



An expected strong start into FY 21

After a significant portfolio adjustment in Q4 2020 and early Q1 2021, Gesco started into FY 2021 on a strong note. Revenue increased by 10.5% to EUR 112.6m, while EBIT more than tripled to EUR 7.4m or 6.6% of revenue. New orders increased even stronger than revenue and were up 18.8% to EUR 136.4m. The book to bill ratio in Q1 thus amounted to 1.2x in the quarter, signalling a further growth acceleration in the coming quarters. Overall, the development was in-line with our optimistic expectations. The guidance of EUR 445m to EUR 465m in revenue and EUR 16.5m to EUR 18.5m in net profit after minorities was confirmed. We have thus applied no major changes to our estimates and confirm our Buy recommendation with a target price of EUR 30.

Production Process Technology

Production Process Technology shows the strongest growth dynamic in Q1 2021, with revenue up 24% to EUR 12.4m. Especially the stainless-steel business performed well. Order intake amounted to EUR 19.3m, up 58% yoy, representing a book-to-bill ratio of 1.6x.

The EBIT margin amounted to 8.6%. Keeping in mind that Q1 tends to be a weaker margin quarter, this was, in our view, a strong performance and clearly above our expectations.

For FY 2021, Gesco expects the segment to achieve a tangible improvement in both revenue and earnings, which is definitely a likely scenario, in our view.

| EURm | 2018 | 2019 | 2020 | 2021e | 2022e |
|---------------|------|------|--------|-------|-------|
| Revenues | 580 | 440 | 397 | 454 | 484 |
| EBITDA | 68 | 44 | 33 | 53 | 61 |
| EBIT | 42 | 24 | 17 | 33 | 40 |
| EPS | 2.08 | 1.14 | (1.53) | 1.64 | 2.07 |
| EPS adj | 2.08 | 1.14 | (1.53) | 1.64 | 2.16 |
| DPS | 0.90 | 0.23 | - | 0.66 | 1.00 |
| EV/EBITDA | 5.4 | 7.9 | 7.8 | 5.3 | 4.6 |
| EV/EBIT | 8.8 | 14.3 | 15.1 | 8.5 | 6.9 |
| P/E adj | 10.5 | 16.5 | - | 13.1 | 10.0 |
| P/B | 1.00 | 0.87 | 0.92 | 1.01 | 0.95 |
| ROE (%) | 10.2 | 5.3 | - | 8.0 | 9.4 |
| Div yield (%) | 4.1 | 1.2 | - | 3.1 | 4.7 |
| Net debt | 121 | 127 | 49 | 33 | 29 |

Source: Pareto

| | |
|--------------------|----|
| Target price (EUR) | 30 |
| Share price (EUR) | 22 |

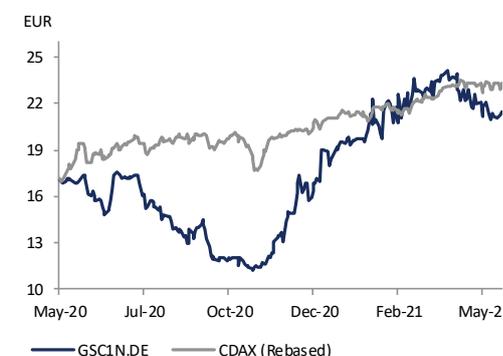
Forecast changes

| % | 2020 | 2021e | 2022e |
|--------------|------|-------|-------|
| Revenues | - | - | - |
| EBITDA | - | - | - |
| EPS reported | - | - | - |
| EPS adj | - | - | - |

Source: Pareto

| | |
|-----------------------------|-------------------|
| Ticker | GSC1N.DE, GSC1 GY |
| Sector | Industrials |
| Shares fully diluted (m) | 10.8 |
| Market cap (EURm) | 233 |
| Net debt (EURm) | 33 |
| Minority interests (EURm) | 15 |
| Enterprise value 21e (EURm) | 281 |
| Free float (%) | 72 |

Performance



Source: Factset

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Analysts

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Resource Technology

Resource Technology also had a strong quarter, with revenue up 14% yoy to EUR 67.0m. Demand was higher in the tool and strip steel segment and the order situation in loading technology was also good. Driven by the stronger revenue and a continuing good cost control, EBIT more than doubled from EUR 2.3m to EUR 5.9m in Q1 2021. Orders rose by 11% to EUR 74.7m, implying a book-to-bill ratio of 1.1x, signalling growth to continue in the near future. Consequently, Gesco forecasts a significant increase in sales as well as a disproportionate increase of EBIT in FY 2021.

