. Unfortunately it was impossible to arrange the scheme in 2020 for regulatory reasons.

Risks relating to IT

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

IT service providers meet defined security standards. The IT security management system is regularly developed and tested in collaboration with an external IT security officer. Within GESCO Group, GESCO AG also regularly checks on the status of the subsidiaries' IT security management systems.

Risks relating to data protection

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

Risks relating to financing

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

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

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

Risks relating to accounting

Accounting risks are mitigated by detailed Group guidelines that are documented in a manual and a binding standard for all Group companies and auditors.

Environmental risks

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

Insurance coverage

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

Legal risks

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

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

Reputation risks

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

Final risk assessment

Beyond the scope of normal fluctuations in economic development and the other operative risks referred to above, we currently see the high level of political uncertainty as the greatest risk to the operating business. In addition, the ongoing spread of the coronavirus pandemic continues to pose a significant risk to global supply chains and financial development in various countries and industries, the final implications of which cannot be assessed at the current time.

We are not currently aware of any specific risks that could endanger or significantly affect the existence of GESCO AG and the Group.

05 – Internal controlling and risk management system in relation to the Group accounting process

The Executive Board structures and is responsible for the internal controlling and risk management system in relation to the Group accounting process; it is also monitored by the Supervisory Board. It encompasses principles, methods and measures serving to guarantee the orderliness of the internal and external accounting processes and compliance with legal requirements, as well as to identify risks linked to the accounting process promptly. The system is constantly being developed.

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

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

06 – Takeover-related disclosures

Disclosures under Section 315a para. 1 HGB

No. 1: Composition of subscribed capital

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

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

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

No. 3: Capital investments exceeding 10 % of the voting rights

The disclosures regarding capital investments exceeding 10 % of the voting rights are included in the notes.

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

No shares in the company have special rights conferring controlling powers.

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

There is no control of voting rights in the event that employees invest in GESCO AG capital and do not exercise their control rights directly.

No. 6: Appointing and dismissing members of the Executive Board; amendments to the Articles of Association

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

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

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

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

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

- Sale to third parties in return for cash payment at a price that is not significantly lower than the company's share price on the date of

the sale (exclusion of subscription rights limited to 10 % of the share capital in accordance with Section 186 para. 3 sentence 4 AktG);
- Sale to third parties for the purposes of acquiring companies, parts of companies and / or investments in companies or of servicing convertible bonds or warrant bonds;
- In the case of an offer to all shareholders, for the purpose of granting all holders of convertible bonds and / or warrant bonds issued by the company or a Group company subscription rights to the shares to the extent they would be entitled to following the exercising of their warrants or conversion rights or following the fulfilment of their conversion obligation.

Lastly, the Executive Board is authorised, with the approval of the Supervisory Board, to redeem acquired own shares, either in full or in part, without any further Annual General Meeting resolution.

These authorisations can be exercised on one or several occasions and either in part or in full, either separately or altogether by the company, by an affiliated company, by a third party on behalf of the company or by companies affiliated to third parties.

GESCO AG held no own shares as of the reporting date. No own shares were acquired or sold in the financial year.

No. 8: Significant company agreements that are subject to a change of control resulting from a takeover bid

There are no company agreements that are subject to a change of control resulting from 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

No compensation agreements exist between the company and members of the Executive Board or employees in the event of a takeover bid.

07 – Declaration of Corporate Governance

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

Wuppertal, 26 March 2021

Ralph Rumberg
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs
CFO / Chief Financial Officer

05

GESCO finances

GESCO AG
Summary of the Annual Financial Statements as at 31 December 2020

Consolidated Statement of Financial Position

€'000	31/12/2020	31/12/2019
Assets		
Intangible assets	51	52
Property, plant and equipment	188	338
Financial assets	114,246	138,539
Non-current assets	**114,485**	**138,929**
Receivables and other assets	71,621	89,452
Cash and credit with financial institutions	27,582	6,494
Current assets	**99,203**	**95,946**
Accounts receivable and payable	**111**	**76**
Total assets	**213,799**	**234,951**
Equity and liabilities		
Equity	192,353	200,614
Provisions	5,444	5,461
Liabilities	16,002	28,876
Total equity and liabilities	**213,799**	**234,951**

Consolidated Statement of Income

€'000	01/01/–31/12/2020	01/04/–31/12/2019
Sales revenues	1,869	801
Other operating income	11,824	282
Personnel expenditure	- 4,234	- 3,619
Depreciation / amortisation	- 166	- 140
Other operating expenditure	- 36,342	- 3,035
Earnings from investments	27,526	26,666
Income from profit and loss transfer agreements	0	2,927
Income from lending financial assets	11	0
Impairment of financial assets	- 2,400	0
Expenses from loss transfer	- 5,399	0
Net interest income	15	242
Taxes	1,529	- 1,502
Earnings after taxes	**- 5,767**	**22,622**
Other taxes	- 2	- 3
Net income / loss	**- 5,769**	**22,619**
Transfer to revenue reserves	0	- 11,309
Withdrawals from revenue reserves	5,769	0
Retained profit	**0**	**11,310**

The complete financial statements of GESCO AG compiled in accordance with the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG) and audited by RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Wuppertal, and attested with an unqualified audit opinion, are published in the Bundesanzeiger (German Federal Gazette) and submitted to the Commercial Register under HRB number 7847. The financial statements are available from GESCO AG.

GESCO AG Consolidated Financial Statements Dated 31 December 2020

GESCO Group Consolidated Statement of Financial Position

€'000			31/12/2020	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	(1)	16,613	20,354
2.	Goodwill	(2)	23,347	26,927
3.	Prepayments	(3)	116	133
			40,076	**47,414**
II.	Tangible assets			
1.	Land and buildings	(4)	57,649	83,039
2.	Technical plant and machinery	(5)	28,764	55,979
3.	Other plant, fixtures and fittings	(6)	15,710	21,810
4.	Prepayments and assets under construction	(7)	2,643	11,487
			104,766	**172,315**
III.	Financial investments			
1.	Shares in affiliated companies	(8)	0	0
2.	Shares in companies recognised at equity	(9)	1,868	1,635
3.	Investments	(10)	236	236
4.	Other loans		9,861	100
			11,965	**1,971**
IV.	Other assets	(11)	441	652
V.	Deferred tax assets	(12)	2,506	4,318
			159,754	**226,670**
B.	**Current assets**			
I.	Inventories	(13)		
1.	Raw materials, supplies and consumables		22,856	28,480
2.	Unfinished products and services		22,634	42,489
3.	Finished products and goods		63,308	79,576
4.	Prepayments		119	976
			108,917	**151,521**
II.	Receivables and other assets	(11)		
1.	Trade receivables		56,286	79,072
2.	Amounts owed by affiliated companies		1,455	2,086
3.	Amounts owed by companies recognised at equity		301	319
4.	Other assets		5,926	14,597
			63,968	**96,074**
III.	Cash and credit with financial institutions	(14)	49,226	30,870
IV.	Accounts receivable and payable		928	964
			223,039	**279,429**
V.	Assets held for sale	(15)	8,028	0
			231,067	**279,429**
			390,821	**506,099**

€'000		31/12/2020	31/12/2019
Equity and liabilities			
A. Equity	(16)		
I. Subscribed capital		10,839	10,839
II. Capital reserves		72,364	72,364
III. Revenue reserves		137,871	158,049
IV. Other comprehensive income		- 5,432	- 5,388
V. Minority interests (incorporated companies)	(17)	12,128	14,564
		227,770	**250,428**
B. Non-current liabilities			
I. Minority interests (partnerships)	(17)	903	992
II. Provisions for pensions	(18)	11,115	17,728
III. Other non-current provisions	(18)	524	550
IV. Liabilities to financial institutions	(19)	38,256	66,938
V. Lease liabilities	(19)	13,032	20,530
VI. Other liabilities	(19)	1,678	1,493
VII. Deferred tax liabilities	(12)	2,734	2,774
		68,242	**111,005**
C. Current liabilities			
I. Other provisions	(18)	8,314	10,683
II. Liabilities	(19)		
1. Liabilities to financial institutions		44,357	66,793
2. Lease liabilities		2,287	4,027
3. Trade payables		8,701	14,978
4. Payments received on account of orders		8,620	19,310
5. Liabilities to affiliated companies		1,021	675
6. Liabilities to companies recognised at equity		0	5
7. Other liabilities		18,322	28,012
		83,308	**133,800**
III. Accounts receivable and payable		159	183
		91,781	**144,666**
IV. Liabilities directly relating to assets held for sale	(15)	3,028	0
		94,809	**144,666**
		390,821	**506,099**

GESCO Group Consolidated Statement of Income

€'000		01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019 (9 months)
CONTINUING OPERATIONS			
Sales revenues	**(20)**	**397,225**	**354,813**
Change in stocks of finished and unfinished products		440	- 7,777
Other company-produced additions to assets	(21)	542	426
Other operating income	(22)	5,465	5,381
Total income		**403,672**	**352,843**
Material expenses	(23)	- 220,722	- 192,944
Personnel expenses	(24)	- 104,026	- 83,461
Other operating expenses	(25)	- 45,418	- 39,031
Impairment losses on financial assets		- 149	- 402
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**33,357**	**37,005**
Amortisation of intangible assets and depreciation on property, plant and equipment	(26)	- 16,664	- 12,593
Earnings before interest and tax (EBIT)		**16,693**	**24,412**
Earnings from investments		37	807
Earnings from companies valued at equity		574	89
Income from lending financial assets		11	0
Other interest and similar income		55	108
Impairment of financial assets		- 2,150	0
Interest and similar expenses	(27)	- 2,189	- 1,853
Third-party profit share in partnerships		- 142	- 200
Financial result		**- 3,804**	**- 1,049**
Earnings before tax (EBT)		**12,889**	**23,363**
Taxes on income and earnings	(28)	- 6,009	- 7,650
Earnings from continuing operations		**6,880**	**15,713**
DISCONTINUED OPERATIONS			
Earnings from discontinued operations	**(29)**	**- 22,862**	**- 1,985**
Group net loss / income		**- 15,982**	**13,728**
of which:			
Shares held by third parties in incorporated companies			
Earnings from continuing operations		1,051	1,201
Earnings from discontinued operations		- 457	141
		594	**1,342**
Shares held by GESCO shareholders			
Earnings from continuing operations		5,829	14,512
Earnings from discontinued operations		- 22,405	- 2,126
		- 16,576	**12,386**
Earnings per share (€)	**(30)**		
From continuing operations		0.54	1.34
From continuing and discontinued operations		- 1.53	1.14

GESCO Group Consolidated Statement of Comprehensive Income

€'000	Note	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019 (9 months)
Group net loss / income		**- 15,982**	**13,728**
Revaluation of benefit obligations not impacting income		**473**	**- 1,052**
Items that cannot be reclassified to the income statement		**473**	**- 1,052**
Difference from currency translation			
a) Reclassification to the income statement		183	0
b) Changes in value with no effect on income		- 1,843	- 157
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		- 318	- 65
Market valuation of hedging instruments			
a) Reclassification to the income statement		0	0
b) Changes in value with no effect on income		230	36
Items that can be reclassified to the income statement		**- 1,748**	**- 186**
Other comprehensive income	**(31)**	**- 1,275**	**- 1,238**
Comprehensive income for the period		**- 17,257**	**12,490**
of which shares held by third parties in incorporated companies		472	1,231
of which shares held by GESCO shareholders		- 17,729	11,259

GESCO Group Consolidated Statement of Changes in Equity

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares	
As at 31/03/2019	**10,839**	**72,364**	**156,458**	**0**	
Dividends			- 9,756		
Acquisition of own shares				- 755	
Sale of own shares			- 22	755	
Acquisition of shares in subsidiaries			- 1,017		
Group net loss / income for the period			12,386		
As at 31/12/2019	**10,839**	**72,364**	**158,049**	**0**	
Dividends			- 2,493		
Sale of shares in subsidiaries			- 1,109		
Group net loss / income for the period			- 16,576		
As at 31/12/2020	**10,839**	**72,364**	**137,871**	**0**	

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interests (incorporated companies)	Equity
- 228	**- 3,941**	**- 83**	**235,409**	**15,158**	**250,567**
			- 9,756	- 1,175	- 10,931
			- 755		- 755
			733		733
		- 9	- 1,026	- 650	- 1,676
- 177	- 986	36	11,259	1,231	12,490
- 405	**- 4,927**	**- 56**	**235,864**	**14,564**	**250,428**
			- 2,493	- 850	- 3,343
	1,109		0	- 2,058	- 2,058
- 1,815	432	230	- 17,729	472	- 17,257
- 2,220	**- 3,386**	**174**	**215,642**	**12,128**	**227,770**

