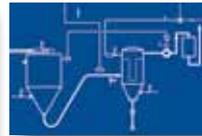


**GEA** *is Excellence*  
*Responsibility* *Passion*  
*Integrity* *GEA-versity*



Annual Report 2011

# GEA Group: Key IFRS figures

(EUR million)	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010	Change in %
<b>Results of operations</b>			
Order intake	5,609.7	4,578.0	22.5
Revenue	5,416.5	4,418.4	22.6
Order backlog	2,677.3	2,414.0	10.9
EBITDA pre purchase price allocation <sup>2/4</sup>	630.1	463.5	35.9
as % of revenue	11.6	10.5	-
EBITDA <sup>2</sup>	610.2	463.5	31.7
EBIT pre purchase price allocation <sup>3/4</sup>	524.6	366.8	43.0
as % of revenue	9.7	8.3	-
EBIT <sup>3</sup>	474.6	355.8	33.4
as % of revenue	8.8	8.1	-
EBT	398.6	170.7	> 100
Profit after tax from continuing operations	312.6	130.9	> 100
Profit or loss after tax from discontinued operations	0.0	0.1	-85.0
Profit for the period	312.6	131.0	> 100
<b>Net assets</b>			
Total assets	6,225.2	5,138.2	21.2
Equity	2,163.6	1,867.6	15.8
as % of total assets	34.8	36.3	-
Working capital (reporting date) <sup>5</sup>	577.1	444.6	29.8
Working capital (average) <sup>6</sup>	685.2	549.6	24.7
as % of revenue <sup>7</sup>	12.6	12.4	-
Net liquidity (+) / Net debt (-) <sup>8/9</sup>	-386.8	104.8	-
Gearing in % <sup>8/10</sup>	17.9	-5.6	-
<b>Financial position</b>			
Cash flow from operating activities	313.5	301.7	3.9
Capital employed (reporting date) <sup>11</sup>	3,635.0	2,856.0	27.3
Capital employed (average) <sup>6</sup>	3,537.5	2,961.9	19.4
ROCE in % <sup>6/12/13</sup>	13.4	12.0	-
ROCE in % (goodwill adjusted) <sup>6/12/14</sup>	20.5	20.4	-
Capital expenditure on property, plant and equipment	155.2	87.9	76.6
Employees (reporting date) <sup>15</sup>	23,834	20,386	16.9
<b>GEA Shares <sup>16</sup></b>			
Earnings per share pre purchase price allocation	1.91	0.75	> 100
Earnings per share	1.70	0.70	> 100
Weighted average number of shares outstanding (million)	183.8	183.8	-

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)

2) In 2010 before restructuring expenses of 97.8 EUR million (Q1-Q4)

3) In 2010 before restructuring expenses of 119.3 EUR million (Q1-Q4)

4) Before effects of purchase price allocations from revalued assets and liabilities.

5) Working capital = inventories + trade receivables - trade payables - advance payments received

6) Average of the past 12 months

7) Working capital (average of the past 12 months) / revenue of the past 12 months

8) Including discontinued operations

9) Net liquidity/ debt = cash and cash equivalents + marketable securities - liabilities to banks

10) Gearing = net liquidity or net debt / equity

11) Capital employed = noncurrent assets + working capital

12) ROCE = EBIT before restructuring expenses / capital employed (average)

13) Capital employed including goodwill from the acquisition of the former GEA AG by the former Metallgesellschaft AG in 1999

14) Capital employed excluding goodwill from the acquisition of the former GEA AG by the former Metallgesellschaft AG in 1999

15) Full-time equivalents (FTE) excluding vocational trainees and inactive employment contracts

16) EUR

# Comparison of Segments by Key Figures

## GEA Convenience-Food Technologies (GEA CT)

(Nine-month period in 2011, 2010 pro forma)

(EUR million)

Order intake	329.8 (294.1)	
Revenue	346.0 (296.6)	
EBIT*	19.6 (11.7)**	
EBIT margin (%)*	5.7 (4.0)	

\*\* Excluding EUR 25.7 million extraordinary income.

## GEA Farm Technologies (GEA FT)

(EUR million)

Order intake	527.4 (448.5)	
Revenue	509.8 (446.7)	
EBIT*	33.8 (26.3)	
EBIT margin (%)*	6.6 (5.9)	

## GEA Heat Exchangers (GEA HX)

(EUR million)

Order intake	1,653.2 (1,506.0)	
Revenue	1,616.8 (1,483.4)	
EBIT*	121.8 (118.8)	
EBIT margin (%)*	7.5 (8.0)	

## GEA Mechanical Equipment (GEA ME)

(EUR million)

Order intake	874.9 (740.4)	
Revenue	844.7 (725.4)	
EBIT*	162.1 (117.0)	
EBIT margin (%)*	19.2 (16.1)	

## GEA Process Engineering (GEA PE)

(EUR million)

Order intake	1,709.9 (1,416.1)	
Revenue	1,577.2 (1,288.5)	
EBIT*	148.2 (93.2)	
EBIT margin (%)*	9.4 (7.2)	

## GEA Refrigeration Technologies (GEA RT)

(EUR million)

Order intake	650.4 (579.6)	
Revenue	647.2 (563.7)	
EBIT*	51.3 (29.4)	
EBIT margin (%)*	7.9 (5.2)	

\* EBIT/ EBIT margin before purchase price allocations from acquisitions and in 2010 before restructuring expenses.

2011   
2010 

# Key Figures - Group

The following table shows the key figures for the group for 2011 with pro forma figures adjusted for all effects of the acquisition of CFS.

(EUR million)	IFRS		Pro forma without effects of acquisition of GEA CT	
	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010
<b>Results of operations</b>				
Order intake	5,609.7	4,578.0	5,279.8	4,578.0
Revenue	5,416.5	4,418.4	5,070.5	4,418.4
Order backlog	2,677.3	2,414.0	2,591.7	2,414.0
EBITDA before purchase price allocation <sup>2/4</sup>	630.1	463.5	603.9	463.5
as % of revenue	11.6	10.5	11.9	10.5
EBITDA <sup>2</sup>	610.2	463.5	602.7	463.5
EBIT before purchase price allocation <sup>3/4</sup>	524.6	366.8	504.9	366.8
as % of revenue	9.7	8.3	10.0	8.3
EBIT <sup>3</sup>	474.6	355.8	490.6	355.8
as % of revenue	8.8	8.1	9.7	8.1
EBT	398.6	170.7	432.2	170.7
Profit after tax from continuing operations	312.6	130.9	340.4	130.9
Profit after tax from discounted operations	0.0	0.1	0.0	0.1
Profit for the period	312.6	131.0	340.5	131.0

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)

2) In 2010 before restructuring expenses of EUR 97.8 million (Q1-Q4).

3) In 2010 before restructuring expenses of EUR 119.3 million (Q1-Q4).

4) Before effects of purchase price allocations from revalued assets and liabilities.

## GEA-Group 2011: Globally Active

### North America

👤 2,382

€ 793.2 million

### Western Europe

👤 14,837

€ 1,962.0 million

### Eastern Europe

👤 1,782

€ 548.6 million

### Asia / Pacific

👤 3,426

€ 1,438.4 million

### Latin America

👤 716

€ 406.8 million

### Africa

👤 520

€ 188.8 million

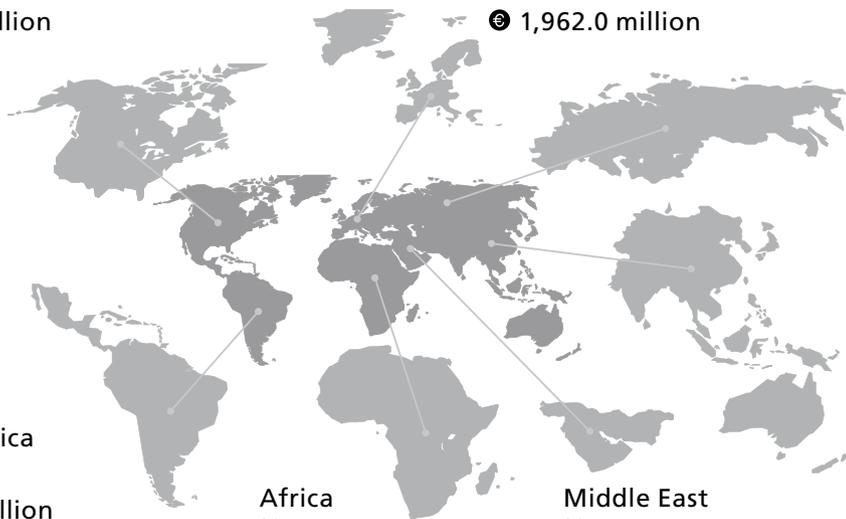
### Middle East

👤 172

€ 271.9 million

👤 = Employees (FTEs)

€ = Order intake





**Excellence**

At GEA, we stand for excellence in everything we do.

**Passion**

At GEA, we work with passion without obsession.

**GEA** *is Excellence*

*Passion*

*Responsibility*

**Responsibility**

At GEA, we feel responsible for our actions.

*Integrity*

**Integrity**

At GEA, we walk our talk.

*GEA-versity*

**GEA-versity**

At GEA, we cross borders.

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Jürg Oleas,  
Chairman of the Executive Board  
of GEA Group Aktiengesellschaft

## Dear Shareholders,

GEA had an extremely successful fiscal year 2011 despite the turbulence on the global financial markets. Order intake rose by 22.5 percent year-on-year to total EUR 5,610 million. We lifted revenue by 22.6 percent to EUR 5,417 million; as a result, group revenue climbed back to above the record level seen in 2008 for the first time. Earnings before interest, tax, and purchase price allocations amounted to EUR 525 million, corresponding to an EBIT margin of 9.7 percent. As an engineering company, we are particularly proud of the EBIT margin of 10.0 percent that we recorded excluding our sixth segment, GEA Convenience-Food Technologies, which we acquired during the past fiscal year. This shows above all how systematically and successfully we are putting our core principle of earnings orientation into practice.

These figures mean that we have achieved our targets for the fiscal year. This is also reflected in our quite encouraging earnings per share of EUR 1.70.

## Key milestones

2011 was another year full of changes for GEA. The most important of these was undoubtedly the integration of the CFS Group as our sixth operating segment, GEA Convenience-Food Technologies. The segment, which primarily develops, manufactures, and delivers process and packaging technology for protein foods (meat, fish, and cheese), generated revenue of EUR 346 million in the nine months for which it contributed to group earnings. For GEA, this new segment represents a further key step on the way to increasing the group's focus on the food industry, with its stable long-term growth rates. This end market already accounted for 51 percent of our revenue in 2011.

In addition, we moved our corporate headquarters from Bochum to Düsseldorf Airport, allowing group management to benefit from this location's greater accessibility and attractiveness.

The stability of our financing structure continued to improve in 2011 with the successful placement of our corporate bond and the loan agreements we signed with the state-owned bank, Kreditanstalt für Wiederaufbau. Together with the measures we implemented in previous years, the moves in 2011 give us a total of approximately EUR 700 million and have diversified our funding. I would also like to emphasize that, thanks to its healthy business situation, GEA is being offered highly attractive credit terms, despite all the uncertainty on the financial markets. Strategic decisions that could result in additional capital requirements are consistently aligned with the goal of preserving our investment grade rating

## Common corporate culture

Another key issue for us in 2011 was to communicate our new vision and corporate values – which we had developed and formulated together with our staff over a considerable period of time – throughout the group. There are many reasons for our group's success: chief among them the people who work at GEA, the excellence of their work, and their passion. Other factors are our diversity and our concentration on our common goals.

A large number of workshops were held around the world to enable our staff to familiarize themselves with the cornerstones of our culture and to exchange news and views with each other; these were flanked by special brochures, articles in our employee magazine, photo campaigns, and special pages on our online portals. The main idea that we wanted to our staff to take away from this is that a clear vision and explicit values are a key factor in our future success as a technology and market leader.

## Award-winning innovative strength

In June 2011, GEA Group won a “Best Innovators 2010/11” award as the engineering company in Germany with the most successful and most sustainable innovation management. The competition, which is sponsored by Germany's Federal Minister of Economics and Technology, was being held for the seventh time, although GEA had not previously entered it. The jury took into account both exemplary development concepts and the organizational structures and workflows used in innovation management. This prestigious award underscores our goal of being at the forefront in shaping technological advances and offering our customers state-of-the-art solutions at all times.

In addition, GEA Group was awarded the prize for the “Best ideas management in the engineering sector” in another competition in March. We also came third in the overall “Best ideas management” category. I am particularly pleased to have received this award because GEA only introduced its leading-edge, standardized global ideas management a few years ago. The categories in which we won our awards clear show that we have succeeded in sustainably establishing ideas management as part of our corporate culture.

## Liquidity

Our net liquidity of EUR 105 million at the end of 2010 decreased significantly during the year, mainly as a result of the payments made for acquisitions in the amount of EUR 517 million. Despite having to finance revenue growth, our strict liquidity management allowed us to limit the increase in net debt to EUR 387 million as of the end of 2011. The ratio of working capital to revenue was 10.7 percent as of the reporting date, roughly on a level with last year's very good figure.

## Share price

GEA's shares significantly outperformed their benchmark indices in an extremely difficult market environment. They tracked the performance of the German equity markets in the first half of the year, recording not only their annual high but also their highest level since May 2008 on July 7, 2011 (EUR 25.50). However, we too were impacted by the fallout from the turbulence on the international equities markets in mid-year. As a result, our shares hit their low for the year of EUR 16.33 on October 4, 2011. They then outperformed the market during the ensuing recovery to close at EUR 21.85 on December 30, 2011. This means that, despite their slump in the summer, GEA Group shares were in fact up 1 percent over the course of the year, significantly outperforming the DAX (-15 percent) and the MDAX (-12 percent). This represents an increase of 34 percent in GEA Group Aktiengesellschaft's share price as against its annual low. The STOXX® Europe TMI Industrial Engineering index, which is actually more important a benchmark for us as it contains Europe's main listed engineering companies, performed considerably worse and closed down 22 percent.

## Employees

As in previous years, we have resolved that a bonus will be paid to non-executive employees for fiscal year 2011 in recognition of their outstanding work. This will total around EUR 5 million for the past fiscal year. On behalf of my colleagues on the Executive Board, I would like to take this opportunity to thank all our staff for their dedication and their outstanding achievements. I would also like to explicitly include the employee representatives in this.

## Outlook

Our planning for the current fiscal year 2012 assumes that demand in our sales markets will match the high levels seen in 2011. Subject to the conditions described in the management report, we are aiming to lift order intake by up to 5 percent. Revenue should increase by at least 5 percent. The extent to which individual segments contribute to growth will depend primarily on developments in the customer industries concerned. The breakdown of sales by customer industry is likely to shift slightly in favor of the food industry. From a regional perspective, the share accounted for by Western Europe will continue to decline slightly, whereas our business in the Asia/Pacific region will again grow in importance. In terms of

price quality, we expect the market environment to be unchanged as against 2011. On this basis, we are aiming for an operating EBIT margin slightly in excess of the previous year.

Revenue should continue to increase in fiscal year 2013 as against 2012, with a further rise in earnings and the EBIT margin also expected.

We are maintaining our strategy of acquiring companies that provide GEA with an entry into new markets or that selectively enhance our range of offerings in existing markets. This will enable us to provide our customers with a single-source solution for an ever-broader range of processes.

## Changes to the Supervisory Board

I would like to take this opportunity to thank our long-serving Supervisory Board members Dieter Ammer, Dr. Dietmar Kuhnt, and Joachim Stöber for their open and positive cooperation and hard work for GEA Group.

The new members of our Supervisory Board are Eva-Maria Kerkemeier, First Authorized Representative of IG Metall Herne, Jean Spence, Executive Vice President of Research, Development, and Quality at Kraft Foods Inc., and Prof. Dr. Ing. Werner J. Bauer, Executive Vice President and Chief Technology Officer of Nestlé AG, Switzerland. These new appointments have allowed us to increase the Supervisory Board's expertise in the area of food processing in particular.

## Dividend

The Executive Board and Supervisory Board will propose an increased dividend of EUR 0.55 per share for 2011 (up EUR 0.15) to the Annual General Meeting. This corresponds to a 38 percent increase year-on-year.

Sincerely,



Jürg Oleas  
CEO GEA Group Aktiengesellschaft



# GEA Group Structure



## GEA Convenience-Food Technologies

- Process technology for secondary food processing and packaging
- Machinery for preparing, marinating, secondary processing, slicing, and packaging food: bowl cutters, spiral ovens, slicers, thermoformers



## GEA Farm Technologies

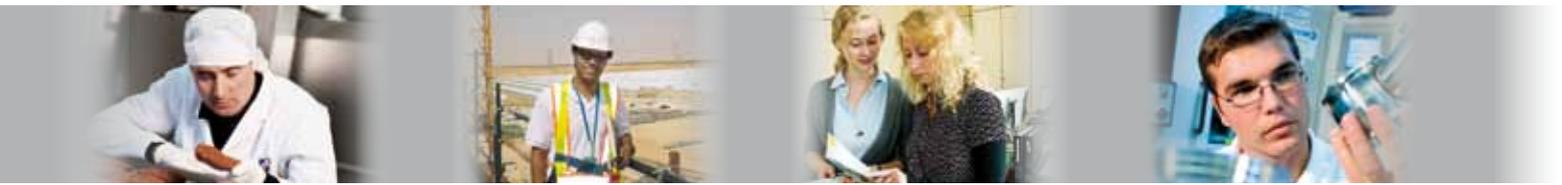
- Farm equipment
- Milking equipment
- Milk-cooling equipment
- Automatic feeding systems
- Animal hygiene products
- Milking parlor cleaning equipment and accessories
- Barn equipment
- Manure management systems
- Farm services



## GEA Heat Exchangers

- Heat exchangers
- Finned tube and shell-and-tube heat exchangers
- Plate heat exchangers
- Wet and dry cooling systems
- Air conditioning and treatment systems for buildings





### **GEA Mechanical Equipment**

- Special components
- Separators
- Decanters
- Membrane filters
- Homogenizers
- Pumps and valves



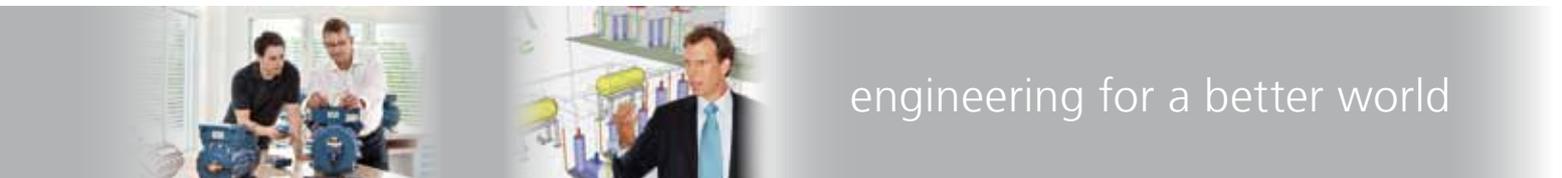
### **GEA Process Engineering**

- Process technology
- Design and installation of process lines for the food and beverage, chemical, pharmaceutical, and cosmetics industries, and for gas cleaning plants



### **GEA Refrigeration Technologies**

- Refrigeration technologies
- Reciprocating and screw compressors
- Freezing systems
- Chillers
- Development and maintenance of industrial refrigeration systems



engineering for a better world

## Executive Board of GEA Group Aktiengesellschaft



Niels Graugaard

Jürg Oleas

Dr. Helmut Schmale

### **Jürg Oleas, Chairman of the Executive Board**

Jürg Oleas, a Swiss national born on December 8, 1957, in Quito, Ecuador, was appointed as Chairman of the Executive Board effective November 1, 2004. His period of office runs until December 31, 2013. Jürg Oleas has been a member of the Company's Executive Board since May 1, 2001. He headed the GEA Farm Technologies and GEA Heat Exchangers segments. Mr. Oleas also serves as the Company's Director of Industrial Relations.

### **Dr. Helmut Schmale, Chief Financial Officer**

Born on November 9, 1956, in Gelsenkirchen, Germany, Dr. Helmut Schmale became Chief Financial Officer on April 22, 2009, after joining the Executive Board on April 1, 2009. Dr. Schmale has been appointed until March 31, 2015.

### **Niels Graugaard, Member of the Executive Board**

Niels Graugaard, born on February 4, 1947, in Copenhagen, Denmark, has been a member of the Executive Board since August 1, 2007. He headed the GEA Convenience-Food Technologies, GEA Mechanical Equipment, GEA Process Engineering, and GEA Refrigeration Technologies segments. Mr. Graugaard has been appointed until July 31, 2013.

# Management Report

## Combined Management Report for GEA Group Aktiengesellschaft and the GEA group

GEA Group Aktiengesellschaft is the management company for the group. Profit and loss transfer agreements are in place with key domestic subsidiaries. In addition, GEA Group Aktiengesellschaft performs central financial and liquidity management. It also provides its subsidiaries with services on the basis of service agreements.

Since the performance of the business, the economic situation, and the opportunities and risks associated with the future development of GEA Group Aktiengesellschaft do not differ from the performance of the business, the economic situation, and the opportunities and risks associated with the future development of the group, the management report of GEA Group Aktiengesellschaft has been combined with that of the group in accordance with section 315(3) of the Handelsgesetzbuch (HGB - German Commercial Code). In contrast to the consolidated IFRS financial statements, the annual financial statements are based on the HGB, supplemented by the Aktiengesetz (AktG - German Stock Corporation Act).

## Organization and Structure

### Basic strategic principles and segmentation of the group

GEA Group is managed in accordance with four basic strategic principles:

**Market leadership:** The units in GEA Group focus on their respective core technologies and are leaders in their sales markets worldwide.

**Technology leadership:** GEA Group consistently promotes a pronounced innovation culture and by so doing continuously renews its technological edge.

**Earnings orientation:** GEA Group considers profitability more important than volume and practices systematic portfolio management and strict cost control.

**Calculated risks:** Active risk management, stability based on diversification, and a focus on the markets of the future are binding principles for all GEA Group business units.

In the first quarter of fiscal year 2011, GEA Group was still reorganized into five operating segments. From the second quarter onwards, completion of the acquisition of Convenience Food Systems (see page 48), which now forms the new GEA Convenience-Food Technologies Segment, expanded the group to six operating segments. In fiscal year 2011, GEA Farm Technologies and GEA Heat Exchangers were headed by Jürg Oleas and GEA Convenience-Food Technologies, GEA Mechanical Equipment, GEA Process Engineering, and GEA Refrigeration Technologies by Niels Graugaard.

The “Other” reporting segment comprises GEA Group Aktiengesellschaft and those companies with business activities that do not form part of the core business. In the main, this means service companies.

## GEA Group Aktiengesellschaft

At an organizational level, GEA Group is structured into segments and headed by the listed company GEA Group Aktiengesellschaft. This company performs all essential management functions for the entire group. These comprise the group-wide management of strategic, human resources, legal, and tax matters, mergers & acquisitions, central financial management, group controlling, group accounting, investor and public relations, and internal audit. Following the approval of the Annual General Meeting on April 21, 2011, the company’s headquarters were transferred from Bochum to Düsseldorf.

## Business Activities

### Description of business activities and competitive position

As an international technology group, GEA Group focuses on the development and production of process technology and components for sophisticated and efficient production methods in a variety of end markets. GEA Group is a market and technology leader in 90 percent of its business areas. The Company is one of the world’s largest systems providers for producers operating in the food and energy sectors – both of which are long-term growth markets – in which it generates approximately 70 percent of its revenue.

The group’s enduring success is founded on a number of major global trends:

1. The continuous growth in the global population,
2. The growing demand for high-quality foods, beverages, and pharmaceutical products,
3. The growing need for energy,
4. The increasing demand for production methods that are efficient and conserve valuable resources.

The group's operating segments are described in detail below:

#### **GEA Convenience-Food Technologies**

GEA Convenience-Food Technologies is a manufacturer of machinery for preparing, marinating, processing, cutting, and packaging meat, poultry, fish, cheese, and other foods. The segment's offering ranges from individual machines through to end-to-end production lines.

#### **GEA Farm Technologies Segment**

GEA Farm Technologies is one of the world's leading manufacturers of integrated product solutions for profitable milk production and livestock farming. The segment's combined expertise in the areas of milking and milk-cooling technology, automatic feeding systems, manure management systems, and barn equipment provides today's farmers with a complete range of products and solutions. Services and animal hygiene solutions round off its profile as a full-line systems provider for farms of all sizes. The segment's sales strategy is built upon a global network of specialist dealers and sales and service partners.

#### **GEA Heat Exchangers Segment**

GEA Heat Exchangers provides products and systems for numerous areas of use, ranging from air conditioning systems to cooling towers. Boasting one of the largest portfolios of heat exchangers worldwide, the segment supplies optimal single-source solutions for every conceivable application and also offers customers professional support with project planning.

#### **GEA Mechanical Equipment Segment**

GEA Mechanical Equipment specializes in separators, decanters, valves, pumps, and homogenizers – high-quality process engineering components that ensure seamless processes and cost-effective production in almost all major areas of industry worldwide. At the same time, such equipment helps reduce production costs and protect the environment in a sustainable manner.

#### **GEA Process Engineering Segment**

GEA Process Engineering specializes in the design and development of process solutions for the dairy, brewing, food, pharmaceutical, and chemical industries. The segment is an acknowledged market and technology leader in its business areas: liquid processing, concentration, industrial drying, powder processing and handling, and emission control.

#### **GEA Refrigeration Technologies Segment**

GEA Refrigeration Technologies is a market leader in the field of industrial refrigeration technology. The segment develops, manufactures, and installs innovative key components and technical solutions for its customers. To ensure complete customer satisfaction, GEA Refrigeration Technologies also offers a broad range of maintenance and other services. Its product range comprises the following core components: reciprocating and screw compressors, valves, chillers, ice generators, and freezing systems.

## Internal management system

### Basis of information

Group reports are prepared with the aid of standard applications that are precisely tailored to the needs of GEA Group and subject to continuous enhancement. Standard reports prepared on the basis of unified data are used throughout the group to report net assets, financial position, and results of operations. These standard reports are supplemented by special analyses as well as analyses and reports related to specific businesses and strategic measures. Corporate planning – which covers the current budget plus a further two planning years – and risk reporting are both based on the same reporting and consolidation system that is used for reporting actual figures.

Routine reporting procedures are supplemented by committee meetings that provide members of group management with an opportunity to share information on strategic and operational issues. Meetings of the Executive Board of GEA Group Aktiengesellschaft and of the Extended Management Board, which comprises the Executive Board members and segment heads, are held once a month. The Executive Board meetings concentrate on issues of relevance to the group as a whole, whereas decisions with a direct impact on the segments are prepared in meetings of the Extended Management Board, before passing to the Executive Board for approval. Additionally, regular meetings are held with the individual segments. These are attended by the Executive Board member responsible for the relevant segment along with the CFO, segment managers, and selected heads of department from the group management company. Such meetings entail detailed discussions of the net assets, financial position, results of operations, and business development of the segment concerned. Separate meetings for each segment are also held to discuss earnings for the latest fiscal year and the business plan for the following years.

### Key performance indicators

GEA Group's overriding goal is to achieve sustainable growth in enterprise value. The return on capital employed (ROCE) provides the key performance indicator for measuring the value added that is generated by the group's operating activities. It therefore figures in both the group's regular reporting activities and the calculation of variable, performance-related elements of management remuneration. In order to enhance the operationalization of ROCE, as the primary performance indicator, the ROCE drivers EBIT and EBIT margin, working capital, and the ratio of working capital to revenue are also monitored continuously. As of 2011, the key performance indicators are also presented after adjustment for purchase price allocation effects. As a component of capital employed, investment is managed using a multilevel approval process. The differential between expected ROCE and the weighted average cost of capital (WACC) is a key criterion for investment and portfolio decisions. The performance of these key indicators is presented in section 10 ("Segment reporting") of the notes to the consolidated financial statements

The group calculates WACC on the basis of the following factors: the cost of equity, based on the return yielded by an alternative, risk-free investment plus a market risk premium; actual borrowing costs; and the rate used to discount pension obligations.

A careful analysis of order intake and revenue, broken down by region and customer industry, is conducted on a monthly basis in order to identify emerging market trends as early as possible. Revenue, earnings, and margin trends in the business units below the segment level are also monitored for portfolio enhancement purposes.

In order to respond rapidly to foreseeable developments, the segments again returned regular order intake, revenue, and EBIT forecasts – the key performance indicators – in 2011.

### **Management of capital employed**

Resources are allocated within the group primarily on the basis of the strategic and medium-term planning. This provides the framework for preparing key decisions on core technologies, sales markets, and other strategically important variables.

Acquisitions and expansion investments are assessed not only on the basis of key performance indicators showing potential returns, but also in terms of their importance for achieving the group's strategic goals. The key economic criterion for evaluating rationalization and replacement investments is the expected return compared with the cost of capital. The payback period is also calculated as an additional benchmark for assessing the risk arising from changing economic conditions. Working capital management begins before an order is accepted with the payment terms that are offered or negotiated.

### **Project- and activity-based management**

In addition to general management with the aid of the key performance indicators described above, the group has established individual assessment and approval procedures for customer and investment projects, utilizing specific thresholds for the different hierarchy levels. Customer projects are evaluated primarily on the basis of their expected margins (gross margin on a fully absorbed cost basis) and of their commercial and contractual risk profile, with a particular emphasis on cash flow. Project management is also backed up by extensive project controlling not only at operating unit level but also – depending on the size of the project involved – segment or group level in the form of a separate reporting system for major contracts. At group level, the analysis focuses on deviations between the calculated and the expected or realized contract margin. In many cases, the findings gained from this analysis yield suggestions for improving internal processes, which can be used in subsequent projects.

### **Compliance**

One key management task at GEA Group is to implement measures designed to ensure and to monitor compliance by group companies with the law, relevant regulations, and internal company guidelines. To this end, a compliance organization was established some years ago, including the appointment of a Chief Compliance Officer, who reports to the CEO and the Supervisory Board's Audit Committee. In addition, a Segment Compliance Officer has been appointed for each segment and a Company Compliance Manager for each operating company. A Compliance Committee was also established in 2010 to advise the Chief Compliance Officer. GEA Group's extensive compliance program is rounded off by classroom and web-based training sessions for the group employees responsible for compliance. Further information on the issue of compliance can be found in the Corporate Governance Report (see page 60 ff.).

## Remuneration system and financial performance management

The performance of the key value drivers is also reflected in managers' remuneration. Variable, performance-related salary components are determined on the basis of ROCE and its key variables – EBIT, the EBIT margin, and the ratio of working capital to revenue. In addition, performance-related remuneration depends on the achievement of personal goals. A further component of Executive Board remuneration is based on the performance of the GEA share price in relation to the MDAX.

## Engineering, production and investment

GEA Group companies develop and produce components, machines, systems, and plants primarily on a make-to-order basis for a broad range of industries. The focus is on the food and beverage sectors and resource-friendly power generation and use. With its global engineering and production network, the group is able to provide customers with solutions that are precisely tailored to their individual requirements. Customers also benefit from our flexible production concepts, which ensure fast throughput and low costs, and minimize the capital tied up.

The largest investment project in fiscal year 2011 is currently being implemented by the GEA Mechanical Equipment Segment. As part of the "Global Production Concept" approved in 2010, the segment is now constructing a new separator plant at its headquarters in Oelde/Germany. Designed in line with the latest production technology and environmental considerations, this new facility aims to achieve the following strategic objectives: to strengthen the segment's leading position in production technology, reduce process and production costs, and shorten throughput times per unit of production. The new plant in Oelde comprises two production buildings equipped with the relevant building systems and machinery. The project is being implemented without interruption to normal operations and is scheduled for completion in 2012.

In spring 2011, the GEA Farm Technologies Segment opened a new production facility at an existing GEA location in Suzhou/China. This local production operation should enable the segment to significantly reduce delivery times, achieve more attractive costs, and strengthen its competence in the dynamic Chinese market, where GEA has long ceased to be regarded merely as a supplier of milking systems. Important areas of business include not only milk cooling systems and, increasingly, barn equipment but also and in particular consulting, planning, and services. The new facility will mainly produce milking and manure management systems. The Suzhou site features not only the production plant and logistics center but also purchasing, and distribution sales, departments and a training center for customers, dealers, and GEA's own employees.

As in previous years, GEA Group is continuing to expand its product portfolio and strengthen its regional market coverage on the back of selected investments and acquisitions. This strategy also provides it with the ability to hedge against exchange rate fluctuations and to improve its cost structures in the areas of production, purchasing, and logistics. The group's acquisitions in fiscal year 2011 are presented in detail on page 48 ff. and in section 5 (page 127 ff.) of the notes to the consolidated financial statements.

## Research and development

In today's global markets, an engineering corporation such as GEA Group needs to show an enduring commitment to developing and refining its own processes and technologies. It is this culture of innovation that helps secure its continued commercial success. In addition to pursuing its own intensive research and development (R&D) activities, the group also encourages research cooperation with its customers.

At GEA Group, R&D activities are conducted on a decentralized basis at the individual segments and business units. This also facilitates direct cooperation with customers. The potential drawbacks of a decentralized R&D structure are avoided by ensuring cooperation between individual segments and a global exchange of knowledge throughout the group.

The culture of innovation at GEA Group is embodied in a uniform global knowledge management system and three cross-segment innovation competitions.

The GEA Innovation Contest, which has been running with great success for a number of years now, provides a showcase for development projects that are potentially less than twelve months away from market launch. The winners at the segment level get to present their projects during a day at the annual international meeting of the group's senior managers. The three segments that present the most-promising developments in terms of market opportunities, earnings potential, chances of realization, and level of innovation are awarded total prize money of EUR 1.5 million to boost their development budgets.

The overall winner in 2011 was the BoxFrame plate heat exchanger from the GEA Heat Exchangers Segment. Destined principally for drinking-water applications, the BoxFrame series contains no nonferrous metals and combines the advantages of sealed and brazed plate heat exchangers. Second place went to an online herd-management system from GEA Farm Technologies, which provides real-time monitoring of the movements of all the animals in the herd. This enables farmers to locate animals via smartphone and to establish when a cow is approaching the optimal time for insemination, as well as giving advance warning of health problems. GEA Mechanical Equipment won a prize for its AquaHyProcess, which is used to extract oil from the seeds of the jatropha plant. Available in return for relatively low capital expenditure, this process delivers a high yield and high product quality without the use of auxiliary chemicals, providing developing economies with access to biofuel from a plant that is cultivated on extremely poor land and therefore does not compete for acreage with food production.

The GEA Development Contest is designed to promote promising new product ideas that are at an early stage of the development process and that still require up to three years until market launch. This competition, too, involves group-wide presentation events and offers prize money of varying amounts. In 2011, the first prize went to the newly formed GEA Convenience-Food Technologies Segment for a revolutionary industrial process for cooking and frying food. GEA Process Engineering also received a prize for an Internet-based process for performing leak tests on bottles. This significantly enhances quality assurance for producers for a comparatively low additional investment. GEA Refrigeration Technologies won third prize with a new design for an ice generator that is not only simpler but also more versatile and efficient than the conventional version.