Healthcare & Infrastructure Technology

Development in the Healthcare & Infrastructure segment was fairly stable. Revenue was flat at EUR 33.3m, while EBIT rose only marginally from EUR 3.3m to EUR 3.4m or 10.3% of revenue. This is little surprising as this segment had shown the greatest resilience during the COVID-19 pandemic and thus also had a relatively higher comparison base than the other segments. However, order intake was up 20% yoy to EUR 42.3m or a book-to-bill ratio of 1.3x. It thus seems likely that growth will pick up in the coming quarters as well. Consequently, Gesco expects a positive sales performance in FY 2021 with a stable margin on its current relatively high level.

Exhibit 1: Q1 2021 review

| GESCO AG, EUR m | Q1 2021 | Q1 2020 | |
|--|--------------|--------------|------------|
| Deviation table | | reported* | YoY |
| Production Process Technology | 19.3 | 12.2 | 58% |
| Resource Technology | 74.7 | 67.4 | 11% |
| Healthcare and Infrastructure Technology | 42.3 | 35.2 | 20% |
| Group Incoming orders | 136.4 | 114.8 | 19% |
| Production Process Technology | 12.4 | 10.0 | 24% |
| Resource Technology | 67.0 | 58.8 | 14% |
| Healthcare and Infrastructure Technology | 33.3 | 33.2 | 0% |
| Group sales | 112.6 | 101.7 | 11% |
| Production Process Technology | 1.1 | -1.1 | -198% |
| Resource Technology | 5.9 | 2.3 | nm |
| Healthcare and Infrastructure Technology | 3.4 | 3.3 | 3% |
| Group EBIT | 7.4 | 2.1 | nm |
| Production Process Technology | 8.6% | -10.8% | 1935 BP |
| Resource Technology | 8.8% | 4.0% | 482 BP |
| Healthcare and Infrastructure Technology | 10.3% | 10.0% | 28 BP |
| Group EBIT-margin (%) | 6.6% | 2.1% | nm |
| Production Process Technology | 1.6x | 1.2x | |
| Resource Technology | 1.1x | 1.1x | |
| Healthcare and Infrastructure Technology | 1.3x | 1.1x | |
| Book to Bill ratio | 1.2x | 1.1x | |
| Net income after minorities | 4.0 | 0.4 | nm |

Source: Gesco, Pareto Securities Research

* adjusted for portfolio adjustments

Overall, the company has left its outlook for FY 2021 unchanged. Gesco continues to see revenue in a range of EUR 445m to EUR 465m as well as a net profit after minorities of EUR 16.5m to EUR 18.5m.

Our estimates are currently around the mid-point of this guidance – we thus currently see no need for any major changes.