GESCO Group Consolidated Statement of Cash Flows

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019 (9 months)
Group net loss / income for the period (including share attributable to minority interests in incorporated companies)	**- 15,982**	**13,728**
Amortisation of intangible assets and depreciation on property, plant and equipment	25,332	20,565
Impairment of non-current assets	17,614	0
Earnings from companies valued at equity	- 574	- 89
Share attributable to minority interests in partnerships	142	200
Decrease in non-current provisions	- 540	- 267
Other non-cash income	691	- 170
Cash flow for the year	**26,683**	**33,967**
Losses from the disposal of discontinued operations	4,104	0
Losses from the disposal of tangible / intangible assets	251	380
Gains from the disposal of tangible / intangible assets	- 325	- 377
Decrease / increase in inventories, trade receivables and other assets	39,661	33,095
Decrease in trade creditors and other liabilities	- 10,726	- 28,512
Cash flow from ongoing business activity	**59,648**	**38,553**
Incoming payments from disposals of tangible / intangible assets	714	1,144
Disbursements for investments in tangible assets	- 10,031	- 14,137
Disbursements for investments in intangible assets	- 882	- 952
Incoming payments from disposals of financial assets	23	119
Disbursements for investments in financial assets	- 3,000	0
Incoming payments from the sale of consolidated companies and other business operations	8,935	0
Cash flow from investment activity	**- 4,241**	**- 13,826**
Disbursements to shareholders (dividend)	- 2,493	- 9,756
Incoming payments from the sale of own shares	0	733
Disbursements for the purchase of own shares	0	- 755
Disbursements to minority interests	- 1,081	- 1,553
Disbursements for the purchase of non-governing shares	0	- 1,676
Incoming payments from taking out (financial) loans	12,037	14,043
Disbursements for the repayment of (financial) loans	- 38,652	- 21,025
Disbursements for the repayment of (financial) loans	- 4,241	- 3,204
Cash flow from funding activity	**- 34,430**	**- 23,193**
Changes in cash and cash equivalents	**20,977**	**1,534**
Exchange rate-related changes in cash and cash equivalents	**- 207**	**0**
Cash and cash equivalents on 01/04 or 01/01	30,870	29,336
Cash and cash equivalents on 31/12	**51,640**	**30,870**
Less cash held for sale	- 2,414	0
Cash and cash equivalents on 31/12 from continuing operations	49,226	30,870

GESCO AG, Wuppertal
Notes to the Consolidated Financial Statements as at 31 December 2020

General information

GESCO AG is a stock corporation with its headquarters at Johannisberg 7, 42103 Wuppertal, Germany. The company is registered in the Commercial Register of the district court (Amtsgericht) of Wuppertal, Germany, under HRB 7847. The company is dedicated to acquiring investments in SMEs and providing consulting and other services. The consolidated financial statements of GESCO AG, Wuppertal, for the financial year from 1 January until 31 December 2020 were prepared based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as they apply in the EU and under consideration of Section 315e para. 1 of the German Commercial Code (HGB).

Change in the financial year

The Annual General Meeting on 29 August 2019 voted to change the financial year of GESCO AG, and therefore that of GESCO Group, to the calendar year with effect from 1 January 2020. As a result, these consolidated financial statements include the months January to December 2020 at both GESCO AG and the subsidiaries. The previous year comprised the nine-month period from 1 April to 31 December 2019 (abbreviated financial year). The figures for the reporting year covering the twelve-month period are therefore only comparable with the previous year's figures to a limited extent.

Application and impact of new or amended standards

These consolidated financial statements of GESCO AG were prepared under consideration of all standards applicable to annual reporting years commencing prior to 1 January 2020 and which have been endorsed into EU law. The following new or amended standards had to be taken into consideration in financial year 2020:

Standard	Adopted by the EU	Early application
Amendments to references to the framework concept in IFRS standards	Yes	No
Amendments to IAS 1 and IAS 8 – "Definition of materiality"	Yes	Yes
Amendments to IFRS 9, IFRS 39 and IFRS 7 "Interest rate benchmark reform"	Yes	Yes
Amendments to IFRS 3 "Definition of business operations"	Yes	Yes
Amendments to IFRS 16 "Covid-19-related rent concessions"	Yes	Yes

The application of the above-mentioned regulations did not have any material effects on the consolidated financial statements of GESCO AG.

The following standards and interpretations are mandatory from financial year 2021:

Standard	Adopted by the EU	Early application
Amendments to IFRS 4 "Deferral of effective date of IFRS 9"	Yes	No
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Reform of reference interest rates phase 2"	Yes	Yes

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

Standard	Adopted by the EU	Early application
Amendments to IAS 1 "Classification of liabilities as current or non-current"	Pending	Yes
Amendments to IAS 16 "Proceeds before intended use"	Pending	Yes
Amendments to IAS 37 "Onerous contracts — cost of fulfilling a contract"	Pending	Yes
IFRS 17: "Insurance contracts"	Yes	Yes
Amendments to IFRS 3 "Reference to the conceptual framework"	Pending	No
Annual improvements to IFRS (2018-2020)	Pending	Yes

Other standards and interpretations that will become mandatory in future periods are not expected to have a material impact on the consolidated financial statements of GESCO AG.

Scope of consolidation

In addition to GESCO AG, the consolidated financial statements include all material subsidiaries for which GESCO AG satisfies the conditions of IFRS 10. Significant joint ventures and associated companies were included according to the equity method. In principle, first-time consolidation and deconsolidation takes place on the investment acquisition or disposal date.

In December 2020, GESCO AG sold all of its shares in the following companies:

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

- Production Process Technology segment
  - C.F.K. CNC Fertigungstechnik Kriftel GmbH, Kriftel, Germany

- Healthcare and Infrastructure Technology segment
  - Frank Walz- und Schmiedetechnik GmbH, Hatzfeld, Germany; including its subsidiaries Frank-Hungaria Kft., Òzd, Hungary; Frank Lemeks Tow, Ternopil, Ukraine; and OOO Frank RUS, Orjol, Russia

The disposal was concluded effective as at 22 and 23 December 2020, with the exception of the disposal of Paul Beier GmbH & Co. KG, which is subject to approval from the Federal Ministry for Economic Affairs and Energy. The disposal has already been recognised because it is highly likely that approval will be given and GESCO AG is contractually obliged to dispose of its shares subject to the approval.

With this sale, GESCO has discontinued its Mobility Technology segment and also implemented the largest portfolio restructuring in company history. The transaction was carried out within the scope of the NEXT LEVEL strategy and aims at making the portfolio more profitable, robust and future-proof. The companies' sales prices amounted to € 27 million with immediate cash inflow of € 18 million.

This balance sheet does not include the assets and liabilities of the companies sold. The companies are reported in the Consolidated Statement of Income as discontinued operations.

On 4 February 2021, GESCO AG concluded a contract regarding the sale of its majority stake in VWH GmbH as part of a management buy-out. The sale concerned the majority stake of 80 % of shares in VWH GmbH, Herschbach, Germany. The assets and liabilities of this company have been reclassified to the “Assets held for sale” and “Liabilities directly related to assets held for sale” items in this balance sheet. VWH GmbH is reported in the income statement as part of discontinued operations. VWH GmbH is allocated to the Production Process Technology segment.

In addition to the parent company, a total of 49 companies are included in the consolidated financial statements according to the principle of full consolidation, and three other companies are included under the equity method.

One subsidiary with an immaterial effect on the assets, financial position and earnings position was not consolidated but instead measured at fair value. The effect on sales, earnings and total assets is less than 2.0 %. The maximum risk of losses from this investment amounts to € 0.4 million (previous year: € 1.4 million). Four other investments, which are also of immaterial significance, were measured at fair value.

The significant financial information for the non-consolidated companies is shown in the following table:

€'000	31/12/2020	31/12/2019
Current assets	2,366	3,331
Current liabilities	1,516	2,559

A list of investments is included at the end of these notes.

Consolidation methods / equity method

Capital consolidation is based on a full revaluation on the respective acquisition date. The cost of acquisition is offset against the revalued or, in case of the equity method, proportionately revalued equity of the subsidiary on the acquisition date. Assets and liabilities are recorded at fair value.

Subsequent changes in the equity of joint ventures and associated companies are recorded as changes in the level of investment of the respective company.

Income and expenditure as well as receivables and liabilities between fully consolidated companies are eliminated.

To the extent that temporary differences arise from consolidation processes that affect earnings but are not related to goodwill, income tax effects are considered and deferred taxes (IAS 12) recorded.

Accounting and valuation methods

The financial statements on which the consolidated financial statements dated 31 December 2020 are based are consistently prepared according to uniform accounting and valuation methods. 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.

In the individual financial statements, **foreign currency transactions** are converted using the exchange rate in effect at the time of the respective transaction. On the reporting date, monetary items are adjusted to their fair value using the relevant conversion rate; differences are included in earnings. Exchange rate differences from intra-Group receivables are included in equity without affecting income provided that the receivables are to be regarded as part of the net investments in the foreign entity.

In principle, the companies outside the eurozone prepare their financial statements in the respective national currency according to the functional currency concept. Assets and liabilities in these financial statements are converted to euros using the exchange rate in effect on the reporting date. Equity is reported at the historical exchange rate, with the exception of items recorded directly in equity. Income statement items are converted at average exchange rates and the resulting exchange rate differences are recognised directly in equity.

The following table lists the exchange rates that were used:

		Reporting date rate		Average rate	
	€ 1 =	31/12/2020	31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
China	CNY	8.0225	7.8205	7.8747	7.7597
Mexico	MXN	24.4160	21.2202	24.5194	21.4787
Romania	RON	4.8683	4.7830	4.8383	4.7485
Russia	RUB	91.4671	69.9563	82.7248	71.6501
Singapore	SGD	1.6218	1.5111	1.5742	1.5235
South Africa	ZAR	18.0219	15.7773	18.7655	16.2594
South Korea	KRW	1,336.0000	1,296.2800	1,345.5765	1,314.0856
Taiwan	TWD	34.4500	33.6100	33.6975	34.3600
Turkey	TRY	9.1131	6.6843	8.0547	6.4391
Ukraine	UAH	34.7400	26.5600	31.2720	28.0211
Hungary	HUF	363.8900	330.5300	351.2494	288.8913
USA	USD	1.2271	1.1234	1.1422	1.1141

In the listing of changes to property, plant and equipment, provisions and equity, the opening and closing balances are converted using the exchange rates on the respective reporting dates while changes during the year are converted using the average rate. Exchange rate differences are reported separately and do not affect income.

Intangible assets acquired in exchange for payment are reported at their cost of acquisition less amortisation and impairment losses. Intangible assets that were accounted for in the course of initial consolidation in accordance with IFRS 3 are recognised as disposals in the year of full amortisation.

Internally generated intangible assets are reported at cost.

Property, plant and equipment is valued at the cost of acquisition or manufacture. Public sector subsidies are deducted from the original cost of acquisition when the asset is recorded. Straight-line depreciation over the expected useful life is applied to property, plant and equipment.

Intangible assets and property, plant and equipment from **leases** (IFRS 16) are initially recognised at the cash value of the lease liabilities. The interest rate on borrowings is determined individually for each company on the basis of a comparative interest rate that the company would have to pay if the asset were acquired with borrowed capital. The weighted average incremental borrowing rate of interest amounts to approximately 2.1% (previous year: 2.1%). Depreciation follows the principles of depreciation and amortisation for assets owned by the Group or under consideration of the shorter term of the lease. If it is reasonably certain that a purchase option will be exercised, it is amortised over the useful life of the underlying asset.

Rights of use are shown in the balance sheet under the balance sheet items in which the underlying assets would also be shown if they were owned by the Group.

Investments included under financial assets are reported at the lower of fair value or the cost of acquisition. Investments in joint ventures and associated companies are valued according to the equity method.

Raw materials, supplies and consumables are valued at the average cost of acquisition, while **unfinished and finished products** are valued at the cost of manufacture including the overhead costs of all essential materials and production. Realisation risks are taken into account through depreciation on the lower net sales price.

In principle, **receivables and other assets** are reported at fair value. Potential bad debts are covered by commensurate value adjustments. Foreign currency receivables are converted using the exchange rates in effect on the reporting date.

Cash flow hedges are used to effectively hedge pending sales transactions in foreign currencies against exchange rate risks; these hedges are included in other comprehensive income without affecting income until such time as the hedged item occurs.

Minority interests in incorporated companies and partnerships primarily pertain to the investments of Managing Directors in the companies they manage as well as the proportion of earnings to which they are entitled. Minority interests in incorporated companies are reported as separate items in equity. In accordance with IAS 32, minority interests in partnerships are reported as separate items in debt capital.

Provisions for pensions and similar obligations are calculated using the actuarial method according to IAS 19. In addition to pensions and entitlements known on the reporting date, expected future salary and pension increases as well as interest rate changes are also considered. Service expenditures are reported under personnel expenditure, and the interest portion of the provision allocation is reported in the financial result.

Other provisions include all liabilities identified on the reporting date that are based on past business transactions and where the amount or due date is uncertain. Provisions are established according to the best estimate of the actual liability and are not offset against positive earnings contributions.

A legal or factual obligation to a third party is required in order to establish a provision. Provisions with a residual term of more than one year are discounted to the reporting date at a market interest rate suitable for the Group and term, and under consideration of future price developments.

Liabilities are generally reported at their respective cash value. Foreign currency liabilities are converted using the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations are included in earnings. Discounts are deducted from liabilities to financial institutions and credited to the loan over its term.

Deferred taxes arising from timing differences between the commercial and tax balance sheet are calculated according to the asset and liability method and reported separately. Deferred taxes are calculated based on current tax laws. Deferred tax assets are offset against deferred tax liabilities when the creditor, debtor and term are the same.