A third innovation competition, the GEA Investment Fund, was held once again in 2011. This is aimed at product ideas that are still at an embryonic stage, for which feasibility studies are available but as yet no prototypes. It is chiefly directed at projects that are the fruit of cooperation between individual group segments or with external companies and organizations.

GEA Group also successfully took part in external competitions in 2011, including an award for “Best Innovator” in the field of engineering in Germany. Organized by Germany’s Federal Ministry of Economics and Technology, corporate consultants A.T. Kearney, and German business magazine WirtschaftsWoche, the competition rewards examples of successful and sustainable innovation management with an emphasis on processes and practices. In explanation of its decision, the jury noted: “GEA Group has clearly and explicitly defined its growth targets in terms of innovation. Particularly noteworthy in this respect is its intelligent strategy of promoting decentralized entrepreneurship in combination with group-wide management of its innovation portfolio.” Individual GEA segments also received awards: the GEA Westfalia Separator Group was presented with a seal of approval for innovation, while GEA Refrigeration Technologies was one of the winners of the Deutscher Kältepreis (“German Refrigeration Technology Prize”).

In a competition staged by Zentrum Ideenmanagement (ZI), GEA Group was awarded first prize in the “Best ideas management in the engineering sector” category and third prize in the overall category “Best ideas management all sectors.”

GEA Group companies filed applications for 79 (previous year: 61) new patents in fiscal year 2011. Over this period, the group employed a total of 502 R&D employees, compared with 407 in 2010. Direct R&D expenses in the group amounted to EUR 83.1 million, an increase of 14.3 percent on the previous year’s expenditure of EUR 72.7 million. In the year under review, GEA Group therefore invested 1.5 percent of revenue in R&D, compared to 1.6 percent in the previous year.

Research and development (R&D) expenses (EUR million)	Q4 2011	Q4 2010	Change (%)	Q1-Q4 2011	Q1-Q4 2010	Change (%)
Refunded expenses (contract costs)	2.6	4.9	-47.3	12.3	12.4	-1.4
Non-refunded R&D expenses	18.6	12.5	49.2	70.8	60.3	17.6
<b>Total R&amp;D expenses</b>	<b>21.2</b>	<b>17.4</b>	<b>22.0</b>	<b>83.1</b>	<b>72.7</b>	<b>14.3</b>
<b>R&amp;D ratio (as % of revenue)</b>	<b>1.3</b>	<b>1.3</b>	<b>-</b>	<b>1.5</b>	<b>1.6</b>	<b>-</b>

## Procurement

Procurement activities at GEA Group are coordinated on a cross-segment basis, with the procurement of raw materials, components, semifinished products, and special services being organized by region and strategic commodity group. GEA Group's purchasing volume amounted to approximately EUR 2.9 billion in 2011.

In the past fiscal year, GEA has continued to expand its procurement network in countries with attractive labor costs. In particular, significant progress has been achieved in identifying and growing reliable suppliers in these countries.

At the same time, GEA is focusing on a top-down, strategic procurement strategy. The aim is to secure prices and contract terms from selected suppliers that are in line with current and future market conditions. Hedging and risk diversification enabled GEA to reduce price risk.

## The environment

GEA Group fully recognizes its responsibility toward the environment. The group not only ensures that its own processes along the value chain are based on ecological principles, but also supplies efficient products and thereby helps its customers to protect the environment. As a rule, these customers employ very energy-intensive processes, with the result that factors such as energy consumption, emission levels, and waste reduction are now playing an increasingly significant role in their capital investment decisions. For many years now, GEA's solutions have provided the benchmark for a successful combination of economic and ecological factors.

Although energy consumption and emission levels are relatively low in the engineering sector, GEA regularly examines all areas of its operations for potential opportunities for improvement. The GEA workforce, which contributes to this process via the group's internal knowledge management system is a rich source of ideas in this respect. Measures taken at the group's production activities to protect the environment frequently exceed the statutory requirements – as confirmed by the environmental certifications obtained in accordance with DIN EN ISO 14001. In-process environmental protection, resource conservation, integrated systems, and comprehensive health and safety are all standard practice throughout the group. This means, for example, that production waste is sorted and, wherever possible, recycled. Any further environmental impact is largely avoided through the use of exhaust gas filters and collecting vessels, and through the treatment and recycling of process liquids.

Examples of the group's efforts to optimize the environmental performance of its production activities include the project now being implemented at the GEA Mechanical Equipment Segment's main plant in Oelde/Germany. This is currently the largest project within the group and is described above in the chapter "Engineering, production, and investment" (see page 14). Thanks to its emphasis on conserving resources, the project has been awarded financial assistance under Kreditanstalt für Wiederaufbau (KfW)'s Environmental and Efficiency Program, following approval by the Federal Ministry for the Environment and the Federal Ministry of Economics. GEA has received a EUR 56 million loan at a reduced rate of interest from KfW. The project comprises a range of both general and integrated environmental measures designed to promote efficient use of energy as well as waste elimination, air pollution control, and noise reduction. For example, the plant will have its own modern combined heat and power plant situated in close proximity to the site, so that the waste heat produced during power generation

can be used directly to heat the production buildings. In addition, installation of a centralized cooling lubricant and chip disposal system will more than halve water consumption and wastewater production. All in all, the investment should yield energy savings of around one-third per unit of production.

In the view of GEA Group, global climate change creates a major opportunity for innovative technologies that can help solve many problems. Energy consumption is an increasingly important factor in the total cost of ownership of a machine or item of equipment. Among the group's many innovations to improve energy efficiency is the new generation of CFS CookStar spiral ovens from GEA Convenience-Food Technologies. These ovens are used to cook very large quantities of meat or other foods. The greatest savings are in the areas of energy consumption and waste production. The new design not only shortens cooking times by between 10 and 15 percent but also reduces steam consumption by between 5 and 10 percent. The ovens are also significantly more economical in terms of both water consumption and water purity, than the previous generation. Its unique "inside-out" cleaning concept reduces water requirements by between 20 and 30 percent and the use of chemical agents and solvents by between 10 and 20 percent. This not only cuts the amount of wastewater produced but also makes the latter much easier to process.

In Australia, the GEA Farm Technologies Segment has developed a "chemical re-use wash system" that reduces by 50 percent the amount of water required to clean milking machines. The wastewater produced by the process also contains a substantially lower concentration of chemicals. In addition, the system operates at a low temperature and has a heat recovery unit, reducing energy use by approximately 75 percent. This in turn cuts the emission of greenhouse gases per system by around 35 tons a year.

Water also plays a key role in the sustainability of the group's systems and solutions. Around one-fifth of consolidated revenue is generated by products that are related in some way to the careful management of this precious resource. These include bottling systems that require substantially less water for cleaning purposes, air-cooled condensers whose closed-circuit design prevents water loss, efficient generator coolers, a range of cooling towers for different types of power plant (wet and dry cooling), and separators and decanters for the production of drinking water or for wastewater treatment plants. For the engineers at GEA, it is always their priority to ensure that a new process uses the minimum amount of water, and reprocesses as much of it as possible.

As in previous years, GEA Group took part in the Carbon Disclosure Project (CDP) survey in 2011. CDP is an independent, not-for-profit organization currently representing more than 550 institutional investors. Each year, it gathers information on the greenhouse gas emissions of major listed corporations and their strategies to combat climate change. The results are then made available to current and potential investors. In the survey, GEA also provided information on its assessment of the opportunities and risks that climate change entails for the company and the measures it employs to protect the climate. From a GEA Group perspective, any potential risks arising from a shift in demand will at the very least be offset by equally large opportunities to supply customers with energy-efficient solutions from our wide range of products. In our view, the days when economics and ecology were conflicting goals in the field of process technology and engineering are very much in the past. By using machinery, components, systems, and plant produced by GEA, our customers also make an important contribution toward climate protection.

GEA Group also contributes regularly to the debate on climate change in its company magazine GENERATE. In it, the group is able to show how innovative products and processes from across its portfolio combine maximum operating efficiency with the greatest environmental compatibility in a host of applications all over the world.

## Discontinued Operations

Also in 2011, discontinued operations did not have a material impact on group earnings. As in previous years, this area relates to the risks remaining from the sale of the plant engineering activities, the continued process of winding-up the business operations of Ruhr-Zink, and individual legal disputes.

Work on completing Lurgi's order portfolio – for which a risk-sharing agreement is in place with Lurgi's French buyer, Air Liquide Group – continued in 2011. The only material pending work relates to a boiler plant, which forms part of a larger facility that has otherwise been accepted by the customer. The remaining risks from the sale of Lurgi relate to the ongoing warranty periods for a number of plants from its order portfolio and to customary contractual warranties and guarantees with regard to legal and tax issues.

The company that bought Lentjes (a member of AE&E Group) filed for insolvency proceedings in 2011. AE&E Lentjes was subsequently sold by the insolvency administrator in November 2011 to a company belonging to Korean Doosan Group. The risk remaining from the sale of Lentjes has not altered materially as a result of the change of ownership. Doosan Lentjes is entitled to indemnification for contractually defined losses arising from a specific order portfolio. In 2011, the two remaining plants from this order portfolio were accepted by the customers or separate agreements were reached with customers in this regard. The remaining risks relate to the ongoing warranty periods for certain projects and to legal disputes with customers over specific issues. In addition, there are risks relating to individual orders also not included in the original sale of Lentjes to AE&E Group.

Following the winding-up of business operations at Ruhr-Zink, the production facilities at the zinc works were fully dismantled in 2011. Talks are currently being held with the district authority responsible for a site safety plan at the former Ruhr-Zink production location in Datteln.

## Group business performance

The explanation of the group's business development follows its organizational structure, which is divided into six operating segments. Figures for the GEA Convenience-Food Technologies Segment relate to the nine months from April to December 2011 only. The quarterly information contained in this management report is sourced from quarterly financial reports that were not audited or reviewed.

### Economic environment

The outlook for the global economy has deteriorated since mid-2011 as a result of the sovereign debt crisis in certain eurozone countries, ongoing tensions in the financial markets in the industrialized nations, and the resulting negative impact on corporate financing conditions.

The International Monetary Fund (IMF) recorded a slowdown in global economic growth in the past year, which amounted to only 3.8 percent in 2011 as against 5.2 percent in 2010. Growth in the industrialized countries halved from 3.2 percent to 1.6 percent. At 1.8 percent (previous year: 3.0 percent), US growth remained above average. After increasing by 4.4 percent in 2010, economic output in Japan declined by 0.9 percent in 2011, after the country was hit by the earthquake, the tsunami, and the nuclear catastrophe in Fukushima. The decline in growth in the emerging economies – from 7.3 percent in 2010 to 6.2 percent in 2011 – was significantly less than in the industrialized countries.

According to the European Commission, tensions in the government bond markets, weak growth in global demand, and the urgently needed consolidation of government budgets is affecting economic growth in the eurozone. After recording growth of 0.8 percent in the first quarter, GDP rose by only 0.2 percent in each of the second and third quarters. The Commission is forecasting GDP growth of 1.5 percent for full-year 2011. The German economy appeared largely undeterred by the crisis in 2011, with macroeconomic output increasing significantly to date.

In the course of last year, economic activity in Germany again matched the level recorded before the economic and financial crisis in spring 2008, according to the 2012 Annual Economic Report published by the federal German government. The recovery from the crisis was therefore more dynamic than had been expected in the 2011 report. The upturn was extremely marked in comparison to the remaining industrialized countries. GDP rose by 3.0 percent in 2011 after already increasing by 3.7 percent in the previous year.

The German Engineering Federation (VDMA) recorded 10 percent year-on-year growth in the industry's order intake in real terms in 2011. Domestic business rose by 13 percent in Germany, while demand from outside the country increased by 9 percent. Capacity utilization was 86.4 percent in December 2011, up from the five-year low of 67.5 percent recorded in July 2009. Nevertheless, the engineering sector also felt the effects of the increasing uncertainty surrounding the development of the global economy towards the end of the year. Orders were down seven percent on the prior-year period in the fourth quarter. However, this decrease was exclusively attributable to a drop in foreign business and must be viewed in terms of the very good figure in the same quarter last year.

## Order Intake

At the start of the year, the global economy was still continuing its recovery from the effects of the financial and economic crisis. The second half, however, was marked by growing concerns about the stability of economic growth, with increasing signs of a slowdown. Nevertheless, only isolated effects on the real economy could be seen up to the end of the year.

There were therefore relatively few signs of a recession hitting German engineering companies. Even the slump on the global stock markets failed to dent the comparatively robust performance by capital goods manufacturers. However, according to the German Engineering Federation (VDMA), order intake in the engineering sector was down 7 percent year-on-year for the three months from October to December 2011. Nevertheless, the figure for 2011 was still up 10 percent year-on-year.

GEA Group's order intake increased by 20.4 percent in the fourth quarter of 2011 to EUR 1,502.2 million (previous year: EUR 1,247.8 million). Acquisitions contributed a total of 13.5 percent to the increase in order intake, with 9.6 percent of this figure being attributable to the new GEA Convenience-Food Technologies Segment. Exchange rate changes negatively impacted this figure by 0.3 percent. Order intake thus grew organically by 7.2 percent compared with the fourth quarter of 2010.

Compared with the second quarter of 2011, which had recorded the strongest figures since 2008, order intake thus rose by a further EUR 40 million or so 2.7 percent in the fourth quarter, boosted by major orders of over EUR 15 million.

Orders received by the new GEA Convenience-Food Technologies Segment contributed EUR 119.6 million to the EUR 254.4 million year-on-year increase in order intake. The group's volume growth was attributable in equal measure to orders worth less and orders worth more than EUR 5 million.

With respect to major orders (EUR 25 million or more), the GEA Process Engineering Segment won an order for a milk powder factory worth around EUR 26 million for a customer in Australia while the GEA Heat Exchangers Segment received two power plant orders for Turkey and China with a combined value of EUR 104 million. In the prior-year period, four major orders were received for a total of approximately EUR 130 million.

The breakdown of the order intake by end market in the fourth quarter was driven by the following trends: The food and beverage sector expanded by 27 percent, increasing its share of GEA's business by 2.8 percentage points to 53.5 percent. Excluding the acquisition of CFS Group, which operates exclusively in the solid food sector, this increase would have been 8 percent, accounting for 49.4 percent of order intake. Adjusted for the acquisitions, growth was recorded in all regions; in some cases, and particularly in Eastern Europe, North America, and the Asia/Pacific region, this was substantial.

The energy end market grew, by 22 percent, with the result that its share of order intake rose by 0.3 percentage points to 21.2 percent. A number of larger orders were secured in the Asia/Pacific region in particular compared to the prior-year quarter.

The pharmaceutical customer industry grew substantially, particularly in Eastern Europe and Asia/Pacific, recording an increase of 82 percent. Its share of GEA's business volume thus increased slightly, rising to 5.4 percent. The chemical, marine, and climate and environment customer industries were flat or even trended downward.

There were significant changes in the breakdown of order intake by sales region: Western Europe's share decreased by 4.5 percentage points to 32.1 percent, while the Asia/Pacific region recorded growth of 76 percent, increasing its share by 9.0 percentage points to 28.2 percent. The share accounted for by the Eastern Europe and North America regions also increased by 2.3 and 2.5 percentage points respectively. By contrast, business declined in Africa (by 3.6 percent) and the Middle East (by 4.7 percent).

In full-year 2011, order intake in the group increased by 22.5 percent to EUR 5,609.7 million (previous year: EUR 4,578.0 million). Acquisitions contributed 10.0 percent to the increase in order intake, with 7.2 percent being attributable to the new GEA Convenience-Food Technologies Segment. Exchange rates changes negatively impacted this figure by 1.2 percent. Order intake thus grew organically by 13.7 percent compared with 2011.

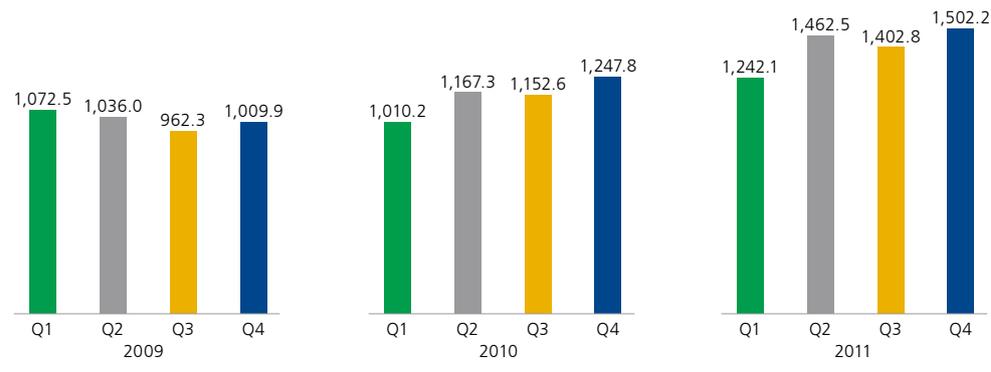
This growth of EUR 1,031.7 million resulted in particular from medium-sized orders worth between EUR 5 million and EUR 15 million, which increased by 98 percent, or EUR 299 million, while orders worth more than EUR 15 million declined by 1 percent. Smaller orders worth less than EUR 1 million, which account for around 67 percent of total volume, grew by EUR 643 million, almost in line with total order intake. This statement applies to virtually all segments.

Order intake (EUR million)	Q4 2011	Q4 2010	Change (%)	Q1-Q4 2011	Q1-Q4 2010	Change (%)
GEA Convenience-Food Technologies *	119.6	–	–	329.8	–	–
GEA Farm Technologies	131.7	116.3	13.3	527.4	448.5	17.6
GEA Heat Exchangers	462.3	399.2	15.8	1,653.2	1,506.0	9.8
GEA Mechanical Equipment	203.9	181.8	12.2	874.9	740.4	18.2
GEA Process Engineering	449.0	419.7	7.0	1,709.9	1,416.1	20.7
GEA Refrigeration Technologies	170.1	152.5	11.5	650.4	579.6	12.2
<b>Total</b>	<b>1,536.6</b>	<b>1,269.6</b>	<b>21.0</b>	<b>5,745.5</b>	<b>4,690.6</b>	<b>22.5</b>
Other and consolidation	-34.3	-21.7	-57.9	-135.8	-112.6	-20.6
<b>GEA Group</b>	<b>1,502.2</b>	<b>1,247.8</b>	<b>20.4</b>	<b>5,609.7</b>	<b>4,578.0</b>	<b>22.5</b>

\* Inclusion of GEA Convenience-Food Technologies since 4/1/2011

## Order intake by quarter

(EUR million)



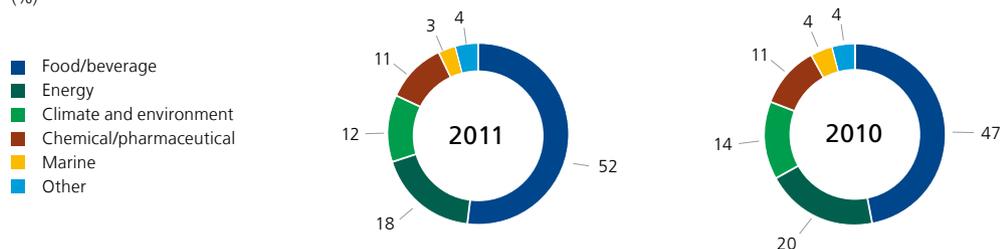
The breakdown of order intake by end market was driven by the following trends in full-year 2011: The food and beverage sector expanded by 35 percent, increasing its share of GEA's business by 4.9 percentage points to 52.1 percent. The highest growth rates were achieved in the Eastern Europe and Latin America regions, at 69 and 65 percent respectively. Order intake in the Asia/Pacific region expanded by EUR 211.4 million or 42 percent. The food and beverage market's expansion in this region thus accounts for approximately 20 percent of the group's total increase in order intake. Significant increases were also recorded in Western Europe and North America. The customer industries in the solid food sector grew faster than average, while milk processing and the beverage sector expanded in line with the group as a whole.

In the energy end market, the oil and gas customer industry expanded by 19 percent, but its share of order intake declined by 0.2 percentage points to 6.7 percent. The increase in volume was particularly significant in Eastern Europe and the Middle East. The power plant industry grew by only 4 percent – and thus less than total order intake – with the result that its share of GEA's business decreased by 2.0 percentage points to 11.0 percent. In this industry, performance in the individual regions varied considerably. Only Asia/Pacific recorded significant growth, driven by several orders from China. The other regions were flat or even significantly down in some cases. Overall, the food and beverage and energy end markets account for 69.7 percent (previous year: 67.1 percent) of GEA's total order intake.

The other industries expanded by 13 percent overall and thus more slowly than the group as a whole in fiscal year 2011. Consequently, their share of the total volume declined by 2.7 percentage points to 30.2 percent. At 27 percent, the pharmaceutical industry expanded at the fastest rate, driven by Europe, North America, and the Asia/Pacific region. As a result, the overall share of the pharmaceutical industry rose by 0.2 percentage points to 5.2 percent. The chemical sector grew by 18 percent, especially in North America and Asia/Pacific. The share attributable to this industry declined slightly by 0.2 percentage points to 5.9 percent. Although the marine sector, which had already performed poorly in the previous year, advanced by 11 percent, it now accounts for only 3.2 percent of the total volume. The climate and environment customer industry stagnated, with the positive development in Eastern Europe and North America offsetting the downward trend in the other regions. Overall, its share declined by 2.5 percentage points to 11.5 percent.

### Order intake by end markets/customer industries

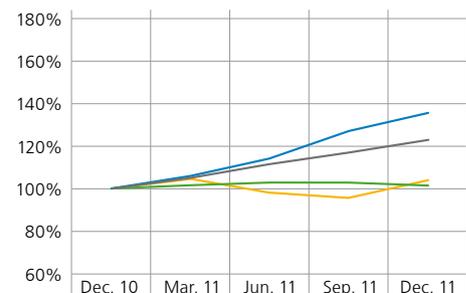
(%)



Overall, the breakdown of order intake by sales region revealed the following trends: While Western Europe's share fell by another 4.0 percentage points to 35.0 percent, the Asia/Pacific region advanced by 4.4 percentage points to 25.6 percent and Latin America by 1.1 percentage points to 7.3 percent. North America and Eastern Europe also grew by 0.9 and 0.6 percentage points respectively, while the Middle East retreated by 1.3 percentage points to 4.8 percent and Africa contracted by 1.7 percentage points to 3.4 percent.

**GEA Group order intake: EUR 5,609.7 million (previous year: EUR 4,578.0 million)**

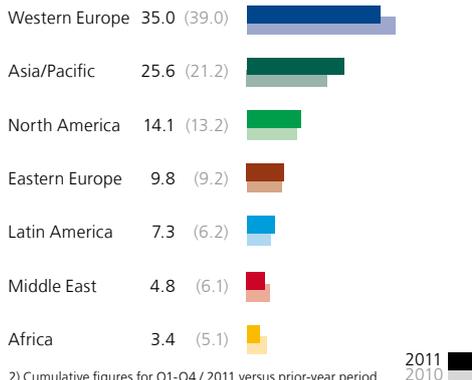
**by sector<sup>1</sup>**



— Food/beverage — Power generation  
— Climate and environment — GEA Group total

1) last twelve months, three most important sectors.

**by region (%)<sup>2</sup>**



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

**GEA Convenience-Food Technologies Segment**

Order intake in the GEA Convenience-Food Technologies Segment, which was included in consolidation for the first time in the second quarter of 2011, amounted to EUR 119.6 million in the fourth quarter. This was 20.9 percent above the pro forma figure for the previous year. The order intake includes three major orders totaling approximately EUR 11 million for the food industry in Poland, China, and New Zealand.

The segment operates in the food and beverage end market, where it is active exclusively in the solid food customer industry. Its sales are focused on Western Europe (45.1 percent), Eastern Europe (14.4 percent), and North America (13.1 percent). Overall, the shares attributable to business in Western Europe and Eastern Europe respectively in the fourth quarter was around 13 and 4 percentage points higher than for the group as a whole, while the share attributable to business in Asia/Pacific was around 14 percentage points lower.

In full-year 2011, the segment's pro forma order intake amounted to EUR 455.3 million, including the first quarter, which was not consolidated. This represents an increase of 11.2 percent on the previous year, when an order intake of EUR 409.6 million was recorded.

**GEA Convenience-Food Technologies order intake: EUR 329.8 million**

(previous year: EUR 294.1 million) (Nine-month period in 2011, before Q2 2010 pro forma)

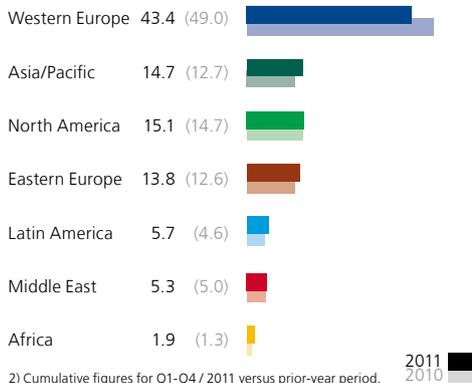
**by sector<sup>1</sup>**



— Food/beverage — GEA Group total

1) last twelve months.

**by region (%)<sup>2</sup>**



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

## GEA Farm Technologies Segment

Order intake in the GEA Farm Technologies Segment increased by 13.3 percent compared with the prior-year quarter to EUR 131.7 million. Adjusted for the effect of exchange rate changes of -0.2 percent, organic growth amounted to 13.5 percent.

The segment operates almost exclusively in the dairy industry and its sales are focused on Western Europe (29.9 percent) and North America (39.5 percent). North America's share expanded by 6.6 percentage points at the expense of Western Europe, which was down 7.1 percentage points. The key growth drivers in the fourth quarter were the Eastern Europe and Latin America regions as well as the manure management systems product area. The ratio of milk prices to feed costs, which is important to farmers, was still below the long-term average. However, customer financing problems were only encountered in some countries.

In full-year 2011, the segment's order intake rose by 17.6 percent to EUR 527.4 million. With the exception of one order worth EUR 2.7 million relating to the first extension phase of a project in Uruguay, all orders were worth less than EUR 1 million. Adjusted for the effect of exchange rate changes of -1.6 percent and changes in the basis of consolidation of 2.2 percent, organic growth amounted to 17.0 percent.

There were only minor changes to the regional sales structure in full-year 2011. Western Europe's share retreated slightly by 2.7 percentage points to 38.2 percent, while North America held steady at 34.1 percent. Significant growth rates were recorded in Eastern Europe, Latin America, and Asia/Pacific. These three growth regions increased their share by 2.8 percentage points to a combined total of 27.5 percent in 2011.

### GEA Farm Technologies order intake: EUR 527.4 million (previous year: EUR 448.5 million)

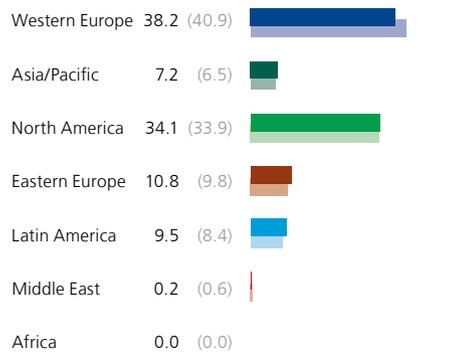
#### by sector<sup>1</sup>



— Food/beverage  
— GEA Group total

1) last twelve months.

#### by region (%)<sup>2</sup>



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

2011  
2010

## GEA Heat Exchangers Segment

Order intake in the GEA Heat Exchangers Segment increased by 15.8 percent to EUR 462.3 million in the fourth quarter of 2011. Adjusted for the effect of exchange rate changes of -0.8 percent and changes in the basis of consolidation of 6.5 percent, organic growth amounted to 10.1 percent.

This encouraging development was spurred by two major orders for a total of EUR 104 million for two power plants in Turkey and in China and in particular by a large number of medium-sized orders worth between EUR 5 million and EUR 15 million.

With a share of 59.8 percent (up 2.4 percentage points), energy is by far the segment's largest end market. However, the power plant business – with the exception of one major order in China – and demand from the oil and gas industries remained weak overall. Growth in the chemical industry, especially in Eastern Europe, North America, and Asia/Pacific, was offset by a decline in the climate and environment customer industry, especially in Eastern Europe. The food and beverage end market, which had a virtually constant share of 3.5 percent, only plays a minor role in this segment, predominantly in Western Europe.

Due to the abovementioned major order for China, the Asia/Pacific region was the segment's strongest sales region in the fourth quarter, accounting for 35.6 percent (previous year: 8.4 percent), while Western Europe's share was down 6.3 percentage points to 32.4 percent. The shares accounted for by Africa and the Middle East declined by 8.6 and 7.3 percentage points respectively. However, changes in the breakdown for the regions are often the result of individual major orders received. This is particularly evident when comparing quarterly figures.

In full-year 2011, order intake amounted to EUR 1,653.2 million, up 9.8 percent compared with the previous year (EUR 1,506.0 million). Adjusted for the effect of exchange rate changes of -0.9 percent and changes in the basis of consolidation of 3.5 percent, organic growth amounted to 7.2 percent.

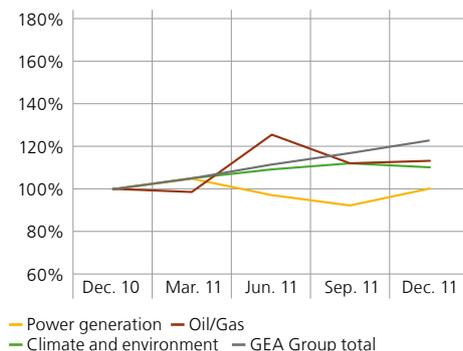
Orders of under EUR 1 million represent an unchanged 67 percent of total business. Orders of more than EUR 5 million increased by 28 percent, accounting for 22 percent of the total volume. In addition to the abovementioned orders received in the fourth quarter, other noteworthy deals include two power plant orders for Israel and China as well as an order for a gas processing plant in Qatar totaling around EUR 80 million.

The most important customer industries in this segment are oil and gas (15.8 percent share, up 0.4 percentage points year-on-year), the power plant sector (33.2 percent share, down 3.4 percentage points year-on-year), and climate and environment with an unchanged share of 31.3 percent.

Western Europe's volume expanded by around 3 percent and thus more slowly than the segment as a whole. However, in spite of a decline of 2.8 percentage points caused by weak demand in the oil and gas business, Western Europe is still by far the most important region, accounting for 42.5 percent of the total volume. Shifts, some of them major, occurred among the other regions, primarily due to the locations of major power plant projects. For this reason, the share for Asia/Pacific, which had declined sharply in the previous year, increased again by 11.0 percentage points to 22.9 percent.

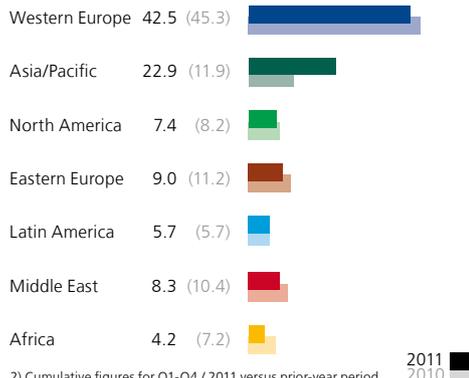
GEA Heat Exchangers order intake: EUR 1,653.2 million (previous year: EUR 1,506.0 million)

by sector<sup>1</sup>



1) last twelve months, three most important sectors.

by region (%)<sup>2</sup>



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

## GEA Mechanical Equipment Segment

Order intake in the GEA Mechanical Equipment Segment rose to EUR 203.9 million in the fourth quarter of 2011, a year-on-year increase of 12.2 percent. Adjusted for the effect of exchange rate changes of -0.2 percent and changes in the basis of consolidation of 1.0 percent, organic growth amounted to 11.4 percent.

All of the segment's product areas grew at much the same rate. The EUR 22.1 million increase was driven in equal measure by smaller orders of less than EUR 1 million, which account for around 90 percent of total business, and medium-sized orders of up to EUR 5 million. As in previous quarters, orders of more than EUR 5 million did not play any role.

The food and beverage sector, the largest end market by far, rose faster than the total volume and achieved a share of 59.5 percent (previous year: 54.1 percent). The energy end market increased its share to 13.6 percent (previous year: 10.6 percent). The pharmaceutical business was similar to the prior-year level in most regions and now stands at 4.1 percent (previous year: 4.8 percent). The chemical area, however, declined in almost all regions, with the result that its share fell by 3.8 percentage points to 4.4 percent. The marine sector also remained weak and continued its decline, now amounting to only 12.1 percent (previous year: 15.5 percent).

Overall, the regional distribution in the quarter shows a slight shift from Europe (down 2.2 percentage points to 29.9 percent) and Latin America (down 3.9 percentage points to 6.4 percent) to North America (up 5.8 percentage points to 23.9 percent). The share of the Asia/Pacific region remained practically unchanged, at 30.5 percent.

In full-year 2011, the segment recorded 18.2 percent growth in order intake to EUR 874.9 million. Adjusted for the effect of exchange rate changes of -0.9 percent and changes in the basis of consolidation of 0.2 percent, organic growth amounted to 18.9 percent.

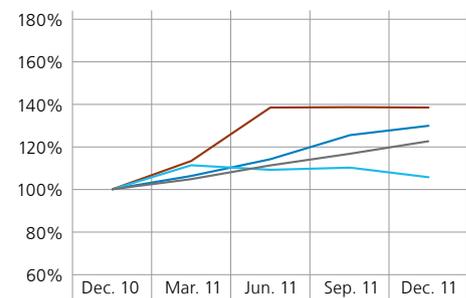
Small orders of less than EUR 1 million increased by 11 percent, while orders with a volume of more than EUR 1 million more than doubled to above the level recorded in 2009. Likewise, growth in flow components and homogenizers was well into double digits, increasing their market share. The largest orders in the mechanical separation area, which makes up almost five-sixths of the segment, included a biodiesel plant for Argentina and oil processing plants for two gas power plants in Saudi Arabia worth EUR 14 million in total.

The food and beverage sector, the largest end market by far, rose faster than the total volume, increasing its share by a further 5.4 percentage points to 57.2 percent. This is primarily due to growth in the USA and in Asia/Pacific. Driven by the biodiesel order mentioned earlier, the energy end market increased its share to 12.6 percent (previous year: 11.6 percent). The pharmaceutical business fell short of the prior-year level in the key Western Europe and Asia/Pacific regions and now stands at 5.1 percent (previous year: 6.5 percent). Similarly, what growth there was in the marine sector was virtually limited to Eastern Europe and Asia/Pacific; the sector's share declined by 1.4 percentage points and now stands at 13.0 percent. The other industries were also flat in most regions, with their share falling by 3.7 percentage points to 12.0 percent.

Overall, the regional breakdown shows a shift from Europe (down 4.1 percentage points to 29.5 percent) to Eastern Europe (up 1.3 percentage points to 4.7 percent) and America (up 2.4 percentage points to 29.0 percent). The Middle East also rose by 1.2 percentage points to 5.0 percent. The Asia/Pacific region outperformed Western Europe for the first time, although its share retreated by a marginal 0.6 percentage points, to 29.8 percent.