| PROFIT & LOSS (fiscal year) (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e |
|--|-------------|-------------|-------------|-------------|-------------|---------------|--------------|--------------|
| Revenues | 494 | 482 | 547 | 580 | 440 | 397 | 454 | 484 |
| EBITDA | 53 | 50 | 57 | 68 | 44 | 33 | 53 | 61 |
| Depreciation & amortisation | (22) | (28) | (24) | (26) | (21) | (17) | (20) | (20) |
| EBIT | 31 | 22 | 34 | 42 | 24 | 17 | 33 | 40 |
| Net interest | (3) | (2) | (2) | (3) | (2) | (4) | (2) | (3) |
| Other financial items | - | - | - | - | - | - | - | - |
| Profit before taxes | 29 | 20 | 32 | 40 | 22 | 13 | 31 | 38 |
| Taxes | (10) | (10) | (13) | (14) | (8) | (6) | (11) | (13) |
| Minority interest | (3) | (2) | (2) | (3) | (1) | (1) | (3) | (3) |
| Net profit | 16 | 8 | 16 | 23 | 12 | (17) | 18 | 22 |
| EPS reported | 1.62 | 0.79 | 1.49 | 2.08 | 1.14 | (1.53) | 1.64 | 2.07 |
| EPS adjusted | 1.62 | 1.24 | 1.49 | 2.08 | 1.14 | (1.53) | 1.64 | 2.16 |
| DPS | 0.67 | 0.35 | 0.60 | 0.90 | 0.23 | - | 0.66 | 1.00 |
| BALANCE SHEET (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e |
| Tangible non current assets | 134 | 141 | 147 | 158 | 172 | 105 | 105 | 106 |
| Other non-current assets | 29 | 48 | 42 | 52 | 49 | 52 | 52 | 52 |
| Other current assets | 214 | 220 | 233 | 286 | 254 | 185 | 220 | 234 |
| Cash & equivalents | 37 | 35 | 38 | 29 | 31 | 49 | 65 | 69 |
| Total assets | 413 | 444 | 460 | 525 | 506 | 391 | 442 | 462 |
| Total equity | 199 | 216 | 226 | 251 | 250 | 228 | 246 | 262 |
| Interest-bearing non-current debt | 117 | 122 | 119 | 150 | 158 | 98 | 98 | 98 |
| Interest-bearing current debt | - | - | - | - | - | - | - | - |
| Other Debt | 81 | 89 | 99 | 108 | 80 | 54 | 87 | 91 |
| Total liabilities & equity | 413 | 444 | 460 | 525 | 506 | 391 | 442 | 462 |
| CASH FLOW (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e |
| Cash earnings | 31 | 43 | 51 | 28 | 26 | 11 | 61 | 46 |
| Change in working capital | (4) | (1) | (13) | (15) | 13 | 48 | (22) | (11) |
| Cash flow from investments | (24) | (20) | (22) | (41) | (14) | (4) | (20) | (22) |
| Cash flow from financing | (3) | (1) | (7) | 21 | (3) | (64) | (0) | (7) |
| Net cash flow | 1 | (1) | 3 | (9) | 2 | 18 | 16 | 4 |
| CAPITALIZATION & VALUATION (EURm) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e |
| Share price (EUR end) | 23.6 | 22.5 | 30.7 | 21.8 | 18.9 | 18.4 | 21.5 | 21.5 |
| Number of shares end period | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 11 |
| Net interest bearing debt | 81 | 87 | 80 | 121 | 127 | 49 | 33 | 29 |
| Enterprise value | 335 | 329 | 429 | 372 | 346 | 260 | 281 | 279 |
| EV/Sales | 0.7 | 0.7 | 0.8 | 0.6 | 0.8 | 0.7 | 0.6 | 0.6 |
| EV/EBITDA | 6.3 | 6.6 | 7.5 | 5.4 | 7.9 | 7.8 | 5.3 | 4.6 |
| EV/EBIT | 10.7 | 14.9 | 12.7 | 8.8 | 14.3 | 15.1 | 8.5 | 6.9 |
| P/E reported | 14.6 | 28.5 | 20.6 | 10.5 | 16.5 | - | 13.1 | 10.4 |
| P/E adjusted | 14.6 | 18.1 | 20.6 | 10.5 | 16.5 | - | 13.1 | 10.0 |
| P/B | 1.3 | 1.1 | 1.6 | 1.0 | 0.9 | 0.9 | 1.0 | 1.0 |
| FINANCIAL ANALYSIS & CREDIT METRICS | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e |
| ROE adjusted (%) | 8.4 | 6.0 | 7.3 | 9.5 | 4.9 | - | 7.5 | 9.2 |
| Dividend yield (%) | 2.8 | 1.6 | 2.0 | 4.1 | 1.2 | - | 3.1 | 4.7 |
| EBITDA margin (%) | 10.8 | 10.3 | 10.5 | 11.8 | 10.0 | 8.4 | 11.6 | 12.6 |
| EBIT margin (%) | 6.4 | 4.6 | 6.2 | 7.3 | 5.5 | 4.3 | 7.3 | 8.3 |
| NIBD/EBITDA | 1.51 | 1.76 | 1.40 | 1.76 | 2.89 | 1.46 | 0.62 | 0.47 |
| EBITDA/Net interest | 20.37 | 22.49 | 29.68 | 26.34 | 18.64 | 7.81 | 25.17 | 24.73 |