Contingent liabilities represent possible or existing obligations based on past events where resources are not expected to be expended. Therefore, they are not included on the balance sheet. The reported contingent liabilities correspond to the scope of liability on the reporting date.

Information on the Group balance sheet

The breakdown of fixed assets as well as changes for the reporting year and the previous year are shown in the following tables:

Group statement of fixed assets as at 31/12/2020

€'000	Cost of acquisition or manufacture						
	As at 01/01/2020	Additions	Reclassi-fications	Disposals	Change Currency difference	Change in scope of consoli-dation	Reclassi-fication to held for sale
I. Intangible assets							
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets							
a. IT software	12,039	674	330	578	- 8	- 4,444	- 531
b. Technology	687	0	0	0	0	- 92	- 325
c. Customer base / order backlog	29,951	0	0	0	- 622	- 1,360	0
d. Company-produced development costs	526	318	0	0	0	0	0
	43,203	992	330	578	- 630	- 5,896	- 856
2. Goodwill	29,816	0	0	0	- 177	- 4,732	- 693
3. Prepayments	133	77	- 94	0	0	0	0
	73,152	**1,069**	**236**	**578**	**- 807**	**- 10,628**	**- 1,549**
II. Tangible assets							
1. Land and buildings	115,525	1,925	2,290	0	- 220	- 31,115	- 3,992
2. Technical plant and machinery	154,507	1,898	7,033	932	- 260	- 75,571	- 1,931
3. Other plant, fixtures and fittings	84,342	4,333	493	1,925	- 106	- 19,828	- 1,148
4. Prepayments and assets under construction	11,487	3,133	- 10,052	71	- 10	- 1,737	- 107
	365,861	**11,289**	**- 236**	**2,928**	**- 596**	**- 128,251**	**- 7,178**
III. Financial assets							
1. Shares in affiliated companies	0	0	0	0	0	0	0
2. Shares in companies recognised at equity	2,255	574	0	23	- 318	0	0
3. Investments	236	0	0	0	0	0	0
4. Other loans	100	12,011	0	0	0	- 100	0
	2,591	**12,585**	**0**	**23**	**- 318**	**- 100**	**0**
	441,604	**24,943**	**0**	**3,529**	**- 1,721**	**- 138,979**	**- 8,727**
Of which rights of use							
1. Intangible assets	51	187	0	51	0	0	0
2. Land and buildings	19,869	298	0	0	- 75	- 4,185	0
3. Technical plant and machinery	8,753	65	0	0	0	- 6,996	0
4. Other plant, fixtures and fittings	1,615	895	0	265	0	- 768	0
	30,288	**1,445**	**0**	**316**	**- 75**	**- 11,949**	**0**

1) Includes impairment losses (in €'000): 2,270 (of which goodwill impairment: 2,133)
2) Includes impairment losses (in €'000): 13,194
3) Includes impairment losses (in €'000): 2,150
4) Includes impairment losses (in €'000): 2,499

	Depreciation and amortisation							Carrying amounts	
As at 31/12/2020	As at 01/01/2020	Additions	Disposals	Change Currency difference	Change in scope of consoli-dation	Reclassi-fication to held for sale	As at 31/12/2020	As at 31/12/2020	As at 31/12/2019
7,482	10,040	1,164	578	- 7	- 3,708	- 454	6,457	1,025	1,999
270	665	13	0	0	- 92	- 325	261	9	22
27,969	12,144	2,857	0	- 407	- 1,360	0	13,234	14,735	17,807
844	0	0	0	0	0	0	0	844	526
36,565	22,849	4,034	578	- 414	- 5,160	- 779	19,952	16,613	20,354
24,214	2,889	2,133	0	0	- 3,462	- 693	867	23,347	26,927
116	0	0	0	0	0	0	0	116	133
60,895	**25,738**	**6,167**[1)]	**578**	**- 414**	**- 8,622**	**- 1,472**	**20,819**	**40,076**	**47,414**
84,413	32,486	10,447	0	- 57	- 14,383	- 1,729	26,764	57,649	83,039
84,744	98,528	17,897	609	- 111	- 58,139	- 1,586	55,980	28,764	55,979
66,161	62,532	6,254	1,679	- 71	- 15,712	- 873	50,451	15,710	21,810
2,643	0	31	0	0	0	- 31	0	2,643	11,487
237,961	**193,546**	**34,629**[2)]	**2,288**	**- 239**	**- 88,234**	**- 4,219**	**133,195**	**104,766**	**172,315**
0	0	0	0	0	0	0	0	0	0
2,488	620	0	0	0	0	0	620	1,868	1,635
236	0	0	0	0	0	0	0	236	236
12,011	0	2,150	0	0	0	0	2,150	9,861	100
14,735	**620**	**2,150**[3)]	**0**	**0**	**0**	**0**	**2,770**	**11,965**	**1,971**
313,591	**219,904**	**42,946**	**2,866**	**- 653**	**- 96,856**	**- 5,691**	**156,784**	**156,807**	**221,700**
187	22	29	51	0	0	0	0	187	29
15,907	1,867	3,269	0	- 22	- 2,048	0	3,066	12,841	18,002
1,822	3,833	2,725	0	- 2	- 6,095	0	461	1,361	4,920
1,477	479	659	260	0	- 290	0	588	889	1,136
19,393	**6,201**	**6,682**[4)]	**311**	**- 24**	**- 8,433**	**0**	**4,115**	**15,278**	**24,087**

Group asset history sheet as at 31/12/2019

€'000	Cost of acquisition or manufacture					
	As at 01/04/2019 adjusted	**Additions initial recognition**	**Additions**	**Reclassi-fications**	**Disposals**	**Change Currency difference**
I. Intangible assets						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets						
a. IT software	12,609	51	523	10	1,156	2
b. Technology	16,566	0	0	0	15,879	0
c. Customer base / order backlog	34,307	0	0	0	4,357	1
d. Company-produced development costs	0	0	296	230	0	0
	63,482	51	819	240	21,392	3
2. Goodwill	29,816	0	0	0	0	0
3. Prepayments	240	0	133	- 240	0	0
	93,538	**51**	**952**	**0**	**21,392**	**3**
II. Tangible assets						
1. Land and buildings	100,078	14,646	767	33	1	2
2. Technical plant and machinery	149,237	918	5,435	2,388	3,469	- 2
3. Other plant, fixtures and fittings	81,183	1,150	3,932	632	2,564	9
4. Prepayments and assets under construction	9,135	0	5,704	- 3,053	299	0
	339,633	**16,714**	**15,838**	**0**	**6,333**	**9**
III. Financial assets						
1. Shares in affiliated companies	38	0	0	0	38	0
2. Shares in companies recognised at equity	2,230	0	89	0	0	- 64
3. Investments	236	0	0	0	0	0
4. Other loans	181	0	0	0	81	0
	2,685	**0**	**89**	**0**	**119**	**- 64**
	435,856	**16,765**	**16,879**	**0**	**27,844**	**- 52**
Of which rights of use						
1. Intangible assets	0	51	0	0	0	0
2. Land and buildings	4,909	14,646	311	0	0	3
3. Technical plant and machinery	7,031	918	925	0	121	0
4. Other plant, fixtures and fittings	0	1,150	465	0	0	0
	11,940	**16,765**	**1,701**	**0**	**121**	**3**

	Depreciation and amortisation					Carrying amounts	
As at 31/12/2019	As at 01/04/2019 adjusted	Additions	Reclassi-fications	Change Currency difference	As at 31/12/2019	As at 31/12/2019	As at 31/03/2019 adjusted
12,039	10,508	686	1,156	2	10,040	1,999	2,101
687	16,510	32	15,877	0	665	22	56
29,951	14,144	2,360	4,357	- 3	12,144	17,807	20,163
526	0	0	0	0	0	526	0
43,203	41,162	3,078	21,390	- 1	22,849	20,354	22,320
29,816	2,889	0	0	0	2,889	26,927	26,927
133	0	0	0	0	0	133	240
73,152	**44,051**	**3,078**	**21,390**	**- 1**	**25,738**	**47,414**	**49,487**
115,525	28,552	3,933	0	1	32,486	83,039	71,526
154,507	92,781	8,752	3,004	- 1	98,528	55,979	56,456
84,342	59,912	4,802	2,183	1	62,532	21,810	21,271
11,487	0	0	0	0	0	11,487	9,135
365,861	**181,245**	**17,487**	**5,187**	**1**	**193,546**	**172,315**	**158,388**
0	0	0	0	0	0	0	38
2,255	620	0	0	0	620	1,635	1,610
236	0	0	0	0	0	236	236
100	0	0	0	0	0	100	181
2,591	**620**	**0**	**0**	**0**	**620**	**1,971**	**2,065**
441,604	**225,916**	**20,565**	**26,577**	**0**	**219,904**	**221,700**	**209,940**
51	0	22	0	0	22	29	0
19,869	102	1,764	0	1	1,867	18,002	4,807
8,753	2,795	1,083	45	0	3,833	4,920	4,236
1,615	0	479	0	0	479	1,136	0
30,288	**2,897**	**3,348**	**45**	**1**	**6,201**	**24,087**	**9,043**

1 Industrial property rights and similar rights and assets as well as licences to such rights and assets

The assets summarised under this item are depreciated and amortised using the straight-line method over the following periods:

	Years
IT software	3 – 7
Technology	10 – 13
Customer base	7 – 10
Order backlog	1 – 2
Company-produced development costs	7

The development of the individual items is shown in the asset history sheets (reporting year and previous year). The technology, customer base and order backlog items are the result of hidden reserves uncovered as part of first-time consolidations. These items include impairment losses of € 137 thousand.

2 Goodwill

In accordance with IFRS 3, goodwill is not subject to regular amortisation but is instead subjected to an annual impairment test. This process in principle uses the cash flows from the current company budget for the next three years; a continuous growth rate of 1 % is assumed for subsequent periods. The resulting values are discounted using a pre-tax cost of capital of 8.8 % (previous year: 8.3 %). This results in a present value (value in use) that is compared to the reported goodwill. The goodwill arising from company acquisitions is distributed among 10 (previous year: 15) cash generating units. The goodwill amounts of Sommer & Strassburger Edelstahlanlagenbau GmbH & Co. KG (€ 9.7 million) and Pickhard & Gerlach Group (€ 6.3 million) are considered significant as defined by IAS 36.134. These goodwill amounts together form 68.6 % of the total goodwill (previous year: 59.6 %).

Necessary impairments of € 15.5 million were determined as a result of the impairment tests carried out in the financial year, € 2.1 million of which was attributable to goodwill (previous year: € 0.0 million).

No further impairments would have been required if the pre-tax cost of capital had been 0.5 percentage points higher.

The above method of determining the cash value follows the relevant IFRS standards; it does not correspond to the method we use to determine company values for the purpose of acquisitions.

_ 3 Prepayments made

The reported amount is related to the acquisition and implementation of software.

_ 4 Land and buildings

Buildings are always depreciated over a 30- or 50-year period using the straight-line method. This item includes impairment losses of € 4,337 thousand, € 1,087 thousand of which were attributable to rights of use.

_ 5 Technical plant and machinery

Technical plant and machinery are always depreciated over a 5- to 15-year period using the straight-line method. This item includes impairment losses of € 5,990 thousand, € 1,412 thousand of which were attributable to rights of use.

_ 6 Other plant, fixtures and fittings

Other plant, fixtures and fittings are always depreciated over a 3- to 15-year period using the straight-line method. These items include impairment losses of € 338 thousand.

_ 7 Prepayments and assets under construction

The amount reported primarily relates to machinery and property. These items include impairment losses of € 31 thousand.

_ 8 Shares in affiliated companies

These shares relate to a sales office in the US.

_ 9 Shares in companies valued at equity

Share acquisitions and positive results of companies valued at equity are reported as additions on the Group asset history sheet. Shares of losses, dividend distributions and sales of shares are reported under disposals. Currency translation differences are included in equity without affecting income.

The share of income for companies valued at equity is reported on the income statement under income from investments in companies valued at equity.

The following table depicts significant **financial information** for companies valued at equity. Total values without consideration for the share held by the Group.

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Assets	31,294	25,121
Liabilities	23,230	18,122
Sales	34,899	24,081
Net income	2,604	391

10 Investments

Shares in companies of minor significance are reported under investments.

11 Receivables and other assets

Receivables and other assets are measured at fair value on initial recognition. These are subsequently measured at amortised cost, taking into account commensurate valuation allowances.

Trade receivables

Trade receivables do not bear interest and are due within 12 months.

The decrease in value of trade receivables developed as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
As at 01/01 (01/04)	**1,740**	**2,963**
Claims	- 222	- 1,139
Reversals	- 306	- 509
Additions	220	425
Change in scope of consolidation	- 184	0
As at end of financial year	**1,248**	**1,740**
of which: individual valuation allowances	891	1,048

Valuation allowances were recorded in specific cases under consideration of the credit rating, economic situation and economic environment of the respective business partners.

Amounts owed by companies valued at equity

As in the previous year, no impairments were recognised on the amounts owed.