**GEA Mechanical Equipment order intake: EUR 874.9 million (previous year: EUR 740.4 million)**

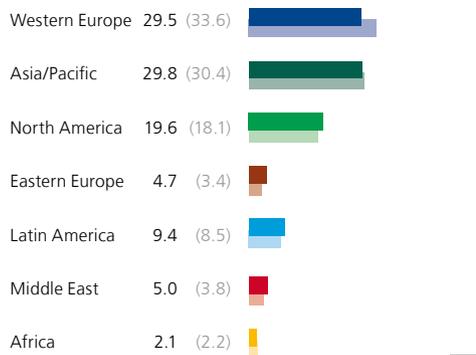
**by sector<sup>1</sup>**



— Food/beverage — Marine  
— Oil / Gas — GEA Group total

1) last twelve months, three most important sectors.

**by region (%)<sup>2</sup>**



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

2011  
2010

## GEA Process Engineering Segment

At EUR 449.0 million, in the GEA Process Engineering Segment order intake in the fourth quarter of 2011 was 7.0 percent above the prior-year quarter (EUR 419.7 million). Adjusted for the effect of exchange rate changes of 0.5 percent and changes in the basis of consolidation of 2.1 percent, organic growth amounted to 4.4 percent.

The additional volume was mainly attributable to major orders of between EUR 5 million and EUR 15 million. The largest orders were received for a milk powder plant in Australia as well as for two further milk-drying plants in Germany and India, worth around EUR 58 million in total.

Among the customer industries, the food and beverage end market stagnated at a high level of 73.7 percent. Its share declined marginally by 0.6 percentage points. While the North America and Asia/Pacific regions expanded rapidly, Western Europe fell by 18 percent. The sharp decline in the Middle East was exclusively the result of a major order from Israel in the prior-year quarter. The pharmaceutical sector increased by 103 percent overall, most significantly in Eastern Europe, North America, and Asia/Pacific. It now accounts for a total of 15.9 percent, after 8.4 percent in the prior-year quarter. The chemical business declined in almost all regions apart from America. As a result, its share of the overall segment volume halved, falling by 5.5 percentage points to 5.6 percent.

Overall, the regional breakdown in the fourth quarter shows a sharp decline in Western Europe (down 5.9 percentage points to 26.1 percent) and the Middle East (down 6.4 percentage points to 1.8 percent). This contrasts with a significant increase in North America (up 4.4 percentage points to 15.1 percent) and Asia/Pacific (up 7.2 percentage points to 36.1 percent).

In fiscal year 2011, order intake rose by 20.7 percent to EUR 1,709.9 million. Adjusted for the effect of exchange rate changes of -1.2 percent and changes in the basis of consolidation of 0.7 percent, organic growth amounted to 21.2 percent.

This increase is largely due to orders of between EUR 5 million and EUR 15 million, whose 94 percent jump in volume represents around two-thirds of the total increase. As a result, this size category's share of the total volume increased from 14 percent to 23 percent. Smaller orders of less than EUR 1 million increased by 18 percent, almost in line with total volume growth, whereas the trend was flat for all other order sizes.

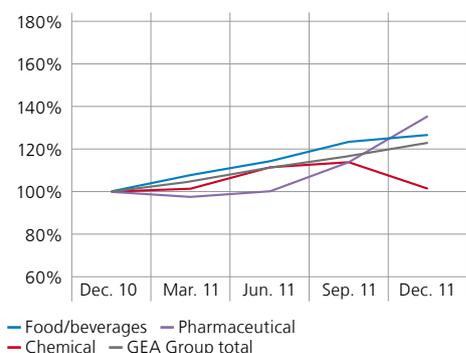
In addition to the orders mentioned above, several filling and packaging lines for the beverage industry in China with a total value of around EUR 83 million, milk powder factory in New Zealand with a volume of approximately EUR 40 million, as well as two orders for a fermentation plant and a brewery in Brazil with a total value of roughly EUR 52 million are also worth mentioning.

Among the customer industries, the food and beverage end market expanded by 26 percent in full-year 2011, marginally faster than the segment as a whole; its share of the segment's total volume increased by 2.9 percentage points to 67.9 percent. The rise is primarily attributable to the Eastern Europe, Latin America, and Asia/Pacific regions. These three submarkets alone account for 80 percent of the additional business volume recorded by the entire segment. The pharmaceutical sector increased by 35 percent overall, most significantly in Europe, North America, and Asia/Pacific. It now accounts for 14.1 percent, after 12.6 percent in the previous year. The chemical customer industry stagnated, except in North and South America. Its share of the total volume was thus down 1.9 percentage points to 9.8 percent.

Overall, the regional breakdown shows a sharp decline in Western Europe (down 5.2 percentage points to 24.9 percent) in favor of all other regions except Africa, where a major order had been recorded for Egypt in the previous year. Asia/Pacific's share now amounts to 37.7 percent.

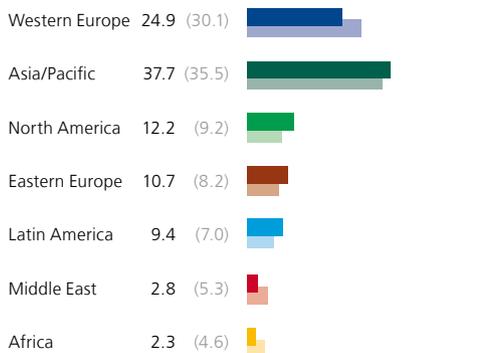
**GEA Process Engineering order intake: EUR 1,709.9 million (previous year: EUR 1,416.1 million)**

by sector<sup>1</sup>



1) last twelve months, three most important sectors.

by region (%)<sup>2</sup>



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

2011  
2010

### GEA Refrigeration Technologies Segment

In the GEA Refrigeration Technologies Segment, order intake amounted to EUR 170.1 million in the fourth quarter of 2011, an increase of 11.5 percent over the prior-year quarter (EUR 152.5million). This increase is particularly attributable to the structural changes implemented in 2010 and the acquisition of Bock. Adjusted for the effect of exchange rate changes of -1.3 percent and changes in the basis of consolidation of 9.3 percent, organic growth amounted to 3.5 percent.

This growth rate also reflects the increased focus on improving margins when selecting projects in the contracting business area. Orders worth less and orders worth more than EUR 1 million experienced similar growth rates. No orders in excess of EUR 5 million were recorded in the fourth quarter.

The end markets continue to be dominated by the food and beverage sector, which has a share of 57.1 percent, although this was down 8.0 percentage points year-on-year, mainly as a result of the acquisition of GEA Bock. The energy business remained weak in the absence of large orders. Its share of the segment's order intake fell by 4.8 percentage points to 5.7 percent. The other industries increased their share to 37.2 percent (previous year: 24.4 percent), driven primarily by GEA Bock's automotive business.

The regional breakdown in the fourth quarter shows a decline in Western Europe's business due among other things to margin-driven selection processes. This reduced the region's share of order intake to 42.5 percent (previous year: 48.5 percent). The same applies to Asia/Pacific (down 4.0 percentage points to 11.3 percent). By contrast, the share accounted for by Eastern Europe rose by 4.1 percentage points to 18.0 percent and the share attributable to North America rose by 5.1 percentage points to 13.7 percent.

In full-year 2011, order intake in the segment increased by 12.2 percent to EUR 650.4 million (previous year: EUR 579.6 million). Adjusted for the effect of exchange rate changes of -1.3 percent and changes in the basis of consolidation of 9.4 percent, organic growth amounted to 4.1 percent.

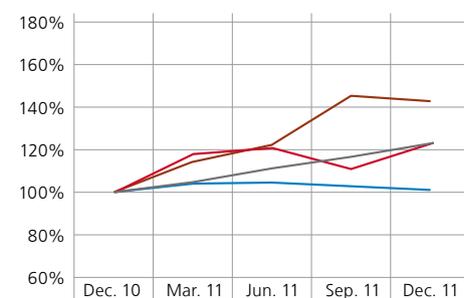
The growth rate for all order size categories was also largely similar in full-year 2011, with orders under EUR 1 million accounting for around 82 percent of the segment's total volume. The margin-driven project selection process meant that only four orders worth more than EUR 5 million, with a combined value of EUR 24 million, were recorded. Three of these were for the oil and gas industry in Australia and one was for the refrigeration system of a winter sports facility in Sochi, Russia.

Among the end markets, the flat performance of the food and beverage sector drove its share down from 65.8 percent to 60.1 percent. The decline in Western Europe and North America was offset by the other regions. The energy business, by contrast, advanced in step with the segment as a whole, although its growth was recorded exclusively in North America and Asia/Pacific. The shares accounted for by the chemical business (roughly 6 percent) and climate and environment (roughly 7 percent) did not change significantly. The other customer industries rose significantly as a result of acquisitions, climbing 5.7 percentage points to 15.1 percent.

Overall, the regional breakdown shows a decline in Western Europe. This brought its share of the total volume down to only 42.6 percent (previous year: 49.7 percent). Business in North America was flat and its share retreated by 1.6 percentage points to 13.1 percent. Asia/Pacific, by contrast, continued to grow rapidly, climbing 66 percent or 5.1 percentage points to 15.1 percent.

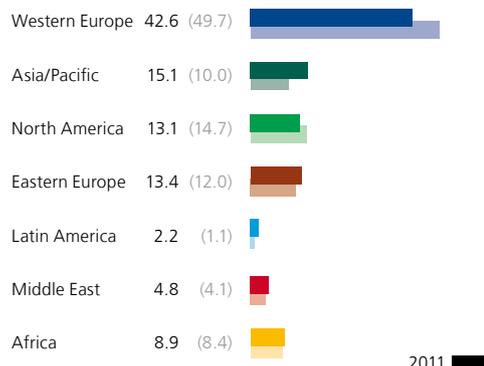
**GEA Refrigeration Technologies order intake: EUR 650.4 million (previous year: EUR 579.6 million)**

**by sector<sup>1</sup>**



1) last twelve months, three most important sectors.

**by region (%)<sup>2</sup>**



2) Cumulative figures for Q1-Q4 / 2011 versus prior-year period.

## Revenue

In general, the same regional and sector-specific trends apply to revenue as to order intake, although with different time lags. Overall, however, revenue is proving to be significantly less volatile than order intake. In the previous year, revenue only began to pick up six months after order intake. Since the second quarter of 2011, the year-on-year growth rates for order intake and revenue have been roughly on a level with each other.

In the fourth quarter of 2011, group revenue increased overall by 26.5 percent to EUR 1,632.2 million (previous year: EUR 1,290.4 million). Excluding the new GEA Convenience-Food Technologies Segment, the increase would have been 16.4 percent. These figures also take into account the fact that accumulated revenue from the non-operating Other Segment, which mainly comprises rental income in the amount of approximately EUR 5 million per quarter, has been reported as other operating income at group level rather than as revenue since the third quarter of 2011.

Acquisitions made a contribution of 13.4 percentage points to total revenue growth in the reporting period. The effect of exchange rate changes amounted to -0.8 percent. Organic revenue for the fourth quarter of 2011 was thus up 13.9 percent year-on-year.

The service business – which turns in a significantly steadier performance than the more volatile project business – grew by 23.4 percent, slightly less than the segments as a whole. However, it outperformed third-quarter revenue levels (17.1 percent) to account for 18.9 percent of total revenue in the fourth under review (previous year: 19.4 percent).

In full-year 2011, group revenue increased by 22.6 percent to EUR 5,416.5 million (previous year: EUR 4,418.4 million), 3.4 percent less than order intake. Acquisitions contributed 10.4 percent to the increase in revenue, with 7.8 percent being attributable to the new GEA Convenience-Food Technologies Segment. Changes in exchange rates negatively impacted revenue by 1.1 percent. Revenue thus grew organically by 13.3 percent compared with 2010.

The service business grew by 18.3 percent in fiscal year 2011, corresponding to 19.7 percent of revenue (previous year: 20.4 percent). Excluding the new segment, growth would have been by 7.0 percent.

Revenue (EUR million)	Q4 2011	Q4 2010	Change (%)	Q1-Q4 2011	Q1-Q4 2010	Change (%)
GEA Convenience-Food Technologies <sup>1</sup>	130.6	–	–	346.0	–	–
GEA Farm Technologies	153.8	134.9	14.0	509.8	446.7	14.1
GEA Heat Exchangers	463.6	410.1	13.0	1,616.8	1,483.4	9.0
GEA Mechanical Equipment	240.4	201.9	19.1	844.7	725.4	16.5
GEA Process Engineering	496.6	402.2	23.5	1,577.2	1,288.5	22.4
GEA Refrigeration Technologies	181.6	171.3	6.0	647.2	563.7	14.8
<b>Total</b>	<b>1,666.5</b>	<b>1,320.4</b>	<b>26.2</b>	<b>5,541.7</b>	<b>4,507.7</b>	<b>22.9</b>
Other <sup>2</sup> and consolidation	-34.4	-29.9	-14.8	-125.2	-89.2	-40.2
<b>GEA Group</b>	<b>1,632.2</b>	<b>1,290.4</b>	<b>26.5</b>	<b>5,416.5</b>	<b>4,418.4</b>	<b>22.6</b>

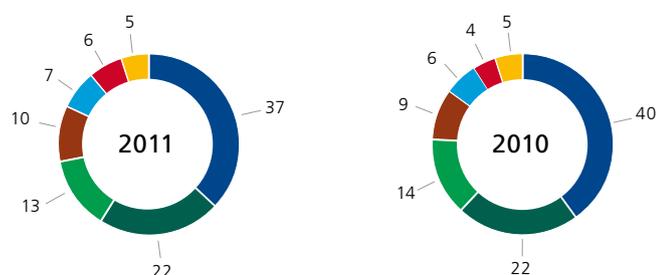
1) Inclusion of GEA Convenience-Food Technologies since 4/1/2011  
2) Information reported only in 2010

The regional breakdown of revenue in percentage terms changed in line with the different rates of economic growth in the regions. Normally, structural changes in revenue are substantially less pronounced than in order intake.

### Revenue by region

(%)

- Western Europe
- Asia/Pacific
- North America
- Eastern Europe
- Latin America
- Middle East
- Africa



This chart shows a number of year-on-year shifts in the regional distribution of revenue in 2011. However, all regions recorded double-digit growth. The share accounted for by Western Europe decreased by 2.6 percentage points and now only amounts to 37.2 percent. This includes 10.8 percent of revenue attributable to German end customers, following 12.3 percent in the previous year (adjusted for the change in the presentation of the Other Segment). By contrast, the share attributable to Asia/Pacific remained unchanged at 22.0 percent. The shares of revenue accounted for by Eastern Europe, Latin America, and the Middle East increased by around one percentage point each. A slight decline of 0.7 percentage points to 12.9 percent was recorded in North America.

### GEA Convenience-Food Technologies Segment

Revenue in the GEA Convenience-Food Technologies Segment, which has been included in consolidation since the second quarter of 2011, amounted to EUR 130.6 million in the fourth quarter. This represents an increase of 26.0 percent on the pro forma figures for the previous year.

The segment operates in the food and beverage end market, with customers coming exclusively from the solid food industry. Its sales focus in the months April to December 2011 was on Western Europe (43.3 percent), as well as Eastern Europe, North America, and Asia/Pacific, each with a share of just under 15 percent. Overall, the share of business attributable Western Europe was around 9 percentage points higher than in the group as a whole, while that attributable to Asia/Pacific was approximately 8 percentage points lower.

The segment's pro forma revenue for the full 12 months of 2011 including the unconsolidated first quarter amounted to EUR 458.9 million. This represents an increase of 15.4 percent on the previous year, when an order intake of EUR 397.6 million was recorded. The segment's service business contributed a share of 29.5 percent for the nine months of 2011.

### GEA Farm Technologies Segment

The trends affecting revenue in the GEA Farm Technologies Segment are largely the same as those governing order intake, as the order backlog usually amounts to only 1.6 to 1.9 months' revenues. After adjustments for the effects of exchange rate changes of -1.4 percent and changes in the basis of consolidation of 2.3 percent, organic growth amounted to 13.2 percent in the past fiscal year. The service area grew by 10.3 percent and now represents 22.2 percent of segment revenue (previous year: 23.0 percent). One important event in the past fiscal year was the wide-scale market launch of the MIOne automatic milking robot in the second quarter.

The segment operates almost exclusively in the dairy industry and revenue was focused on Western Europe (40.6 percent) and North America (33.4 percent) in 2011. The key growth drivers were the Eastern Europe, Latin America, and Asia/Pacific regions.

### GEA Heat Exchangers Segment

The GEA Heat Exchangers Segment exhibits the most significant differences between order intake and revenue trends due to what are in some cases long throughput times. After adjustments for the effects of exchange rate changes of -1.1 percent and acquisitions of 2.0 percent, organic growth amounted to 8.1 percent in the past fiscal year.

The power plant sector suffered from the low level of order intake in previous years but maintained its share of 35.9 percent as a result of the high order backlog. The share accounted for by the oil and gas customer industry declined by 3.5 percentage points to 13.9 percent as weaknesses in Western Europe and Asia/Pacific could not be offset by the growth in the Middle East. The climate and environment customer industry improved in all regions, growing by 1.8 percentage points to 31.6 percent. The most significant regional changes were seen in the Middle East (up 4.7 percentage points to 8.2 percent) and Asia/Pacific (down 3.8 percentage points to 13.2 percent).

### GEA Mechanical Equipment Segment

Overall, the GEA Mechanical Equipment Segment recorded a significant year-on-year increase. Revenue in the flow components and homogenizers, which have order backlogs of less than two months, was subject to the same conditions as order intake. After adjustments for the effects of exchange rate changes of -0.9 percent and changes in the basis of consolidation of 0.3 percent, organic growth amounted to 17.1 percent in the past fiscal year. The service business recorded growth of 8.0 percent. Its share of total revenue thus amounted to 32.1 percent (previous year: 34.6 percent).

The breakdown by customer industry reveals that the share attributable to the food and energy end markets increased while the pharmaceutical, chemical, and marine sectors decreased. The decline in Western Europe (down 3.4 percentage points to 30.6 percent) is offset by roughly equal percentage increases in Eastern Europe, Latin America, and Africa.

### GEA Process Engineering Segment

After adjustments for the effects of exchange rate changes of -0.9 percent and changes in the basis of consolidation of 1.0 percent, organic growth amounted to 22.3 percent in the past fiscal year. The share attributable to the service business declined from 14.8 percent in the previous year to 13.1 percent, despite a growth rate of 8.2 percent.

Growth in the GEA Process Engineering Segment is spread relatively uniformly across all customer industries and sales regions. The food and beverage end market increased its share by 0.4 percentage points to 67.1 percent. The pharmaceutical business grew slightly faster than the segment as a whole (24 percent), most noticeably in Western Europe and Asia/Pacific, increasing its share to 13.2 percent. The chemical business rose by an even greater 37 percent and now represents 10.6 percent of revenue for the segment, with the highest growth being recorded by the North America and Asia/Pacific regions. The emission control business unit did not entirely match its prior-year figure; as a result, the climate and environment customer industry fell 1.6 percentage points. From a regional perspective, the share accounted for by Western Europe declined by 2.7 percentage points. This was offset by growth of nearly the same amount in Asia/Pacific.

## GEA Refrigeration Technologies Segment

The Refrigeration Technologies Segment significantly exceeded the previous year's revenue figure thanks among other things to the inclusion of additional companies in consolidation. After adjustments for the effects of exchange rate changes of -1.2 percent and changes in the basis of consolidation of 10.1 percent, organic growth amounted to 5.9 percent in the past fiscal year. Revenue in the service business rose by 10.6 percent, although its share retreated slightly to 30.3 percent (previous year: 31.5 percent).

The low proportion of major orders for the food and beverage and energy end markets saw the share accounted for by the contracting area fall by 6.4 percentage points to 68.7 percent. The corresponding increase in other sectors is attributable to a more targeted sales focus and to GEA Bock, which was acquired in the year under review. As in the other segments, Western Europe's share decreased (down 6.3 percentage points) while Asia/Pacific increased (up 4.8 percentage points).

## Others Segment

Revenue in the Others Segment in the previous year was largely due to rental income. This has been reported under other operating income at group level since the third quarter of 2011.

## Order backlog

The order backlog rose by EUR 263.3 million or 10.9 percent compared with December 31, 2010, (EUR 2,414.0 million) to EUR 2,677.3 million. Acquisitions accounted for EUR 154.6 million of this figure (including the new GEA Convenience-Food Technologies Segment, which contributed EUR 85.5 million), while exchange rate changes had a negative effect of EUR 16.5 million. Organic order backlog growth was thus 5.2 percent, below the figure for revenue.

As a result, the order backlog (excluding GEA Convenience-Food Technologies) expressed in terms of order intake now only covers a notional period of 5.9 months (previous year: 6.3 months). The order backlog declined slightly year-on-year in practically all segments. In line with the different types of transactions, the figures range from 7.9 months and 6.7 months in the GEA Heat Exchangers and GEA Process Engineering Segments respectively down to 1.7 months in the GEA Farm Technologies Segment.

Order backlog (EUR million)	12/31/2011	12/31/2010	Change (absolute)	Change (%)
GEA Convenience-Food Technologies	85.5	–	85.5	–
GEA Farm Technologies	74.4	63.1	11.3	17.9
GEA Heat Exchangers	1,086.0	1,086.9	-0.9	-0.1
GEA Mechanical Equipment	309.7	284.1	25.5	9.0
GEA Process Engineering	951.2	813.0	138.2	17.0
GEA Refrigeration Technologies	197.0	183.8	13.2	7.2
<b>Total</b>	<b>2,703.8</b>	<b>2,430.9</b>	<b>272.9</b>	<b>11.2</b>
Other and consolidation	-26.5	-16.8	-9.7	-57.4
<b>GEA Group</b>	<b>2,677.3</b>	<b>2,414.0</b>	<b>263.2</b>	<b>10.9</b>

## Results of operations

GEA remains committed to its policy of consciously selecting orders with reference to their price quality and contract terms. Earnings were among others triggered by the restructuring and reorganization measures implemented in the previous two years. In the energy end market, GEA was again faced with pronounced buyers' markets in fiscal 2011.

At 30.4 percent, the gross margin in the fourth quarter was slightly above the prior-year level (previous year: 30.2 percent).

The gross margin for full-year 2011 was 29.1 percent, 14 basis points lower than in the previous year. It was negatively impacted by ongoing price pressure in the markets and purchase price allocation effects of 37 basis points. In addition, the classification between cost of sales and selling, general, and administrative expenses was changed in one segment in 2011 at the expense of cost of sales. This led to a drop in the consolidated gross margin of 34 basis points. Excluding these two effects, the adjusted gross margin would have exceeded the prior-year figure by 57 basis points. Last but not least, the decline in the share of revenue accounted for by the service and spare parts business with its above-average profitability was particularly noticeable.

Since the second quarter of 2011, earnings figures for GEA have been impacted by purchase price allocations for the acquisitions of CFS and Bock in particular. To enable a better assessment of operating performance trends, all key earnings figures are also presented for the first time in 2011 as adjusted for these effects, which result from the remeasurement of assets added due to acquisitions. These effects relate on the one hand to the recognition of the revalued amount of inventories, which reduces earnings, and on the other to the amortization of the revalued amount from the measurement of property, plant and equipment, and intangible assets at fair value. There have been no further significant effects from this at the EBITDA level since the end of the second quarter of 2011.

Whenever adjusted earnings or operating profit are referred to in the following, these relate first to the purchase price allocation effects explained above, which are determined for all material past acquisitions made in 2011 and previous fiscal years. Additionally, restructuring expenses, which were presented separately in the previous year, have again been adjusted, but exclusively in relation to prior-year figures.

In addition, the prior-year figures had to be adjusted as a result of changes in two areas – the accounting treatment of pension obligations and the classification of a lease. A more detailed explanation can be found on page 98 of the notes to the consolidated financial statements. This led to decreases of EUR 26 thousand in earnings before interest, tax, depreciation, and amortization (EBITDA), EUR 1,049 thousand in earnings before interest and tax (EBIT), and EUR 4,049 thousand in profit before tax (EBT) in 2010. Income tax liabilities also declined by EUR 1,448 thousand and profit on discontinued operations was down by EUR 49 thousand. As a result, the group's earnings for 2010 decreased by a total of EUR 2,650 thousand. These effects were spread uniformly over the four quarters of 2010.

For the same reason, the first three quarters of 2011 were adjusted both individually and cumulatively. This led to improvements of EUR 1,839 thousand in EBITDA and EUR 1,071 thousand in EBIT, as well as decreases of EUR 1,160 thousand in EBT and EUR 899 thousand in consolidated profit in the first nine months of 2011.

In the fourth quarter of 2011, EBITDA rose by 98.4 percent to EUR 235.9 million (previous year: EUR 118.9 million). As a result, the EBITDA margin increased by 524 basis points to 14.5 percent of revenue.

After adjustment for restructuring expenses amounting to EUR 50.6 million in the previous year and for purchase price allocations in 2011, EBITDA grew faster than sales in the fourth quarter of 2011, climbing EUR 67.3 million to EUR 236.7 million (previous year: 169.5 million). This corresponds to a rise in the corresponding EBITDA margin of 137 basis points to 14.5 percent.

EBITDA in fiscal year 2011 amounted to EUR 610.2 million, exceeding the prior-year figure of EUR 365.7 million by EUR 244.5 million. This corresponds to an EBITDA margin of 11.3 percent and a year-on-year increase of 299 basis points (8.3 percent). Adjusted for restructuring expenses amounting to EUR 97.8 million relating to the previous year only and the recognition of the revalued amount of inventories resulting from the purchase price allocation, which reduced earnings by EUR 19.9 million, the figure for the previous year (EUR 463.5 million) was exceeded by EUR 166.6 million, for a total of EUR 630.1 million. As a result, the adjusted EBITDA margin improved by 114 basis points to 11.6 percent.

EBITDA/EBITDA margin (EUR million)	Q4 2011	Q4 <sup>1</sup> 2010	Change EBITDA (%)	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010	Change EBITDA (%)
GEA Convenience-Food Technologies <sup>2</sup>	12.0	–	–	7.4	–	–
as % of revenue	9.2	–	–	2.1	–	–
GEA Farm Technologies	17.6	16.2	8.7	45.2	37.9	19.5
as % of revenue	11.4	12.0	–	8.9	8.5	–
GEA Heat Exchangers	48.6	47.0	3.3	160.3	152.7	5.0
as % of revenue	10.5	11.5	–	9.9	10.3	–
GEA Mechanical Equipment	58.1	46.9	23.7	178.7	136.4	31.0
as % of revenue	24.1	23.3	–	21.2	18.8	–
GEA Process Engineering	73.6	48.3	52.3	163.2	106.5	53.2
as % of revenue	14.8	12.0	–	10.3	8.3	–
GEA Refrigeration Technologies	21.7	15.8	37.0	59.0	37.1	59.2
as % of revenue	11.9	9.2	–	9.1	6.6	–
<b>Total</b>	<b>231.5</b>	<b>174.3</b>	<b>32.8</b>	<b>613.9</b>	<b>470.5</b>	<b>30.5</b>
<b>as % of revenue</b>	<b>13.9</b>	<b>13.2</b>	<b>–</b>	<b>11.1</b>	<b>10.4</b>	<b>–</b>
Other and consolidation	4.3	-4.8	–	-3.7	-7.1	47.2
<b>GEA Group</b>	<b>235.9</b>	<b>169.5</b>	<b>39.2</b>	<b>610.2</b>	<b>463.5</b>	<b>31.7</b>
<b>as % of revenue</b>	<b>14.5</b>	<b>13.1</b>	<b>–</b>	<b>11.3</b>	<b>10.5</b>	<b>–</b>
Restructuring expenses	–	50.6	–	–	97.8	–
<b>GEA Group after restructuring expenses</b>	<b>235.9</b>	<b>118.9</b>	<b>98.4</b>	<b>610.2</b>	<b>365.7</b>	<b>66.9</b>
<b>as % of revenue</b>	<b>14.5</b>	<b>9.2</b>	<b>–</b>	<b>11.3</b>	<b>8.3</b>	<b>–</b>

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)

2) Inclusion of GEA Convenience-Food Technologies since 4/1/2011

The following table shows the reconciliation of EBITDA through EBIT before purchase price allocation to EBIT:

Reconciliation of EBITDA before purchase price allocation to EBIT (EUR million)	Q4 2011	Q4 * 2010	Change (%)	Q1-Q4 2011	Q1-Q4 * 2010	Change (%)
<b>EBITDA pre PPA and before restructuring expenses</b>	<b>236.7</b>	<b>169.5</b>	<b>39.7</b>	<b>630.1</b>	<b>463.5</b>	<b>35.9</b>
Depreciation of property, plant, and equipment, investment property, and amortization of intangible assets	-25.5	-23.5	-8.3	-101.0	-95.6	-5.7
Impairment losses on property, plant, and equipment, investment property, intangible assets, and goodwill	-4.0	-1.1	< -100	-4.0	-0.5	< -100
Other impairment losses and reversals of impairment losses	-0.2	-0.6	68.1	-0.5	-0.6	6.9
<b>EBIT pre PPA and before restructuring expenses</b>	<b>207.1</b>	<b>144.3</b>	<b>43.5</b>	<b>524.6</b>	<b>366.8</b>	<b>43.0</b>
Depreciation and amortization on capitalization of purchase price allocation	-5.6	-2.2	< -100	-27.6	-8.7	< -100
Impairment losses on capitalization of purchase price allocation	-2.5	-2.3	-6.7	-2.5	-2.3	-6.7
Realization of step-up amounts on inventories	-0.9	-	-	-19.9	-	-
<b>EBIT before restructuring expenses</b>	<b>198.2</b>	<b>139.7</b>	<b>41.8</b>	<b>474.6</b>	<b>355.8</b>	<b>33.4</b>
Restructuring expenses	-	-71.5	-	-	-119.3	-
<b>EBIT</b>	<b>198.2</b>	<b>68.2</b>	<b>&gt; 100</b>	<b>474.6</b>	<b>236.5</b>	<b>&gt; 100</b>

\* Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)

Reconciliation of EBITDA to EBIT (EUR million)	Q4 2011	Q4 * 2010	Change (%)	Q1-Q4 2011	Q1-Q4 * 2010	Change (%)
<b>EBITDA</b>	<b>235.9</b>	<b>118.9</b>	<b>98.4</b>	<b>610.2</b>	<b>365.7</b>	<b>66.9</b>
Depreciation of impairment losses on property, plant, and equipment, and investment property, and amortization of and impairment losses on intangible assets and goodwill, as reported in the statement of changes in noncurrent assets	-37.5	-50.1	25.1	-135.1	-128.6	-5.0
Other impairment losses and reversals of impairment losses	-0.2	-0.6	68.1	-0.5	-0.6	6.9
<b>EBIT</b>	<b>198.2</b>	<b>68.2</b>	<b>&gt; 100</b>	<b>474.6</b>	<b>236.5</b>	<b>&gt; 100</b>

\* Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)

EBIT increased by 190.5 percent in the reporting period to EUR 198.2 million (previous year: EUR 68.2 million). As a result, the EBIT margin improved by 686 basis points to 12.1 percent of revenue. Adjusted for purchase price allocation effects of EUR 8.9 million (previous year: EUR 4.6 million) and restructuring expenses of EUR 71.5 million in the previous year, EBIT rose by EUR 62.8 million or 43.5 percent, while the adjusted EBIT margin rose by 151 basis points to 12.7 percent.

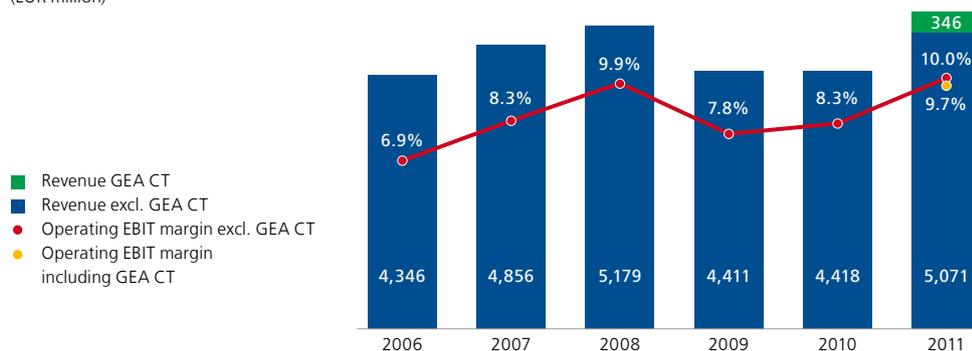
EBIT/EBIT margin pre purchase price allocation (EUR million)	Q4 2011	Q4 <sup>1</sup> 2010	Change EBIT (%)	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010	Change EBIT (%)
GEA Convenience-Food Technologies <sup>2</sup>	10.2	–	–	19.6	–	–
as % of revenue	7.8	–	–	5.7	–	–
GEA Farm Technologies	14.8	13.4	10.8	33.8	26.3	28.7
as % of revenue	9.6	9.9	–	6.6	5.9	–
GEA Heat Exchangers	36.8	40.0	-8.1	121.8	118.8	2.6
as % of revenue	7.9	9.8	–	7.5	8.0	–
GEA Mechanical Equipment	54.0	39.7	35.8	162.1	117.0	38.5
as % of revenue	22.4	19.7	–	19.2	16.1	–
GEA Process Engineering	69.6	44.7	55.7	148.2	93.2	58.9
as % of revenue	14.0	11.1	–	9.4	7.2	–
GEA Refrigeration Technologies	20.0	13.9	44.0	51.3	29.4	74.4
as % of revenue	11.0	8.1	–	7.9	5.2	–
<b>Total</b>	<b>205.4</b>	<b>151.7</b>	<b>35.4</b>	<b>536.9</b>	<b>384.7</b>	<b>39.5</b>
<b>as % of revenue</b>	<b>12.3</b>	<b>11.5</b>	<b>–</b>	<b>9.7</b>	<b>8.5</b>	<b>–</b>
Other and consolidation	1.7	-7.4	–	-12.3	-17.9	31.3
<b>GEA Group</b>	<b>207.1</b>	<b>144.3</b>	<b>43.5</b>	<b>524.6</b>	<b>366.8</b>	<b>43.0</b>
<b>as % of revenue</b>	<b>12.7</b>	<b>11.2</b>	<b>–</b>	<b>9.7</b>	<b>8.3</b>	<b>–</b>
Restructuring expenses	–	71.5	–	–	119.3	–
<b>GEA Group after restructuring expenses</b>	<b>207.1</b>	<b>72.8</b>	<b>&gt; 100</b>	<b>524.6</b>	<b>247.5</b>	<b>&gt; 100</b>
<b>as % of revenue</b>	<b>12.7</b>	<b>5.6</b>	<b>–</b>	<b>9.7</b>	<b>5.6</b>	<b>–</b>

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)  
2) Inclusion of GEA Convenience-Food Technologies since 4/1/2011

Overall, EBIT doubled in the past fiscal year, increasing by 100.7 percent to EUR 474.6 million (previous year: EUR 236.5 million). The EBIT margin rose by 341 basis points to 8.8 percent (previous year: 5.4 percent). Adjusted for purchase price allocation effects of EUR 50.0 million (previous year: EUR 11.0 million) and restructuring expenses of EUR 119.3 million (including impairment losses on property, plant, and equipment of EUR 21.5 million) in the previous year only, EBIT increased by 43.0 percent to EUR 524.6 million (previous year: 366.8 million). The increase in restructuring costs in the previous year mainly resulted from the GEA Heat Exchangers Segment (EUR 84.4 million), the GEA Refrigeration Technologies Segment (EUR 16.1 million), and the GEA Mechanical Equipment Segment (EUR 12.4 million). As a result, the adjusted EBIT margin improved by 138 basis points to 9.7 percent. These figures include effects from exchange rate changes amounting to EUR -3.1 million.