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| | | |
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| Bonheur | 241,145 | 0.57% | Sparebank 1SMN | 1,875,442 | 1.44% |
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| Quantafuel | 1,119,887 | 0.89% | SpareBank 1Østlandet | 3,825,292 | 3.60% |
| Sandnes Sparebank | 126,013 | 0.55% | Sparebanken Møre | 305,239 | 3.09% |
| Selvaag Bolig | 2,951,618 | 3.45% | Sparebanken Sør | 433,744 | 2.77% |
| SpareBank 1BV | 1621,940 | 2.57% | Sparebanken Vest | 6,805,073 | 6.34% |
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| Aker BP | 0 | 25,281 | Frontline | 0 | 82,308 | PGS | 0 | 11,676 |
| Aker Carbon Capture | 0 | 190,956 | Gjensidige Forsikring | 0 | 7,723 | Protector Forsikring | 0 | 12,000 |
| Aker Horizons | 0 | 2,082 | Golden Ocean Group | 0 | 1,433 | Quantafuel | 0 | 1,119,887 |
| Aker Offshore Wind | 0 | 168,028 | Grieg Seafood | 0 | 12,213 | REC Silicon | 0 | 35,551 |
| American Shipping Co. | 0 | 13,300 | Hafnia Ltd. | 0 | 16,300 | Salmar | 0 | 105 |
| Aprila Bank ASA | 0 | 22,675 | Huddly | 0 | 899,442 | Sandnes Sparebank | 0 | 126,013 |
| Archer | 0 | 30,170 | Hunter Group ASA | 0 | 308,500 | Scatec | 0 | 20,324 |
| ArcticZymes Technologies | 0 | 598,575 | HydrogenPro | 0 | 37,151 | Selvaag Bolig | 0 | 51,900 |
| Atlantic Sapphire | 0 | 13,610 | Ice Group ASA | 0 | 200,000 | Skitude | 0 | 12,695 |
| Austevoll Seafood | 0 | 29,235 | Kalera | 0 | 53,027 | Sparebank 1Nord-Norge | 0 | 3,350 |
| Avance Gas | 0 | 3,362 | Kitron | 0 | 6,986 | Sparebank 1SMN | 0 | 12,740 |
| B2Holding AS | 0 | 14,075 | Komplett Bank | 0 | 99,300 | Sparebank 1SR-Bank | 0 | 8,413 |
| Bank Norwegian | 0 | 3,210 | Kongsberg Gruppen | 0 | 35,453 | SpareBank 1Østfold Akershus | 0 | 1,252 |
| BASF | 270 | 270 | KWS | 75 | 75 | SpareBank 1Østlandet | 0 | 8,621 |
| Bonheur | 0 | 32,275 | Lerøy Seafood Group | 0 | 4,1478 | Sparebanken Sør | 0 | 16,435 |
| Borregaard ASA | 0 | 650 | Mercell | 0 | 23,038 | Sparebanken Vest | 0 | 16,735 |
| Bouvet | 0 | 294 | Mowi | 0 | 4,614 | Sparebanken Øst | 0 | 1,500 |
| BRABank | 0 | 74,607 | MPC Container Ships | 0 | 44,624 | Stolt-Nielsen | 0 | 1,817 |
| BW Energy | 0 | 55,050 | Nordic Semiconductor | 0 | 5,491 | Storebrand | 0 | 25,178 |
| BW Offshore | 0 | 16,076 | Noreco | 0 | 790 | Subsea 7 | 0 | 9,226 |
| Cloudberry Clean Energy | 0 | 50,000 | Norsk Hydro | 0 | 107,219 | Telenor | 0 | 9,782 |
| DNB | 0 | 30,055 | Norske Skog | 0 | 98,225 | Vow | 0 | 7,081 |
| DNO | 0 | 151,978 | NTS | 0 | 2,272 | Wallerius Wilhemsen | 0 | 61,450 |
| DOF | 0 | 2,366,346 | Ocean Yield | 0 | 104,370 | XXL | 0 | 17,423 |
| Elkem | 0 | 35,426 | OHT | 0 | 6,650 | Yara | 0 | 14,788 |
| Entra | 0 | 10,377 | Okeanis Eco Tankers | 0 | 22,000 | Zaptec | 0 | 4,000 |
| Equinor | 0 | 2,678 | Orkla | 0 | 19,852 | | | |
| Europris | 0 | 11,621 | Panoro Energy | 0 | 28,204 | | | |

This overview is updated monthly (last updated 12.05.2021).