Other assets

€'000	31/12/2020	31/12/2019
Non-current		
Loan receivables	439	649
Other	2	3
	441	**652**

Most of the loan receivables resulted from financing the acquisition of minority shares by the managers of the respective subsidiaries and are secured by pledging the shares. The loans have an initial term of up to ten years and are subject to interest at market rates.

€'000	31/12/2020	31/12/2019
Current		
Income tax claims	2,276	11,159
Tax prepayments	1,198	1,482
Loan receivables	132	235
Creditors with debit accounts	88	213
Other	2,232	1,508
	5,926	**14,597**

The decrease in value of other financial assets is as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
As at 01/01 (01/04)	**7**	**9**
Reversals	-7	-2
As at end of financial year	**0**	**7**
of which: individual valuation allowances	0	7

12 Deferred tax assets and liabilities

In principle, deferred taxes are determined and reported at 30.5 % (previous year: 30.5 %) on the basis of the timing differences between the valuation of assets and liabilities in the IFRS financial statements and financial statements for tax purposes as well as realisable loss carryforwards. The deferred taxes reported on the balance sheet result from the following balance sheet items and loss carryforwards:

€'000	31/12/2020		31/12/2019	
Deferred taxes	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	2,189	1,232	2,594	814
Tangible assets	30	7,553	66	11,151
Inventories	227	283	456	455
Receivables	356	72	365	136
Pension provisions	1,385	0	2,394	0
Other provisions	155	292	450	302
Liabilities	4,630	35	7,362	0
Tax loss carryforwards	335	0	600	0
Other	**13**	81	160	45
	9,320	**9,548**	**14,447**	**12,903**
Net figure[1]	- 6,814	- 6,814	- 10,129	- 10,129
	2,506	**2,734**	**4,318**	**2,774**

[1] Deferred tax assets and liabilities are offset when the creditor, debtor and term are the same.

Deferred taxes on loss carryforwards are capitalised if the future realisation of these potential tax reductions within up to a three-year planning horizon is reasonably certain on the reporting date. Deferred tax assets in the amount of € 6,346 thousand (previous year: € 6,277 thousand) from loss carryforwards for tax purposes were not reported since it is not considered likely that these will be offset against taxable income within a period of up to three years.

13 Inventories

Impairments on inventory items are distributed as follows:

€'000 31/12/2020	Raw materials and supplies	Unfinished products and services	Finished products and services	Prepayments	Total
Cost of acquisition or manufacture	25,780	23,803	67,561	119	**117,263**
Impairments	2,924	1,169	4,253	0	**8,346**
As at 31/12/2020	**22,856**	**22,634**	**63,308**	**119**	**108,917**

€'000 31/12/2019	Raw materials and supplies	Unfinished products and services	Finished products and services	Prepayments	Total
Cost of acquisition or manufacture	31,781	45,364	84,303	976	**162,424**
Impairments	3,301	2,875	4,727	0	**10,903**
As at 31/12/2019	**28,480**	**42,489**	**79,576**	**976**	**151,521**

14 Cash and credit with financial institutions

This item mainly consists of short-term fixed deposits and current account credit balances denominated in euros and held by various banks. A partial amount of the reported deposit in the amount of € 1,230 thousand (previous year: € 1,260 thousand) has been pledged to a financial institution.

15 Assets and liabilities held for sale

The distribution of assets and liabilities held for sale is presented in the following table.

€'000	31/12/2020
Assets held for sale	**8,028**
of which non-current assets	3,108
of which inventories	889
of which trade receivables	1,451
of which liquid assets	2,414
of which other assets	166
Liabilities directly relating to assets held for sale	**3,028**
of which liabilities to financial institutions	892
of which pension provisions	1,044
of which other provisions	441
of which trade payables	20
of which other liabilities	631

16 Equity

The **subscribed capital** of the Group equals the subscribed capital of GESCO AG and totals € 10,839,499.00 divided into 10,839,499 registered shares with full voting and dividend rights.

The Annual General Meeting on 18 June 2020 authorised the company to increase the company's share capital on one or several occasions by a total of € 1,083,949.00 by 17 June 2023 with the consent of the Supervisory Board by issuing up to 1,083,949 new no-par value registered shares in exchange for cash or contributions in kind (Authorised Capital 2020). Subscription rights may be excluded in certain cases. No use of this authorisation was made during the reporting period.

The Annual General Meeting on 18 June 2020 authorised the company to acquire up to ten out of every hundred shares of the share capital by 17 June 2025 under consideration of own shares already held. No use of this authorisation was made during the reporting period.

Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them. The Executive Board has not made use of this authorisation to date. GESCO AG held no own shares as of the reporting date.

Shares in circulation and **own shares** developed as follows:

	Shares in circulation	Own shares held	
	Number	Number	Share of the share capital in %
As at 31/03/2019	**10,839,499**	**0**	**0.00**
Purchases	- 39,969	39,969	0.37
Employee share scheme	39,969	- 39,969	0.37
As at 31/12/2019	**10,839,499**	**0**	**0.00**
Purchases	0	0	0.00
Employee share scheme	0	0	0.00
As at 31/12/2020	**10,839,499**	**0**	**0.00**

The employee share scheme offered by the company in the past was not realised in the reporting year for regulatory reasons.

Most of the **capital reserve** of € 72,364 thousand (previous year: € 72,364 thousand) is the result of shares issued at a premium.

The Annual General Meeting of GESCO AG on 18 June 2020 authorised the company to acquire own shares according to Section 71 para. 1 No. 8 of the Stock Corporation Act (AktG) and to use these shares for a stock option programme. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG. A fourteenth tranche was initiated in June 2020 in the form of a virtual share-option programme. A total of 50,400 options were issued to members of the Executive Board and management employees of GESCO AG.

Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in liabilities. This model assumes volatility of 28.75 % plus a risk-free interest rate of – 0.59 %. The volatility is based on the historical value of the last five years. The exercise price of the options issued in June 2020 is € 16.58 and corresponds to the average share price of the last six months before the Annual General Meeting 2020. The vesting period is four years and two months after the date of the Annual General Meeting. The programme gains are calculated once the vesting period is over. The fair value per option on the issue date is € 0.98. These annual financial statements include the expenditure (€ 8 thousand) from the stock option programme initiated in the reporting year. Taking into account the change in value, total earnings for the eighth to thirteenth tranche amounted to € 28 thousand in the reporting year (previous year: € 14 thousand). No options were exercised in the financial year.

The key **terms and conditions of the stock option programme** are summarised in the following table:

Tranche		2020	2019	2018	2017	2016	2015
End of vesting period		18/08/2024	29/10/2023	30/10/2022	31/10/2021	25/10/2020	18/10/2019
End of term		19/08/2024	30/10/2023	31/10/2022	01/11/2021	15/03/2022	15/03/2021
Exercise price	€	16.58	23.92	29.45	24.93	22.99	23.12
No. of options issued		50,400	68,800	85,100	62,100	80,100	60,600
Profit limit per option	€	8.29	11.96	14.73	12.47	11.50	11.56
Fair value per option as at the reporting date 31/12/2020	€	0.96	0.96	1.04	0.53	1.06	0.72
Fair value per option as at the time of issue	€	0.98	1.28	1.84	1.43	1.78	2.25

The development of **claims arising from the stock option plan** is as follows:

	Number of options		Weighted average exercise price in €	
	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Outstanding options at start of financial year	393,880	343,580	25.00	25.22
In the financial year				
granted	50,400	68,800	16.58	23.92
returned	- 97,200	0	0.00	0.00
exercised	0	0	0.00	0.00
expired	- 57,600	- 18,500	0.00	0.00
Outstanding options at end of financial year	289,480	393,880	23.48	25.00
Exercisable options at end of financial year	105,480	116,280	23.04	23.81

Revenue reserves declined in the reporting year by the net loss for the year of € 16,576 thousand, by the dividend of € 2,493 thousand (€ 0.23 per share) for the previous year, and by the reclassification of actuarial gains and losses from deconsolidated companies of € 1,109 thousand.

In addition to exchange equalisation items and currency hedging transactions that do not affect income, **other comprehensive income** includes in particular the effects from actuarial gains and losses from pension obligations that do not impact income.

GESCO AG proposes to not pay any **dividend** for financial year 2020.

GESCO AG's and GESCO Group's **capital management** serves to ensure the going-concern assumption as well as a return on assets for shareholders, appropriate liquidity and credit standing, which will also be assisted by the optimisation of the capital structure. We consider the minimum equity ratio for the Group to be 40 %. The ratio stood at 58.3 % in the reporting period (previous year: 49.5 %). The increase resulted from the fact that total assets decreased in particular as a result of the sale of companies and the reduction in working capital of continuing operations. Key performance indicators for the equity ratio in the Group are the management of the Group on an operational level, investment activity and the raising of equity and debt capital. Another key metric is the ratio of net bank liabilities (liabilities to financial institutions less liquid assets) to EBITDA. We are aiming for a maximum ratio of 3 for this. In the reporting period, net bank liabilities stood at € 33.4 million (previous year: € 102.9 million), EBITDA for twelve months amounted to € 33.4 million (previous year for nine months: € 37.0 million). Key performance indicators here also include the management of the Group on an operational level and the raising of debt capital.

Within the scope of loan agreements, individual companies of the GESCO Group have undertaken to comply with specific equity ratios or equity bases.

_ 17 Minority interests

Minority interests consist of capital and earnings interests in the incorporated companies and partnerships. Minority interests in incorporated companies are reported in equity and are primarily the result of shares in Dörrenberg Edelstahl GmbH and its subsidiaries, Hubl GmbH, MAE-EITEL Inc. and VWH GmbH.

In accordance with IAS 32, minority interests in partnerships are included under non-current liabilities. This is the result of investments in Haseke GmbH & Co. KG and Georg Kesel GmbH & Co. KG.

No significant minority interests in subsidiaries are included in the consolidated financial statements.

_ 18 Provisions

Provisions for pensions are based on salary-dependent direct benefits for former members of the Executive Board of GESCO AG and acting and former members of bodies and employees of subsidiaries as well as fixed pension benefits for certain employees. Pension provisions refer exclusively to the defined benefit plans and are calculated according to the projected unit credit method under IAS 19.

Liability insurance policies obtained to finance pension obligations qualify as plan assets and are recorded at the value of the obligation if the insurance benefits coincide with the payments to entitled employees and are paid to the employees in case the employer becomes insolvent. Plan assets are carried at fair value.

Defined benefit obligations developed as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
As at 01/01 (01/04)	**18,421**	**17,125**
Service expenditure	122	115
Interest expense	191	266
Pension annuities paid	- 844	- 626
Actuarial losses / gains (-) from financial assumptions	- 628	1,541
Change to the scope of consolidation	- 4,912	0
Reclassification pursuant to IFRS 5	- 1,044	0
As at end of financial year	**11,306**	**18,421**

Development of plan assets (liability insurance):

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
As at 01/01 (01/04)	**693**	**680**
Employer contributions	23	22
Benefits paid	- 50	- 36
Actuarial gains	55	27
Change to the scope of consolidation	- 530	0
As at end of financial year	**191**	**693**

Pension provisions are derived as follows:

€'000	31/12/2020	31/12/2019
Projected pension obligations	11,306	18,421
Plan assets (liability insurance)	- 191	- 693
As at end of financial year	**11,115**	**17,728**

Asset coverage of pension obligations:

€'000	Projected unit credit		Plan assets	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Without asset coverage	11,085	17,618	0	0
Some asset coverage	221	803	191	693
As at end of financial year	**11,306**	**18,421**	**191**	**693**

Pension costs consist of the following:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Service expenditure	122	115
Interest accruing on expected pension obligations	191	266
	313	**381**

The calculations are based on biometric core values according to Prof. Dr Klaus Heubeck (2018 G) and the following **actuarial assumptions**:

in %	31/12/2020	31/12/2019
Interest rate	0.90	1.05
Salary growth	2.00	2.75
Indexation	1.30	1.60
Staff turnover	1.00	1.00

Development of **pension obligations and fund assets**:

€'000	31/12/2020	31/12/2019	31/03/2019 adjusted	31/03/2018 adjusted	31/03/2017 as reported
Project unit credit	11,306	18,421	17,125	16,627	17,773
Plan assets	- 191	- 693	- 680	- 673	- 672
Financing status	11,115	17,728	16,445	15,954	17,101

Expected contribution payments for financial year 2021 are € 12 thousand.

Expected future **pension payments** are as follows:

€'000	2021	2022 - 2025	2026 - 2030
Expected future pension payments	588	2,448	2,992

Of the above-mentioned actuarial assumptions, the interest rate in particular has a **material impact** on the measurement of pension obligations as at the reporting date. Had the discount factor for otherwise constant other assumptions been 100 basis points higher or lower as at the reporting date, pension obligations would have been € 1,447 thousand lower (previous year: € 2,241 thousand) or € 1,800 thousand higher (previous year: € 2,826 thousand).

The composition and development of **other provisions** is shown in the following summary.