### EBIT-Margin\* and revenue development since 2006

(EUR million)



\* EBIT margin before PPA and restructuring.

Excluding the GEA Convenience-Food Technologies Segment, initial consolidation of which was performed as of the second quarter of 2011, the adjusted EBIT margin would have been 10.0 percent, compared with 8.3 percent in the previous year.

### GEA Convenience-Food Technologies Segment

The new GEA Convenience-Food Technologies Segment generated operating EBIT – i.e., after adjustment in the case of this segment for restructuring and integration expenses as well – of EUR 29.6 million or 8.6 percent in the nine months of 2011. Restructuring measures initiated before the acquisition date and expenses associated with the integration into GEA Group impacted earnings by a total of EUR 9.9 million. Expenses of EUR 35.7 million were also incurred from purchase price allocation. Accordingly, the unadjusted EBIT amounted to EUR -16.0 million.

### GEA Farm Technologies Segment

In the GEA Farm Technologies Segment, adjusted EBIT and the adjusted EBIT margin increased by EUR 7.5 million to EUR 33.8 million and by 75 basis points to 6.6 percent respectively in fiscal year 2011. This is mainly a result of the adjustments made, the 14 percent increase in revenue, and an improved market environment (at least in Europe and North America) with increasing milk prices. However, the ratio of milk prices to feed costs remains unfavorable. A year-on-year reduction in the costs relating to the development and market launch of fully automated milking equipment also had a positive effect.

### GEA Heat Exchangers Segment

Adjusted EBIT in the GEA Heat Exchangers Segment rose from EUR 118.8 million to EUR 121.8 million, an increase of 2.6 percent. Given the 9 percent increase in revenue, the corresponding EBIT margin fell by 47 percentage points, from 8.0 percent to 7.5 percent. This is attributable in particular to conditions in the energy end market, which remained difficult, and frictional effects during the implementation of reorganization measures. These also led to negative impacts from inefficiencies in the operating business of the companies and facilities affected by closures. Among other things, it was decided to close two further facilities in 2012 as part of the optimization measures. One-time expenses in the fourth quarter totaled EUR 13.0 million.

### GEA Mechanical Equipment Segment

With revenue up 16.5 percent, the GEA Mechanical Equipment Segment increased its adjusted EBIT by 38.5 percent to EUR 162.1 million, thus achieving an EBIT margin of 19.2 percent – 306 basis points more than in the previous year. This encouraging development was due not only to the measures taken to increase efficiency in the mechanical separation area, but also to significant economies of scale achieved through the high volume growth in all three business areas. A clear margin increase in the service business also made a significant contribution.

### GEA Process Engineering Segment

The GEA Process Engineering Segment increased its adjusted EBIT by 58.9 percent to EUR 148.2 million (previous year: EUR 93.2 million). As this increase in earnings significantly exceeded the increase in revenue (22.4 percent), the EBIT margin increased sharply by 216 basis points to 9.4 percent. In addition to the significantly improved utilization of engineering capacities in process technology, this was due to much lower negative effects from the execution of individual major orders. In individual cases, orders associated with risks in 2010 were completed more successfully than had been expected. The packaging and liquid processing areas recorded a strong increase in profit, in particular in China. By contrast, price levels in the brewery sector remained disappointing. Following the adjustment measures taken in previous years in response to customer restructuring measures, the pharmaceutical sector

recorded a significant improvement in earnings despite start-up costs for a new factory in India. Emission control saw a further significant increase in the above-average level achieved in previous years. Clear margin increases in the service business also made a significant contribution here.

### GEA Refrigeration Technologies Segment

Adjusted EBIT in the GEA Refrigeration Technologies Segment increased by 74.4 percent to EUR 51.3 million (previous year: EUR 29.4 million), despite comparatively low organic growth. As a result, the EBIT margin of 7.9 percent exceeded that of the previous year by 271 basis points. This was driven by the restructuring measures taken in 2010 to focus on higher-margin business areas, an improved product mix, and an improved margin in contracting. The freezing technology segment reported significant improvements in revenue and earnings. The service area also contributed to the improvement in earnings, with both volumes and margins increasing.

GEA Bock Kältetechnik, which was acquired in the year under review and has been consolidated since the second quarter of 2011, improved the segment's operating margin in its first fiscal year.

Key figures: Results of operations (EUR million)	Q4 2011	Q4 <sup>1</sup> 2010	Change (%)	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010	Change (%)
Revenue	1,632.2	1,290.4	26.5	5,416.5	4,418.4	22.6
EBITDA pre purchase price allocation <sup>2</sup>	236.7	169.5	39.7	630.1	463.5	35.9
EBITDA <sup>2</sup>	235.9	169.5	39.2	610.2	463.5	31.7
EBIT pre purchase price allocation <sup>2</sup>	207.1	144.3	43.5	524.6	366.8	43.0
EBIT <sup>2</sup>	198.2	139.7	41.8	474.6	355.8	33.4
EBT	170.9	45.7	> 100	398.6	170.7	> 100
Income taxes	34.7	4.2	> 100	86.0	39.9	> 100
Profit after tax from continuing operations	136.1	41.5	> 100	312.6	130.9	> 100
Profit/loss after tax from discontinued operations	0.0	0.1	-84.7	0.0	0.1	-85.0
Profit for the period	136.2	41.7	> 100	312.6	131.0	> 100

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)  
2) adjusted for restructuring expenses in 2010

Net interest income of EUR -27.3 million (previous year: EUR -22.5 million) in the fourth quarter includes EUR 11.3 million (previous year: EUR 16.9 million) of discount unwinding expenses relating to obligations under pension plans and supplementary healthcare benefit plans, as well as other provisions. The EUR 4.8 million decline in the quarter under review reflects the increase in debt arising from the acquisitions (EUR 7.4 million).

For the full year the net interest income of EUR -76.0 million (previous year: EUR -65.8 million) includes, among other things, EUR 33.8 million (previous year: EUR 40.4 million) of discount unwinding expenses relating to obligations under pension plans and supplementary healthcare benefit plans, as well as other provisions. The EUR 10.3 million deterioration in net interest income reflects the increase in debt arising from the acquisitions (EUR 14.5 million).

Including purchase price allocation effects and restructuring expenses from the previous year only, EBT was EUR 170.9 million or 10.5 percent of revenue in the fourth quarter, up EUR 125.2 million or 692 basis points on the previous year (EUR 45.7 million).

In full-year 2011, EBT increased by EUR 227.9 million year-on-year to EUR 398.6 million (previous year: 170.7 million); this was due among other things to the recognition in the previous year of restructuring expenses of EUR 119.3 million. Adjusted for these restructuring costs and purchase price allocation effects, the figure for the previous year was exceeded by EUR 147.5 million; as a result, the adjusted EBT margin improved by 147 basis points to 8.3 percent.

The income tax expense in fiscal year 2011 of EUR 86.0 million (previous year: EUR 39.9 million) comprised current taxes of EUR 86.6 million (previous year: EUR 56.1 million) and deferred taxes of EUR -0.6 million (previous year: EUR -16.3 million). The group tax rate was thus 21.6 percent, after 23.4 percent in the previous year. The reduction in the tax rate compared with fiscal year 2010 is due to the expectation that tax loss carryforwards will be utilized to a greater extent as a result of improved business performance.

Profit after tax from continuing operations amounted to EUR 312.6 million in fiscal year 2011 (previous year: EUR 130.9 million). This corresponds to earnings per share of EUR 1.70, compared with EUR 0.70 in the previous year.

Once again, profit after tax from discontinued operations of EUR 0.0 million (previous year: EUR 0.1 million) did not have any significant impact on consolidated profit. As in the previous year, this corresponds to earnings per share of EUR 0.00.

Consolidated profit in the fourth quarter thus amounted to EUR 136.2 million (previous year: EUR 41.7 million), of which EUR 135.7 million (previous year: EUR 40.8 million) is attributable to GEA Group Aktiengesellschaft shareholders. This corresponds to earnings per share of EUR 0.74 in the fourth quarter of 2011, after EUR 0.22 in the comparable prior-year period.

Profit for the full year amounted to EUR 312.6 million (previous year: EUR 131.0 million), of which EUR 311.9 million (previous year: EUR 129.3 million) is attributable to GEA Group Aktiengesellschaft shareholders. This corresponds to earnings per share of EUR 1.70 (previous year: EUR 0.70).

In addition to holding company costs in the narrower sense, the results of operations of GEA Group Aktiengesellschaft are primarily driven by net investment income and net interest income. Further details are presented in the section entitled "Net assets, financial position, and results of operations of GEA Group Aktiengesellschaft" (see page 53 ff.).

GEA Group's management is proposing to increase the dividend by EUR 0.15 to EUR 0.55 per share (previous year: EUR 0.40), in line with its long-term and unchanged goal of distributing approximately one-third of the group's earnings to shareholders.

## Financial position

Safeguarding liquidity and centralized financial management have remained important issues for GEA Group since the crisis began on the financial markets in 2008. GEA Group's financial position continues to be stable. The group's financing requirements were secured by the placement of a bond with a volume of EUR 400 million in April 2011. In addition, GEA optimized its financing structure in June 2011 by further extending maturities, improving margins, and increasing the flexibility of its redemption options. New loan agreements totaling EUR 146 million were signed with Kreditanstalt für Wiederaufbau (KfW), and modifications were made to the EUR 650 million syndicated credit line agreed in June 2010. This means that, even allowing for the significant acquisitions of CFS and Bock, GEA Group continues to have sufficient financing options for its future business development.

GEA cash credit lines (EUR million)	Maturity	12/31/2011 Approved	12/31/2011 Utilized
Bond	April 21, 2016	400	400
Borrower's not loan	August 16, 2013	128	128
Syndicated credit line (club deal)	June 14, 2015	650	–
European Investment Bank	July 14, 2017	150	150
Kreditanstalt für Wiederaufbau	Yearly redemption instalments until May 31, 2016	90	90
	Quarterly redemption instalments from March 31, 2013 until December 30, 2016	56	–
Various (bilateral) credit lines including accrued interest	maximum of 1 year or "until further notice"	229	51
<b>Total</b>		<b>1,703</b>	<b>819</b>

The group's financial management encompasses liquidity management, group financing, and the management of interest rate and exchange rate risks. As the group management company, GEA Group Aktiengesellschaft is responsible for GEA Group's central financial management, which aims to reduce financing costs as far as possible, to leverage economies of scale, to hedge interest rate and exchange rate risk exposures as effectively as possible, and to ensure that loan covenants are complied with. The goal of GEA Group's financing strategy is not only to be able to meet its payment obligations whenever they fall due, but also to have always sufficient cash reserves in the form of credit lines, in addition to maintaining a strategic cash position.

Cash flow from operating activities is the most important source of liquidity. Intragroup cash pooling aims to limit external cash investments and borrowings to a level as low as possible. To achieve this, GEA Group Aktiengesellschaft has established cash pooling groups in 13 countries that automatically balance the accounts of the participating group companies every day by crediting or debiting a target account at GEA Group Aktiengesellschaft. Any additional liquidity requirements are generally borrowed by group management, which also invests surplus liquidity. In a number of cases, however, liquidity peaks in individual countries cannot be reduced on a cross-border basis in individual countries due to legal or tax-related reasons.

Net liquidity as of December 31, 2010 (EUR 104.8 million) deteriorated by EUR 491.6 million, resulting in net debt of EUR 386.8 million as of December 31, 2011. This represents a EUR 286.1 million improvement in net debt compared with September 30, 2011, which was due in particular to the targeted reduction in working capital in the fourth quarter of 2011.

The ratio of working capital to revenue was 10.7 percent as of the reporting date (previous year: 10.1 percent) and 12.6 percent on average for the year (previous year: 12.4 percent).

### Change in working capital <sup>1</sup>

(EUR million)

	Trade receivables	Inventories		Trade payables	Advance payments received	Working capital
Q4 2011 <sup>2</sup>	1,249	691	-	831	587	= 522
Q4 2011 <sup>3</sup>	1,357	743	-	903	620	= 577
Q3 2011 <sup>3</sup>	1,238	799	-	706	612	= 720
Q3 2011 <sup>2</sup>	1,160	736	-	659	579	= 659
Q4 2010	1,034	590	-	672	507	= 445

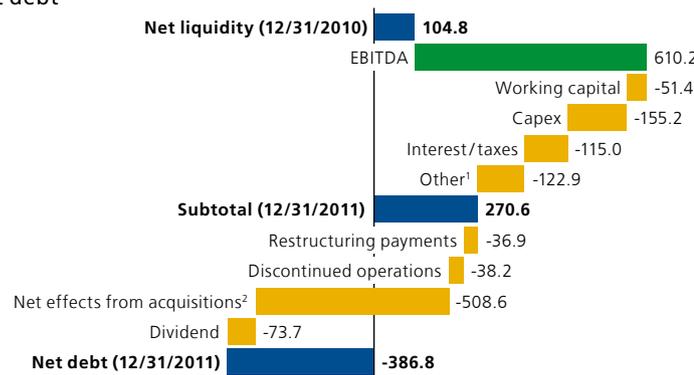
1) Continuing operations only.  
2) Without acquisition of GEA CT.  
3) Including acquisition of GEA CT.

Overall, cash and cash equivalents plus marketable securities as of December 31, 2011, decreased to EUR 432.4 million compared with EUR 563.5 million as of the end of the previous year. Restricted cash amounted to EUR 5.7 million (previous year: EUR 10.8 million). Unrestricted cash in the amount of EUR 426.7 million will continue to guarantee GEA Group's financial independence in the future. Liabilities to banks (EUR 410.1 million) and from the bond issue (EUR 409.1 million, including accrued interest) amounted to a total of EUR 819.2 million at the reporting date (previous year: EUR 458.7 million).

Starting from EBITDA of EUR 610.2 million and the slight relative increase in working capital, which rose by EUR 51.4 million after adjustment for changes in the basis of consolidation, the EUR -491.6 million change in net liquidity is attributable to the following payments:

### Change in net liquidity/net debt

(EUR million)



1) Including EUR -40.3 million pension payments, EUR -11.7 million receivables from tax authorities (net, not including income taxes), and EUR -6.8 million effect of exchange rate changes on cash and cash equivalents.  
2) Balance from acquisitions and sales of businesses.

The largest cash outflows during the year as a whole resulted from acquisitions (EUR 517.1 million), whereby the purchase of CFS in the year under review was partially offset by inflows of EUR 8.5 million from the disposal of the packaging division. The net amount of EUR 508.6 million includes EUR 319.4 million due to the fact that GEA replaced CFS's external financing by its previous shareholders and banks when it completed the acquisition of the company.

Cash outflows from dividend payments for the previous year and for current capital expenditures for property, plant, and equipment, and intangible assets amounted to EUR 73.7 million and EUR 155.2 million respectively.

Interest and income tax payments reduced net liquidity by EUR 115.0 million. Further payments of EUR 38.2 million arose in connection with the discontinued operations. In addition, restructuring measures in previous years continued to affect liquidity by EUR 36.9 million in 2011. All other changes negatively impacted net liquidity by EUR 122.9 million.

Payments in fiscal year 2011 for discontinued operations were made from the provisions recognized in previous years. Adequate provisions were set up as of December 31, 2011, for the cash outflows of the discontinued operations expected in the following years.

Detailed information on the maturity, currency, and interest rate structure of debt financing can be found in the notes to the consolidated financial statements (pages 119 ff. and 159 ff.).

Guarantee lines for contract performance, advance payments, and warranties amounting to EUR 2,069.7 million (previous year: EUR 2,032.1 million) were available to GEA Group, of which EUR 747.6 million (previous year: EUR 881.0 million) had been utilized.

In addition to the assets recognized in its consolidated balance sheet, GEA also uses non-beneficially owned assets. These are mainly assets leased or rented under operating leases. GEA uses a small number of factoring programs as off-balance-sheet financing instruments. The obligations resulting from rental and leasing obligations are explained in section 9.2 to the consolidated financial statements (page 179 f.).

Overview of cash flow statement /net liquidity (EUR million)	Q4 2011	Q4 2010	Change (%)	Q1-Q4 2011	Q1-Q4 2010	Change (%)
Cash flow from operating activities	354.9	260.8	36.1	313.5	301.7	3.9
Cash flow from investing activities	-49.8	-57.8	8.6	-341.9	-195.4	-75.0
<b>Free cash flow</b>	<b>305.1</b>	<b>203.0</b>	<b>50.3</b>	<b>-28.4</b>	<b>106.3</b>	<b>-</b>
Cash flow from financing activities	-191.7	-14.7	< -100	-90.8	-71.7	-26.6
Change in unrestricted cash and cash equivalents	123.0	197.6	-37.8	-126.1	64.7	-
Cash and cash equivalents	432.4	563.5	-23.3	432.4	563.5	-23.3
Liabilities to banks	819.2	458.7	78.6	819.2	458.7	78.6
Net liquidity	-386.8	104.8	-	-386.8	104.8	-
Gearing (%)	17.9	-5.6	-	17.9	-5.6	-

Cash flow from operating activities amounted to EUR 313.5 million in the year under review, EUR 11.7 million up on the previous year (EUR 301.7 million). In this context, the EUR 181.6 million increase in consolidated profit was largely offset by the EUR 51.4 million increase in working capital, after a decrease of EUR 49.0 million in the previous year, and by cash outflows of EUR 83.9 million from the utilization of provisions.

Cash flow from investing activities decreased by EUR 146.5 million in the year under review, from EUR -195.4 million to EUR -341.9 million. Key reasons for this were increases of EUR 171.3 million in payments for acquisitions and EUR 67.3 million in the cash outflow for property, plant, and equipment, and intangible assets, while payments for guarantees and warranties relating to the sale of discontinued operations amounted to EUR 32.4 million, down EUR 87.6 million on the previous year.

Cash flow from financing activities amounted to EUR -90.8 million in 2011 compared with EUR -71.7 million in 2010. This EUR 19.1 million decline is primarily a result of the year-on-year increase of EUR 18.3 million in the dividend payment and the EUR 11.0 million increase in interest payments. Positive net cash flows from a large number of offsetting financing activities were up only slightly on the previous year, at EUR 9.5 million.

Overall, cash and cash equivalents thus decreased to EUR 432.4 million as of December 31, 2011, compared with EUR 563.5 million in the previous year.

## Net assets

Condensed balance sheet (EUR million)	12/31/2011	as % of total assets	12/31/2010*	as % of total assets	Change (%)
<b>Assets</b>					
Noncurrent assets	3,467.6	55.7	2,784.3	54.2	24.5
thereof goodwill	1,900.1	30.5	1,550.4	30.2	22.6
thereof deferred taxes	398.9	6.4	362.3	7.1	10.1
Current assets	2,752.5	44.2	2,351.3	45.8	17.1
thereof cash and cash equivalents	432.4	6.9	563.5	11.0	-23.3
Assets held for sale	5.1	0.1	2.6	0.0	99.4
<b>Total assets</b>	<b>6,225.2</b>	<b>100.0</b>	<b>5,138.2</b>	<b>100.0</b>	<b>21.2</b>
<b>Equity and liabilities</b>					
Equity	2,163.6	34.8	1,867.6	36.3	15.8
Noncurrent liabilities	1,669.3	26.8	966.8	18.8	72.7
thereof financial liabilities	813.8	13.1	193.9	3.8	> 100
thereof deferred taxes	145.9	2.3	79.9	1.6	82.5
Current liabilities	2,392.3	38.4	2,303.8	44.8	3.8
thereof financial liabilities	94.1	1.5	346.5	6.7	-72.8
<b>Total equity and liabilities</b>	<b>6,225.2</b>	<b>100.0</b>	<b>5,138.2</b>	<b>100.0</b>	<b>21.2</b>

\* Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 36)

Total assets as of December 31, 2011, rose by EUR 1,087.0 million or 21.2 percent to EUR 6,225.2 million compared with December 31, 2010. This increase in total assets is mainly attributable to the initial consolidation of the acquisitions and organic growth of the business volume.

On the asset side of the balance sheet, the structure of noncurrent and current assets changed slightly as a result of the acquisitions. Noncurrent assets rose by EUR 683.3 million, which is attributable in particular to the increase in goodwill of EUR 349.7 million as a result of the major acquisitions made in fiscal year 2011. This figure also includes EUR 64.6 million from the effects of the court settlement in the award proceedings instituted in 1999 (see the report on risks and opportunities on page 75). Other noncurrent intangible assets increased by EUR 198.0 million in connection with purchase price allocations.

Current assets increased by EUR 401.2 million. This related in particular to inventories and receivables, which rose by EUR 153.3 million and EUR 323.2 million, respectively, whereas cash and cash equivalents decreased by EUR 131.1 million.

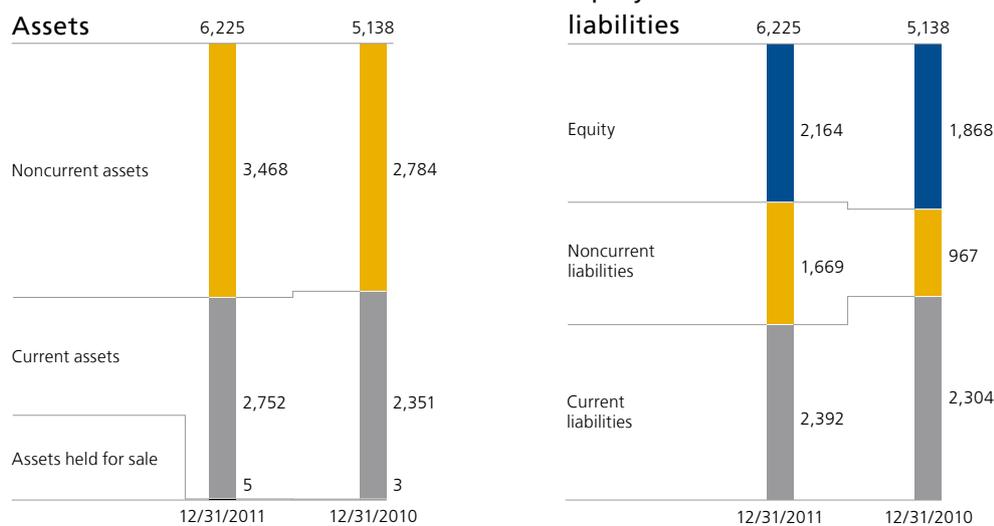
The increase in equity of EUR 296.0 million represents the balance of the consolidated profit of EUR 312.6 million and the capital increase of EUR 64.6 million following the award proceedings on the one hand, and the dividend payment of EUR 73.5 million on the other. The equity ratio declined by 1.5 percentage points to 34.8 percent (previous year: 36.3 percent) as a result of the increase in total assets associated with the acquisitions.

The main reason for the EUR 702.5 million increase in noncurrent liabilities is the financing of the two major acquisitions made in the first quarter of 2011. Another factor is that short-term credit lines that had expired were refinanced by drawing down two long-term lines from the European Investment Bank (EUR 150 million) and KfW (EUR 90 million).

As of the reporting date, current liabilities were up EUR 88.5 million on the figure on December 31, 2010. This is the result of offsetting effects including the decline of EUR 252.4 million in current financial liabilities for the reasons given above and a EUR 231.2 million increase in trade payables. EUR 32.4 million of the EUR 39.0 million decrease in provisions is attributable to payments relating to obligations associated with the plant engineering activities sold in 2007.

### Comparison of net assets (2011 v. 2010)

(EUR million)



## Significant acquisitions and divestments

The GEA Heat Exchangers Segment acquired Mashimpeks Ltd., which is based in Moscow, Russia, and which has sold and installed heat exchangers of GEA in Russia for more than a decade. Most recently, the company reported annual revenue of approximately EUR 14 million. The acquisition was finalized on February 21, 2011.

Following approval by the responsible antitrust authorities, GEA Group Aktiengesellschaft completed the acquisition of Convenience Food Systems (CFS), which is domiciled in Bakel, the Netherlands, effective March 24, 2011. In CFS, GEA acquired one of the most broadly positioned manufacturers of process technology for secondary food processing and packaging (meat, fish, and cheese). The group has approximately 2,000 employees and generated revenue of approximately EUR 407 million in fiscal year 2010/2011. CFS was integrated into the group as a sixth operational segment under the name GEA Convenience-Food Technologies (GEA CT). The new segment was consolidated for nine months of fiscal 2011.

In addition, the acquisition of Bock Kältemaschinen GmbH, domiciled in Frickenhausen near Stuttgart, Germany, was completed as of March 31, 2011, following approval by the relevant antitrust authorities. Bock is a leading manufacturer of open and semi-hermetic reciprocating compressors for stationary and transport-related cooling applications that complements GEA's existing compressor portfolio in the lower and mid-range performance segment. Bock generated annual revenue of almost EUR 70 million in 2010 with around 340 employees. The company was integrated with the GEA Refrigeration Technologies Segment under the name GEA Bock and was likewise consolidated for nine months of fiscal 2011.

Following approval by the relevant antitrust authorities, GEA completed the acquisition of Nu-Con Ltd., New Zealand, as of September 13, 2011. Based in Auckland, the company supplies powder processing components, complete powder processing systems, and filling systems for the food industry to customers worldwide, but particularly in the Asia/Pacific region. It was integrated with the GEA Process Engineering Segment under the name of GEA Nu-Con. The company had 167 employees in 2010 and generated annual revenue of approximately EUR 30 million.

Effective December 1, 2011, GEA completed the sale of CFS Kempten GmbH in Kempten, Germany, to Conflex Packaging GmbH. The company was included in GEA's consolidated financial statements from April to November 2011. Based in Kempten, Germany, CFS Kempten manufactures packaging materials for the food industry and was acquired by GEA in March 2011 as part of the acquisition of CFS Group. In the 2010/2011 fiscal year, CFS Kempten had a workforce of around 190 employees and generated revenue of EUR 45 million.

## Summary of Business Development

Demand from GEA Group's customer markets increased significantly in fiscal year 2011, resulting in a 23 percent increase in both order intake and revenue. Operating EBIT grew by EUR 158 million, or 43 percent, to EUR 525 million. This corresponds to an EBIT margin of 9.7 percent for the group as a whole. Excluding the new GEA Convenience-Food Technologies Segment, the operating EBIT margin would have been 10.0 percent, marking another record high. This improvement in earnings was not only achieved through volume growth, but also resulted from the successful restructuring and reorganization measures of the past few years.

As expected, discontinued operations had no further negative impact on earnings overall.

Summing up, it can be said that all significant forecasts relating to order intake, revenue, and profit communicated at the beginning of fiscal year 2011 and increased in the middle of the year have been met, and in some cases exceeded.

## Employees

The Executive Board of GEA Group Aktiengesellschaft would like to thank all of the group's employees for their sterling work and active commitment in 2011. Our particular thanks go to the employee representatives in Germany and abroad for their responsible and constructive contributions.

There were 23,834 employees as of December 31, 2011. This represents an increase of 3,448 compared with December 31, 2010 (20,386 employees). Excluding the 2,513 employees from acquisitions and other changes in the basis of consolidation, the number of employees increased by 935, including 401 employees in China. This reflects an improvement in the general employment situation. Additions from acquisitions include the new GEA Convenience-Food Technologies Segment (1,836 employees), German company GEA Bock Kältetechnik (298 employees), Russian company GEA Mashimpeks (149 employees), and New Zealand company GEA Nu-Con (137 employees).

Overall, the share of the workforce in Western Europe decreased by a further 1.2 percentage points, and in North America by 0.6 percentage points, but increased in the growth regions of Asia/Pacific and Eastern Europe by 1.5 and 0.8 percentage points respectively.

Employees* by segment	12/31/2011	12/31/2010
GEA Convenience-Food Technologies	1,836	–
GEA Farm Technologies	2,184	2,004
GEA Heat Exchangers	7,679	7,340
GEA Mechanical Equipment	3,614	3,386
GEA Process Engineering	5,093	4,563
GEA Refrigeration Technologies	3,147	2,828
<b>Total</b>	<b>23,554</b>	<b>20,120</b>
Other	281	266
<b>GEA Group</b>	<b>23,834</b>	<b>20,386</b>

\* Full-time equivalents (FTE) excluding vocational trainees and inactive contracts

As of December 31, 2011, GEA Group employed 629 vocational trainees compared with 605 at the same date in the previous year. In Germany, the vocational trainee ratio was 6.0 percent (previous year: 6.3 percent). Excluding the new GEA Convenience-Food Technologies Segment, this figure would have remained unchanged at 6.3 percent. As in the past, the vocational training level exceeds the actual needs of GEA Group.

Employees* by region	12/31/2011		12/31/2010	
Western Europe	14,837	62.3%	12,947	63.5%
Asia/Pacific	3,426	14.4%	2,629	12.9%
North America	2,382	10.0%	2,163	10.6%
Eastern Europe	1,782	7.5%	1,369	6.7%
Latin America	716	3.0%	561	2.8%
Africa	520	2.2%	511	2.5%
Middle East	172	0.7%	205	1.0%
<b>Total</b>	<b>23,834</b>	<b>100.0%</b>	<b>20,386</b>	<b>100.0%</b>

\* Full-time equivalents (FTE) excluding vocational trainees and inactive employment contracts

## Bonus

As in previous years, the Executive Board has resolved to pay out an extraordinary bonus to all employees worldwide, with the exception of top management levels. The total extraordinary bonus amounts to EUR 4.8 million.

## Employee-driven ideas and improvement management scheme

GEA Group promotes and harnesses the creativity and innovative capacity of each and every employee with its group-wide “i<sup>2</sup>m” Ideas & Improvement Management scheme. I<sup>2</sup>m helps increase the group’s profitability, product quality and quality of work, as well as customer satisfaction, in the long term. Since 2011, GEA Improvement Projects (GIPs) have been systematically documented in addition to individual employee ideas. Acquired companies are included in the improvement system’s structures promptly.

In fiscal year 2011, GEA was singled out by Zentrum Ideenmanagement as the sector winner in the category “Best ideas management in the engineering sector” as well as being ranked third across all sectors in Germany.

In 2011, over 15,000 ideas were submitted via i<sup>2</sup>m by employees throughout the group, and almost 850 GIPs were documented. Although it has not been possible to finally evaluate all of these employee ideas so far, over 8,000 ideas – i.e., 53 percent – were successfully implemented in 2011. The annual net benefit for GEA Group from the i<sup>2</sup>m improvement system was almost EUR 22 million in 2011, compared with just over EUR 13 million in the previous year.

In addition to its economic benefits, i<sup>2</sup>m strengthens the corporate culture by actively including employees and motivating them to become involved in shaping their Company. Their commitment was honored in 2011 by EUR 1.4 million in bonuses paid for implemented ideas, as well as recognition bonuses and numerous noncash bonuses.

## GEA Performance Share Plan

In July 2006, GEA Group Aktiengesellschaft launched a long-term remuneration program for first- and second-tier managers; this was extended to include third-tier management in 2008. As in previous years, all participants had to invest an amount equal to 20 percent of the issued

performance shares. In July 2011, a sixth tranche was issued for these three management levels, with a participation rate of 60 percent. Each GEA Performance Share Plan runs for three years. The third tranche, which had been issued in summer 2008, was not paid out because GEA Group's shares did not outperform selected MDAX companies in the three-year reference period.

### **Performance management**

Performance assessments are carried out at regular intervals for managers worldwide. Standardized procedures are used to assess key attributes such as performance and earnings orientation, assertiveness, communications skills, leadership, commitment, use of management tools, and creativity, from the perspective of both their superiors and their employees. The results are used as a basis for drawing up individual development plans and long-term personnel and succession planning.

### **GEA Group Academy**

The GEA Group Academy is the central professional development and training program for all managers and employees below senior management level. In fiscal year 2011, the GEA Group Academy offered trainings in a variety of management and leadership areas at GEA's international locations. As was the case last year, this training was organized in cooperation with an internationally recognized partner.

### **Global Business Consortium**

GEA has been admitted to the London Business School's Global Business Consortium, in which top managers from a range of internationally renowned companies can hone their strategic skills, including using case studies. Board members from of the participating companies are actively included in the program, where they give presentations and take part in discussion groups.

### **Talent management**

In addition to the "Professionals on Stage" development assessment center, which is designed to identify future managers and which is geared towards employees with at least five years' professional experience, a talent identification and development program for high-potential individuals was launched in 2011 under the name of "First Professional Program." Its three modules give young managers who have been with GEA Group for at least two years special training to develop their skills in communication, conflict resolution, leadership, and managing change processes.

The trainee program for university graduates, which to date was only available at the level of the group management company, was enhanced with and extended to the segments in fiscal year 2011. Trainees in all segments are prepared for future management tasks in both commercial and technical areas, over a period of 18 months in GEA companies in Germany and abroad.

### **Personnel marketing**

The online career portal "www.GEA-people.com" was expanded with a view to increasing the Company's attractiveness as an employer and facilitating initial contact with potential candidates. In addition, GEA continued to exhibit regularly at university career fairs in 2011 and was actively involved in developing new engineering talents. The Company's "Technik ist Zukunft" (Technology is the Future) initiative, gave groups of school students extensive information on engineering careers as well as insights into its own production facilities.

### Development measures

GEA relies on first-class training for its new talent and offers twin-track courses of study in cooperation with an institute at Osnabrück University of Applied Sciences. Over six semesters, these twin-track training courses lead to bachelor degrees in various specialist areas.

At GEA, managers have the option of studying for a part-time MBA in an international environment. Corresponding cooperative agreements have been established with Mannheim University, the London Business School, INSEAD, and Harvard University.

Additional personnel-related information can be found on our career website ([www.GEA-people.com](http://www.GEA-people.com)) and in the Personnel Report published separately by GEA Group.

## Diversity and Company Values

GEA operates in a challenging international market environment with a variety of players who influence the Company in very different ways – from competitors, customers, and employees down to the government and society in general. Companies can rise to the many challenges associated with this culturally very diverse environment by being aware of diversity and by actively creating it within its own ranks. GEA has recognized that diversity is a strategic success factor. Diversity is strength.

In line with this, GEA established a Corporate Diversity Management at group management level in January 2011. This system is based on the long-term aim of establishing diversity as an elementary component of GEA's corporate culture, thereby benefiting its business in all areas.

Diversity issues are now included as a matter of course when recruiting personnel. One of the objectives is to recruit more women to GEA and to involve a greater number of talented female employees in internal employee development initiatives. In a first step, the goal is to ensure a female participation level of at least 20 percent across all such development initiatives. Furthermore, diversity management aims to create the conditions for employee potential and talent to be identified reliably. The goal is for these diversity criteria to apply to the development of GEA's entire pool of future executives.