*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

| | | | |
|--|-----------------------------------|---|------------------------------|
| 24SevenOffice Scandinavia | DigiPlex | KlavenessCombination CarriersASA Pryme | |
| 2G Energy | DLT | KLP | Quantafuel |
| Acconer AB | DOF | Komplett Bank | REC Silicon |
| Avanzia Bank S.A. | DOF Subsea AS | Kongsberg Automotive | Saga Robotics |
| Africa Energy Corp Corp | EcoOnline | Kraft Bank | Salmon Evolution |
| Aker ASA | ELOP | Maha Energy | Scorpio Bulkers |
| Aker Clean Hydrogen | Endur ASA | Meltwater | Seafire AB |
| Aker Horizons | Energyan Israel Finance Ltd. | Mercell | SFL Corporation Ltd |
| Akershus Energi | Fertiberia S.A.R.L. | Mint ra Group | SGL TransGroup International |
| Akva Group | Fjordkraft Holding | Modex AS | Siccar Point Energy |
| Alussa Energy Acquisition Corp (Freyr) | Flexistore AS | MPC Container Ships | Skitude |
| American Tanker, Inc. | Genel Energy | Mutares SE & Co. KGaA | Sparebanken Vest |
| Aprila Bank ASA | Gjensidige Forsikring | Müller Medien GmbH (United Vertical Strandline Resources Limited) | |
| Arctic Fish | Golden Ocean Group | Navigator Holdings Ltd. | Talos Energy Inc |
| Arendals Fossekompani | Goliath Offshore | Navios | Tise AS |
| Attensi | Hafnia Ltd. | Next Biometrics Group | Trønderenergi AS |
| Belships | Heimdall Power | Nordic Halibut | Vow |
| Biolnvent | HKN Energy Ltd | Norse Atlantic | Watercircles Forsikring |
| Boreal Holding AS | Hofseth BioCare | Norske Skog | West Coast Salmon |
| Borr Drilling Limited | House of Control | Norwegian Block Exchange | Wheel.me |
| Brooge Energy Limited | Huddly | Odfjell SE | Ørn Software |
| Bulk Infrastructure Holding | HydrogenPro | OHT | |
| BW Energy | Ice Group Scandinavia Holdings AS | Panoro Energy | |
| CentralNic Group PLC | Idavang A/S | Pelagia Holding AS | |
| Cibus Nordic Real Estate | Instabank ASA | PetroNor E&P | |
| Circa Group | Kalera | PetroTal | |
| Cloudberry Clean Energy | Keppel FELS Limited | Pexip Holding | |
| Crayo Nano AS | Kistosplc. | Proximar Seafood | |

This overview is updated monthly (this overview is for the period 31.04.2020 – 31.04.2021).

Appendix C

Disclosure requirements in accordance with Article 6(3) of Commission Delegated Regulation (EU) 2016/958

Distribution of recommendations

| Recommendation | % distribution |
|----------------|----------------|
| Buy | 67% |
| Hold | 30% |
| Sell | 3% |

Distribution of recommendations (transactions*)

| Recommendation | % distribution |
|----------------|----------------|
| Buy | 96% |
| Hold | 4% |
| Sell | 0% |

* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months.

This overview is updated monthly (last updated 12.05.2021).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

| | | | |
|------------------------------|-----------------------------|---------------------------|------------------|
| 24SevenOffice Scandinavia AB | Cibus Nordic Real Estate AB | Isofol Medical AB | Surgical Science |
| Azelio | Climeon AB | LMK Group | Swedencare AB |
| Bionvent | Egetis Therapeutics | Media & Games Invest plc. | Vicore Pharma |
| Biovica International | Implantica | Re:NewCell | VNV Global |

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

| | | | |
|-------------------------------|---------------------------|---------------------------|-------------------------|
| Africa Energy Corp. | Logistri Fastighets AB | Minesto | Shamran Petroleum |
| ByggPartner i Dalarna Holding | Magnolia Bostad | Saltängen Property Invest | Surgical Science |
| Cibus Nordic Real Estate | Media & Games Invest plc. | SciBase Holding | Tethys Oil |
| Isofol Medical | Mentice AB | Sedana Medical | Vostok Emerging Finance |

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

Member of the Pareto Group is providing Business Management services to the following companies:

| | | | |
|----------------------|-------------------|-------------|----------------|
| Bosjö Fastigheter AB | Bråviken Logistik | Halmslätten | Mälårasen |
| Bonäsudden | Delarka | Logistri | Sydsvenska Hem |

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 10.05.2021).

Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

| | | | |
|--------------------------------|-----------------------------|---------------------|-----------------|
| 2G Energy * | GFT Technologies * | Merkur Bank | SMT Scharf AG * |
| Biotest * | Gigaset * | MLP * | Surteco Group * |
| CORESTATE Capital Holding S.A. | Heidelberg Pharma * | mutares | Syzygy AG * |
| Daldrup & Söhne | Intershop Communications AG | OVB Holding AG | TAKKT AG |
| Demire | Leifheit | Procredit Holding * | Viscom * |
| Epigenomics AG* | Logwin * | PSI SOFTWARE AG * | |
| Gesco * | Manz AG * | PWO * | |
| Gerry Weber | MAX Automation SE | S&T AG * | |

* The designated sponsor services include a contractually agreed provision of research services.

Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and– in return - receives compensation.

| | | | |
|-------------------|----------------------------|-----------------------------|----------------------|
| Adler Modemaerkte | Dermapharm Holding SE | Intershop Communications AG | mutares |
| Baywa | Expres2ion Biotechnologies | Leifheit | OHB SE |
| BB Biotech | Gerry Weber | MAX Automation SE | OVB Holding AG |
| Daldrup & Söhne | Hypoport AG | Merkur Bank | Siegfried Holding AG |

This overview is updated monthly (last updated 18.05.2021).