€'000	31/12/2019	Utilisation	Addition / New formation	Reversal	Change to scope of consoli-dation	Held for sale	31/12/2020
Non-current							
Purchase price annuity obligation	550	- 79	53	0	0	0	524
	550	**- 79**	**53**	**0**	**0**	**0**	**524**
Current							
Guarantees and warranties	4,391	- 1,032	621	- 670	- 352	- 109	2,849
Follow-up costs	1,604	- 1,302	1,111	- 91	- 20	- 312	990
Sewer renovation	880	0	0	0	0	0	880
Cost of annual financial statements	1,193	- 1,065	980	- 69	- 227	- 20	792
Restructuring	903	- 403	752	- 500	0	0	752
Expenditure from sale of shares	0	0	650	0	0	0	650
Risks of legal disputes	0	0	600	0	0	0	600
Impending losses	1,276	- 958	186	- 13	- 176	0	315
Taxes and incidental tax expenditure	84	0	40	0	0	0	124
Other	352	- 284	338	- 3	- 41	0	362
	10,683	**- 5,044**	**5,278**	**- 1,346**	**- 816**	**- 441**	**8,314**

The purchase price annuity obligation arose in connection with the acquisition of shares in a subsidiary and is recognised at the present value of the defined benefit obligation in accordance with IAS 19.

_ 19 Liabilities

Liabilities from financing activities are classified into the following repayment obligations:

€'000	31/12/2020 (31/12/2019)	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years
Liabilities to financial institutions	82,613	44,357	36,706	1,550
	(133,731)	(66,793)	(55,362)	(11,576)
Lease liabilities	15,319	2,287	9,080	3,952
	(24,557)	(4,027)	(13,566)	(6,964)
	97,932	**46,644**	**45,786**	**5,502**
	(158,288)	**(70,820)**	**(68,928)**	**(18,540)**

Liabilities to financial institutions and bank guarantee lines of credit are mainly secured by:

€'000	31/12/2020	31/12/2019
Land charges	29,695	45,505
Book value of existing property and property under construction	30,044	47,655
Assignment of		
moveable fixed assets	3,684	23,570
inventories	3,160	2,327
Assignment of receivables	563	4,689

Shares in subsidiaries with a total book value of € 43,100 thousand (previous year: € 85,793 thousand) have also been pledged.

A total of € 60,747 thousand (previous year: € 109,102 thousand) of the liabilities to financial institutions result from long-term loans with fixed repayment terms and a remaining term between one and 13 years (previous year: between one and 13 years).

Interest rates for the loans vary between 0.7 % – 3.96 % (previous year: 0.65 % – 4.06 %). These interest rates correspond to the market rates for the respective loans and companies. Other liabilities to financial institutions consist of current accounts.

Repayment obligations for other liabilities are as follows:

€'000	31/12/2020 (31/12/2019)	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years
Trade liabilities	8,701	8,701	0	0
	(14,978)	(14,978)	(0)	(0)
Prepayments received on orders	8,620	8,620	0	0
	(19,310)	(19,310)	(0)	(0)
Liabilities to affiliated companies	1,021	1,021	0	0
	(675)	(675)	(0)	(0)
Liabilities to companies valued at equity	0	0	0	0
	(5)	(5)	(0)	(0)
Other liabilities	20,000	18,322	1,678	0
	(29,505)	(28,012)	(1,493)	(0)
	38,342	**36,664**	**1,678**	**0**
	(64,473)	**(62,980)**	**(1,493)**	**(0)**

Other liabilities consist of the following:

€'000	31/12/2020	31/12/2019
Wages, salaries, bonuses, social security	8,534	14,386
Other taxes	3,727	5,136
Outstanding incoming invoices	2,126	3,533
Income taxes	1,179	2,413
Other miscellaneous liabilities	4,434	4,037
	20,000	**29,505**

The remaining other liabilities mainly result from current liabilities owed to third parties.

Information on the Consolidated Statement of Income

The information in the Consolidated Statement of Income reflects the figures attributable to continuing business operations. The previous year's figures have been adjusted accordingly.

20 Sales revenues

Sales revenues are recognised at the point at which the benefits and liabilities associated with the assets sold are transferred. For more information, please consult the section on segment reporting. All revenues in the financial year were generated at a specific point in time.

21 Other company-produced additions to assets

This item mainly consists of reportable expenditure for technical plant and tools.

22 Other operating income

Other operating income breaks down as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Income from reversing / utilising provisions and liabilities	2,834	2,083
Price gains	961	1,131
Income from the reversal of valuation allowances and from the payment of receivables previously written off	364	492
Income from insurance refunds	339	274
Rental income	282	234
Income from the disposal of fixed assets	51	52
Income from public subsidies	49	143
Income from VAT refunds and interest	0	84
Other	585	888
	5,465	**5,381**

23 Material expenses

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Expenditure on raw materials and supplies and goods supplied	202,885	178,021
Expenditure on services purchased	17,837	14,923
	220,722	**192,944**

24 Personnel expenses

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Wages and salaries	86,990	70,252
Social security contributions / expenditure on pensions and benefits	17,036	13,209
	104,026	**83,461**

The interest on pension provisions is included under interest and similar expenditure.

25 Other operating expenses

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Operating expenses	15,097	13,831
Distribution expenses	15,371	15,277
Administrative expenses	7,067	5,850
Miscellaneous expenses	7,883	4,073
	45,418	**39,031**

26 Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation of property, plant and equipment and amortisation of intangible assets is reported in the Group asset history sheet. This item includes impairment losses of € 15.5 million (previous year: € 0.0 million).

Additional information can be found in the notes regarding the corresponding balance sheet items.

27 Interest and similar expenses

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Interest expenses from bank loans	1,403	1,208
Interest expenses from lease liabilities	528	387
Interest accruing on non-current provisions and pensions and benefits	187	214
Other	71	44
	2,189	**1,853**

28 Taxes on income and earnings

Actual taxes on income and earnings as well as deferred taxes are reported as income tax. Income tax breaks down as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Actual taxes	5,476	6,909
Deferred taxes	533	741
	6,009	**7,650**

The expected income tax expenses based on a tax rate of 30.5 % (previous year: 30.5 %) can be recognised as tax expenses in the income statement as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Group result before income taxes	**12,889**	**23,363**
Anticipated income tax expenses	- 3,931	- 7,126
Permanent differences arising on expenses that are not tax deductible	- 596	- 305
Income taxes for different reporting periods	- 222	19
Consolidation effects	156	- 3
Temporary differences from losses for which no deferred tax assets have been recognised	- 1,535	- 252
Differences in tax rates	142	293
Other	- 23	- 276
	- 6,009	**- 7,650**

The change in deferred taxes on tax loss carryforwards led to a tax asset of € 6 thousand (previous year: € 215 thousand) in financial year 2020.

29 Earnings from discontinued operations

Earnings from discontinued operations stood at € −22,862 thousand (previous year: € −1,985 thousand). Further disclosures on discontinued operations are provided in Note (31) in the section entitled "Information on discontinued operations."

30 Earnings per share

According to IAS 33, earnings per share are calculated by dividing Group net income attributable to shareholders by the weighted average number of shares issued and outstanding.

	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Earnings from continuing operations (€'000)	5,829	14,512
Earnings from discontinued operations (€'000)	- 22,405	- 2,126
Group net loss / income (€'000)	- 16,576	12,386
Weighted number of shares (number)	10,839,499	10,833,036
Earnings per share in accordance with IAS 33 (€):		
From continuing operations	0.54	1.34
From continuing and discontinued operations	**- 1.53**	**1.14**

There are no factors that would cause dilution.

31 Other income

The actuarial gains and losses from pension obligations, effects from currency translation and currency hedging transactions contained in this item were increased by net income taxes of € 244 thousand (previous year: € 306 thousand).

Information on discontinued operations

The **statement of income** for discontinued operations is shown in the table below:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Sales revenues	97,947	84,806
Changes in inventory, company-produced additions to assets	- 6,211	- 2,001
Other income	2,125	1,642
Material expenses	- 32,573	- 29,862
Personnel expenses	- 39,735	- 35,462
Other expenses	- 14,262	- 12,093
Loss from the disposal of discontinued operations	- 4,104	0
Depreciation and amortisation	- 24,132	- 7,972
Earnings before interest	**- 20,945**	**- 942**
Interest	- 733	- 617
Earnings before taxes	**- 21,678**	**- 1,559**
Taxes	- 1,184	- 426
Earnings from discontinued operations	**- 22,862**	**- 1,985**

Cash flow figures for discontinued operations are as follows:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Cash flow from ongoing business activity	10,097	13,827
Cash flow from investment activity	- 2,558	- 5,626
Cash flow from funding activity	- 6,286	- 5,909

The **liquid assets, assets and liabilities** of subsidiaries sold are listed in the table below:

€'000	31/12/2020
Non-current assets	
Intangible assets; property, plant and equipment; financial assets	42,124
Other non-current assets	0
Deferred tax assets	888
	43,012
Current assets	
Inventories	24,628
Receivables and other assets and accounts receivable and payable	9,853
Cash and credit with financial institutions	9,065
	43,546
	86,558

€'000	31/12/2020
Non-current liabilities	
Non-current provisions	4,374
Liabilities to financial institutions	15,963
Lease liabilities	4,592
Other liabilities	369
Deferred tax liabilities	404
	25,702
Current liabilities	
Other provisions	816
Liabilities to financial institutions	7,639
Lease liabilities	1,850
Other liabilities and accounts receivable and payable	19,447
	29,752
	55,454

Information on the Consolidated Statement of Cash Flows

In accordance with IAS 7 (Statement of Cash Flows), the **Consolidated Statement of Cash Flows** shows the movement in the inflows and outflows of funds in the Group during the reporting year. The financial resources portfolio includes cash and credit balances with financial institutions (€ 49,226 thousand; previous year: € 30,870 thousand).

Cash flow from investment activity includes € 127 thousand (previous year: € 184 thousand) in unpaid investments.

The company paid and received the following cash flows during the financial year:

€'000	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Interest paid	2,045	2,079
Interest received	66	78
Income taxes paid and received	8,550	12,738

The development of liabilities from funding activities is shown in the table below:

€'000	Liabilities to financial institutions	Lease liabilities	Liabilities from funding activity
Book value 31/03/2019 adjusted	**140,713**	**9,295**	**150,008**
Cash transaction	- 6,982	- 3,204	- 10,186
Non-cash transaction			
Acquisition of assets	0	1,701	1,701
First-time accounting according to IFRS 16	0	16,765	16,765
Book value 31/12/2019	**133,731**	**24,557**	**158,288**
Cash transaction	- 26,615	- 4,241	- 30,856
Non-cash transaction			
Acquisition of assets	0	1,445	1,445
Discontinued operations	- 24,503	- 6,442	- 30,945
Book value 31/12/2020	**82,613**	**15,319**	**97,932**

Information on segment reporting

The following disclosures concern companies attributable to continuing operations.

The companies are assigned to segments according to their respective field of activity. The segmentation of the operating segments is geared towards the respective customer markets and encompasses the Production Process Technology, Resource Technology and Healthcare and Infrastructure Technology segments. One common element of all these segments is that they all pursue B2B business models with a focus on the capital goods industry.

The **Production Process Technology** segment comprises Group subsidiaries that largely provide products and services for series manufacturers' production processes. The **Resources Technology** segment encompasses companies that supply material-intensive companies in the industrial sector. Companies in the **Healthcare and Infrastructure Technology** segment supply companies for mass consumer markets such as the medical, hygiene, food or sanitary sectors. Companies in the **Mobility Technology** segment were deconsolidated in the reporting period.

GESCO AG along with immaterial companies that are not assigned to any other segment are reported in the **GESCO AG / Other companies** segment. Consolidation effects and reconciliations to the corresponding Group values are disclosed in the line item **Reconciliation**.

€'000	Production Process Technology		Resource Technology	
	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Order backlog	21,156	26,983	79,963	70,255
Incoming orders	49,725	48,037	233,349	200,113
Sales revenues	54,191	58,174	226,373	211,387
of which with other segments	71	88	4	302
Depreciation and amortisation	1,811	1,221	5,083	3,462
EBIT	405	6,852	13,686	17,896
Investments	1,489	1,999	2,415	3,922
Employees (number / reporting date)	371	422	737	749

€'000	Healthcare and Infrastructure Technology		Total operating segments	
	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Order backlog	38,555	32,455	139,674	129,693
Incoming orders	124,018	83,771	407,092	331,921
Sales revenues	116,746	85,652	397,310	355,213
of which with other segments	10	10	85	400
Depreciation and amortisation	4,399	3,605	11,293	8,288
EBIT	11,440	7,428	25,531	32,176
Investments	3,881	3,636	7,785	9,557
Employees (number / reporting date)	567	566	1,675	1,737

€'000	Total operating segments		GESCO AG / other companies	
	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Order backlog	139,674	129,693	0	0
Incoming orders	407,092	331,921	0	0
Sales revenues	397,310	355,213	1,506	801
of which with other segments	85	400	1,506	801
Depreciation and amortisation	11,293	8,288	166	140
EBIT	25,531	32,176	- 5,619	- 5,717
Investments	7,785	9,557	86	246
Employees (number / reporting date)	1,675	1,737	20	19

€'000	Reconciliation		Group	
	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Order backlog	0	0	139,674	129,693
Incoming orders	0	0	407,092	331,921
Sales revenues	- 1,591	- 1,201	397,225	354,813
of which with other segments	- 1,591	- 1,201	0	0
Depreciation and amortisation	5,205	4,165	16,664	12,593
EBIT	- 3,219	- 2,047	16,693	24,412
Investments	940	11,965	8,811	21,768
Employees (number / reporting date)	0	0	1,695	1,756

There are no material **business relationships** between the segments.