Because of its importance for corporate culture, GEA Group has begun to interlock diversity in its corporate values. Diversity serves as the driving force behind opening up the group to a wider spectrum of ideas and actions, while the group's values determine the direction. Over the past two years, GEA's values – excellence, responsibility, integrity, passion, and GEA-iversity – have been developed and launched in a series of interactive workshops. This process involved all GEA employees worldwide in a constructive dialog.

In order to institutionalize diversity management sustainably, a diversity organization has been established in all segments. GEA's international team of diversity managers consisting of women and men from a very wide range of functions are an excellent example of "walking the talk."

## Net Assets, Financial Position, and Results of Operations of GEA Group Aktiengesellschaft

In addition to the reporting by the group, the following section describes the performance of GEA Group Aktiengesellschaft (group management). The annual financial statements are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act). They are presented here in condensed form.

Net assets of GEA Group AG (HGB) (EUR million)	12/31/2011	as % of total assets	12/31/2010	as % of total assets
<b>Assets</b>				
Intangible fixed assets	1.5	–	1.8	–
Tangible fixed assets	6.6	0.1	4.7	0.1
Long-term financial assets	3,359.4	76.1	2,830.9	75.1
<b>Fixed assets</b>	<b>3,367.5</b>	<b>76.2</b>	<b>2,837.4</b>	<b>75.2</b>
Receivables from affiliated companies	865.2	19.6	607.1	16.1
Other assets	32.7	0.7	27.6	0.7
Receivables and other assets	897.9	20.3	634.7	16.8
Cash	144.9	3.3	296.0	7.9
<b>Current assets</b>	<b>1,042.8</b>	<b>23.6</b>	<b>930.7</b>	<b>24.7</b>
<b>Prepaid expenses</b>	<b>7.0</b>	<b>0.2</b>	<b>4.0</b>	<b>0.1</b>
<b>Total</b>	<b>4,417.3</b>	<b>100.0</b>	<b>3,772.1</b>	<b>100.0</b>
<b>Equity and liabilities</b>				
Subscribed capital	496.9	11.2	496.9	13.2
Capital reserves	250.8	5.7	250.8	6.6
Revenue reserves	538.7	12.2	470.7	12.5
Net retained profits	101.4	2.3	74.3	2.0
<b>Equity</b>	<b>1,387.8</b>	<b>31.4</b>	<b>1,292.7</b>	<b>34.3</b>
<b>Provisions</b>	<b>209.2</b>	<b>4.7</b>	<b>204.6</b>	<b>5.4</b>
Bonds	400.0	9.1	–	–
Liabilities to banks	377.0	8.5	429.1	11.4
Liabilities to affiliated companies	2,013.7	45.6	1,830.1	48.5
Other liabilities	29.5	0.7	15.5	0.4
<b>Liabilities</b>	<b>2,820.2</b>	<b>63.9</b>	<b>2,274.7</b>	<b>60.3</b>
<b>Deferred income</b>	<b>0.1</b>	<b>–</b>	<b>0.1</b>	<b>–</b>
<b>Total</b>	<b>4,417.3</b>	<b>100.0</b>	<b>3,772.1</b>	<b>100.0</b>

The EUR 645.2 million increase in total assets is primarily the result of a EUR 528.5 million rise in long-term financial assets and a EUR 258.1 million rise in receivables from affiliated companies resulting from short-term group financing. Conversely, cash and cash equivalents declined by EUR 151.1 million year-on-year as a result of acquisitions. The change in long-term financial assets is mainly due to loans to affiliated companies used for the long-term financing of subsidiaries. The receivables from affiliated companies result in particular from short-term borrowings by subsidiaries participating in the group's cash pooling system.

On the equity and liabilities side, the equity ratio declined by 2.9 percentage points to 31.4 percent, even though equity itself increased by EUR 95.1 million. Provisions rose slightly by EUR 4.6 million. Bond liabilities and liabilities to banks rose by EUR 347.9 million as a result of acquisitions. Liabilities to affiliated companies relating to short-term group financing grew by EUR 183.6 million; however, this increase should be seen in conjunction with a similar movement on the assets side.

The Executive Board and Supervisory Board transferred a total of EUR 68.0 million to revenue reserves in fiscal year 2011.

Income statement of GEA Group AG (HGB) (EUR million)	12/31/2011	(%)	12/31/2010	(%)
Other operating income	130.0	58.8	121.2	50.3
Personnel expenses	-31.8	-14.3	-27.1	-11.2
Amortization	-3.5	-1.6	-1.2	-0.5
Other operating expenses	-122.3	-55.3	-121.1	-50.3
Investment income	221.3	100.0	240.9	100.0
Net interest income	-10.5	-4.8	-9.1	-3.8
<b>Result from ordinary activities</b>	<b>183.2</b>	<b>82.8</b>	<b>203.6</b>	<b>84.5</b>
Extraordinary expenses	-	-	-0.4	-0.1
Taxes on income	-14.6	-6.6	-3.3	-1.4
<b>Net income for the fiscal year</b>	<b>168.6</b>	<b>76.2</b>	<b>199.9</b>	<b>83.0</b>
Retained profits brought forward	0.8	0.3	0.7	0.3
Appropriation to other revenue reserves	-68.0	30.7	-126.3	-52.4
<b>Net retained profits</b>	<b>101.4</b>	<b>45.8</b>	<b>74.3</b>	<b>30.9</b>

Personnel expenses rose by EUR 4.7 million year-on-year, driven mainly by higher results-related remuneration and the first-time addition for new pension benefits. Exchange rate gains and losses from own hedges and hedges for affiliated companies are reported gross within other operating income and expenses, as in the previous year. Gains of EUR 64.5 million and losses of EUR 76.0 million resulted in net exchange rate losses of EUR 11.5 million (previous year: gain of EUR 1.0 million). The increased expense was driven in particular by unrealized losses in accordance with section 256a of the HGB of EUR 9.9 million (previous year: EUR 0.1 million). In addition to exchange rate gains, other operating income primarily includes income from recharges to subsidiaries, from ancillary operations, and from the reversal of provisions and valuation allowances. In addition to exchange rate losses, other operating expenses mainly comprise the cost of expert opinions and consulting, as well as third-party goods and services. Investment income is composed above all of income and expenses from profit and loss transfer agreements, dividends, and writedowns of financial assets and their reversal.

Because of its financing function for the group, the following cash flow statement has only limited informative value.

(EUR million)	2011	2010
Cash flow from operating activities	36.5	106.2
Cash flow from investing activities	-462.0	-3.4
Cash flow from financing activities	274.4	-34.9
Liquid funds	144.9	296.0

## Proposal on the appropriation of profits

GEA Group Aktiengesellschaft's annual financial statements in accordance with the HGB report net income of EUR 168.6 million. The Executive Board and Supervisory Board appropriated EUR 68.0 million of this amount to other revenue reserves in accordance with section 58(2) sentence 1 of the AktG. The Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 0.55 per share be paid to shareholders from the net retained profits of EUR 101.4 million for a total of 183,807,845 shares and to carry forward the remaining net retained profits of EUR 0.3 million to new account.

The dividend will be paid from the contribution account for tax purposes (section 27 of the Körperschaftsteuergesetz (KStG – German Corporate Income Tax Act)), meaning that investment income tax and the solidarity surcharge will not be deducted. In the case of shareholders in Germany, the dividend is not subject to current taxation in the year of payment. The generally held opinion is that payment of dividends from the contribution account for tax purposes constitutes a repayment of contributions, which results in a subsequent reduction of the acquisition costs for the shares. This can lead to the imposition of higher capital gains taxes if the sales are sold at a later date.

## Explanatory information in accordance with sections 289(4), (5) and 315(4), (2) no. 5 of the HGB

### Composition of the subscribed capital and restrictions on rights

As of December 31, 2011, the subscribed capital of GEA Group Aktiengesellschaft was unchanged at EUR 496,890,368.79 and was composed of 183,807,845 no-par value bearer shares. All the shares are ordinary shares. The rights and obligations arising from these shares are defined in the AktG. The Executive Board is not aware of any restrictions affecting the voting rights. Participation in the GEA Performance Share Plan requires a personal investment by participants in GEA shares, which are subject to a holding period of three years. Participants who infringe the holding period lose their right to participate in the plan.

### Interests in the share capital exceeding 10 percent of the voting rights

There were no interests in the Company exceeding 10 percent of the voting rights as of December 31, 2011.

### Provisions governing the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

The Executive Board is appointed and dismissed in accordance with sections 84 and 85 of the AktG in conjunction with section 31 of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act).

Under Article 20(1) of GEA Group Aktiengesellschaft's Articles of Association, amendments to the Articles of Association may – where legally permissible – be adopted by a simple majority of the share capital represented at the vote. Under Article 21 of the Articles of Association, the Supervisory Board may resolve amendments and additions to the Articles of Association that only affect their wording. In other respects, section 179 of the AktG applies to amendments to the Articles of Association.

### Powers of the Executive Board to issue and repurchase shares

In accordance with Article 4(3) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 77 million by issuing new no-par value shares against cash contributions on one or more occasions until April 29, 2012 (Authorized Capital I) and, in accordance with Article 5(4) of the Articles of Association, to set a starting date for profit rights in this case that deviates from the date stipulated by law. The Executive Board is also entitled, with the approval of the Supervisory Board, to exclude fractions from shareholders' preemptive rights.

In accordance with Article 4(4) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 72 million by issuing new no-par value shares against cash or noncash contributions on one or more occasions until April 20, 2015 (Authorized Capital II) and, in accordance with Article 5(4) of the Articles of Association, to set a starting date for profit rights in this case that deviates from the date stipulated by law. The Executive Board is also entitled, with the approval of the Supervisory Board, to exclude fractions from shareholders' preemptive rights. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in a partial amount of EUR 50 million in the case of capital increases against noncash contributions for the purpose of business combinations or the acquisition of companies, parts of companies, or equity interests in companies. The new shares may also be underwritten by banks with the obligation of offering them to the shareholders for subscription.

In accordance with Article 4(5) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 99 million by issuing new no-par value shares against cash or noncash contributions on one or more occasions until April 21, 2014 (Authorized Capital III) and, in accordance with Article 5(4) of the Articles of Association, to set a starting date for profit rights in this case that deviates from the date stipulated by law. The Executive Board is also authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the case of capital increases against noncash contributions for the purpose of business combinations or the acquisition of companies, parts of companies, or equity interests in companies. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the case of capital increases against cash contributions if the issue price of the new shares does not fall materially below the market price of the same class of shares of the Company at the time the issue price is set. This disapplication of preemptive rights in accordance with sections 203(1) and 186(3) sentence 4 of the AktG is limited to a maximum of 10 percent of the Company's share capital. The limit of 10 percent of the share capital is reduced by the proportion of the share capital attributable to the treasury shares of the Company that are sold during the term of Authorized Capital III while the shareholders' preemptive rights are disappplied in accordance with sections 71(1) no. 8 sentence 5 and 186(3) sentence 4 of the AktG. The limit is also reduced by the proportion of the share capital attributable to those shares that are issued to service bonds with warrants or convertible bonds with an option or conversion right or with an option or conversion obligation, provided that the bonds are issued during the term of Authorized Capital III and the shareholders' preemptive rights are disappplied in accordance with section 186(3) sentence 4 of the AktG. Furthermore, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude fractions from shareholders' preemptive rights. The new shares may also be underwritten by banks with the obligation of offering them to the shareholders for subscription.

Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to stipulate the further details of the capital increase from Authorized Capital I, II, and III and the terms and conditions of the share issue.

Under a resolution adopted by the Annual General Meeting on April 21, 2010, the share capital was contingently increased by up to EUR 48,660 thousand, composed of up to 18 million bearer shares (Article 4(7) of the Articles of Association). The contingent capital increase will only be implemented to the extent that the holders or creditors of option or conversion rights or persons obliged to convert or exercise options under bonds with warrants or convertible bonds that are issued against cash contributions or guaranteed by the Company or a subordinate group company of the Company up to April 20, 2015, on the basis of the authorization of the Executive Board by the Annual General Meeting resolution dated April 21, 2010 exercise their option or conversion rights or, if they are obliged to convert or exercise options, satisfy their obligation to convert or exercise options, or if GEA Group Aktiengesellschaft exercises its option to grant shares of GEA Group Aktiengesellschaft in full or in part instead of payment of the monetary amount due, and if no cash settlement is granted or own shares or shares of another listed company are used in settlement in each case. New shares will be issued at the option or conversion price to be determined in accordance with the authorizing resolution referred to above. The new shares carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the contingent capital increase.

The share capital was contingently increased by a further EUR 3,211 thousand, composed of 1,188,791 bearer shares (Article 4(6) of the Articles of Association). The contingent capital increase serves to grant compensation in shares of the Company to the external shareholders of the former GEA Aktiengesellschaft, Bochum, in accordance with section 5 of the control and profit transfer agreement dated June 29, 1999 entered into by the former Metallgesellschaft AG and the former GEA Aktiengesellschaft. Award proceedings on the appropriateness of the settlement and compensation defined in the control and profit transfer agreement are pending before the Dortmund Local Court (see also page 75). As laid down in the Articles of Association, the contingent capital increase will only be implemented to the extent that the external shareholders of the former GEA Aktiengesellschaft assert any right to compensation.

Under a resolution adopted by the Annual General Meeting dated April 21, 2010, GEA Group Aktiengesellschaft is authorized to purchase own shares up to a total of 10 percent of the share capital in accordance with section 71(1) no. 8 of the AktG. The authorization is valid until April 20, 2015. The shares may be purchased via the stock exchange or by means of a public purchase offer to all shareholders. The shares may subsequently be used for all purposes allowed by law. In particular they may be redeemed, used to service bonds with warrants or convertible bonds, transferred to third parties as part of business combinations or acquisitions, or disposed of in another manner. Further details on the resolutions on the share buyback adopted by the 2010 Annual General Meeting are available in the invitation to the Annual General Meeting, which was published in the electronic Federal Gazette on March 11, 2010.

### Material agreements that take effect in the event of a change of control following a takeover bid

The individual lenders of the syndicated credit line (club deal) amounting to EUR 650 million may refuse new drawdowns in the event of a change of control. The lenders may call in any amounts already drawn down and terminate the respective credit line giving 20 days' notice.

In the case of the bond in the amount of EUR 400 million, each bondholder has the right to require the repayment by the issuer of the nominal amount of their bonds, including accrued interest, if there is a change of control and, as a result, the credit rating is revised downwards to non-investment grade of within 90 days of the change of control taking effect. To exercise this right to early repayment, the bondholder has to submit an appropriate exercise notice within 45 days of publication of the event by the issuer.

In the event of a change of control, the lenders of a EUR 128 million borrower's note loan are entitled to require early repayment of their loan receivable, including interest accrued up to the date of the early repayment. The borrower determines the repayment date, which may not be fewer than 60 days or more than 90 days after the date on which the borrower was informed of the change of control and notified the lenders of this via the paying agent.

In relation to the loan agreements for EUR 90 million and EUR 56 million with Kreditanstalt für Wiederaufbau (KfW), KfW is no longer obliged to disburse payments in the event of a change of control. In this case, the borrower is obliged, on written request by KfW, to repay the loan including accrued interest by no later than the date on which the next interest payment is due.

In the case of the loan agreement with the European Investment Bank (EIB) amounting to EUR 150 million, the EIB is entitled to call in the loan and require early repayment including accrued interest in the event of a change of control. In this case, the borrower is obliged to repay the amount on the date specified by the Bank, which may not be earlier than 30 days after the repayment request.

The lender of a guarantee loan amounting to USD 100 million for subsidiaries in the United States may require negotiations on new agreements within 30 days of a change of control. If no agreement is reached, the lender may require collateral for all outstanding guarantees with immediate effect.

All Performance Shares under the GEA Performance Share Plan expire in the event of a change of control. Managers who have participated in the plan then receive a compensation payment for the expired Performance Shares. This payment corresponds to the allocated target value in each case.

A change of control within the meaning of these agreements and the GEA Performance Share Plan is deemed to have occurred in particular if a majority of voting rights or shares of the Company are transferred to a single person or group of persons.

#### **Compensation arrangements with members of the Executive Board or employees**

Executive Board members' contracts include provisions on the calculation of bonuses in the event of a change of control. Additional details can be found in the remuneration report starting on page 65. Further compensation arrangements with employees have been agreed with regard to the Performance Shares under the GEA Performance Share Plan.

#### **Key attributes of the internal control and risk management system relating to the accounting process**

See the "Risk management system" and "Internal control system" sections on pages 72 and 73 of the management report.

# Corporate Governance Report including the Corporate Governance Declaration

GEA Group Aktiengesellschaft places great importance on transparent and responsible corporate governance and management aimed at long-term value enhancement. Our activities are based on recognized corporate governance principles and comply to a large extent with the suggestions and recommendations of the German Corporate Governance Code as amended on May 26, 2010 (announced in the electronic Federal Gazette on July 2, 2010). The only departure from the Code's recommendations concerns the performance-related remuneration of the Supervisory Board members recommended in section 5.4.6(2) sentence 1 of the Code, which the group continues not to apply.

## Declaration of Compliance

On December 15, 2011, the Executive Board and Supervisory Board of GEA Group Aktiengesellschaft issued the following Declaration of Compliance in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act); the Declaration of Compliance has been made permanently available to the public on the Company's website at [www.geagroup.com](http://www.geagroup.com):

GEA Group Aktiengesellschaft complies and will continue to comply in the future with the recommendations of the German Corporate Governance Code as amended on May 26, 2010 with the following exception:

- The compensation of the Supervisory Board members does not provide for a performance-related component (section 5.4.6(2) sentence 1 of the Code).

Since the Declaration of Compliance dated December 16, 2010, GEA Group Aktiengesellschaft has complied with the recommendations of the German Corporate Governance Code, as amended, with the exception stated below:

- The compensation of the Supervisory Board members did not provide for a performance-related component (section 5.4.6(2) sentence 1 of the Code).

Explanation: The Company believes that a suitable fixed remuneration more appropriately reflects the Supervisory Board's advisory and control function, which must be performed independently of the Company's performance.

Düsseldorf, December 15, 2011

For the Supervisory Board

For the Executive Board

Dr. Jürgen Heraeus

Jürg Oleas

Dr. Helmut Schmale

## Code of Conduct

The Executive Board and Supervisory Board have drawn up a Code of Conduct that stipulates that the group's business activities comply with all laws and with high ethical standards. The Code of Conduct is binding on all employees. It is supplemented by guidelines on individual topics, in particular by the group's anticorruption guideline. Finally, the Company has agreed codes of conduct with its European Works Council that define ethical, social, and legal standards that are binding on all GEA Group employees. The Code of Conduct, the anticorruption guideline, and further information are published on GEA Group Aktiengesellschaft's website under Investor Relations/Corporate Governance.

## Compliance organization

Compliance in the sense of measures to ensure adherence to legal, statutory, and internal requirements, as well as compliance with these by group companies, is considered a key management and supervisory duty at GEA Group. The Company therefore established a compliance organization many years ago. A Chief Compliance Officer, who reports to the CEO and the Supervisory Board's Audit Committee, has been appointed. In addition, a Segment Compliance Officer has been appointed for each segment and a Company Compliance Manager for each operating company. A Compliance Committee was also established in 2010 to advise the Chief Compliance Officer. The members of the compliance organization meet regularly to discuss the latest developments and their potential impact and any need to supplement GEA Group's compliance program. GEA Group's extensive compliance program is rounded off by classroom and web-based training sessions for the group employees responsible for compliance covering the rules contained in the law, the Code of Conduct, and GEA Group's additional compliance guidelines.

## Responsible handling of risks

GEA Group Aktiengesellschaft has grown considerably over the past few years. However, sustainable growth can only be achieved if both the opportunities and risks of business activities are identified and suitably taken into account. An effective control and risk management system is therefore one of the core elements of corporate governance at GEA Group Aktiengesellschaft. Further information on this is available on pages 72 ff. and 119 ff. of this Annual Report.

## Transparency of accounting and auditing

GEA Group Aktiengesellschaft is committed to transparent reporting. The Company's consolidated financial statements and quarterly reports are prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The legally required single-entity financial statements of GEA Group Aktiengesellschaft on which the dividend payment is based are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The Supervisory Board engages the external auditor elected by the Annual General Meeting. The Audit Committee agrees the areas of emphasis of the audit

and negotiates the fee. It ensures that the auditor's work is not compromised by conflicts of interest. In addition to the consolidated and annual financial statements, the Audit Committee discusses the half-yearly and quarterly reports with the Executive Board as recommended in section 7.1.2 of the German Corporate Governance Code.

## Detailed reporting

GEA Group Aktiengesellschaft communicates openly, actively, and in detail. It regularly and promptly informs shareholders, shareholder associations, analysts, and interested members of the public on equal terms about the Company's position and significant changes to its business. The Company's website is an important communications medium here. It contains the annual and interim reports, press releases, ad hoc announcements, and other disclosures required by the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), as well as the financial calendar and other relevant information in German and English. The group also holds regular analyst meetings, press conferences, and events for investors. All presentations made at these events can also be downloaded from GEA's website under Investor Relations/ Presentations.

## Directors' dealings and shareholdings of governing body members

Under section 15a of the WpHG, Executive Board and Supervisory Board members as well as their related parties are obliged to disclose reportable transactions in shares of GEA Group Aktiengesellschaft or related financial instruments if the transactions entered into in a calendar year exceed the threshold of EUR 5,000. The Company was notified of one transaction in fiscal year 2011; details are published on the Company's website.

Total holdings of shares of GEA Group Aktiengesellschaft by all Executive Board and Supervisory Board members amount to less than 1 percent of the shares issued by the Company.

## Securities-based remuneration program for company executives

Effective July 1, 2006, GEA Group Aktiengesellschaft launched a long-term, share price-based remuneration program entitled "GEA Performance Share Plan" for managers in the first two contract levels below the Executive Board. This plan was extended in fiscal year 2008 to include managers in the third contract level. Details are available on page 50 and note 7.3.4 (page 156 f.) to the consolidated financial statements.

## Corporate governance and supervision: Executive Board and Supervisory Board

The Executive Board of GEA Group Aktiengesellschaft, which comprises three members, is the group's management body. The Supervisory Board – which has twelve members, half of whom are shareholder representatives and half employee representatives – advises and monitors the Executive Board. The Executive Board and Supervisory Board cooperate closely for the benefit of the Company; their common goal is a sustainable increase in enterprise value.

## Executive Board

The Executive Board reports regularly, promptly, and extensively to the Supervisory Board on all issues relating to planning, business development, the risk position, the control and risk management system, and compliance that are relevant for the Company. The Articles of Association and rules of procedure specify key transactions that require the Supervisory Board's approval. Further information on the individual members of the Executive Board can be found on pages 8 and 209 of this Annual Report.

## Supervisory Board

The Supervisory Board advises the Executive Board on the management of the Company and supervises its conduct of the Company's business. Five meetings of the Supervisory Board are usually held in each calendar year, which are attended by the Executive Board members unless the Chairman of the Supervisory Board determines otherwise. As a rule, the Supervisory Board's resolutions are adopted at these meetings. On the instruction of the Chairman of the Supervisory Board and unless the majority of Supervisory Board members objects immediately, resolutions can also be adopted outside meetings by casting votes in writing or by telephone. However, this option is normally used in urgent cases only. Resolutions require a simple majority of the votes cast unless a different majority is stipulated by law.

When appointing members of the Executive and Supervisory Boards, the Supervisory Board and its committees base their decision on the criterion of ensuring diversity, as well as creating a balanced mix of specialist expertise and personal attributes. Specific targets relating to the future composition of the Supervisory Board were set on December 16, 2010. These targets were published in the Corporate Governance Report of the 2010 Annual Report, which is available on the Company's website under Investor Relations/Corporate Governance. In addition to the representation of women, these targets include further criteria to ensure the Supervisory Board's composition is diverse – including specialist expertise, industry knowledge, international experience, and, especially, independence. However, when proposing candidates for election as Supervisory Board members, the Supervisory Board must also continue to take into account the Company's interests alongside these targets. The Supervisory Board confirmed the above target composition in its meeting of December 15, 2011.

In fiscal year 2011, the term of office of the Supervisory Board members ended with effect from the close of the Annual General Meeting on April 21, 2011 (see the Report of the Supervisory Board on page 207 for details of the new composition). The targets set were taken into account when proposing the candidates for election to the 2011 Annual General Meeting. Since the Annual General Meeting, the Supervisory Board has had two female members – Ms. Spence on the shareholder side and Ms. Kerkemeier on the employee side. After Mr. Ammer resigned his position as a member of the Supervisory Board for personal reasons on July 7, 2011, Prof. Bauer was appointed as a shareholder representative by the Local Court in Düsseldorf on August 4, 2011, with effect until the end of the 2012 Annual General Meeting. The Nomination Committee and the full Supervisory Board discussed the proposal made to the 2012 Annual General Meeting to elect Prof. Bauer to the Supervisory Board as a shareholder representative. Both bodies consider the election of Prof. Bauer to be appropriate, particularly given his knowledge in the field of food process technology, experience of working in committees, and extensive technological and market expertise.

## Supervisory Board committees

The Supervisory Board's work is supported by committees. These are primarily the Presiding Committee and the Audit Committee, as well as the statutory Mediation Committee and the Nomination Committee recommended by the German Corporate Governance Code. The Presiding Committee, the Audit Committee, and the Mediation Committee each comprise four members and feature equal representation of shareholders and employees. The Nomination Committee generally consists of three members who are exclusively shareholder representatives in accordance with section 5.3.3 of the German Corporate Governance Code.

The Presiding Committee and the Audit Committee usually meet four times during a calendar year. Resolutions by the Presiding Committee and the Audit Committee are adopted at meetings by a simple majority of the votes cast, or outside meetings by a simple majority of the members. If a vote is tied, the Chairman has a second vote on the same resolution if another vote is held. The Nomination and Mediation Committees hold meetings when required.

The Presiding Committee's duties include preparing the Supervisory Board meetings. In particular, this Committee is also responsible for defining the legal relationships between the Company and the individual Executive Board members, and for succession planning for the Executive Board. Decisions on the Executive Board's remuneration system, the total remuneration of the individual Executive Board members, and their appointment and dismissal are made by the full Supervisory Board. The Audit Committee is primarily responsible for issues relating to accounting, the internal control and risk management system, including internal audit, as well as for the necessary independence of the external auditor. It also monitors compliance with key legislation and official regulations, as well as with internal guidelines including GEA Group's Code of Conduct (compliance). The Mediation Committee's duties are laid down in section 27 and 31 of the Mitbestimmungsgesetz (MitbestG - German Co-determination Act). The Nomination Committee's task is to propose suitable candidates to the Supervisory Board for election at the Annual General Meeting.

Further information on the composition of the Supervisory Board and its committees can be found on page 209 and 210 of this Annual Report. The Report of the Supervisory Board on pages 204 ff. of this Annual Report also gives further details of the activities of the Supervisory Board and its committees in 2011.

In accordance with section 317(2) sentence 3 of the HGB, the Corporate Governance Declaration issued pursuant to section 289a HGB is not included in the audit of the financial statements.

# Remuneration Report

(part of the Corporate Governance Report and the Management Report)

## Executive Board remuneration

The remuneration of the Executive Board members is composed of both performance-related and non-performance-related components.

The fixed annual salary paid to Mr. Oleas in the year under review was EUR 1,250,000, and the fixed annual salary paid to Dr. Schmale was EUR 625,000. From April 1, 2012, Dr. Schmale's fixed annual salary will increase to EUR 675,000. Mr. Graugaard's fixed annual salary amounted to EUR 600,000 until July 31, 2011; it was increased to EUR 621,000 as of August 1, 2011, and will be adjusted upward by 3.5 percent on August 1, 2012. The non-performance-related fixed basic remuneration is paid as a monthly salary. In addition, Executive Board members receive noncash benefits that mainly comprise the value of company car use in accordance with tax regulations, accident insurance premiums, and – for Mr. Graugaard – the reimbursement of costs for the maintenance of two households and for flights home to his place of residence. Pension subsidies of up to half of the income threshold for contribution assessment under the statutory pension insurance system are granted to Dr. Schmale against evidence of costs incurred. Instead of pension benefits, Mr. Graugaard receives 12.5 percent of his fixed salary for a private pension insurance scheme limited to the term of his service contract. The other pension benefits for the Executive Board members are described below and listed in the table entitled "Individual vested rights and pension benefits of the Executive Board in 2011."

The performance-related remuneration (bonus) includes a ROCE (return on capital employed) component, a share price component, and a personal performance component. Each of the above components has a weighting of one-third in relation to the defined basic bonus. The respective target amount for each bonus component is adjusted according to the amount by which the target is exceeded or undershot. The amount of the basic bonus corresponds to the respective fixed annual remuneration described above. Mr. Oleas' basic bonus amounted to EUR 1,250,000 during the year under review; Dr. Schmale's basic bonus was EUR 625,000, and Mr. Graugaard's was EUR 608,750.

The amount of the ROCE component corresponds to the ratio of earnings before interest and taxes (EBIT) to the average capital employed in the past 12 months. The payment of this bonus component depends on whether and to what extent the ROCE target set by the Supervisory Board has been met in the relevant fiscal year. If the target is reached, the Executive Board is entitled to 100 percent of the target amount. For each 0.1 of a percentage point by which the ROCE target is exceeded or undershot, the corresponding target amount is increased or decreased by 2 percent. For 2011 the ROCE target was 20.0 percent; the effects of the acquisition of the former GEA AG by the former Metallgesellschaft AG (including the increase in goodwill from the award proceedings resulting from this transaction) and the acquisition of CFS (now the GEA Convenience-Food Technologies Segment) in 2011 were not included in the calculation. The ROCE actually generated in the year under review for the purposes of the contractual bonuses amounted to 26.2 percent. This figure was calculated, subject to the abovementioned adjustments, on the basis of the ROCE recognized for GEA Group in 2011, which was not adjusted for the effects of the CFS acquisition, which amounted to 20.5 percent (see page 184 of this annual report). This resulted in a target achievement of 224 percent for this component.

Under the share price component, the Executive Board generally receives a payment if the year-on-year performance of GEA shares in the fourth quarter of the year in question does not underperform the MDAX. If the increase in GEA's share price corresponds to the MDAX growth rate, the amount paid out is 75 percent of the target amount attributable to this portion of the bonus. The Executive Board only receives the full amount of one-third of the basic bonus if the increase in GEA's share price exceeds the MDAX growth by 20 percent. The amount paid out is increased or decreased accordingly in the case of growth rates 20 percent higher or lower than the MDAX performance. Subject to the applicable caps (see cap 1 and cap 2 below), the Supervisory Board may resolve a payment at its discretion if GEA shares have outperformed the MDAX when prices are falling (i.e., they have declined less sharply than the MDAX as a whole). The same applies if GEA shares rise while the MDAX declines, as was the case in fiscal year 2011. Based on the significantly better year-on-year performance of GEA shares compared with the MDAX, the Supervisory Board assumed a degree of target achievement of 123 percent for the share price component in 2011.

The personal performance component depends on the achievement of the targets set by the Supervisory Board individually for each Executive Board member at the beginning of the fiscal year. The degree of target achievement is also determined in particular on the basis of the criterion of sustainable business development. A degree of target achievement of 87.5 percent was therefore assumed for all Executive Board members for fiscal year 2011.

The overall degree of target achievement for all bonus components in the year under review amounted to 145 percent of the basic bonus for each Executive Board member.

Half of the calculated bonus is payable at the first payroll date following the Supervisory Board meeting adopting the annual financial statements ("short-term bonus"). If the targets have been overachieved, this portion of the bonus is limited to 75 percent of the annual basic bonus (cap 1). For the purpose of aligning the remuneration with sustainability and creating a long-term incentive effect, the other half of the calculated bonus is converted into phantom shares in the Company and their payment amount is determined on expiry of a holding period of three years. The share price relevant for this purpose is the mean of the daily closing prices in Xetra trading on the Frankfurt Stock Exchange on the exchange trading days of the three-month period ending one month before the Supervisory Board meeting adopting the annual financial statements of the fiscal year in which the holding period expires. The dividends distributed for each share during the holding period are added to the figure calculated in this way. The amount payable according to this method ("long-term bonus") is limited to 300 percent of the annual basic bonus (cap 2). After it is calculated, payment of the long-term bonus becomes due at the next payroll date. If the Executive Board member's contract is terminated, the holding period is cut from three years to one year, starting on the date of termination. The payment amount is then calculated by applying the above rules accordingly.

Thus, the combined total of short-term and long-term bonuses is in all cases limited to 375 percent of the basic bonus for the fiscal year to which the bonus relates.

The contractual pension benefit of the Chairman of the Executive Board, Jürg Oleas, is a maximum of EUR 360,000 p.a., with full entitlement to the pension arising after 18 years of service (end of April 2019). Under this agreement, Mr. Oleas' pension is paid if his Executive Board contract ends when or after he reaches the age of 62 or if he becomes permanently unable to work. If Jürg Oleas' Executive Board contract ends before he reaches 18 years of service, he will have a vested entitlement to a pro rata annual pension, which will be payable once he reaches the age of 62. This is calculated based on the ratio of the actual years of service to the period of 18 years of service. If Mr. Oleas

leaves after at least 15 years of service but before reaching the age of 62, he will receive a pension in the form of a transitional benefit of EUR 220,000 p.a. until he reaches the age of 62; his pension will be reduced by up to half of the transitional benefit for the year in question for any severance payment and any other income from new activities that he may have commenced after leaving the Company. The ongoing pension is adjusted annually in line with the consumer price index.

The contractual pension benefit of the CFO, Dr. Helmut Schmale, is a maximum of EUR 200,000 p.a. Under this arrangement, a pension will be paid if the Executive Board contract ends when or after Dr. Schmale reaches the age of 62, or he becomes permanently unable to work. If Dr. Helmut Schmale's Executive Board contract ends before one of the above conditions for payment of his pension is met, he will have a vested entitlement to a pro rata annual pension that becomes payable once he reaches the age of 62. The amount of the pro rata pension is calculated based on the ratio of the actual term of service to the maximum possible term of service before reaching the age of 62. The ongoing pension is adjusted annually in line with the consumer price index.

Mr. Graugaard and Dr. Schmale are entitled to make a personal contribution per fiscal year to a deferred compensation pension scheme for Executive Board members. No employer subsidy is paid.

The surviving dependents' benefits defined in the contracts of Mr. Oleas and Dr. Schmale mainly provide for a lifelong widow's pension and an orphan's pension. The lifelong widow's pension amounts to 60 percent of the retirement pension. The orphan's pension is a specific percentage of the retirement pension and its amount depends on the number of children and whether they are full or half orphans. Entitlement to an orphan's pension expires on reaching the age of 18, or at the latest on reaching the age of 25 if the child in question is still at school or in vocational or professional training. Widow's and orphan's pensions may not collectively exceed the amount of the retirement pension.

The Company has recognized pension provisions for the future entitlements of Executive Board members. The amounts added to these pension provisions for the Executive Board members who are active at the end of the year under review are listed individually in the table below on the basis of IFRSs. These amounts comprise service cost and interest cost.