Segment investments relate to intangible assets (excluding goodwill) as well as property, plant and equipment, including the rights of use capitalised in accordance with IFRS 16 in the "Reconciliation" column.

The **valuation of the results** of the reportable segments is based on German commercial law. The conversion to international accounting standards takes place in the Reconciliation item. **Group EBIT** can be derived from Group net income for the year based on the consolidated income statement.

Sales revenues of continuing operations are divided by **region** as follows:

	01/01/2020 – 31/12/2020		01/04/2019 – 31/12/2019	
	€ '000	%	€ '000	%
Germany	212,225	53.4	194,477	54.8
Europe (excluding Germany)	120,307	30.3	92,090	26.0
Other	64,693	16.3	68,246	19.2
	397,225	**100.0**	**354,813**	**100.0**

Displaying information on sales revenues from products and services pursuant to IFRS 8.32 would incur disproportionate effort and expense due to the diverse range of products and services.

Non-current assets (only intangible assets and property, plant and equipment) broken down by **region** are as follows:

	31/12/2020		31/12/2019	
	€ '000	%	€ '000	%
Germany	136,001	93.9	205,343	93.5
Other regions	8,841	6.1	14,386	6.5
	144,842	**100.0**	**219,729**	**100.0**

Other information on the consolidated financial statements

Research and development costs

Research and development costs are treated as current expenditure. No capitalisation was required. Research and development costs totalled approximately 2 % of sales in both financial years.

Information on financial instruments

Financial instruments

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

€'000	Book value 31/12/2019	Not within the scope of IFRS 9	Application IFRS 9	Of which at fair value	Of which at amortised cost
Financial investments	1,971	1,635	336	236	100
Receivables	81,477	0	81,477	0	81,477
Other assets	15,249	11,159	4,090	0	4,090
Liquid assets	30,870	0	30,870	0	30,870
Financial assets	**129,567**	**12,794**	**116,773**	**236**	**116,537**
Liabilities to financial institutions	133,731	0	133,731	0	133,731
Lease liabilities	24,557	0	24,557	0	24,557
Trade payables	14,978	0	14,978	0	14,978
Other liabilities	30,185	2,413	27,772	82	27,690
Financial liabilities	**203,451**	**2,413**	**201,038**	**82**	**200,956**

The following table shows the **assignment of financial instruments to categories according to IFRS 9**:

€'000		Balance sheet recognition		Net results in the income statement	
IFRS 9 category	**IAS 39 category**	**31/12/2020**	**31/12/2019**	**01/01/2020 – 31/12/2020**	**01/04/2019 – 31/12/2019**
Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss	487	236	0	807
Financial assets measured at amortised cost	Loans and receivables	120,955	116,537	66	121
Financial assets		**121,442**	**116,773**	**66**	**928**
Financial assets measured at fair value through profit or loss	Liabilities held for trading	0	82	99	- 192
Financial liabilities measured at amortised cost	Other financial liabilities	126,475	200,956	- 2,011	- 2,176
Financial liabilities		**126,475**	**201,038**	**- 1,912**	**- 2,368**

The net result mainly includes interest, dividends as well as income and expenditure from derivative financial instruments.

Contingent liabilities

Investment projects resulted in commitments in the amount of € 772 thousand (previous year: € 271 thousand). It is estimated that these investments will be concluded in financial year 2021.

Various companies in the GESCO Group are required to maintain specific covenants.

There are no ongoing legal disputes that are expected to result in a material effect on income in excess of the provisions that have already been established. The guarantees received are within industry standards. Where claims are expected, provisions have been established for the expected amounts based on current information.

GESCO AG reached an agreement with a former Executive Board member whereby GESCO AG will exempt this former member from liability claims of up to € 20 million arising from certain breaches of duty, plus any legal fees, or those arising in connection with his activities as Managing Director of a former subsidiary. This exemption from liability is subordinate to the insurance coverage on the grounds of D&O insurance. It is not expected that this insurance will be utilised as at the balance sheet date given the lack of discernible breaches of duty or claims made by the company or third parties.

Rental and lease agreements

The following payment obligations exist for recognised leases:

€'000	Total	2021	2022 – 2025	2026 and subsequent years
Minimum lease payments	15,109	2,778	8,942	3,389
Discounting amounts	2,807	491	1,556	760
Property purchase options	3,017	0	0	3,017
Cash values	**15,319**	**2,287**	**7,386**	**5,646**

Some of the lease agreements contain extension and purchase options to acquire the leased items. The purchase price depends on when these options are exercised.

Rental and lease payments attributable to continuing operations and related to lease agreements not capitalised in accordance with IFRS 16 (low-value assets) totalled € 346 thousand (previous year: € 220 thousand).

Related parties

Business relationships between fully consolidated and non-fully consolidated companies within the Group are conducted under regular market terms and conditions. Liabilities to related companies concern Connex SVT Inc., USA. Entrepreneur Stefan Heimöller, elected to GESCO AG's Supervisory Board by the Annual General Meeting, maintains business relationships to a minor extent with Dörrenberg Edelstahl GmbH and SVT GmbH, each of which are subsidiaries of GESCO AG, through his company Platestahl Umformtechnik GmbH. These business relationships are conducted under regular market terms and conditions.

Staff

	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Factory staff	1,597	1,647
Office staff	912	940
Trainees	111	124
Annual average number of employees	**2,620**	**2,711**

Marginal part-time employees were converted to the equivalent in full-time employees.

Exemption requirements for Group companies

Since some subsidiaries have been included in the consolidated financial statements of GESCO AG, they are exempt from the obligation to publish annual financial statements and a Management Report in accordance with the applicable regulations for incorporated companies as per Section 264b and Section 264 (3) of the German Commercial Code (HGB) (see Appendix: Significant Group Shareholdings).

Publication of the consolidated financial statements

The consolidated financial statements for the financial year from 1 January until 31 December 2020 are to be examined and approved by the Supervisory Board of GESCO AG in its meeting on 1 April 2021 and are then authorised for publication.

The consolidated financial statements will be published on 27 April 2021 in conjunction with an annual accounts press conference and analysts' meeting.

Corporate governance

The Executive Board and Supervisory Board of GESCO AG comply with the German Corporate Governance Code and have made a Declaration of Compliance available to shareholders on the website of GESCO AG.

The Executive Board holds a total of approximately 0.07 % of company shares. Members of the Supervisory Board hold a total of approximately 14.20 % of company shares.

Auditor

The auditing fees at GESCO AG for the financial year amounted to € 160 thousand (previous year: € 249 thousand) and € 18 thousand for tax consulting services (previous year: € 7 thousand). No other auditing services were commissioned.

Fees were also incurred in the amount of € 286 thousand (previous year: € 307 thousand) for the audit of consolidated subsidiaries, € 75 thousand (previous year: € 70 thousand) for tax consulting services and € 32 thousand (previous year: € 18 thousand) for other auditing services.

The previous year's fees also include audit services in connection with the correction of errors in accordance with IAS 8.

Risk management

In order to recognise risks as early as possible and initiate compensating measures, the GESCO Group implemented a Group-wide risk management system. Detailed information regarding risks and opportunities can be found in the Group Management Report.

The GESCO Group is exposed to **financial instrument risk** in the form of credit risk, liquidity risk and market price risk. All types of risk may affect the assets, financial position and earnings position of the Group. **Credit risk** mainly affects trade receivables. **Liquidity risk** refers to the risk of being unable to meet payment obligations as they come due. **Market price risk** mainly consists of exchange rate changes related to business operations as well as interest rate and exchange rate changes related to financing.

Since the type and scope of the respective risks affect every company differently, the management of these risks is defined separately for each company in the Group. Most risk management activities are implemented as part of business operations and financing activities.

Information on the individual risk categories

Credit risk

Credit risk consists of the potential for an economic loss when a contractual partner does not pay on time or fails to meet all or part of the payment obligations. Great emphasis is placed on the management of trade receivables within the Group. The receivables are highly diversified; there are no debtors that owe more than 10 % of the Group's receivables portfolio. The type and extent of credit insurance coverage depends on the credit rating of the respective customer. Commonly used instruments include export insurance, letters of credit, credit insurance, prepayments, guarantees, bonds and the retention of title. The risk of default for the Group is limited to the ordinary business risk. Value adjustments were recognised for identifiable default risks. Counterparty risk for derivative financial instruments is limited by only entering into derivative transactions with well-known domestic financial institutions.

The theoretical maximum default risk (credit risk) equals a total loss of the book value of the financial instruments. Based on current information, the default risk for unadjusted financial instruments is low since risk management tools limit the probability of default. The following table includes the expected default risk and credit default from trade receivables:

€'000 31/12/2020	Loss rate	Gross book value	Valuation allowance	Impairment of credit rating
Not overdue	0.06 %	43,076	24	no
Overdue by up to 30 days	2.73 %	7,864	215	no
Overdue by 30 to 90 days	2.93 %	4,266	125	no
Overdue by 90 to 180 days	5.84 %	599	35	no
Overdue by more than 180 days	49.10 %	1,729	849	yes

€'000 31/12/2019	Loss rate	Gross book value	Valuation allowance	Impairment of credit rating
Not overdue	0.04 %	56,207	23	no
Overdue by up to 30 days	2.96 %	17,837	528	no
Overdue by 30 to 90 days	3.67 %	3,322	122	no
Overdue by 90 to 180 days	7.19 %	890	64	no
Overdue by more than 180 days	39.24 %	2,556	1,003	yes

Liquidity risk

Cash is managed separately by each company in the Group; there is no centralised cash pooling for the Group. Expected cash flows from business operations as well as financial assets and liabilities are considered for cash management purposes.

Future payments are largely covered by inflows from business operations. Peak financing requirements are covered by the existing liquidity and by lines of credit.

Market price risk

Market price risk refers to the risk of exchange rate changes related to business operations as well as the risk of interest rate changes related to financing and fluctuations in the market price of securities.

Market price risk due to the **risk of exchange rate changes** is the result of international business relationships. Exchange rate fluctuations are constantly monitored using a variety of information sources. The relationship between the US dollar and the euro is especially important. The general competitiveness and profitability of specific projects for companies within the Group that have production facilities in the eurozone while issuing invoices in US dollars is naturally affected by changes in the exchange rate between the US dollar and the euro.

For significant business transactions, exchange rate risks are hedged by means of forward exchange transactions. These forward exchange transactions may be subject to market price risk to the extent that currencies must be sold at the current spot price on the settlement date. The ultimate purpose of forward transactions is to avoid risks resulting from exchange rate fluctuations. As a result, potential losses due to exchange rate changes are eliminated along with potential gains. The term and scope of these transactions corresponds to the underlying business transactions.

In accordance with IFRS 7, the company prepares a sensitivity analysis for market price risk in order to determine the effects of hypothetical changes to the risk variables. These hypothetical changes are applied to the financial instrument portfolio on the reporting date. This process assumes that the portfolio on the reporting date is representative for the entire year.

Interest rate risk mainly results from debt financing. According to IFRS 7, interest rate risk is represented by means of a sensitivity analysis. The sensitivity analysis illustrates the effects of hypothetical changes in market interest rates on interest expenditure. Had market interest rates been 100 basis points higher or lower during the reporting year, Group net earnings and consolidated equity after minority interests would have been € 803 thousand (previous year: € 937 thousand) lower or higher.

Currency risks from the supply of goods and services are only limited for GESCO Group. For goods supplied by subsidiaries outside the eurozone, larger orders are almost entirely hedged by forward transactions.

Trade receivables denominated in foreign currencies amounted to € 6,756 thousand (previous year: € 10,356 thousand) on the reporting date. This corresponds to 8.1 % (previous year: 13.1 %) of total trade receivables. Receivables are denominated in the following currencies:

€'000	31/12/2020	31/12/2019
US dollar	4,307	7,675
Chinese renminbi yuan	1,099	757
Taiwanese dollar	1,066	930
Mexican peso	266	303
British pound	18	5
Ukrainian hryvnia	0	549
Russian ruble	0	66
Swiss franc	0	60
Hungarian forint	0	11

A 10 % fluctuation in exchange rates on the reporting date would have affected both Group net income and consolidated equity after minority interests by either € – 537 thousand or € + 656 thousand (previous year: € – 651 thousand or € +795 thousand).

Forward exchange transactions and foreign currency loans are used to hedge pending sales transactions in US$ against exchange rate risks. The fair value of hedging transactions amounted to € 251 thousand as at the reporting date (previous year: € – 80 thousand). Other comprehensive income amounted to € 230 thousand after deferred taxes and minority interests (third party) (previous year: € 36 thousand). Cash flows of US$ 5.6 million are hedged, which will be due in financial year 2021.