The Chairman of the Executive Board has a unilateral right of termination if the Supervisory Board revokes his appointment as Chairman of the Executive Board. If Mr. Oleas exercises his unilateral right of termination and leaves the Executive Board, he is entitled to receive the corresponding fixed salary for the remaining months of his contractual term, up to a maximum of 8 months.

If the appointment of an Executive Board member is revoked for good cause with legal effect in accordance with section 84(3) of the Aktiengesetz (AktG – German Stock Corporation Act) or an Executive Board member validly resigns his office in accordance with 84(3) of the AktG, the Executive Board member's employment contract ends on expiry of the statutory notice period under section 622(1), (2) of the Bürgerliches Gesetzbuch (BGB – German Civil Code). In addition to the bonus to which he is entitled up to the date of leaving, the Executive Board member concerned receives as compensation for leaving the Company's service early a severance payment amounting to the total remuneration agreed for the rest of the contractual term. For the calculation of the corresponding bonus entitlement, a degree of target achievement of 85 percent is assumed. The total remuneration for the remaining term is limited to a maximum of two full years of remuneration.

The following rule applies to all Executive Board members with regard to a change of control: If an Executive Board member is removed from office or if his employment contract is terminated by mutual consent within six months of a change of control, the bonus for the respective fiscal year – to the extent legally permissible, in particular in accordance with section 87(1) of the AktG – will be at least 85 percent of the basic bonus. In this context, a change of control is deemed to have occurred as soon as the Company is notified that a shareholder has reached or exceeded 50 percent or 75 percent of the Company's voting rights in accordance with section 21 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), an intercompany agreement is entered into with the Company as a dependent company in accordance with sections 291 ff. of the AktG, or absorption under section 319 of the AktG or a change of legal form of the Company in accordance with the Umwandlungsgesetz (UmwG – German Reorganization Act) is resolved with legal effect.

The total remuneration paid to active Executive Board members of GEA Group Aktiengesellschaft amounted to EUR 6,305 thousand in fiscal year 2011 (previous year: EUR 4,936 thousand) and comprises both a fixed component of EUR 2,484 thousand (previous year: EUR 2,309 thousand) and a variable bonus of EUR 3,597 thousand (previous year: EUR 2,380 thousand), of which only half (EUR 1,799 thousand) will be paid out as a short-term bonus in 2012 (previous year: EUR 1,190). The other half will be paid out as a long-term bonus following the expiration of a three-year holding period depending on the performance of GEA shares.

The following tables show an individualized breakdown of the fixed component, bonus, other remuneration, and pension benefits.

The table below presents the remuneration paid to each Executive Board member in 2011 compared with the previous year:

(EUR)	Fixed remuneration	Bonus <sup>1</sup>	Number of Phantom Shares awarded as LTI <sup>2</sup>	Value of LTI <sup>2</sup>	Noncash benefits	Pension subsidies	Total
Jürg Oleas	1,250,000	905,208	41,034	905,208	31,644	–	<b>3,092,061</b>
prior year	1,124,550	546,667	26,589	546,667	40,999	–	<b>2,258,883</b>
Niels Graugaard	608,750	440,836	19,984	440,836	82,787	76,094	<b>1,649,304</b>
prior year	570,833	312,056	15,178	312,056	105,753	71,354	<b>1,372,052</b>
Dr. Helmut Schmale	625,000	452,604	20,517	452,604	26,763	6,448	<b>1,563,419</b>
prior year	613,125	331,417	16,120	331,417	22,294	6,448	<b>1,304,700</b>
<b>Total</b>	<b>2,483,750</b>	<b>1,798,649</b>	<b>81,534</b>	<b>1,798,649</b>	<b>141,194</b>	<b>82,541</b>	<b>6,304,783</b>
<b>prior year</b>	<b>2,308,508</b>	<b>1,190,139</b>	<b>57,887</b>	<b>1,190,139</b>	<b>169,047</b>	<b>77,802</b>	<b>4,935,635</b>

1) Paid out after the end of the respective fiscal year.

2) LTI = Long-term incentive, bonuses that are paid out following the expiration of a three-year holding period depending on the performance of GEA shares.

Further information on phantom shares granted to date is included in note 7.3.4 to the consolidated financial statements (page 156 f. of this Annual Report).

## Individual vested rights and pension benefits of the Executive Board in 2011

(EUR)	Pension benefit p.a. (as of December 31, 2011) (annual entitlement at start of pension)	Pension entitlements p.a. earned as of December 31, 2011	Additions to pension provisions (IFRS) in fiscal year 2011	Present value pension benefit (as of December 31, 2011)
Jürg Oleas	360,000	206,636	1,087,078	4,324,005
Niels Graugaard *	8,120	8,120	–	107,156
Dr. Helmut Schmale	200,000	146,925	867,449	2,640,247
<b>Total</b>	<b>568,120</b>	<b>361,682</b>	<b>1,954,527</b>	<b>7,071,408</b>

\* Mr. Graugaard's pension benefit is based solely on his personal contributions to the pension scheme by way of deferred compensation and will be paid out on the date of retirement in the form of a capital lump sum.

## New remuneration system 2012

Following preparation by the Chairman's Committee, the Supervisory Board discussed the restructuring of Executive Board remuneration on several occasions during the year under review. In particular, the Supervisory Board sought ways to provide for an even greater balance of the risks-and-chances profile from the shareholders' and Executive Board's perspective and to enhance the sustainability of the remuneration system by separating the short term and the long term incentives. In addition it was the goal to develop a remuneration system which can be broken down more easily to the management levels below the Executive Board, thereby enabling a better steering of the operating businesses. Following consultation with an expert, who also provided advice on restructuring the variable remuneration system in the light of market trends, the Supervisory Board resolved to implement a new variable remuneration system in December 2011. The discussions resulted in the following provisions with effect from fiscal year 2012:

The variable remuneration consists of three components as before, but these are now independent of each other:

- 1.) Individual component: measured over one year based on personal targets, weighting of 40 percent (capped at 200 percent);
- 2.) Financial component: measured retrospectively over several years based on a combination of cash flow aspects and the ROCE, also with a weighting of 40 percent (capped at 250 percent), and
- 3.) Share price component: measured over several years based on comparison of GEA's share price performance against a benchmark index, weighting of 20 percent (capped at 300 percent).

The overall cap is therefore reduced from the former 375 percent of the target bonus to 240 percent. By contrast, the proportion of remuneration components assessed over several years has increased to 60 percent.

The individual component includes three to five specific personal performance targets for each Executive Board member, one of which must be measurable in financial terms. A personal revenue-based target is also set. Achievement of performance targets is determined by the Supervisory Board on the basis of individual and overall assessments.

The amount of the financial component is primarily based on the achievement of a target "cash flow driver margin." This is a simplified cash flow indicator (= EBITDA minus CAPEX plus/minus change in working capital) calculated as a ratio of revenue. The cash flow driver margin actually generated, which is compared against the target value using a defined target

achievement corridor, is calculated based on average values over a period of three years. This three-year period comprises the relevant fiscal year and the two preceding fiscal years. The amount of the financial component also depends on the achievement of a specified ROCE target and a ROCE corridor of +/-5 percentage points. If the ROCE achieved is within the defined corridor, the bonus calculated is increased or decreased by up to 50 percent. If the ROCE generated is outside this corridor of +/-5 percentage points, the amount by which the corridor is exceeded or undershot is taken into account at the Supervisory Board's discretion, subject to the cap of a maximum of 250 percent of the target amount for the financial component.

For the share price component, a comparison is made for the relevant three-year period between the performance of GEA shares (adjusted for dividends) and the performance of the STOXX® Europe TMI Industrial Engineering index ("TMI IE"), in which a large number of European industrial firms are listed. If GEA's share price performance corresponds to 100 percent of the TMI IE's performance, the Executive Board is entitled to 100 percent of the target amount. In the event of outperformance of more than 100 percent, the bonus rises to a maximum of 300 percent of the target amount. If the increase in GEA's share price over the three-year period is less than 100 percent of the growth in the TMI IE, the bonus is reduced accordingly up to an underperformance of 75 percent; if the GEA shares have declined, the Supervisory Board may still award a bonus if the shares have nonetheless outperformed the TMI IE.

## Remuneration of former Executive Board members and their surviving dependents

Former members of the Executive Board and their surviving dependents received remuneration of EUR 2,085 thousand (previous year: EUR 1,995 thousand) from GEA Group Aktiengesellschaft and payments of EUR 5,062 thousand (previous year: EUR 5,467 thousand) from the GEA group. GEA Group Aktiengesellschaft recognized pension provisions for former Executive Board members and their surviving dependents in accordance with IFRSs, of EUR 25,935 thousand (previous year: EUR 26,444 thousand); the amount recognized by the GEA group for these persons was EUR 50,603 thousand (previous year: EUR 51,709 thousand).

## Remuneration of the Supervisory Board members

The expenses incurred for the Supervisory Board amounted to EUR 1,147 thousand in fiscal year 2011 (previous year: EUR 745 thousand). Under Article 15(1) of the Articles of Association, each member of the Supervisory Board receives fixed annual remuneration of EUR 50 thousand, payable after the end of each fiscal year, in addition to the reimbursement of expenses. The Chairman of the Supervisory Board receives two and a half times this amount, and his deputy one and a half times this amount. Under Article 15(2) of the Articles of Association, the members of the Chairman's Committee and the Audit Committee each receive an additional EUR 35 thousand. The chairman of each of these committees receives twice this amount. No separate remuneration is paid to members of the Mediation Committee or the Nomination Committee. Members who join or leave the Supervisory Board or its committees during the year are paid pro rata for the period of their membership. The Supervisory Board's remuneration does not include any performance-related component. Under Article 15(3) of the Articles of Association, at the end of the fiscal year Supervisory Board members also receive an attendance fee of EUR 1,000 for each meeting of the Supervisory Board and of the Chairman's Committee and Audit Committee that they have attended.

The following table shows the individual remuneration and its respective components for membership of the Supervisory Board and the Chairman's Committee and Audit Committee for 2011 compared with the previous year:

(EUR)	Supervisory Board remuneration	Chairman's Committee remuneration	Audit Committee remuneration	Attendance fees	Totals
Dr. Heraeus	125,000	70,000	35,000	15,000	<b>245,000</b>
Prior year	75,000	50,000	25,000	9,750	<b>159,750</b>
Siegers*	75,000	35,000	–	7,000	<b>117,000</b>
Prior year	45,000	25,000	–	6,750	<b>76,750</b>
Ammer (until 07/07/2011)	25,000	–	–	2,000	<b>27,000</b>
Prior year	30,000	–	–	4,500	<b>34,500</b>
Bastaki	50,000	–	–	3,000	<b>53,000</b>
Prior year	30,000	–	–	3,000	<b>33,000</b>
Prof. Dr. Bauer (since 08/04/2011)	20,833	–	–	1,000	<b>21,833</b>
Prior year	–	–	–	–	–
Eberlein	50,000	–	46,667	9,000	<b>105,667</b>
Prior year	30,000	–	–	4,500	<b>34,500</b>
Gröbel*	50,000	35,000	–	11,000	<b>96,000</b>
Prior year	30,000	25,000	–	6,750	<b>61,750</b>
Hunger*	50,000	–	23,333	9,000	<b>82,333</b>
Prior year	30,000	–	–	4,500	<b>34,500</b>
Kämpfert	50,000	–	–	6,000	<b>56,000</b>
Prior year	30,000	–	–	4,500	<b>34,500</b>
Kerkemeier* (since 04/21/2011)	37,500	–	–	4,000	<b>41,500</b>
Prior year	–	–	–	–	–
Dr. Kuhnt (until 04/21/2011)	16,667	–	23,333	5,000	<b>45,000</b>
Prior year	30,000	–	50,000	8,250	<b>88,250</b>
Löw*	50,000	–	35,000	11,000	<b>96,000</b>
Prior year	30,000	–	25,000	8,250	<b>63,250</b>
Dr. Perlet	50,000	35,000	–	9,000	<b>94,000</b>
Prior year	30,000	25,000	–	6,000	<b>61,000</b>
Spence (since 04/21/2011)	33,333	–	–	1,000	<b>34,333</b>
Prior year	–	–	–	–	–
Stöber* (until 04/21/2011)	16,667	–	11,667	4,000	<b>32,334</b>
Prior year	30,000	–	25,000	8,250	<b>63,250</b>
<b>Total</b>	<b>700,000</b>	<b>175,000</b>	<b>175,000</b>	<b>97,000</b>	<b>1,147,000</b>
<b>Prior year</b>	<b>420,000</b>	<b>125,000</b>	<b>125,000</b>	<b>75,000</b>	<b>745,000</b>

\* The employee representatives from the Works Council and the Union remit their remuneration in accordance with guidelines of the Hans-Böckler-Foundation

## Report on Post-Balance Sheet Date Events

On January 30, 2012, GEA Group Aktiengesellschaft reached a legal settlement in the award proceedings, that were instituted in 1999 and that were described in greater detail in the last annual report (see Annual Report 2010, page 64). Details of the settlement can be found in the “Legal risks” chapter of this management report (see page 75).

# Report on risks and opportunities

## Risk policy is a component of the group's strategy

GEA Group's ability to leverage its growth and earnings potential depends on it using the opportunities that arise, although this in turn is associated as a matter of principle with business risks. Taking calculated risks is therefore part of GEA Group's corporate strategy. To meet the objective of sustainably increasing enterprise value, it is necessary, as far as possible, to enter into only those risks that are calculable and matched by greater opportunities. This requires active risk management to avoid taking inappropriate risks and monitor and control those risks that have been entered into.

GEA Group's strategic and medium-term planning are key components of the way in which it manages opportunities and risks. These processes are used to prepare decisions on core technologies and markets, along with the corresponding allocation of resources. The objective is to ensure stability by diversifying and by concentrating on markets of the future. At the same time, developments that may jeopardize GEA Group's continuing existence can be identified at an early stage.

Opportunities and risks arising from significant operating decisions – for example whether to take on orders or to implement capital expenditure projects – are assessed and hence actively managed by the relevant departments and decision-makers at all group levels in a decision-making process that takes materiality criteria into account.

## Risk management system

All group companies are integrated into GEA Group's risk management system. Quarterly and size-related ad hoc risk reports ensure that segment and group management decision-makers are informed promptly about material existing risks and potential risks affecting future development.

The basic principles of an orderly risk management system and the related workflows are documented in a group-wide risk guideline, which is broken down and structured in greater detail by the divisions to meet their specific requirements. These guidelines also document mandatory risk reporting and management requirements. Compliance with these requirements is monitored regularly by the Internal Audit function.

Risk management instruments such as the Risk Assessment and Advisory Committees (RAACs) are supplemented by a reporting system encompassing consolidated financial projections, monthly consolidated financial statements, and regular meetings between the Executive Board and the segment heads to enable the various risks to be identified and analyzed.

The specific requirements of the group's project business are addressed by risk boards at segment and group management level. Before a binding quotation is submitted or an agreement signed, the commercial and contractual terms of potential orders are examined in detail by specialists from various departments so that risks that cannot be controlled are avoided. The risk management system therefore already comes into play before risks arise, in the form of a critical examination of the opportunity and risk profile of quotations. No agreement may

be signed if the profile is inappropriate. The risk management system is not only designed to identify risks that jeopardize the group's continued existence at an early stage, as required by law; it also captures all risks that may have a material adverse effect on the operating result of a segment or the group. The application of the risk management system at all levels is reviewed regularly by the Internal Audit function.

Adequate provisions have been recognized for all identifiable risks arising from the group's operating activities provided that the recognition criteria for liabilities have been met. The following section provides details of existing risks. Risks that are not yet known or currently regarded as insignificant may also have an adverse effect on business activities.

## Internal control system

GEA Group's internal control system (ICS) comprises the risk management system (RMS) as well as other principles, measures, and rules (other components of the ICS). While the RMS aims at identifying and classifying risks, the other components of the ICS serve primarily to prevent or mitigate risk using control measures. The Internal Audit function is another component of the ICS.

The RMS comprises principles, measures, and rules relating to the early risk recognition system in accordance with section 91(2) of the Aktiengesetz (AktG – German Stock Corporation Act) as well as those relating to other components of the risk management system. In the other components of the ICS, a distinction is made between principles, measures, and rules that are accounting- or non-accounting-related.

GEA Group's accounting-related ICS encompasses all principles, measures, and rules that ensure the proper approval and recording of business transactions for monthly, quarterly, and annual financial statements. The goal of the implemented ICS is to ensure reliable financial reporting, compliance with the relevant laws and standards, and the cost-effectiveness of business workflows.

In addition to GEA Group Aktiengesellschaft, all consolidated subsidiaries are integrated into the ICS.

The following key principles of GEA Group's ICS must be applied in all business functions: clearly defined areas of responsibility, the separation of functions in all areas of activity, dual signature policies, compliance with guidelines, instructions, and procedural requirements (manuals), obligation to obtain comparative offers before awarding contracts, protection of data from unauthorized access, and the holding of training sessions to ensure uniform procedures within the group.

Key accounting-related measures and rules designed to ensure uniform accounting at all subsidiaries are: accounting and account allocation manuals, a uniform chart of accounts, consolidation and calculation manuals, the approval of entries using the dual control principle, and the fact that certain entries can only be made by selected persons. To prevent errors, standardized IT systems are used in GEA Group's accounting, controlling, and finance functions in all significant group companies, and are regularly updated to reflect the latest legal requirements.

Compliance with the principles, measures, and rules for the ICS and RMS as described above is monitored systematically; this takes the form of regular reviews by GEA Group's Internal Audit function, which reports directly to the Executive Board and submits regularly reports to the Audit Committee. The results enable the elimination of defects identified at the companies reviewed and the ongoing enhancement of the ICS in the group.

Overall, GEA Group's internal control system has been implemented in such a way as to ensure reliable financial reporting.

## Summary of the risk position and changes compared with 2010

The identified risks from operating activities and the negative impact on earnings that could result have not changed significantly as against the previous year. As in 2010, the structure of GEA Group with its regional and industry diversification offers broad protection from cluster risks. In addition, GEA Group is not dependent on individual business partners, be they among either suppliers or customers.

No significant new risks arose with regard to discontinued operations in fiscal year 2011. The measurement uncertainty in relation to individual items was reduced further.

Overall, no risks to GEA Group or GEA Group Aktiengesellschaft were identified that, alone or in combination with other risks, could jeopardize the continued existence of the Company.

## External risks

### Risks arising from the economic environment

GEA Group's sales markets have a differentiated product and customer structure. This diversification moderates the impact on total demand of fluctuations in specific submarkets. However, the group does have a focus on the food, energy generation, and oil and gas industries.

A significant proportion of GEA's business consists of projects that depend on the financing available to GEA's customers. A general decline in demand or a shortage of credit could make it more difficult to implement such projects. For the same reason, existing orders could be deferred or even canceled.

Although country-specific conflict situations that may result in risks to the group are monitored continuously as part of the risk management process, the potential risks arising from such situations may be difficult to quantify. However, no risks are anticipated that could have a significant impact on the group's results of operations.

## Price risk

On the sales side, future prices will depend to a considerable extent on general economic trends going forward. Any fall in capacity utilization in the industry could also have a negative impact on price levels.

With respect to procurement, current expectations are that prices for key materials will not increase. GEA Group processes a number of materials, such as steel, copper, aluminum, and titanium. Purchase prices for these metals may fluctuate significantly depending on market conditions. Long-term supply agreements are entered into with selected suppliers in order to lock in the procurement prices used as the basis for costing orders. There were a small number of aluminum commodities futures as of the reporting date. These were acquired in connection with the Bock Group.

## Legal risks

### Award proceedings

In the award proceedings described in the last annual reports, a court settlement between the parties was agreed on January 30, 2012, before the Dortmund Regional Court. The award proceedings relate to the control and profit transfer agreement entered into in 1999 between the former Metallgesellschaft AG (whose legal successor is GEA Group Aktiengesellschaft) and the former GEA Aktiengesellschaft, which was later merged with it. In this settlement, GEA Group Aktiengesellschaft undertook to increase the share-based compensation and grant a higher cash settlement, based on the court's proposal.

GEA Group Aktiengesellschaft intends to create contingent capital at its 2012 Annual General Meeting in order to create the new shares required by the settlement. The entry into force of the settlement is subject to the condition precedent that the contingent capital of GEA Group Aktiengesellschaft needed to settle the new shares is finally and absolutely entered in the commercial register. The award proceedings will be terminated with the entry into force of the settlement. Likewise, further information on the implementation of the settlement will be published when it enters into force.

Subject to the entry into force of the settlement, and based on the exchange ratio agreed in the settlement (31 shares of GEA Group Aktiengesellschaft for 15 shares of the former GEA AG), up to approximately 13.42 million new shares will be issued as increased compensation to those external shareholders of the former GEA AG who had already received the compensation provided for in the control and profit transfer agreement in 1999. A further up to approximately 1.68 million new shares of GEA Group Aktiengesellschaft may potentially have to be issued on request on the basis of the abovementioned exchange ratio to those shareholders of the former GEA AG who ceased to be shareholders of the former GEA AG in the course of the 2005 squeeze-out in return for a cash compensation payment in accordance with sections 327a ff. of the AktG. In return, these former GEA AG shareholders would then have to refund their cash compensation payment under the squeeze-out in the amount of EUR 53 per share of the former GEA AG, plus the interest paid by GEA.

In addition, those shareholders of the former GEA AG who received compensation payments on the basis of the control and profit transfer agreement will receive increased compensation in the total amount of approximately EUR 0.83 million.

## Plant engineering

There are still some sector-specific legal disputes from the former plant engineering business in which the disputed amounts in some cases are in the high millions; often, they have been set too high for tactical reasons. The main legal disputes relating to the former plant engineering business include the following:

GEA Group Aktiengesellschaft is one of two defendants being sued by Panda Energy International (“Panda Energy”) in a district court in Texas (U.S.A.) for alleged deception in connection with claimed investments by Panda Energy in a project undertaken in Texas by the plant engineering business that GEA has since disposed of (“Texas District Court proceedings”). In December 2011, Panda energy first specified its claim for damages in these proceedings at a minimum of USD 104 million plus punitive damages and legal, expert, and court costs. GEA Group Aktiengesellschaft had initially applied for the complaint to be dismissed due to lack of jurisdiction of the ordinary courts. The District Court and later the Texas Court of Appeals denied this application. GEA Group Aktiengesellschaft then appealed to the Texas Supreme Court and applied for the Texas District Court proceedings to be suspended pending the decision on jurisdiction. A decision by the Texas Supreme Court is still outstanding. GEA Group Aktiengesellschaft believes that Panda Energy’s claims for compensation are unfounded and it will continue to defend itself against the complaint. There is also an action pending before a district court in New York (U.S.A.) filed by GEA Group Aktiengesellschaft in August 2011 against Panda Ethanol, Inc. (PEI), a subsidiary of Panda Energy. In these proceedings, GEA Group Aktiengesellschaft is asserting claims against PEI arising from assigned rights against PEI that it had acquired in the course of insolvency proceedings for the project company. A decision by the court is still outstanding.

Two subsidiaries of the former plant engineering business were sued in connection with an earlier plant engineering project for repayment of subsidies in a total amount of approximately EUR 22 million (including possible interest). Both defendant companies had made liability declarations in line with the amount of their investment in the now insolvent project company covering the obligation of the project company to pay back subsidies received under certain conditions. The basic issue in dispute is whether the subsidiaries can rely on an earlier restricting declaration made by the highest competent authority of a German federal state in their defense against the claims asserted against them under the liability declarations. Since the two subsidiaries have the different places of jurisdiction, the actions were filed in courts in both Düsseldorf and Frankfurt. During the reporting period, the plaintiff won in the Higher Regional Court in Düsseldorf and lost in the Higher Regional Court in Frankfurt. The GEA subsidiary has appealed the decision of the Higher Regional Court in Düsseldorf to the German Federal Court of Justice (BGH) on the grounds of denial of appeal. In the decision of the Higher Regional Court in Frankfurt, the plaintiff has appealed to the BGH.

## Dorries Scharmann AG

An action brought by the insolvency administrator of Dorries Scharmann AG against GEA Group Aktiengesellschaft is pending at the Dusseldorf Regional Court. The former Metallgesellschaft AG, the legal predecessor to GEA Group Aktiengesellschaft, held an interest in Schiess AG, which later became Dorries Scharmann AG. On the basis of that interest, the insolvency administrator is asserting various claims under company law, in particular for equity substitution, which amount to approximately EUR 20 million including possible interest. GEA Group Aktiengesellschaft considers the claims that have been asserted to be unfounded. The senior expert appointed by the court to decide matters relating to equity substitution has fully confirmed GEA Group Aktiengesellschaft’s opinion. GEA Group Aktiengesellschaft will continue to defend itself against all claims.

## General

Further legal proceedings or official investigations have been or may be instituted against GEA Group companies as a result of earlier business disposals and operating activities.

Adequate provisions have been recognized for all risks arising from both the legal disputes described above and other legal disputes being pursued by GEA Group in the course of its ordinary operating activities. However, the outcome of these proceedings cannot be predicted with any degree of certainty. It is therefore possible that the conclusion of the proceedings may result in expenses that exceed the amounts that may have been set aside for them.

## Internal risks

### Business performance risks

Long-term engineering orders are a significant element of GEA Group's business. Some of these contracts entail particular risks, as they involve assuming a significant portion of the risk associated with the project's completion, and may moreover provide for warranty obligations that remain in force for several years after the project's acceptance. This applies in particular to fixed-price contracts. Technical problems, quality problems at subcontractors, and missed deadlines may lead to cost overruns. There is therefore an extensive risk management system in place at group management and segment level to closely monitor order-related risks. This comes into play before binding quotations are submitted. Adequate provisions have been recognized for all foreseeable risks in this area.

Defined risks relating to selected orders have remained with the group following the sale of the Lurgi and Lentjes divisions. With one exception, all Lentjes plants supplied under these orders have provisionally been handed over to the customers and are therefore under warranty. With one exception, the warranty periods for all Lurgi projects have expired. In one Lurgi project, a boiler still has to be commissioned. Overall, the provisions recognized are adequate. Measurement certainty continued to improve compared with the previous year in line with project progress.

Furthermore, the Company sees risks in connection with macroeconomic trends. If a downturn in the economy leads to a reduction in order intake to below the level of the previous fiscal year, this could have a negative impact on earnings due to capacity underutilization and capacity adjustment measures.

Dedicated and qualified employees are a critical success factor for GEA Group. The group has various staff policy measures in place to counter the risk that it will be unable to fill vacant positions adequately or will lose skilled employees. The measures aim to position GEA as an attractive employer and foster employees' long-term loyalty to the group (see page 50 ff.).

### **Acquisition and integration risks**

Acquisitions and internal company reorganizations entail risks resulting from the integration of employees, processes, technologies, and products. It is possible, therefore, that the aims of the measure in question will not be achieved at all or within the timeframe envisaged. Moreover, such transactions may give rise to substantial administrative and other expenses. Portfolio measures may also result in the need for additional finance and may impact negatively on financing requirements and the financing structure.

### **Environmental risk**

Several properties in our portfolio entail risks relating to environmental contamination and mining damage, primarily as a result of earlier business activities. These risks are countered through appropriate measures, for which adequate provisions were again recognized in 2011.

## **Financial risks**

### **Principles of financial risk management**

The Executive Board has put in place an effective set of guidelines to manage and hence largely limit or hedge financial risks throughout the group. The objectives with regard to protecting assets, eliminating gaps in security, and improving efficiency in identifying and analyzing risks are clearly defined, as are the relevant organizational structures, powers, and responsibilities. The guidelines are based on the principles of system security, the separation of functions, transparency, and immediate documentation.

Because it operates worldwide, GEA Group is exposed to currency, interest rate, commodity price, credit, and liquidity risk in the course of its ordinary activities. Financial risk management aims to reduce this risk through the appropriate use of derivative and nonderivative hedging instruments. The group's financial risks are quantified in section 3 of the notes to the consolidated financial statements (see pages 119 ff.).

### **Currency risk**

Because GEA Group operates internationally, its cash flows are denominated not only in euros, but also in a number of other currencies, particularly U.S. dollars. Hedging the resulting currency risk is a key element of risk management.

The uniform group guidelines for central currency management used within GEA Group requires all group companies to hedge foreign-currency items as they arise in order to fix prices on the basis of hedging rates. The hedging periods are determined by the maturity of the hedged items and are usually up to 12 months, but in exceptional cases may exceed that period significantly. Nevertheless, significant exchange rates changes over the medium and long term may affect sales opportunities outside the eurozone.

Affiliated group companies based in the eurozone are obliged to tender to GEA Group's central finance unit all outstanding exposures relating to transactions in goods and services in major transaction currencies. Most of these exposures are passed on directly to banks at matching maturities, depending on the hedging objective of the derivatives and the related accounting treatment; they may also be hedged as part of a portfolio. The hedging of financial transactions and transactions conducted by subsidiaries outside the eurozone is also closely coordinated with the central finance unit.

### Interest rate risk

Because GEA Group operates worldwide, liquidity is raised and invested in the international money and capital markets in different currencies, mainly in euros and at different maturities. The resulting financial liabilities and investments are exposed to interest rate risk, which must be assessed and controlled by central interest rate management. Derivative financial instruments may be used on a case-by-case basis to hedge the interest rate risk and reduce the interest rate volatility and financing costs of the hedged items. Only the central finance unit is permitted to enter into such interest rate hedges.

### Credit risk

Financial instruments are exposed to credit risk in that the other party to the contract may fail to fulfill its obligations. The counterparty limit system used by GEA Group for financial management aims to continuously assess and manage the counterparty default risk. A maximum risk limit has been defined for each counterparty, which in most cases is derived from the ratings from recognized credit rating agencies and credit default swaps (CDSs). Appropriate action is taken if the individual limit is exceeded.

The financial standing of potential customers is ascertained before orders are accepted using an internal risk board procedure. Active receivables management, including nonrecourse factoring and credit insurance, is also performed. In the case of export transactions, confirmed and unconfirmed letters of credit are used alongside sureties, guarantees, and cover notes, including from export credit agencies such as Hermes. In addition to local monitoring by the subsidiary in question, GEA Group also oversees the main credit risks at group management level so that any accumulation of risk can be better managed.

Since trade receivables are usually due from a large number of customers in different sectors and regions, there is no concentration of risk. Valuation allowances take account of specific credit risks.

Derivative financial instruments are only entered into with reputable financial institutions so as to reduce the credit risk involved.

The maximum exposure for the financial assets is limited to their carrying amount.

### Liquidity risk

GEA Group is exposed to liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash funds at its disposal. GEA Group Aktiengesellschaft is responsible for managing this risk. Cash funds are arranged and credit lines managed on the basis of a multi-year financial plan and a rolling month-by-month cash forecast. The funds are then made available to the companies by group management. Cash pools have been established in a growing number of countries in order to optimize borrowing and the use of cash funds within GEA Group. To mitigate liquidity risk, GEA Group will continue to use various financing instruments in the future so as to diversify its sources of funding and stagger maturities.

### Tax risks

The applicable national tax legislation may affect the use of loss carryforwards and thus the recoverability of the deferred taxes recognized in the consolidated financial statements and current taxation. Furthermore, future changes to the ownership structure may significantly reduce or even render impossible the use of German loss carryforwards (section 8c of the Körperschaftssteuergesetz (KStG – German Corporate Income Tax Act)). The ability to use U.S. loss carryforwards could also be restricted in the case of certain changes to the ownership structure of GEA Group Aktiengesellschaft under IRC Sec. 382 (limitation on net operating loss carryforwards following an ownership change).

Moreover, in Germany and abroad, there is considerable uncertainty regarding future changes to tax legislation as a result of tighter public-sector finances and the existing pressure for reform.

## Opportunities

GEA Group is entering fiscal year 2012 with a higher order backlog than in the previous year. The growth generated in fiscal year 2011 was driven primarily by successful sales in Asia's rapidly growing markets. GEA Group will further expand its presence in these regions and thus participate in the sustained growth of these markets.

If the expected moderate growth in the global economy materializes, GEA Group's focus on products used in the food and energy end markets will allow it benefit more than average, especially in growth markets.

In the area of food process technology, growth will be driven not only by an increase in the standard of living and the trend toward high-quality foods, but also by the expected rise in production and quality standards as well as innovative process improvements and new product developments.

Investments in energy generation and in the oil and gas industry remained at a low level in 2011. The age structure of the power plant infrastructure in many countries and the rise in the oil price are expected to encourage investments in these segments, which should translate into sales opportunities for GEA Group as well.

On September 15, 2006, GEA Group Aktiengesellschaft won a judgment in its favor on the cause of action in the arbitration proceedings against Flex-N-Gate Corp., Urbana, Illinois, U.S.A. This requires Flex-N-Gate to compensate GEA Group Aktiengesellschaft for losses incurred as a result of the collapse of the sale of the Dynamit Nobel plastics business to Flex-N-Gate in the fall of 2004. In the second part of the proceedings, the court of arbitration ruled on the amount of compensation in favor of GEA Group Aktiengesellschaft on March 19, 2010. After Flex-N-Gate Corp. had appealed, the Frankfurt am Main Higher Regional Court reversed the arbitration ruling on February 17, 2011. GEA Group Aktiengesellschaft has lodged an appeal on a point of law with the Bundesgerichtshof against the Higher Regional Court's ruling. The BGH is not expected to rule before the second half of 2012.

In 2008, GEA Group Aktiengesellschaft instituted arbitration proceedings against Ukraine at the International Centre for Settlement of Investment Disputes (ICSID), the court of arbitration of the World Bank Group. These related to the enforcement of an arbitration award made by the International Chamber of Commerce (ICC) in 2002 against a former Ukrainian near-government entity. The action brought by GEA has since been dismissed.

# Outlook

## Economy

In its January 2012 report on economic prospects in 2012 and 2013, the International Bank for Reconstruction and Development (World Bank) revised its economic growth forecasts downwards. The Bank is now expecting global growth of 2.5 percent in the current year and 3.1 percent in the coming year. Its last estimate dated June 2011 assumed growth of 3.6 percent for both years. The experts at the World Bank expect the sovereign debt crisis to hit the eurozone in particular, and that the economy here will shrink by 0.3 percent this year. The Bank thinks that Europe is probably already in recession – something that could also impact the emerging economies and hence also growth in the industrialized nations. The main danger in its opinion is that the richer nations will no longer have the fiscal and monetary resources to rescue the banks while at the same time stimulating domestic demand.

The IMF has now followed the World Bank's lead and has also slashed its global economic growth forecasts. It estimates that the global economy will only grow by 3.3 percent in 2012 due to the European debt crisis. In 2013, it expects the growth rate to pick up again, to 3.9 percent. These figures represent a decrease of 0.7 and 0.6 percentage points respectively compared with the Fund's September 2011 forecast. The IMF also thinks that the European Union is heading for recession. It expects the economies of the 17 eurozone countries to contract by 0.5 percent in 2012 and to grow by a mere 0.8 percent in 2013. However, the Fund is forecasting growth in Germany of 0.3 and 1.5 percent for the two years. The corresponding rates for the United Kingdom and the U.S.A. in the current year are 0.6 and 1.8 percent. A large number of emerging economies such as Russia, Brazil, Mexico, and South Africa are in the midfield, with the IMF expecting growth of between 2.5 and 3.5 percent. China and India are likely to be the front-runners with 8.2 and 7.0 percent respectively.