Executive bodies of the company

Executive Board

Ralph Rumberg, Witten, Germany
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs, Düsseldorf, Germany
CFO / Chief Financial Officer

The remuneration of the Executive Board is as follows:

€'000	Ralph Rumberg		Kerstin Müller-Kirchhofs		Total	
	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019	01/01/2020 – 31/12/2020	01/04/2019 – 31/12/2019
Fixed remuneration	350	262	293	196	643	458
Variable remuneration	152	207	175	176	327	383
Stock options	18	23	18	23	36	46
Pension-related expenses	65	49	56	37	121	86
	585	**541**	**542**	**432**	**1,127**	**973**

Executive Board members Ralph Rumberg and Kerstin Müller-Kirchhofs each received 18,000 stock options in June 2020.

As at 31 December 2020, pension obligations (DBO) for outgoing members of the Executive Board amounted to € 2,948 thousand (previous year: € 3,021 thousand). One member of the Executive Board was granted payments of € 70 thousand (previous year: € 53 thousand) on the basis of his pension commitment in the financial year.

Supervisory Board

Klaus Möllerfriedrich, Düsseldorf, Germany
Chairman,
Wirtschaftsprüfer (German Public Auditor)

Deputy Chairman of the Supervisory Board:
- TopAgers AG, Langenfeld, Germany
- HINKEL & CIE. Vermögensverwaltungs AG, Düsseldorf, Germany (until 21/01/2020)

Stefan Heimöller, Neuenrade, Germany
Deputy Chairman
Managing partner at Platestahl Umformtechnik GmbH, Ludenscheid, Germany,
and at Helios GmbH, Neuenrade, Germany

Jens Große-Allermann, Cologne, Germany
Member of the Supervisory Board:
Executive Board member of Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, Germany, and Executive Board member of Fiducia Treuhand AG, Bonn, Germany

Deputy Chairman of the Supervisory Board:
- KROMI Logistik AG

Member of the Supervisory Board:
- Washtec AG, Augsburg, Germany

Dr Nanna Rapp, Düsseldorf, Germany
Member of the Supervisory Board:
Managing Director of E.ON Inhouse Consulting GmbH, Essen, Germany,
until 30/06/2020

Chairwoman of the Supervisory Board:
- E.ON Energie AG, Düsseldorf, Germany (until 29/02/2020)

Remuneration received by the Supervisory Board – distributed among its members – is as follows:

€'000	Fixed remuneration		Variable remuneration		Total	
	01/01/2020–31/12/2020	01/04/2019–31/12/2019	01/01/2020–31/12/2020	01/04/2019–31/12/2019	01/01/2020–31/12/2020	01/04/2019–31/12/2019
Klaus Möllerfriedrich	75	16	0	44	75	60
Stefan Heimöller	55	14	0	44	55	58
Jens Große-Allermann	50	11	0	44	50	55
Dr Nanna Rapp	50	12	0	44	50	56
	230	**53**	**0**	**176**	**230**	**229**

GESCO AG has obtained a "Directors' and Officers' Liability Insurance" (D&O Insurance) policy for Group management. This policy covers, among others, the members of the Executive Board and Supervisory Board of GESCO AG as well as the Managing Directors of the subsidiaries. Insurance premiums of € 69 thousand (previous year: € 69 thousand) were paid during the financial year 2020.

Wuppertal, 26 March 2021

Ralph Rumberg
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs
CFO / Chief Financial Officer

Significant Group shareholdings

Fully consolidated companies[1]	Proportion of capital in %
Alro GmbH, Wuppertal, i.L.	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Meschede[3]	100
AstroPlast Verwaltungs GmbH, Meschede[2]	100
C.F.K. CNC-Fertigungstechnik Kriftel GmbH, Kriftel[5]	80
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt[5]	100
Dömer GmbH, Lennestadt[2), 5]	100
Dörrenberg Edelstahl GmbH, Engelskirchen	90
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Dörrenberg Special Steels PTE. Ltd., Singapore	90
Dörrenberg International PTE. Ltd., Singapore	90
Doerrenberg Special Steels Taiwan Ltd., Tainan, Taiwan	100
Middle Kingdom Special Steels PTE Ltd., Singapore	60
Jiashan Doerrenberg Mould & Die Trading Co., Jiashan, China	100
Doerrenberg Specialty Steel Corp., Macedonia, Ohio, USA	100
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld[5]	90
Frank-Hungaria Kft., Òzd, Hungary[5]	100
Frank Lemeks Tow, Ternopil, Ukraine[5]	100
OOO Frank RUS, Orjol, Russia[5]	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern[3]	100
Franz Funke Verwaltungs GmbH, Sundern[2]	100
Georg Kesel GmbH & Co. KG, Kempten[3]	90
Kesel International GmbH, Kempten	100
Georg Kesel Machinery (Beijing) Co., Ltd., Beijing, China, i.L.	100
Georg Kesel Machinery (Jiashan) Co., Ltd., Jiashan, China	100
Kesel North America, LLC, Beloit, Wisconsin, USA	100
Kesel & Probst Verwaltungs-GmbH, Kempten[2]	100
Haseke GmbH & Co. KG, Porta Westfalica[3]	80
Haseke Beteiligungs-GmbH, Porta Westfalica[2]	100
Hubl GmbH, Vaihingen / Enz	80
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath[4]	100
MAE International GmbH, Erkrath	100
MAE Machines (Beijing) Co., Ltd., Beijing, China	100
MAE Amerika GmbH, Erkrath	100
MAE-EITEL INC., Orwigsburg, Pennsylvania, USA	90
Modell Technik Formenbau GmbH, Sömmerda[5]	100
Modell Technik Beteiligungsgesellschaft mbH, Sömmerda, i.L.	100
Molineus & Co. GmbH + Co. KG, Wuppertal[3]	100
Grafic Beteiligungs-GmbH, Wuppertal[2]	100
Paul Beier GmbH & Co. KG, Kassel[5]	100
Paul Beier Verwaltungs-GmbH, Kassel[2), 5]	100
Pickhardt & Gerlach GmbH & Co. KG, Finnentrop[3]	100
Hekhorn Verwaltungs-GmbH, Finnentrop[2]	100
Hekhorn Immobilien GmbH, Finnentrop	100
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich[3]	100
Q-Plast Beteiligungs-GmbH, Emmerich[2]	100
Setter GmbH & Co. Papierverarbeitung, Emmerich[3]	100
Setter GmbH, Emmerich[2]	100

Fully consolidated companies[1]	Proportion of capital in %
HRP-Leasing GmbH, Emmerich	100
Setter International GmbH, Emmerich	100
Setterstix Inc., Cattaraugus, New York, USA	100
SQG Verwaltungs GmbH, Emmerich	100
Setterstix de México S.A.DE C.V., San Luis Potosí, Mexico	100
Sommer & Strassburger Edelstahlanlagenbau GmbH & Co. KG, Bretten[3]	100
So-Stra Verwaltungs-GmbH, Bretten[2]	100
SVT GmbH, Schwelm	100
IV Industrieverwaltungs GmbH & Co. KG, Wuppertal[3]	100
MV Anlagen GmbH & Co. KG, Wuppertal[3]	100
IMV Verwaltungs GmbH, Wuppertal[2]	100
VWH GmbH, Herschbach[6]	80
WBL Holding GmbH, Laichingen[5]	100
Werkzeugbau Laichingen GmbH, Laichingen[5]	100
Werkzeugbau Leipzig GmbH, Leipzig[5]	100
TM Erste Grundstücksgesellschaft mbH, Wuppertal[5]	100

Companies valued at equity[1]	Proportion of capital in %
Saglam Metal Sanayi Ticaret A.S., Istanbul, Turkey	20
Doerrenberg Special Steels Korea Co. Ltd, Jeongwang-dong, South Korea	50
Fine Metal S.R.L., Bucharest, Romania	40

Companies which are not consolidated[1]	Proportion of capital in %
Connex SVT Inc., Houston, Texas, USA	100

[1] Share capital held directly or via majority shareholdings
[2] Limited liability company (GmbH) acting as a general partner
[3] Utilisation of exemption pursuant to Section 264b of the German Commercial Code (HGB)
[4] Utilisation of exemption pursuant to Section 264 (3) of the German Commercial Code (HGB)
[5] Company deconsolidated at the end of the financial year
[6] Reclassified on the balance sheet as assets held for sale / liabilities

Statement of the legal representatives

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

Wuppertal, 26 March 2021

Ralph Rumberg
CEO / Spokesman of the Executive Board

Kerstin Müller-Kirchhofs
CFO / Chief Financial Officer

Independent Auditor's Report

The following independent auditor's report also contains an "Assurance Report in Accordance with Section 317 par. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes" ("ESEF assurance report"). The materials (ESEF documents) covered by the assurance report are not attached. The ESEF documents can be viewed or downloaded from the Federal Gazette.

To GESCO AG

Report on the audit of the consolidated financial statements and the Group Management Report

Audit opinions

We audited the consolidated financial statements of GESCO AG and its subsidiaries (the Group) – comprising the Consolidated Statement of Financial Position as at 31 December 2020, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the financial year from 1 January 2020 to 31 December 2020 as well as the Notes to the Consolidated Financial Statements, including a summary of material accounting methods. In addition, we also audited the Group Management Report of GESCO AG for the financial year from 1 January 2020 to 31 December 2020. We did not audit the content of the separate, non-financial Group report and the Group Declaration of Corporate Governance, which were referred to in the Group Management Report, in accordance with German legal requirements.

According to our assessment and on the basis of the findings gathered within the scope of our audit,

- the consolidated financial statements comply with the International Financial Reporting Standards (IFRS), as applicable in the EU, in all material aspects and additional German legal requirements in accordance with Section 315e para. 1 German Commercial Code (HGB) and gives a true and fair view of the assets and financial position of the Group as at 31 December 2020 as well as its earnings for the financial year from 1 January 2020 to 31 December 2020 and

- the Group Management Report provides a true and fair view of the Group's position. This Group Management Report corresponds to the consolidated financial statements in all material aspects, complies with German commercial law and provides a true reflection of the opportunities and risks of future development. Our audit findings concerning the Management Report do not extent to the content of the aforementioned separate non-financial Group report and the aforementioned Group Declaration of Corporate Governance.

We declare pursuant to Section 322 para. 3 sentence 1 HGB that our audit did not lead to any objections against the orderliness of the consolidated financial statements and the Group Management Report.

Basis for the audit opinions

We performed our audit of the consolidated financial statements and the Group Management Report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as EU AR) in consideration of the German principles of proper auditing of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Our responsibility under these requirements and principles is described in further detail in the "Responsibility of the auditor for auditing the consolidated financial statements and the Group Management Report" section of our Independent Auditor's Report. We are independent from the Group companies in accordance with European law, German commercial law and professional standards and also meet other professional obligations in Germany in accordance with these requirements. Furthermore, we declare pursuant to Article 10 paragraph 2 (f) EU AR that we did not perform any prohibited non-audit services pursuant to Article 5 paragraph 1 EU AR. We believe that the audit evidence we obtained is sufficient and suitable to serve as a basis for our audit opinions concerning the consolidated financial statements and the Group Management Report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are matters that we consider, in applying due discretion, to be the most significant in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were taken into consideration in relation to our audit of the consolidated financial statements as a whole and in forming our audit opinion; we do not issue any separate audit opinion concerning these matters.

We consider the following to be key audit matters:
- Presentation of the deconsolidation and calculation of sale proceeds
- Recoverability of goodwill (impairment test)

Presentation of the deconsolidation and calculation of sale proceeds

Reason for classifying this matter as a key audit matter

On 21 December 2020, GESCO AG concluded a contract concerning the sale of a group of six direct subsidiaries plus administrative companies and subsubsidiaries. This sale resulted in the discontinuation of the Mobility Technology segment and the largest portfolio restructuring in the company's history. The companies sold were classified as discontinued operations pursuant to IFRS 5 together with one further company earmarked for sale. The sale resulted in a loss of € 4.1 million. In consideration of ad hoc impairments and the current loss for the financial year, a loss of € 22.9 million is reported from discontinued operations. The presentation of the sale in the consolidated financial statements and the calculation of the sale proceeds are complex tasks subject to a degree of discretionary judgement. Against this backdrop and given the impact on earnings, this matter is considered to be one of the most significant in the audit of the consolidated financial statements.

The company's disclosures regarding the deconsolidation of subsidiaries are included in the "Scope of consolidation" section of the Notes to the Consolidated Financial Statements and in paragraphs 15 and 29.

Treatment in auditing the financial statements

First of all, we assessed whether the criteria for deconsolidation had been met. We assessed the contractual agreements and determined which assets and liabilities must be accounted for in relation to the sale. We checked the calculated purchase price against the underlying contractual terms and verified the methodology and arithmetic applied in calculating the sale proceeds. We verified that the disposals had been recognised correctly and in full and that the sale proceeds were accurate. Furthermore, we determined whether the disclosures required under IFRS 5 and the disclosures concerning the sale in the Notes to the Consolidated Financial Statements had been made correctly and in full.

We verified that the presentation of the deconsolidation and the calculation of the sale proceeds were appropriate and correct. We found no indications of incomplete or inaccurate disclosures in the Notes to the Consolidated Financial Statements pursuant to IFRS 5 and with regard to the sale.