The most recent forecast by the Organisation for Economic Cooperation and Development (OECD), which was published in November 2011, also assumed that the eurozone is facing the threat of recession. Economic output by the 17 eurozone states is expected to decline initially in the first quarter of 2012. Positive figures are not anticipated until the second quarter onwards. For full-year 2012, the experts at the OECD are forecasting economic growth in the eurozone of 0.2 percent. For Germany, the forecasts are not quite so negative. The Organisation is expecting GDP growth in Germany of 0.6 percent in 2012, after 3.0 percent in 2011. At 1.9 percent, growth in 2013 is likely to be stronger once again than for the eurozone as a whole, partly because there is no need for any significant reduction in private or corporate debt.

In its autumn forecast (November 2011), the European Commission warned of economic stagnation in Europe. In spring 2011 it had anticipated growth of 1.9 percent. Like the OECD, it does not expect uncertainty to subside until mid-2012; as a result, it is only forecasting slight annual growth of 0.6 percent in the EU and 0.5 percent in the eurozone. Equally, it is now only expecting 0.8 percent growth for Germany in 2012, compared with the previous figure of 1.9 percent.

The German government's economic forecast (January 2012) initially envisages temporary economic weakness, but no recession. However, the slow recovery in the global economy expected for the second half of 2012 should boost German exports again; as a result, growth in the German economy should also pick up again in the later part of the year. Adjusted for inflation, average German GDP for the year will increase by only 0.7 percent in 2012, after 3.0 percent in 2011. Exports will probably be impacted by the softening of the global economy and consolidation efforts in the eurozone. The decline in economic capacity utilization and the high level of uncertainty are also likely to depress capital expenditure. For 2013, the government is forecasting renewed growth of 1.6 percent. This would mean that the German economy would continue to outperform the eurozone as a whole to a certain extent.

At present (February 2012), VDMA, the German Engineering Federation, is no longer expecting an increase in real output in the German engineering sector in 2012, in contrast to its previous forecast of 4 percent growth. The economists at the Deutsche Institut für Wirtschaftsforschung (DIW) assume (December 2011) that the current softening in order intakes heralds a sustained decline in demand. In their view, engineering output will only return to growth in the spring of 2012. Averaged out over the year, DIW expects the German engineering sector to grow by 1.5 percent.

To sum up, it can be said that the euro crisis represents the main threat to global economic development, especially since this has recently expanded to impact countries that were previously regarded as having relatively stable finances. The resulting nervous sentiment on the financial markets could also lead to consumer spending and capital expenditure projects being postponed in many cases. Other risks are the political tension in the Arab world and North Africa, which could impact oil supplies. Equally, the softening economy could negatively affect momentum in the emerging economies, which have grown rapidly to date. However, all forecasts assume that the global economy will recover slowly starting in mid-2012.

## Business outlook

Rising global food and energy requirements are continuing to outstrip growth in global gross domestic product. This trend is independent of short-term economic cycles. Our machinery and process technology give us a leading position with our customers and in the markets they are active in.

Our planning for the current fiscal year 2012 assumes that demand in our sales markets will match the high levels seen in 2011.

In particular, we are expecting

- Unchanged levels of investment in the food industry based on the continuing growth in demand for processed foods,
- A difficult market environment in the energy sector,
- Sustained customer interest in process optimization for improving efficiency, productivity, energy usage, and plant availability,
- That commodities prices will largely depend on economic developments in the U.S.A., future growth in China, and a solution to the European financial crisis, and
- That customer project finance will remain unaffected by the ongoing high levels of uncertainty in the capital markets.

Against this background, we are aiming to lift our order intake by up to 5 percent in 2012. Revenue should increase by at least 5 percent. The breakdown of sales by customer industry is likely to shift slightly in favor of the food industry. From a regional perspective, the share accounted for by Western Europe will continue to decline slightly, whereas our business in the Asia/Pacific region will again grow in importance.

In terms of price quality, we expect the market environment to be unchanged as against 2011. On this basis, we are aiming for an operating EBIT margin slightly in excess of the prior-year figure of 9.7 percent for the group as a whole including the new GEA Convenience-Food Technologies Segment before adjustment for purchase price allocation effects. We are not anticipating any major one-time expenses in 2012; this also applies to discontinued operations.

At present, we expect year-on-year revenue growth and earnings in the individual segments to be as follows: Segment growth will largely depend on developments in the customer industries concerned. The GEA Convenience-Food Technologies and GEA Refrigeration Technologies segments will record above-average growth due, apart from anything else, to the first-time inclusion for a full year of the major acquisitions made in 2011. We expect average growth in the GEA Farm Technologies Segment, whereas growth in the GEA Heat

Exchangers Segment will be slight at best due to the difficult market environment in the energy sector and the unit's dependence on major orders. Since the prior-year results for the GEA Mechanical Equipment and GEA Process Engineering segments were already at a very high level, growth in these segments will be less pronounced.

Revenue should continue to increase in fiscal year 2013 as against 2012, with a further rise in earnings and in the EBIT margin also expected. Here, too, developments in our customer industries will be decisive for the contribution to growth made by the individual segments. However, this will depend on stable global economic development.

Assuming a sustained recovery in volumes and price quality in all our sales markets, we continue to assume that we can generate a sustainable EBIT margin of 12 percent.

We are maintaining our strategy of acquiring companies that provide GEA with an entry into new markets or that selectively expand our range of offerings in existing markets. This will enable us to provide our customers with a single-source solution for an ever-broader range of processes. However, given the uncertainties on the global financial markets, we shall focus closely on the financial feasibility of such projects with the aim of ensuring a stable credit rating for GEA in the debt markets.

The group's net liquidity amounted to EUR -387 million as of December 31, 2011. Unused cash lines totaled EUR 884 million. The available credit lines will be sufficient to finance the Company's ongoing growth.

The Executive Board and Supervisory Board will propose a dividend of EUR 0.55 per share for 2011 to the Annual General Meeting. This represents a year-on-year increase of EUR 0.15. Our ongoing goal of distributing one-third of the group's earnings as a dividend remains unchanged.

Düsseldorf, March 1, 2012



Jürg Oleas



Dr. Helmut Schmale



Niels Graugaard

# GEA Shares / Investor Relations

## Performance of GEA Group shares on the capital markets

In 2011, the international stock markets continued to be dominated by the global financial and economic crisis and the associated economic developments. In the first half of the year, the markets initially continued the positive trend from the previous year. On May 2, 2011, the DAX reached its high for the year at 7,528 points – the highest level since the beginning of 2008. However, extreme uncertainty about the high level of debt in certain countries, the debate about rescue packages for certain European countries, and fears of a looming recession in the eurozone as a whole led to a slump on the international equity markets, particularly in August 2011.

On September 12, 2011, the DAX reached its low for the year at 5,072 points. The markets then recovered again gradually during a period of increasing consolidation, but remained highly volatile and were unable to recover their lost ground by the end of the year. The DAX closed at 5,898 points on December 30, 2011, down 14.7 percent on the year. The MDAX ended the year at 8,898 points, a decline of 12.1 percent.

GEA shares clearly outperformed their benchmark indices in a very difficult market environment. In the first half of the year, the shares mirrored the performance of German equity markets. On July 7, 2011, they reached not only their high for the year, of EUR 25.50, but also their highest level since May 2008.

However, GEA shares were also impacted by the mid-year turbulence on the international equity markets and recorded an annual low<sup>4</sup> of EUR 16.33 on October 4, 2011. Buoyed by recovering prices, however, GEA shares outperformed the market, closing at EUR 21.85 on December 30, 2011.

Despite the slump in the summer, GEA Group shares therefore actually rose by 1.0 percent, significantly outperforming the DAX (-14.7 percent) and the MDAX (-12.1 percent). This means that GEA Group Aktiengesellschaft's share price in fact increased by 34 percent after hitting its low for the year. The STOXX® Europe TMI Industrial Engineering index – the more important benchmark for GEA since it contains the major listed European engineering companies – recorded a vastly inferior performance, declining by 22 percent.



**GEA Group shares (Balance sheet date 12/31/2011)**  
 - versus the MDAX - versus the STOXX® Europe TMI Industrial Engineering

Past 3 months	+17	+10	percentage points
Past 6 months	+7	+7	percentage points
Past 12 months	+13	+20	percentage points
Past 24 months	+22	+16	percentage points
Past 36 months	+21	-5	percentage points

> 10 percentage points   3 to 10 percentage points   3 to -3 percentage points   -3 to -10 percentage points   > -10 percentage points  
 Change year-on-year.

## Shareholder structure

GEA Group Aktiengesellschaft held no treasury shares as of December 31, 2011. The number of outstanding shares was unchanged as against the previous year, at 183,807,845, resulting in a market capitalization of EUR 4.0 billion as at the end of December. In the index ranking of all listed German companies in the DAX, MDAX, SDAX, and TECDAX published by Deutsche Börse on December 30, GEA Group Aktiengesellschaft was ranked 33rd (previous year: 33rd) in terms of market capitalization and 38th (previous year: 39th) in terms of trading volume. At 0.8 million shares, the average daily trading volume in 2011 was below the prior-year figure of 0.9 million shares.

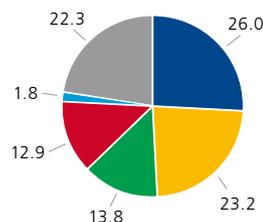
Disclosures received in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) reveal that two major shareholders held stakes of over five percent in GEA Group Aktiengesellschaft as of December 31, 2011: U.S. company BlackRock, Inc. has owned 9.99 percent of GEA shares since February 23, 2010, while Kuwait Investment Office is the second-largest shareholder with an equity interest of 8.25 percent.

GEA Group Aktiengesellschaft once again performed two detailed analyses of its shareholder structure in 2011. In the current analysis from the fourth quarter of 2011, it was able to identify 86 percent of our shareholders. As in the previous year, 78 percent of all shares were held by institutional investors, not including the 8.25 percent stake held by Kuwait Investment Office. The number of institutional investors holding GEA shares increased to 442 (previous year: 339). Of the institutional shareholders, 23 percent were headquartered in the UK, 14 percent in Germany, 11 percent in the USA, and 11 percent in France. Investors from Scandinavia held 10 percent. Compared with earlier analyses, there was an increase in the number of investors in the United Kingdom and Germany, while the share of investors in the USA continued to decline.

### Regional breakdown of identified institutional investors

(%)

- Continental Europe excl. Germany
- UK and Ireland
- Germany
- North America
- Rest of world
- Not identified

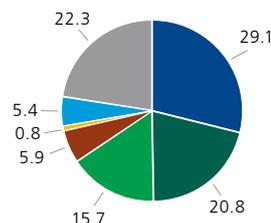


66 percent of all GEA Group shares were held by institutional investors with a long-term orientation. This means that there has been an increase of some 3 percentage points since the analysis in the fourth quarter of 2010. Less than 1 percent of shares were held by hedge funds.

### Investment styles of identified institutional investors

(%)

- Growth
- GARP\*
- Value
- Index
- Hedge fund
- Others
- Not identified



\* Growth At a Reasonable Price

## Investor relations activities

In 2011, GEA Group's investor relations activities again facilitated an ongoing, effective dialog with the capital markets. As part of this, the Company informed its shareholders and investors about developments within the group above and beyond its quarterly, half-yearly, and annual reports. The Company also kept in close contact with investors by taking part in international conferences and roadshows, which were also regularly attended by the CEO and/or the CFO. A total of 23 roadshows were held in 2011. GEA representatives also took part in 12 conferences, as well as holding 483 one-on-one meetings. In addition, a Capital Markets Day was held again in June 2011 that featured presentations analysts and investors in particular on the new GEA Convenience-Food Technologies Segment's structure, business strategies, market environment, and products.

Furthermore, in the run-up to the bond issue in April 2011, a special roadshow was held for international bond investors in order to provide them with detailed information on GEA Group and to promote the placement of the bond.

Key performance indicators for GEA Group shares	Q4 2011	Q4 <sup>1</sup> 2010	Q1-Q4 2011	Q1-Q4 <sup>1</sup> 2010
Shares issued (December 31, million)	183.8	183.8	183.8	183.8
Shares outstanding (December 31, million)	183.8	183.8	183.8	183.8
Average shares outstanding (million)	183.8	183.8	183.8	183.8
Share price (December 31, EUR) <sup>2</sup>	21.85	21.63	21.85	21.63
High (EUR)	22.34	21.86	25.50	21.86
Low (EUR)	16.33	18.07	16.33	13.60
Market capitalization (December 31, EUR billion) <sup>3</sup>	4.02	3.98	4.02	3.98
Average daily trading volume (million)	–	–	0.8	0.9
Earnings per share pre purchase price allocation (EUR)	0.78	0.24	1.91	0.75
Earnings per share (EUR)	0.74	0.22	1.70	0.70
Earnings per share from continuing operations (EUR)	0.74	0.22	1.70	0.70
Earnings per share from discontinuing operations (EUR)	0.00	0.00	0.00	0.00

1) Figures for 2010 compared to those shown in the Annual Report were adjusted to allow for revised accounting of pension and lease obligations

2) or on the last trading day of reporting period

3) based on shares issued

Prices: XETRA closing prices

## Earnings per share

Earnings per share (EPS) amounted to EUR 1.70 in the past fiscal year. They are calculated by dividing consolidated profit for the period by the weighted average number of shares outstanding in the course of the fiscal year. An average of 183.8 million no-par value shares were outstanding in the year under review.

## Dividend proposal

The Executive Board and Supervisory Board of GEA Group Aktiengesellschaft will propose to the Annual General Meeting on April 24, 2012, that a dividend of EUR 0.55 per no-par value share be paid for fiscal year 2011. This represents a dividend yield of 2.5 percent given the share price of EUR 21.85 on December 30, 2011. The distribution ratio is thus 32 percent of consolidated profit.

The dividend will be paid from the contribution account for tax purposes (section 27 of the Körperschaftsteuergesetz (KStG – German Corporate Income Tax Act)), meaning that investment income tax and the solidarity surcharge will not be deducted. In the case of shareholders in Germany, the dividend is not subject to current taxation in the year of payment. The generally held opinion is that payment of dividends from the contribution account for tax purposes constitutes a repayment of contributions, which results in a subsequent reduction of the acquisition costs for the shares. This can lead to the imposition of higher capital gains taxes if the sales are sold at a later date.

## GEA Performance Share Plan

In July 2006, GEA Group Aktiengesellschaft launched a long-term remuneration program for first- and second-tier managers (see the “Employees” section on page 49); this was extended to include third-level management in 2008. In July 2011, a sixth tranche was issued for these three management levels, with a participation rate of 60 percent. Each GEA Performance Share Plan runs for three years. The third tranche, which had been issued in summer 2008, was not paid out because GEA Group’s shares did not outperform selected MDAX companies in the relevant three-year reference period.

## Credit ratings/bond

Two international agencies, Moody’s and Fitch, have rated GEA Group Aktiengesellschaft’s ability to meet its financial obligations. These ratings serve as evidence of the Company’s creditworthiness to existing and potential debt capital providers. The two agencies gave the following unchanged ratings to GEA Group:

Agency	2011		2010	
	Rating	Outlook	Rating	Outlook
Moody’s	Baa3	stable	Baa3	stable
Fitch	BBB-	stable	BBB-	stable

These ratings ensure that GEA Group has unlimited access to the international financial markets.

GEA Group Aktiengesellschaft issued its first-ever bond in fiscal year 2011 to serve as long-term finance. This unsecured five-year bond was significantly oversubscribed and was issued with a volume of EUR 400 million with the value date of April 21, 2011. The transaction was priced using the reference interest rate – the five-year “mid-swap rate” – plus 120 basis points. The bond, which was issued in denominations of EUR 1,000, has a five-year term and a fixed coupon of 4.25 percent. At a price of 99.656 percent at the time of issue, this resulted in an effective interest rate of 4.328 percent. This debt market transaction allowed GEA to diversify its sources of funding and to spread the maturity profile of its loans over time. Furthermore, GEA has credit lines (including borrower’s note loans) in the amount of EUR 1,303 million, of which EUR 419 million had been utilized as of the balance sheet date. Further information on the credit lines and how they were used can be found in note 3 to the consolidated financial statements beginning on page 119.

# Consolidated Financial Statements

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## Consolidated Balance Sheet as of December 31, 2011

The following information is an integral part of the consolidated financial statements

Assets (EUR thousand)	Section	12/31/2011	12/31/2010*	01/01/2010*
Property, plant, and equipment	6.1	727,472	627,036	636,372
Investment property	6.2	11,837	20,696	22,694
Goodwill	6.3	1,900,147	1,550,423	1,530,861
Other intangible assets	6.4	359,576	161,593	159,219
Equity-accounted investments	6.5	13,448	13,492	10,784
Other noncurrent financial assets	6.6	56,254	48,810	47,700
Deferred taxes	8.7	398,884	362,256	325,347
<b>Noncurrent assets</b>		<b>3,467,618</b>	<b>2,784,306</b>	<b>2,732,977</b>
Inventories	6.7	742,899	589,603	566,129
Trade receivables	6.8	1,357,546	1,034,348	1,063,659
Income tax receivables	6.9	15,882	20,181	21,303
Other current financial assets	6.6	203,769	143,675	142,802
Cash and cash equivalents	6.10	432,401	563,532	491,979
<b>Current assets</b>		<b>2,752,497</b>	<b>2,351,339</b>	<b>2,285,872</b>
<b>Assets held for sale</b>	6.11	<b>5,116</b>	<b>2,566</b>	<b>3,004</b>
<b>Total assets</b>		<b>6,225,231</b>	<b>5,138,211</b>	<b>5,021,853</b>

\* Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 98)

The following information is an integral part of the consolidated financial statements

Equity and liabilities (EUR thousand)	Section	12/31/2011	12/31/2010*	01/01/2010*
Subscribed capital		496,890	496,890	496,890
Capital reserve		1,333,359	1,268,728	1,268,656
Retained earnings		288,660	66,038	12,275
Accumulated other comprehensive income		43,657	34,141	-48,002
Noncontrolling interests		1,026	1,809	548
<b>Equity</b>	<b>7.1</b>	<b>2,163,592</b>	<b>1,867,606</b>	<b>1,730,367</b>
Noncurrent provisions	7.2	132,407	170,393	175,682
Noncurrent employee benefit obligations	7.3	560,073	514,775	492,083
Noncurrent financial liabilities	7.4	813,808	193,892	276,395
Other noncurrent liabilities	7.7	17,166	7,781	10,908
Deferred taxes	8.7	145,850	79,933	73,870
<b>Noncurrent liabilities</b>		<b>1,669,304</b>	<b>966,774</b>	<b>1,028,938</b>
Current provisions	7.2	353,029	392,047	513,543
Current employee benefit obligations	7.3	203,765	203,827	171,453
Current financial liabilities	7.4	94,086	346,524	241,967
Trade payables	7.5	903,334	672,103	625,104
Income tax liabilities	7.6	51,525	42,407	44,500
Other current liabilities	7.7	786,596	646,923	665,981
<b>Current liabilities</b>		<b>2,392,335</b>	<b>2,303,831</b>	<b>2,262,548</b>
<b>Totally equity and liabilities</b>		<b>6,225,231</b>	<b>5,138,211</b>	<b>5,021,853</b>

\* Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 98)

## Consolidated Income Statement for the period January 1 - December 31, 2011

The following information is an integral part of the consolidated financial statements

(EUR thousand)	Section	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010 <sup>1</sup>
Revenue	8.1	5,416,504	4,418,419
Cost of sales		3,840,091	3,126,176
<b>Gross profit</b>		<b>1,576,413</b>	<b>1,292,243</b>
Selling expenses		566,627	469,954
Research and development		70,842	60,259
General and administrative expenses		504,642	466,093
Other income	8.2	265,246	232,964
Other expenses	8.3	244,648	303,116
Share of profit or loss of equity-accounted investments		2,847	3,727
Other financial income	8.5	17,616	8,392
Other financial expenses	8.6	776	1,412
<b>Earnings before interest and tax (EBIT)</b>		<b>474,587</b>	<b>236,492</b>
Interest income	8.5	13,517	16,463
Interest expense	8.6	89,533	82,214
<b>Profit before tax from continuing operations</b>		<b>398,571</b>	<b>170,741</b>
Income taxes	8.7	85,960	39,880
of which current taxes		86,558	56,146
of which deferred taxes		-598	-16,266
<b>Profit after tax from continuing operations</b>		<b>312,611</b>	<b>130,861</b>
<b>Profit or loss after tax from discontinued operations</b>		<b>22</b>	<b>147</b>
<b>Profit for the period</b>		<b>312,633</b>	<b>131,008</b>
of which attributable to shareholders of GEA Group Aktiengesellschaft		311,951	129,337
of which attributable to noncontrolling interests		682	1,671

(in EUR)			
Earnings per share from continuing operations		1.70	0.70
Earnings per share from discontinued operations		0.00	0.00
<b>Earnings per share</b>	8.8	<b>1.70</b>	<b>0.70</b>
<b>Weighted average number of shares outstanding (million)</b>		<b>183.8</b>	<b>183.8</b>

(in EUR)			
Diluted earnings per share from continuing operations		1.58	0.66
Diluted earnings per share from discontinued operations		0.00	0.00
<b>Diluted earnings per share<sup>2</sup></b>	8.8	<b>1.58</b>	<b>0.66</b>
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share (million)</b>		<b>197.2</b>	<b>195.9</b>

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 98)

2) On basis of settlement proposal by GEA Group Aktiengesellschaft (previous year: on basis of settlement proposal by the Dortmund Regional Court concerning the award proceedings)

## Consolidated Statement of Comprehensive Income for the period January 1 - December 31, 2011

The following information is an integral part of the consolidated financial statements

(EUR thousand)	Section	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010 *
<b>Profit for the period</b>		<b>312,633</b>	<b>131,008</b>
Exchange differences in translating foreign operators		14,373	77,288
of which changes in unrealized gains and losses		14,373	77,288
Available-for-sale financial assets	6.6	759	-9
of which changes in unrealized gains and losses		1,083	-17
of which tax effect		-324	8
Cash flow hedges	7.8	-5,414	4,719
of which changes in unrealized gains and losses		-7,777	1,177
of which realized gains and losses		-270	5,261
of which tax effect		2,633	-1,719
Actuarial gains/losses on pension and other post-employment benefit obligations	7.3.1 / 7.3.2	-16,102	-20,431
of which changes in actuarial gains/losses		-24,070	-29,012
of which tax effect		7,968	8,581
<b>Other comprehensive income</b>		<b>-6,384</b>	<b>61,567</b>
<b>Total comprehensive income</b>		<b>306,249</b>	<b>192,574</b>
of which attributable to shareholders of GEA Group Aktiengesellschaft		305,365	191,048
of which attributable to noncontrolling interests		884	1,526

\* Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 98)

## Consolidated Cash Flow Statement for the period January 1 - December 31, 2011

The following information is an integral part of the consolidated financial statements

(EUR thousand)	Section	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010 <sup>1</sup>
Profit for the period		312,633	131,008
plus income taxes		85,960	39,880
minus profit or loss after tax from discontinued operations		-22	-147
Profit before tax from continuing operations		398,571	170,741
Net interest income	8.5/ 8.6	76,016	65,751
<b>Earnings before interest and tax (EBIT)</b>		<b>474,587</b>	<b>236,492</b>
Depreciation, amortization, impairment losses, and reversal of impairment losses on noncurrent assets	8.4	135,589	129,191
Other noncash income and expenses		-3,946	-4,630
Employee benefit obligations		-40,319	-33,822
Change in provisions		-83,913	6,801
Losses and disposal of noncurrent assets		-1,246	-2,514
Change in inventories including unbilled construction contracts <sup>2</sup>		-112,457	-49,649
Change in trade receivables		-111,214	94,963
Change in trade payables		172,268	3,703
Change in other operating assets and liabilities		-31,693	-13,717
Tax payments		-78,178	-61,766
Net cash flow from operating activities of discontinued operations		-6,023	-3,330
<b>Cash flow from operating activities</b>		<b>313,455</b>	<b>301,722</b>
Proceeds from disposal of noncurrent assets		11,013	9,795
Payments to acquire property, plant and equipment, and intangible assets		-155,199	-87,864
Payments to acquire noncurrent financial assets		-1,056	-5,594
Interest income		3,459	6,001
Dividend income		7,297	10,242
Payments to acquire subsidiaries and other businesses	5.5	-183,473	-12,145
Proceeds from sale of subsidiaries and other businesses	4.0	8,463	-1,646
Payments for disposal of discontinued operations	11.1	-32,394	-120,017
Net cash flow from investing activities of discontinued operations		-	5,825
<b>Cash flow from investing activities</b>		<b>-341,890</b>	<b>-195,403</b>
Dividend payments		-73,724	-55,411
Payments for finance leases		-5,081	-5,910
Proceeds from finance loans		797,239	17,667
Repayments of finance loans		-	19,484
Payments for borrower's note loan		397,224	-
Repayments of finance loans		-1,166,505	-18,692
Interest payments		-40,258	-29,024
Net cash flow from financing activities of discontinued operations		256	184
<b>Cash flow from financing activities</b>		<b>-90,849</b>	<b>-71,702</b>
Effect of exchange rate changes on cash and cash equivalents		-6,773	30,057
<b>Change in unrestricted cash and cash equivalents</b>		<b>-126,057</b>	<b>64,674</b>
Unrestricted cash and cash equivalents at beginning of period		552,731	488,057
<b>Unrestricted cash and cash equivalents at end of period</b>	6.10	<b>426,674</b>	<b>552,731</b>
Restricted cash and cash equivalents		5,727	10,801
<b>Cash and cash equivalents reported in the balance sheet</b>		<b>432,401</b>	<b>563,532</b>

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 98)

2) Including advance payments received.

## Consolidated Statement of Changes in Equity as of December 31, 2011

The following information is an integral part of the consolidated financial statements

(EUR thousand)	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income			Equity attributable to shareholders of GEA Group Aktiengesellschaft	Noncontrolling interests	Total
				Translation of foreign operations	Available-for-sale financial assets	Cash flow hedges			
<b>Balance at Jan. 1, 2010</b> <b>(183,807,845 shares)</b>	<b>496,890</b>	<b>1,268,656</b>	<b>16,909</b>	<b>-42,014</b>	<b>9</b>	<b>-5,992</b>	<b>1,734,458</b>	<b>548</b>	<b>1,735,006</b>
Adjustments and corrections <sup>1</sup>	–	–	-4,634	-5	–	–	-4,639	–	-4,639
<b>Adjusted balance at Jan. 1, 2010</b>	<b>496,890</b>	<b>1,268,656</b>	<b>12,275</b>	<b>-42,019</b>	<b>9</b>	<b>-5,992</b>	<b>1,729,819</b>	<b>548</b>	<b>1,730,367</b>
Profit for the period	–	–	129,337	–	–	–	129,337	1,671	131,008
Other comprehensive income	–	–	-20,431	77,433	-9	4,719	61,712	-145	61,567
Total comprehensive income	–	–	108,905	77,433	-9	4,719	191,048	1,526	192,574
Dividend payment by GEA Group Aktiengesellschaft	–	–	-55,142	–	–	–	-55,142	–	-55,142
Change in other noncontrolling interests	–	–	–	–	–	–	–	-265	-265
Share-based payments	–	72	–	–	–	–	72	–	72
<b>Balance at Dec. 31, 2010</b> <b>(183,807,845 shares)<sup>1</sup></b>	<b>496,890</b>	<b>1,268,728</b>	<b>66,038</b>	<b>35,414</b>	<b>–</b>	<b>-1,273</b>	<b>1,865,797</b>	<b>1,809</b>	<b>1,867,606</b>
Profit for the period	–	–	311,951	–	–	–	311,951	682	312,633
Other comprehensive income	–	–	-16,102	14,171	759	-5,414	-6,586	202	-6,384
Total comprehensive income	–	–	295,849	14,171	759	-5,414	305,365	884	306,249
Dividend payment by GEA Group Aktiengesellschaft	–	–	-73,523	–	–	–	-73,523	–	-73,523
Change in other noncontrolling interests	–	–	626	–	–	–	626	-1,667	-1,041
Share-based payments	–	51	–	–	–	–	51	–	51
Award proceedings <sup>2</sup>	–	64,580	-330	–	–	–	64,250	–	64,250
<b>Balance at Dec. 31, 2011</b> <b>(183,807,845 shares)</b>	<b>496,890</b>	<b>1,333,359</b>	<b>288,660</b>	<b>49,585</b>	<b>759</b>	<b>-6,687</b>	<b>2,162,566</b>	<b>1,026</b>	<b>2,163,592</b>

1) Amounts adjusted due to change in accounting policy for pension obligations and leasing obligations (see page 98)

2) See section 7.1

# Notes to the Consolidated Financial Statements

## 1. Reporting principles

### Basis of presentation

The accompanying consolidated financial statements include GEA Group Aktiengesellschaft, Düsseldorf/Germany (until May 24, 2011: Bochum/Germany), and its subsidiaries. GEA Group Aktiengesellschaft is a listed corporation. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU in compliance with Regulation (EC) No. 1606/2002 of the European Parliament and the Council on the application of international accounting standards. The additional provisions of section 315a of the HGB were also complied with.

The accompanying consolidated financial statements have been prepared in euros (EUR). All amounts, including the prior-year figures, are presented in thousands of euros (EUR thousand), except for the segment information. All amounts have been rounded using standard rounding rules. Adding together individual amounts may therefore result in differences in the order of EUR 1 thousand in certain cases.

To improve the clarity of presentation, various items in the consolidated balance sheet and income statement have been aggregated and are explained accordingly in the notes. Assets and liabilities are classified into current and noncurrent items. The income statement is prepared using the cost of sales method.

The cash flow statement is prepared using the indirect method for cash flow from operating activities and the direct method for cash flow from investing and financing activities.

The Executive Board of GEA Group Aktiengesellschaft approved these consolidated financial statements for publication on March 1, 2012.

### Changes in accounting policies

Effective December 31, 2011, GEA Group has started using the present value of the defined benefit obligation at the reporting date to account for pension obligations. In previous years, GEA Group did not account for gains and losses from changes in actuarial assumptions in the year in which they arose; instead, where actuarial gains and losses exceeded 10 percent of the higher of either the present value of the defined benefit obligation or the plan assets at the reporting date, they were allocated over the beneficiaries' average remaining working life and recognized in income (corridor method). As a result of the change in accounting policy, actuarial gains and losses are recognized in other comprehensive income and reported in retained earnings after adjustment for tax effects. The change enhances the transparency of GEA Group's net assets and financial position, first, because liabilities are now recognized at fair value and, second, because the move anticipates the effect on financial reporting of the amendments to IAS 19 (see below).

A further change relates to the accounting treatment for a real estate lease. Previously the lease had been classified as an operating lease; the change in the assessment led to it being classified as a finance lease. This resulted in an increase in the land and buildings and the related leasing

obligation. Since assets leased for use are depreciated using the straight-line method and the lease liability is measured using the effective interest method, the depreciation and interest expenses required to be offset at inception of the lease in the case of a finance lease exceed the rental expense required to be disclosed in the case of an operating lease.

The changes were applied retrospectively in accordance with IAS 8.22 and IAS 8.42. As a result, the opening balance as of January 1, 2010, has been prepared as if the change in accounting policy/ the correction had already been applied in the past. The effects of the change in accounting policy for pensions and of the revised assessment of the lease are given in the following tables.

(EUR thousand)	Pensions		
	2011	2010	01/01/2010
Other financial assets	-7,640	-4,605	-2,163
Deferred taxes	18,769	11,465	2,216
Obligations under pension plans	48,310	28,350	698
Obligation under supplementary healthcare benefits	926	1,219	-342
Retained earnings	-37,781	-22,699	-298
Accumulated other comprehensive income	-36,831	-20,739	-303
EBIT	1,297	-2,572	-
EBT	1,297	-2,572	-
Profit for the period	1,017	-1,970	-
Earnings per share (EUR)	0.01	-0.01	-

(EUR thousand)	Leasing	
	2010	01/01/2010
Land/buildings	27,430	28,453
Other financial assets	-3,065	-2,312
Noncurrent lease liabilities	28,972	29,271
Current lease liabilities	3,017	3,017
Deferred taxes	2,607	1,811
Retained earnings	-5,017	-4,336
EBIT	1,523	-
EBT	-1,477	-
Profit for the period	-680	-
Earnings per share (EUR)	-0.01	-

In addition, the impairment test for goodwill was refined as of December 31, 2011, such that it was performed for the first time using specific discount rates for the individual cash-generating units, which at GEA Group correspond to the segments. The discount rates were determined using a beta factor that was derived separately for each segment from a peer group, a risk premium, and the capital structure. In previous years, a uniform discount rate was used for all segments. The new procedure was applied retroactively to the prior year. The new procedure also confirmed the recoverability of the goodwill.

### Accounting pronouncements applied for the first time

The following accounting standards and interpretations were applied by GEA Group for the first time in the year under review:

#### IAS 24 "Related Party Disclosures"

The revision simplifies the reporting requirements for state-controlled entities. In addition, the definition of related parties was changed.

IAS 32 “Financial Instruments: Presentation” – amendment to the classification of rights issues  
The amendment relates to the accounting treatment of rights issues and options and warrants denominated in foreign currency by issuers.

Improvements to IFRSs 2010 – amendments under the IASB’s annual improvements project  
The “Improvements to IFRSs” document, which was published in the previous year as part of the annual improvements project, comprises a total of eleven minor amendments to six existing standards and one interpretation.

IFRIC 14 “The Limit on a Defined Benefit Asset” – prepayment of contributions to cover minimum funding requirements

The amendment relates to pension plans with a minimum funding requirement. If prepayments are made to cover these requirements, they may be recognized as an asset.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”

This interpretation clarifies how to account for cases in which an entity renegotiates the terms of a financial liability with the creditor, and the creditor accepts shares or other equity instruments of the entity to fully or partially extinguish the financial liability.

The accounting pronouncements required to be applied for the first time in fiscal year 2011 did not have a material effect on the group’s net assets, financial position, and results of operations.

#### **Accounting pronouncements not yet applied**

The following accounting standards and interpretations, as well as amendments to existing standards and interpretations, were published but not yet required to be applied to the preparation of the IFRS consolidated financial statements as of December 31, 2011:

IAS 1 “Presentation of Financial Statements”

Under the revised IAS 1, other comprehensive income must be broken down into profit or loss that will subsequently be reclassified to profit or loss as income or expense or that will remain recognized directly in equity. The option remains to present items of other comprehensive income before or after tax. However, if the before-tax presentation is selected, the tax must be split between items that will subsequently be reclassified to profit or loss and those that will remain recognized in equity. The amendments to IAS 1 are effective for fiscal years beginning on or after July 1, 2012.

IAS 12 “Income Taxes” – amendment relating to the recovery of underlying assets

The amendment relates to the deferral of tax on assets whose carrying amounts will be consumed and on assets whose carrying amounts will be recognized on a sale basis. A rebuttable presumption is introduced that deferred tax will normally be recognized on a sale basis.