Recoverability of goodwill (impairment test)

Reason for classifying this matter as a key audit matter

The company performs an annual impairment test on all derivative goodwill that is not able to be amortised, irrespective of whether there are indications of impairment. The impairment test is conducted for each affected cash-generating unit (CGU) by comparing the recoverable amount with the corresponding book value. Each individual company is generally defined as a CGU. Recoverable amounts are calculated using the discounted cash flow (DCF) method. This calculation is based on available cash flows for the next three years (detailed planning phase) as derived from companies' budgets. The financial surpluses for the subsequent years are forecast as perpetual annuities on the basis of the detailed planning; growth is accounted for by means of a discount applied to the discounting rate. This method is exposed to uncertainty linked to estimation and discretion, particularly with regard to forecasting financial surpluses and deriving a discounting rate. Against this backdrop and due to the complexity of the valuation procedure, this matter was considered to be one of the most significant in the auditing of the Consolidated Financial Statements.

The company's disclosures on goodwill are included in paragraphs 2 and 25 of the Notes to the Consolidated Financial Statements.

Treatment in auditing the financial statements

We assessed the impairment test using a selection of samples chosen in accordance with the risk and volume involved. We verified the appropriateness of the method and the delineation of the cash-generating units, as well as the consistent application of the process, using this sample. We assessed whether the assumptions underpinning the company budgets included in the calculations are plausible, in other words verifiable, consistent and not contradictory. As part of this process, we also analysed the accuracy of the budgets by comparing actual figures with last year's budgeted figures and assessing development in 2021. We verified the calculation of the discounting rate and the parameters underpinning the WACC and the appropriateness of these figures on the basis of publicly available information. Given the importance of the discounting rate and the perpetual annuity to the calculation, we also performed sensitivity analyses in relation to these parameters. We verified the mathematical accuracy of the recoverable amounts.

The measurement models applied to the calculation of the recoverable amounts, the underlying measurement parameters and assumptions and the presented calculations are appropriate. We have no objections regarding the assessment of goodwill recoverability.

Other information

The legal representatives or rather the Supervisory Board are responsible for other information. Other information includes the following:

- the separate non-financial Group report
- the Group Declaration of Corporate Governance referred to in the Group Management Report
- the statement of assurance pursuant to Section 297 paragraph 2 sentence 4 HGB concerning the Consolidated Financial Statements and the statement of assurance pursuant to Section 315 paragraph 1 sentence 5 HGB concerning the Group Management Report, and
- the other parts of the annual report, with the exception of the audited Consolidated Financial Statements, the Group Management Report and our independent auditor's report.

Our audit opinions concerning the Consolidated Financial Statements and the Group Management Report do not extend to other information and, as a consequence, we do not issue an audit opinion or any other form of audit conclusion in this regard.

In relation to our audit, it is our responsibility to read other information and assess whether the other information

- contains material discrepancies to the Consolidated Financial Statements, the Group Management Report or our findings gathered within the scope of our audit or
- otherwise appears to be incorrectly presented.

If we conclude, on the basis of the work we perform, that there is a material misstatement regarding this other information, we are obliged to report about said conclusion. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for preparing the Consolidated Financial Statements that comply in all material aspects with IFRS as applicable in the EU and the German legal requirements applicable pursuant to Section 315e paragraph 1 HGB and also for ensuring that the Consolidated Financial Statements provide a true and fair view, in accordance with these requirements, of the assets, financial position and earnings of the Group. In addition, the legal representatives are also responsible for implementing the internal controls they deem necessary to prepare Consolidated Financial Statements that do not contain – either intentionally or unintentionally – any material misstatements.

In preparing the Consolidated Financial Statements, the legal representatives are responsible for assessing the ability of the Group to continue operating as a going concern. Furthermore, they are also responsible for disclosing matters relating to the continuation of the company as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern assumption, unless there is the intention to liquidate the Group or discontinue business operations or there is no other realistic alternative.

In addition, the legal representatives are also responsible for preparing a Group Management Report that provides a true and fair view of the Group's position and corresponds in all material aspects to the Consolidated Financial Statements, complies with German legal requirements and suitably presents the risks and opportunities of future development. Furthermore, the legal representatives are also responsible for taking precautions and introducing measures (systems) that they deem necessary to enable the preparation of a Group Management Report in accordance with applicable German legal regulations and to ensure that sufficient and appropriate evidence can be provided for the statements in the Group Management Report.

The Supervisory Board is responsible for monitoring the company's accounting process that is used to prepare the Consolidated Financial Statements and the Group Management Report.

Responsibility of the auditor for auditing the Consolidated Financial Statements and the Group Management Report

Our aim is to determine with a sufficient level of certainty whether the Consolidated Financial Statements as a whole are free of material misstatements – both intentional and unintentional – and whether the Group Management Report as a whole provides a true and fair view of the Group's position and corresponds in all material aspects with the Consolidated Financial Statements and the audit findings, complies with German legal requirements and correctly presents the opportunities and risks associated with future development, as well as issue an independent auditor's report that contains our audit opinions on the Consolidated Financial Statements and the Group Management Report.

A sufficient level of certainty is a high level of certainty but not a guarantee that a proper audit conducted in accordance with Section 317 HGB and the EU AR in consideration of the German principles of proper accounting as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany) will always detect a material misstatement. Misstatements can result from breaches of requirements or errors and are considered to be material if they could be reasonably expected, either individually or taken as a whole, to influence financial decisions made by recipients of the Consolidated Financial Statements and the Group Management Report on the basis of these documents.

We exercise our duty of discretion during this audit and maintain a critical approach. Furthermore,

- we identify and assess the risks of material – intentional or unintentional – misstatements in the Consolidated Financial Statements and in the Group Management Report, plan and conduct audit activities in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of breaches of regulations than it is in the case of errors, as legal violations can include fraudulent conduct, forgery, intentionally incomplete information, misleading statements and the circumvention of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the Consolidated Financial Statements and the precautions and measures relevant to the audit of the Group Management Report in order to plan audit activities that are appropriate under the given circumstances but without the aim of issuing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods applied by the legal representatives and the feasibility of the figures estimated by the legal representatives as well as related disclosures.
- we draw conclusions on the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence, on whether there is any material uncertainty regarding events or circumstances that could cast significant doubt on the

ability of the Group to continue operating as a going concern. If we conclude that there is material uncertainty in this context, we are obliged to refer to the relevant disclosures in the Consolidated Financial Statements and in the Group Management Report in our independent auditor's report or, if these disclosures are inappropriate, modify our respective audit opinion. We draw conclusions on the basis of the audit evidence obtained until the date of our independent auditor's report. Future events or circumstances can, however, result in the Group being unable to continue operating as a going concern.

- we assess the overall presentation, structure and content of the Consolidated Financial Statements, including the Notes to the Consolidated Financial Statements, and whether the Consolidated Financial Statements present the underlying business transactions and events in such a manner that provides a true and fair view of the assets, financial position and earnings of the Group in consideration of IFRS as applicable in the EU and additional applicable German legal regulations pursuant to Section 315e paragraph 1 HGB.
- we obtain sufficiently suitable audit evidence for the company's accounting information or business activities within the Group in order to provide audit opinions on the Consolidated Financial Statements and the Group Management Report. We are responsible for instructing, monitoring and conducting the audit of the Consolidated Financial Statements. We bear sole responsibility for our audit opinions.
- we assess the consistency of the Group Management Report with the Consolidated Financial Statements, its compliance with the law and the presented position of the Group.
- we conduct audit activities on the forward-looking statements in the Group Management Report made by the legal representatives. On the basis of sufficient audit evidence, we verify in particular the material assumptions underpinning the forward-looking statements made by the legal representatives and assess that the forward-looking statements have been correctly derived from these assumptions. We do not provide a separate audit opinion on the forward-looking statements or on the underlying assumptions. There is a material and unavoidable risk that future events will significantly deviate from the forward-looking statements.

We discuss with the individuals responsible for monitoring the planned scope and schedule of the audit, among other things, as well as material audit findings, including any deficiencies in the internal control system, that we determine during our audit.

We submit a declaration to the individuals responsible for monitoring that we have complied with the relevant requirements concerning independence and discuss with them all relationships and other circumstances that can reasonably be expected to have an impact on our independence and the precautions taken as a result.

Of the matters we discuss with the individuals responsible for monitoring, we discuss the matters that were of greatest significance to the audit of the Consolidated Financial Statements for the current reporting period and therefore are considered key audit matters. We describe these matters in the independent auditor's opinion unless we are unable to disclose them by law or due to other regulations.

Other legal requirements

Report on the audit of the electronic copies of the Consolidated Financial Statements and the Group Management Report pursuant to Section 317 para. 3b HGB prepared for the purposes of publication

Audit opinion

In accordance with Section 317 para. 3b HGB, we reviewed with a sufficient level of certainty whether the copies of the Consolidated Financial Statements and the Group Management Report prepared for the purposes of publication and included in the attached file GESCO_AG_KA+KLB_ESEF-2020-12-31.zip (hereinafter referred to as the "ESEF documents") comply with the requirements of Section 328 para. 1 HGB concerning the electronic reporting format ("ESEF format") in all material aspects. In accordance with German legal requirements, this audit only covers the transfer of the information in the Consolidated Financial Statements and the Group Management Report into ESEF format and therefore does not extend to the information included in these copies or in the aforementioned file.

According to our assessment, the copies of the Consolidated Financial Statements and the Group Management Report prepared for the purposes of publication and included in the aforementioned file comply in all material aspects with the requirements of Section 328 para. 1 HGB concerning the electronic reporting format. We do not provide any audit opinion on the information included in these copies or on any other information included in the aforementioned file beyond the scope of this audit opinion and our audit opinions on the attached Consolidated Financial Statements and attached Group Management Report for the financial year from 1 January 2020 to 31 December 2020 included in the above "Report on the audit of the Consolidated Financial Statements and the Group Management Report."

Basis for the audit opinion

We conducted our audit of the copies of the Consolidated Financial Statements and the Group Management Report included in the aforementioned file in accordance with Section 317 para. 3b HGB in consideration of the draft IDW audit standard: Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergaben von Abschlüssen und Lageberichten nach § 317 Abs. 3b HGB (auditing electronic copies of financial statements and Management Reports prepared for the purposes of publication in accordance with Section 317 para. 3b HGB – IDW EPS 410). Our responsibility under this standard is described in further detail in the "Responsibility of the auditor of the Consolidated Financial Statements for the audit of the ESEF documents." Our German public auditor's office complied with the requirements of the quality assurance system described in the IDW quality assurance standard: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (quality assurance requirements in German public auditor's offices – IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for preparing the ESEF documents containing the electronic copies of the Consolidated Financial Statements and the Group Management Report in accordance with Section 328 para. 1 sentence 4 no. 1 HGB and for the format and design of the Consolidated Financial Statements in accordance with Section 328 para. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives of the company are also responsible for the internal controls they deem necessary to enable the preparation of the ESEF documents that are free from any intentional or unintentional material violations of the requirements of Section 328 para. 1 HGB regarding the electronic reporting format.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the independent auditor's report and the attached audited Consolidated Financial Statements and the audited Group Management Report as well as other documents requiring publication to the operator of the German Federal Gazette.

The Supervisory Board is responsible for monitoring the process of preparing the ESEF documents as part of the accounting process.

Responsibility of the auditor of the Consolidated Financial Statements for the auditing of the ESEF documents

Our aim is to determine with a sufficient level of certainty whether the ESEF documents are free of material violations – both intentional and unintentional – of the requirements of Section 328 para. 1 HGB. We exercise our duty of discretion during this audit and maintain a critical approach. Furthermore,

- we identify and assess the risks of material – intentional or unintentional – violations of the requirements of Section 328 para. 1 HGB, plan and conduct audit activities in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinion.
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit activities that are appropriate under the given circumstances but without the aim of issuing an audit opinion on the effectiveness of these controls.
- we assess the technical validity of the ESEF documents, in other words whether the file containing the ESEF documents meets the requirement of Commission Delegated Regulation (EU) 2019/815 as amended as at the reporting date regarding the technical specifications of said file.
- we assess whether the ESEF documents enable identical copies of the audited Consolidated Financial Statements and the audited Group Management Report to be provided in XHTML format.

- we assess whether the form and design of the ESEF documents with inline XBRL technology (iXBRL) enables a suitable and complete machine-readable XBRL copy of the XHTML content.

Other disclosures pursuant to Article 10 EU AR

We were appointed as the auditor of the Consolidated Financial Statements at the Annual General Meeting held on 18 June 2020. We were engaged by the Supervisory Board on 26 June 2020. We have been the appointed auditor of the GESCO AG Consolidated Financial Statements since financial year 1997/1998.

We hereby declare that the audit opinions contained in this independent auditor's report correspond to the additional report to the audit committee pursuant to Article 11 EU AR (audit report).

Responsible auditor

The auditor responsible for this audit is Alexander Koch.

Wuppertal, 26 March 2021

Breidenbach und Partner PartG mbB
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Straube)	(Koch)
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

Financial calendar

27 April 2021
Annual press and analysts’ conference
(online conference)

18 May 2021
Publication of the quarterly statement
for the first quarter

30 June 2021
Annual General Meeting

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

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

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

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