IAS 19 “Employee Benefits”

The amended IAS 19 contains new requirements for the recognition of the effects of changes in actuarial assumptions. In future, actuarial gains and losses must be recognized directly in other comprehensive income and must therefore be taken directly to equity. Immediate or deferred recognition in the income statement under the corridor approach, which was previously permitted, is no longer allowed. Following the change in accounting policy this year, this amendment will have no effect on GEA Group. In addition, the revised IAS 19 replaces the

expected return on plan assets and the interest expense on the pension liability by a single net interest figure. Moreover, in future the past service cost must be recognized in full in the period in which the relevant changes to the plan are made. Furthermore, the revision to IAS 19 changes the requirements for recognizing termination benefit obligations and extends the disclosure and explanation obligations to include, among other things, the presentation of basic information on the pension plans and potential funding risks.

#### IAS 27 “Separate Financial Statements”

Following publication of the new IFRS 10 (see below), IAS 27 now only contains the requirements governing separate financial statements.

#### IAS 28 “Investments in Associates ”

The changes contained in IAS 28 arise from the publication of IFRS 10, IFRS 11, and IFRS 12 (see below). In addition, under the revised version of the standard an investment in or portion of an associate or joint venture must be classified as held for sale if the criteria of IFRS 5 are met. Any remaining portion of the associate or joint venture must be accounted for using the equity method until the portion classified as held for sale has been disposed of.

#### IAS 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures” – offsetting financial assets and financial liabilities

The additions to IAS 32 specify in more detail the conditions under which financial assets and financial liabilities must be offset. In addition, they clarify which gross settlement systems may be considered equivalent to net settlement within the meaning of the standard. The relevant disclosure requirements in IFRS 7 were also modified in line with these clarifications. The amendments to IAS 32 are required to be applied for fiscal years beginning on or after January 1, 2014.

#### IFRS 7 “Financial Instruments: Disclosures” – enhanced disclosure requirements for transfers of financial assets

Under certain conditions, the transfer of rights under financial assets to a third party or the obligation to transfer payments from financial assets to a third party may lead to those assets being derecognized. In such cases, the existing version of IFRS 7 did not impose any disclosure requirements. The amendment now requires extensive disclosures on any assets and liabilities retained or assumed in the course of the transaction. In addition, the disclosure requirements have been extended in relation to restrictions on use if the asset continues to be recognized in its entirety although the associated rights were transferred or the entity has entered into an obligation to transfer payments resulting from the asset. The amendments to IFRS 7 are required to be applied for fiscal years beginning on or after July 1, 2011. Earlier application is permitted.

#### IFRS 9 “Financial Instruments”

The accounting treatment of financial instruments set out in IFRS 9 will replace IAS 39.

In the future, there will only be two classification and measurement categories for financial assets: at amortized cost or at fair value. Financial assets at amortized cost comprise those financial assets that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are classified as at fair value. Under certain circumstances, a fair value option is available for financial assets falling under the first category, as at present.

Changes in financial assets belonging to the fair value category must generally be recognized in profit or loss. However, an election can be made to measure certain equity instruments at fair value through other comprehensive income; in this case, dividend income from these assets is recognized in profit or loss. The provisions governing financial liabilities have basically been taken over from IAS 39. The key difference relates to the treatment of changes in value of financial liabilities measured at fair value. In future, the amount of the change relating to changes in own credit risk must be recognized in other comprehensive income, while the remaining amount of the change in fair value is recognized in profit or loss.

Subject to its endorsement by the EU, which is still outstanding, IFRS 9 will be required to be applied for the first time in fiscal years beginning on or before January 1, 2015.

#### IFRS 10 “Consolidated Financial Statements”

The new standard replaces the consolidation requirements of IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities.” The new IFRS 10 affects the definition of the basis of consolidation. As currently required by IAS 27, consolidated financial statements must include those entities that are controlled by the parent. The definition of control in IFRS 10 differs from that used in IAS 27, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under IFRS 10, control exists when an investing entity is exposed, or has rights, to variable returns from involvement with the investee on the one hand, and has the ability to affect those returns through its power over the investee on the other. The new concept of control applies to all entities, including special purpose entities. It can lead to differing assessments, especially in cases of potential voting rights, agency relationships, and in situations where substantial, but not majority, voting rights are held. The impact assessment of the new requirements on GEA Group’s basis of consolidation has still to be concluded. To date, no impact is expected, because GEA Group has constant control, directly or indirectly, of all voting rights in its consolidated entities.

#### IFRS 11 “Joint Arrangements”

The new standard supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Nonmonetary Contributions by Venturers.” In contrast to IAS 31, accounting for joint arrangements under IFRS 11 depends not on the legal form of the arrangement but on the nature of the rights and duties arising under the arrangement. IFRS 11 makes a distinction between joint operations and joint ventures. Joint operations are joint arrangements in which

the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In line with this, they account for their shares of the respective assets, liabilities, income, and expenditure as they did previously. A joint venture exists when the parties with joint control have rights to the net assets of the arrangement. Joint ventures now have to be accounted for using the equity method. The previous option to account for joint ventures using proportionate consolidation has been removed. GEA Group does not expect the implementation of these new requirements to affect its financial reporting, due to the fact that it does not use proportionate consolidation.

#### IFRS 12 “Disclosure of Interests in Other Entities”

The new standard revises the disclosure requirements for all types of interests in other entities, including joint arrangements, associates, structured entities, and off-balance sheet vehicles. The objective is to help users of financial statements to understand the nature of, and risks associated with, the entity’s interest in other entities, and the effects of these interests on its financial positions, financial performance, and cash flows.

#### IFRS 13 “Fair Value Measurement”

The new standard sets out the methodology for determining fair value and increases fair value disclosures. It means that a framework for measuring fair value is now contained in a single IFRS. The requirements do not apply to share-based payment transactions within the scope of IFRS 2 “Share-based Payment,” leasing transactions within the scope of IAS 17 “Leases,” or other measurements required by other standards that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “Inventories,” or value in use in IAS 36 “Impairment of Assets.”

#### IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”

The interpretation governs the accounting for waste removal costs incurred during the production phase of surface mining activity. It clarifies the conditions under which an asset has to be recognized for stripping activities and how such an asset must be measured.

Unless otherwise stated, all new standards are effective for fiscal years beginning on or after January 1, 2013. Voluntary earlier application is permitted, whereby in this case IFRS 10, IFRS 11, and the revised IAS 27 and IAS 28 must all be applied at the same time. The pronouncements apply retroactively. With the exception of IFRS 7, the EU has not yet endorsed any of the amendments.

GEA Group is currently examining the effects of the revised accounting standards on the consolidated financial statements and will determine the date of initial application. At this point in time, GEA Group does not believe that application of the new or revised pronouncements will have a material effect on its consolidated financial statements, provided that they are adopted by the EU as they stand.

## 2. Accounting policies

### Basis of consolidation

GEA Group's consolidated financial statements include all significant companies in which GEA Group Aktiengesellschaft directly or indirectly holds the majority of voting rights or is otherwise able to directly or indirectly control the financial and operating policy decisions. Subsidiaries are consolidated from the date on which the group obtains the ability to control them. They are deconsolidated from the date on which control is lost.

Acquired subsidiaries are accounted for using the purchase method. The consideration paid is measured on the basis of the fair value of the assets given up, the liabilities assumed from the seller, and the equity instruments issued at the transaction date. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are recognized at their fair value at the transaction date, irrespective of any noncontrolling interests. Any contingent consideration agreed is recognized at fair value at the acquisition date. Subsequent changes in fair value are recognized in profit or loss.

The excess of cost over the share of the fair value of the subsidiary's net assets acquired is recognized as goodwill. If, after a further examination, cost is lower than the share of the fair value of the subsidiary's acquired net assets measured at fair value, the difference is recognized as a gain in profit or loss.

Intercompany receivables and liabilities are eliminated, as are profits and losses from intercompany transactions with the exception of income and expenses between continuing and discontinued operations.

If consolidated subsidiaries have a different reporting date to the parent, they are included on the basis of interim financial statements as of December 31, 2011.

The consolidated group changed as follows in fiscal year 2011:

Number of companies	2011	2010
<b>Consolidated group as of January 1</b>	<b>271</b>	<b>318</b>
German companies (including GEA Group AG)	49	63
Foreign companies	222	255
Initial consolidation	65	8
Merger	-22	-38
Liquidation	-6	-12
Deconsolidation	-3	-5
<b>Consolidated group as of December 31</b>	<b>305</b>	<b>271</b>
German companies (including GEA Group AG)	56	49
Foreign companies	249	222

Three companies were deconsolidated due to its minor significance. A total of 77 subsidiaries (previous year: 86) were not consolidated since their effect on the group's net assets, financial position, and results of operations is not material even when viewed in the aggregate. Their consolidated revenue amounts to 0.5 percent (previous year: 0.6 percent) of the group's aggregate consolidated revenue, while their earnings account for 0.5 percent (previous year: 2.0 percent) of recognized earnings before tax, and their equity to 1.8 percent (previous year: 2.0 percent) of consolidated equity. The subsidiaries are measured at cost and recognized as noncurrent other financial assets, as their fair value cannot be determined with sufficient certainty.

A complete list of all subsidiaries, associates, and joint ventures can be found in section 13.4.

#### **Investments in associates**

Investments in material companies over which significant influence can be exercised are accounted for using the equity method at the group's share of adjusted equity. They are initially recognized at cost. Entities over which a group company can exercise significant influence, i.e., it can participate in the investee's financial and operating policy decisions, are accounted for as associates. This generally relates to companies in which GEA Group directly or indirectly holds 20 to 50 percent of the voting rights.

The group's share of the profit or loss of associates is recognized and presented separately in the income statement. The group's share of income and expenses recognized outside profit or loss is reported directly in other comprehensive income. If the group's share of an associate's loss exceeds the carrying amount of the net investment in the associate, no further losses are recognized. Any goodwill arising on acquisition is included in the carrying amount of the investment.

Where necessary, the accounting policies of associates are adjusted to comply with uniform group accounting principles.

As of the reporting date, two investments in associates were accounted for in the consolidated financial statements using the equity method (previous year: two).

#### **Interests in joint ventures**

The group exercised the option to account for interests in joint ventures using the equity method.

As of the reporting date, 13 investments in joint ventures were accounted for in the consolidated financial statements (previous year: 14).

## Currency translation

The group companies prepare their annual financial statements on the basis of their respective functional currencies.

Foreign currency transactions entered into by companies included in the consolidated financial statements are translated into the functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities are translated at the applicable exchange rate at each reporting date. The exchange rate gains and losses resulting from these items are generally reported in the income statement under other income or expenses.

All financial statements of companies whose functional currencies differ from the reporting currency are translated into the reporting currency used in GEA Group's consolidated financial statements. The assets and liabilities of the companies included in the consolidated financial statements are translated at the middle rates prevailing at the reporting date. The income statements of these companies are translated at moving annual average rates. If the average rate is not a reasonable approximation of the actual transaction rates, the income statements are translated at the relevant transaction rates. Any translation differences are reported in equity under other comprehensive income and adjusted. These differences amounted to EUR 49,585 thousand as of December 31, 2011 (previous year: EUR 35,414 thousand).

Goodwill from the acquisition of foreign subsidiaries is translated at the closing rate as an asset attributable to these companies.

## Property, plant, and equipment

Items of property, plant, and equipment are recognized at cost less cumulative depreciation and impairment losses, plus reversals of impairment losses.

Expenses for major regular maintenance are amortized over the remaining useful life of the asset concerned or over the period to the next maintenance date.

The carrying amount of items of property, plant, and equipment is reviewed if it is likely to have been impaired by events or changes in circumstances. An impairment test is performed by comparing the asset's carrying amount with its recoverable amount. The recoverable amount is defined as the higher of internal value in use and fair value less costs to sell (net realizable value). Fair value is primarily determined on the basis of the current local market price for used machinery or commercial real estate. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. To assess impairment, assets are grouped at the lowest level for which separate cash flows can be identified. If the reason for the impairment subsequently ceases to apply, the impairment loss is reversed up to a maximum of the amortized historical cost.

## Leases

Leases are agreements granting the right to use a certain item of property, plant, and equipment for a defined period in return for a payment. Leases are accounted for as finance leases if substantially all the risks and rewards incidental to using the leased asset and therefore beneficial ownership are attributable to the lessee. As a result, the GEA Group companies that, as lessees, bear substantially all the risks and rewards associated with the leased asset recognize the asset at the lower of fair value or the present value of minimum lease payments, and depreciate the asset in subsequent periods over the shorter of the lease term or the asset's estimated useful life. A corresponding liability is recognized, which is amortized in the following periods using the effective interest method. Payments to the lessor are divided into an interest and a principal repayment element, with the interest element being recognized in profit or loss over the lease term as a continuous interest payment on the residual lease liability. All other leases under which GEA Group is a lessee are treated as operating leases. In these cases, the lease payments are recognized as an expense using the straight-line method.

Lease transactions under which GEA Group companies are the lessor and substantially all the risks and rewards associated with the leased asset are transferred to the lessee are accounted for as sales and financing business. A receivable is reported in the amount of the net investment under the lease. The interest income subsequently generated is recognized in profit or loss. All other lease transactions under which the group is the lessor are treated as operating leases. In this case, the asset leased for use remains on the balance sheet and is depreciated. The lease payments are recognized as income using the straight-line method over the term of the lease.

Various companies included in the consolidated financial statements have sold and leased back items of property, plant, and equipment in the past. Depending on the distribution of risk, these sale and leaseback transactions resulted in a finance lease or an operating lease. In the case of operating leases, the entire gain was recognized immediately if the asset was sold at fair value. If the asset was sold above its fair value, the difference between the selling price and fair value was deferred and recognized over the lease term.

## Investment property

Property that is held to earn rentals or for capital appreciation is reported as investment property. In the case of property that is held partly to earn rentals and partly to produce or supply goods or services or for administrative purposes, the entire property is classified as investment property if the proportion of owner-occupation is insignificant. This is assumed to be the case if the proportion is below 10 percent.

Cost is depreciated using the straight-line method over a period of between 10 and 50 years. The same measurement method is applied as for property, plant, and equipment.

## Goodwill

Goodwill arising from business combinations is recognized as an intangible asset.

Goodwill is tested for impairment at segment level at least once a year at the end of the fiscal year and if there are any indications of impairment. The recoverable amount for the segment is compared with the carrying amount including goodwill. The recoverable amount corresponds to the higher of internal value in use and fair value less costs to sell. Fair value less costs to sell is the measure for the impairment of business units classified as discontinued operations. If the carrying amount of the segment's assets exceeds the recoverable amount, an impairment loss in the amount of the difference is recognized in profit or loss.

An impairment loss initially reduces the carrying amount of goodwill. Any amount exceeding goodwill is allocated proportionately to the carrying amounts of noncurrent nonfinancial assets.

The value in use of the individual business units is calculated in the fourth quarter of each fiscal year using the discounted cash flow method. It is only necessary to estimate a selling price if the value in use is less than the carrying amount.

## Other intangible assets

Other intangible assets include both internally generated and purchased assets. Internally generated intangible assets comprise capitalized development costs. In addition to contract-based rights, purchased intangible assets mainly contain technologies, brand names, and customer relationships. Technologies, brand names, and customer relationships are usually acquired in connection with takeovers. Internally generated and purchased intangible assets are recognized at cost.

If the useful life of an intangible asset can be determined, the asset is amortized on a straight-line basis over its useful life. Intangible assets whose useful life cannot be determined are recognized at cost.

The carrying amount of an intangible asset is reviewed if it is likely to have been impaired by events or changes in circumstances. Intangible assets with an indefinite useful life are tested for impairment at least once a year. This requires the recoverable amount of the assets to be determined. The recoverable amount corresponds to the higher of internal value in use and fair value less costs to sell. If the carrying amount is higher than the recoverable amount, the asset is written down to the recoverable amount. Previously recognized impairment losses are reversed if the reasons for the impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Indefinite-lived intangible assets are also examined each year to determine whether the classification of the asset as indefinite-lived can be retained. Any change to a finite useful life is applied prospectively.

### Other financial assets

Other financial assets include investments in unconsolidated subsidiaries and other equity investments, other securities, financial receivables (except trade receivables), and derivative financial instruments.

Shares in unconsolidated subsidiaries and other equity investments are allocated to the “available-for-sale financial assets” measurement category. They are measured at cost because the shares in these corporations are not traded in an active market and their estimated fair value is subject to fluctuations without the probabilities of the individual fair values being able to be reliably determined within the margin of fluctuation. A reliable fair value can only be determined during sale negotiations. The group does not intend to sell these financial assets.

Securitized debt instruments that are intended to be held to maturity are allocated to the “held-to-maturity investments” measurement category and measured accordingly at amortized cost using the effective interest method. All other securities are measured at fair value and any fluctuations in value are recognized directly in other comprehensive income. These instruments are only allocated to the “available-for-sale financial assets” measurement category if no other category applies.

Financial receivables are allocated to the “loans and receivables” measurement category and measured at amortized cost using the effective interest method.

Derivative financial instruments are used exclusively for hedging purposes, in particular to hedge currency risk and to mitigate the risk of interest rate fluctuations resulting from financing transactions. They are always carried at fair value. If derivative financial instruments are not included in a documented hedging relationship, they are allocated to the “financial assets at fair value through profit or loss” measurement category, and their fair value changes are recognized in the income statement. If the derivative financial instruments included in a recognized hedging relationship are used to hedge future cash flows, the fair value fluctuations are recognized in other comprehensive income.

Embedded financial derivatives are separated from their host contracts if certain qualifying criteria relating to their recognition and measurement are met.

Financial assets are recognized as soon as GEA Group has received a cash payment or it has the right to receive cash flows. In the case of regular way sales of nonderivative financial assets, the settlement date, i.e., the delivery date of the financial assets, is decisive. Assets are derecognized as soon as the right to receive cash payments or other financial assets expires as a result of payment, waiver, statutory limitation, offsetting, or any other factor, or the right is transferred to another person, with the risks passing in full to the purchaser. In the case of regular way sales of nonderivative financial assets, the settlement date is taken to be the date of derecognition, in line with the principle used for recognition.

Items are originally recognized at fair value or, in the case of financial assets not measured at fair value, including directly attributable transaction costs.

Financial assets or groups of financial assets are tested for indications of impairment at each reporting date. Impairment losses are recognized in the income statement. Financial assets are impaired if, following one or more events that occurred after initial recognition of the asset, there is objective evidence that the expected future cash flows have declined. Objective evidence of impairment may be, for example, significant financial difficulties of the debtor or payment default. In the case of financial assets measured at amortized cost (e.g., unquoted equity instruments), the impairment loss corresponds to the difference between the carrying amount of the financial instrument and the present value of the future cash flows discounted at the original effective interest rate.

If the reasons for impairment no longer apply, impairment losses on financial assets – with the exception of equity instruments – are reversed to income up to the amount of the amortized cost that would have applied if no impairment loss had been charged.

#### **Recognized hedging relationships (hedge accounting)**

At the time they are entered into, derivative financial instruments that are included in a recognized hedging relationship are designated either as a hedge against changes in the fair value of assets, liabilities, or binding agreements (fair value hedge) or as a hedge of future cash flows in connection with assets and liabilities (cash flow hedge).

In order to effectively hedge risks relating to changes in fair value, the change in the fair value of both the derivative and the hedged item is recognized in the income statement. Changes in fair value offset each other in a perfect hedge.

If derivatives are used to hedge future cash flows, the effective portion of the change in the derivative's fair value is recognized in other comprehensive income. The ineffective portion of the change in fair value is reported as a gain or loss. The item recognized in other comprehensive income arising from the effective portion of the change in fair value is recognized in the income statement as soon as the hedged item is settled. If settlement of the hedged item leads to the recognition of a nonfinancial asset, the changes in value previously recognized in other comprehensive income are offset against the cost of the nonfinancial asset. If, contrary to previous assumptions, the hedged transaction is not executed, the changes in value previously recognized in equity are reversed directly to profit or loss.

The group predominantly uses cash flow hedges to hedge foreign currency and interest rate risk. GEA Group also enters into hedging transactions in accordance with its risk management principles, which help protect it against existing risks in economic terms, but do not meet the strict hedge accounting requirements of IAS 39. Currency forwards that are used to hedge currency risk arising from monetary assets and liabilities are not aggregated into a recognized hedging relationship. Effects arising from the translation of balance sheet items that are

recognized in the income statement are largely offset by changes in the fair values of currency forwards that are also recognized in the income statement.

GEA Group does not currently apply the guidance on hedging changes in fair value by using fair value hedges.

### **Deferred taxes**

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the respective national tax accounts and those in the IFRS financial statements that are included in the consolidated financial statements. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets arising from deductible temporary differences and tax loss carryforwards are recognized only to the extent that there is likely to be sufficient taxable income available in future.

No deferred tax liabilities are recognized on taxable temporary differences arising from investments in subsidiaries, associates, or joint ventures as long as the reversal of temporary differences is unlikely.

### **Inventories**

Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is calculated at average cost or using the first-in, first-out (FIFO) method. Production cost includes direct costs plus materials and production overheads, depreciation, and production-related administrative costs. Net realizable value is calculated as the estimated sale proceeds less costs incurred until completion, and selling expenses. Previously recognized impairment losses must be reversed if the reasons for the impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

### **Trade receivables**

Trade receivables include no interest component and are recognized in the balance sheet at their principal amount less appropriate allowances for bad debts.

Trade receivables that are sold to financial services companies under factoring agreements are derecognized once substantially the majority risks and rewards have been transferred to the financial services company.

### **Construction contracts**

Receivables and revenues from construction contracts are recognized using the percentage of completion (PoC) method.

The percentage of completion is determined using the cost-to-cost method, which is derived from the ratio of contract costs incurred to the total estimated contract costs. Contracts are measured at production cost plus a profit in proportion to the stage of completion. Losses on construction contracts are immediately recognized in full in the fiscal year in which they are

identified, regardless of the stage of completion. If the contract costs incurred and the gains or losses recognized exceed the progress billings, the excess amount is capitalized and reported under “trade receivables.” If the progress payments received exceed the capitalized costs and recognized gains or losses at the reporting date, they are reported as a liability under “other liabilities.” Advance payments on construction contracts are reported separately as a liability.

If the contract margin cannot be estimated reliably, revenue is recognized only in the amount of the contract costs incurred (zero-profit method). A profit is only recognized once the contract margin can be estimated reliably.

Payments for differences in the overall contract, claims, and premiums are included in the contract revenue to the extent agreed with the customer.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash, demand deposits, and financial assets that can be converted into cash at any time and that are subject to only slight fluctuations in value. They are recognized at fair value.

### **Noncurrent assets held for sale and liabilities associated with assets held for sale**

Noncurrent assets or groups of assets classified as “held for sale” within the meaning of IFRS 5 are recognized at the lower of carrying amount and fair value less costs to sell. They are classified as held for sale if their sale is highly probable, the assets or groups of assets held for sale are available for immediate sale, and their sale will have been completed within one year of their classification as held for sale. As the carrying amount of depreciable assets is realized by disposal rather than use, these assets are no longer depreciated once they have been reclassified. Corresponding liabilities are reported under “liabilities associated with assets held for sale.”

### **Subscribed capital**

Ordinary shares are classified as equity. Treasury shares are deducted from the equity attributable to the shareholders of GEA Group Aktiengesellschaft.

### **Obligations under pension plans**

Obligations under pension plans relate to post-employment benefit obligations. Defined benefit contribution obligations are calculated using the projected unit credit method. The present value of these obligations reflects expected future salary and pension trends, since the entitlements earnable in the period up to the retirement age depend on these. Claims under supplementary healthcare benefit insurance are included in the actuarial measurement of assumptions made in respect of healthcare cost trends. The pension obligations are measured on the basis of actuarial reports by independent actuaries.

In order to provide these pension benefits, the Company in some cases holds financial assets in long-term funds outside GEA Group (plan assets) and qualified insurance policies. Insofar as the entitlements are funded by such external assets, their fair value is offset against the present value of the defined benefit obligation. The net amount offset, adjusted for any unrecognized past service cost and the effects of the asset ceiling, is reported under noncurrent employee benefit obligations or other noncurrent financial assets.

Gains and losses resulting from changes in actuarial assumptions, such as changes to the discount rate or changes in the difference between the actual and expected return on plan assets, are recognized in other comprehensive income in the year in which they arise and reported in retained earnings after adjustment for tax effects. The interest component included in pension expenses is reported under interest expense, and the expected return on plan assets is included in interest income. The service cost for the period is recognized in the relevant functional costs.

#### **Other employee benefit obligations**

Other employee benefit obligations comprise other long-term benefits and all short-term benefits. Short-term employee benefit obligations generally fall due in full no more than 12 months after completion of the service rendered. They include wages, salaries, social insurance contributions, paid vacation, and profit-sharing schemes. They are recognized as an expense at the same time as the work is remunerated. Any expenditure in excess of the payments already made is reported as a deferred liability at the reporting date. Other long-term benefits, such as jubilee payments or partial retirement arrangements, are recognized at the present value of the obligation at the reporting date. Securities are pledged to the beneficiaries to protect vested partial retirement credits against the employer's insolvency. The fair value of these securities is offset against the corresponding liability.

#### **Provisions**

Provisions for uncertain liabilities are recognized where there is a legal or constructive obligation to a third party, a future outflow of resources is likely, and the expected settlement value can be estimated reliably. The present value of the settlement amount is recognized if the time value of money is material. Amounts are discounted at the market rates for the appropriate maturity and currency. The interest unwinding costs are presented under interest expense.

The cost of creating warranty provisions is included in the cost of sales when revenue is recognized. In all other cases, provisions are recognized when the product is accepted. The provision is measured on the basis of both the warranty cost actually incurred in the past and on the evaluated overall risk inherent in the system or product. Provisions are also recognized if a claim is made under a warranty and a loss is likely. Recourse claims against suppliers are capitalized if their services are subject to a warranty and it is highly likely that the claim can be enforced.

Provisions for expected losses from onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs also include the unavoidable overheads needed to meet the obligations.

### **Financial liabilities**

Financial liabilities comprise bonds, liabilities to banks, and liabilities under finance leases. They are initially recognized at fair value less transaction costs. They are subsequently measured at amortized cost using the effective interest method. Liabilities under finance leases are initially measured at the lower of the fair value of the leased asset and the present value of minimum lease payments.

### **Other liabilities**

The recognition and subsequent measurement of other liabilities is the same as for financial liabilities, with the exception of advance payments and the gross amount due to customers for contract work. Advance payments are stated at their principal amount. Please see the information provided on the recognition of construction contracts for the measurement of the gross amount due to customers for contract work.

### **Trade payables**

Trade payables also include liabilities for goods received or services rendered that have not yet been invoiced, as there is only slight uncertainty as to the amount of the liability. Trade payables are recognized at fair value. This corresponds to the settlement amount in the case of liabilities due within one year.

### **Revenue recognition**

Revenue generated by the sale of products is recognized when delivery occurs and price risk passes to the customer. Revenue from service agreements is recognized when the service is rendered. Revenue is measured at the fair value of the consideration received or to be received. Customer bonuses, discounts, or rebates reduce the amount of revenue recognized.

Revenue from construction contracts is generally recognized using the percentage of completion method under which revenue is recognized in accordance with the stage of completion. The stage of completion is determined using the ratio of contract costs incurred as of the reporting date to the total estimated contract costs as of the reporting date. Contract costs include direct costs plus materials and construction overheads, depreciation, production-related administrative costs, and such other costs that are specifically chargeable to the customer under the terms of the contract. Where a construction contract is settled over a long period and where the contract is largely financed by GEA Group, contract costs also include directly attributable borrowing costs. Conversely, income from the investment of advance payments received is offset against contract costs where this has a material influence on the contract margin. Adjustments are made for amendments to contracts, claims, and premiums insofar as these will probably result in revenue that is capable of being reliably estimated.

In line with the percentage of completion method, construction contracts are measured as the contract costs incurred as of the reporting date plus the profit attributable to the proportion of work completed. Revenue recognized is reported under trade payables, less progress billings. If the outcome of a construction contract cannot be reliably estimated, the probable recoverable revenue is recognized up to the amount of the costs incurred. Contract costs are recognized as an expense in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected loss is recognized as an expense immediately.

Interest income is recognized ratably over the remaining maturity based on the effective interest rate and the amount of the remaining receivable. Dividend income on equity instruments is recognized if the right to receive payment is based on legally assertable claims.

Revenue from royalties is recognized in the period in which it arises in accordance with the underlying contracts.

### **Share-based payment**

GEA Group has a share-based payment program under which selected managers are granted performance shares. The fair value of these rights is calculated at the grant date and allocated as an expense over the vesting period using the straight-line method; a corresponding provision is recognized. The provision is remeasured at each reporting date and at the payment date. Changes in the fair value of the provision are recognized as personnel expenses. Part of the bonus earned by the Executive Board members is also converted into phantom shares. Rights under these phantom shares are measured at the share price at the reporting date (see section 7.3.4).

In addition, one group company grants its employees options on shares of the company via a trustee. The cost of this share-based payment is estimated at the grant date and amortized using the straight-line method up to the exercise date (see section 7.1).

### **Research and development**

Research expenditures are recognized immediately as an expense. Development costs that are designed to significantly enhance a product or process are capitalized if completion of the product or process is technically and economically feasible, the development is marketable, the expenditures can be measured reliably, and adequate resources are available to complete the development project. All other development expenditures are recognized immediately as expenses. Capitalized development expenditures for completed projects are reported at cost less cumulative amortization and impairment losses. Capitalized development costs for intangible assets not yet available for use are tested for impairment once a year.

Development costs that are required under construction contracts are capitalized as part of the cost of the asset.

### **Government grants**

Government grants are recognized at fair value provided that the group meets the conditions necessary to receive the grant. Government grants to cover expenses are recognized over the period in which the costs for which the grants were awarded are incurred. Government grants for capital expenditure are deducted from the cost of purchasing the corresponding asset.

### **Estimates and management judgment**

Preparation of financial statements requires management to make certain estimates and exercise judgment that may affect the Company's assets, liabilities, provisions, and deferred tax assets and liabilities, as well as its income and expenses and contingent liabilities.

Factors that may cause amounts to fall below estimates might include a deterioration in the global economy, movements in exchange rates and interest rates, as well as material litigation and changes in environmental or other legislation. Production errors, the loss of key customers, and rising borrowing costs may also adversely affect the group's future performance.

The recognition and measurement of the following assets and liabilities are in some cases based on management judgment. All assumptions represent the best of management's knowledge and belief in order to convey a true and fair view of the Company's net assets, financial position, and results of operations. If actual circumstances subsequently differ from those forecast, this will affect the recognition and measurement of assets and liabilities. Depending on the item concerned, earnings may also be affected.

### **Acquisitions**

Goodwill is reported in the balance sheet as a result of acquisitions. When an acquired company is initially consolidated, all its identifiable assets, liabilities, and contingent liabilities are recognized at their acquisition-date fair value. The main problem is estimating these fair values. As a rule, land and buildings are measured on the basis of independent appraisals. If intangible assets are identified, their fair values are calculated using an appropriate measurement method. These measurements are made on the basis of assumptions by management with respect to the future value of the relevant assets and the discount rate. Obligations for contingent consideration are recognized on the basis of the current planning (see section 5.2).

### **Goodwill**

The group tests goodwill for impairment annually. The recoverable amount of cash-generating units (segments) was determined on the basis of their value in use. Value in use is calculated using assumptions by management (see section 6.3).

**Taxes**

GEA Group operates in a large number of countries and is therefore subject to different tax jurisdictions. Calculating tax liabilities requires management to make various estimates. Management believes that it has made a reasonable estimate of tax uncertainties. However, no assurance can be given that the actual outcome of these uncertainties will correspond to the estimates made. Any deviations may have an impact on the level of tax liabilities or deferred taxes in the year of the decision.

When assessing the recoverability of deferred tax assets, management judges the extent to which the deferred tax assets are more likely to be realized than not. Whether the deferred tax assets can actually be realized depends on whether sufficient future taxable income can be generated against which the temporary differences or tax loss carryforwards can be offset. Management therefore analyzes the times at which the deferred tax liabilities reverse, and expected future taxable income. Management forecasts whether deferred tax assets can be realized on the basis of expected future taxable income. Deferred tax assets decline if the estimate of planned taxable income decreases, if tax benefits available as a result of tax strategies are reduced, or the amount or timing of future tax benefits is restricted by changes in the law (see section 8.7).

**Provisions and contingent liabilities**

Changes in estimates of the probability of a present obligation or of an outflow of resources embodying economic benefits could mean that items previously classified as contingent liabilities must be reported as provisions, or that the amount of provisions must be adjusted (see section 7.2). This also applies in particular to environmental obligations.

**Obligations under pension plans**

The present value of pension obligations depends on actuarial assumptions. These assumptions cover the discount rate, expected salary increases and returns on plan assets, mortality rates, and cost increases for medical care. These assumptions could differ significantly from actual future outcomes as a result of changes in market and economic conditions, and could therefore have a material effect on the level of the obligation and the related expenses.

The expected returns on plan assets are calculated on a uniform basis that reflects long-term forecast returns, asset allocation, and estimates of future long-term investment returns.

The discount rate is calculated at the end of each year. This is the rate used to calculate the present value of future cash outflows expected to be required to settle the obligation. In order to calculate the discount rate, the group uses the interest rate on high-quality corporate bonds denominated in the same currency in which the benefits are paid and whose terms to maturity correspond to those of the pension obligations.

Other significant assumptions relating to pension obligations are partly based on market conditions (see section 7.3.1).

#### **Construction contracts**

The recognition of construction contracts using the percentage of completion method is based on management's estimates of the cost of such contracts. Changes in estimates or differences between the estimated cost and the actual cost have a direct effect on recognized earnings from construction contracts. The operating units continuously review the estimates and adjust them if required.

#### **Litigation**

In some cases, GEA Group companies are parties to litigation. The outcome of this litigation could have a material effect on the group's net assets, financial position, and results of operations. Management regularly analyzes current information on these legal disputes and recognizes provisions for probable obligations, including estimated legal costs. Both internal and external lawyers are used to make this assessment. When deciding on the need to recognize provisions, management takes into account the probability of an unfavorable outcome and the ability to estimate the amount of the obligation with sufficient reliability. The filing of a suit or the formal assertion of a claim against a GEA Group company does not necessarily mean that a provision must be recognized for the related risk (see section 9.4).

### 3. Financial risk management

The Executive Board has put in place an effective set of guidelines to manage and hence largely limit or hedge financial risks throughout the group. The objectives with regard to protecting assets, eliminating gaps in security, and improving efficiency in identifying and analyzing risks are clearly defined, as are the relevant organizational structures, powers, and responsibilities. The guidelines are based on the principles of system security, the separation of functions, transparency, and immediate documentation. For further information, please see the discussion of the risk management system in the management report.

Because it operates worldwide, GEA Group is exposed to currency, interest rate, commodity price, credit, and liquidity risk in the course of its ordinary activities. Financial risk management aims to reduce this risk through the appropriate use of derivative and nonderivative hedging instruments.

#### Currency risk

Because GEA Group operates internationally, its cash flows are denominated not only in euros, but also in a number of other currencies, particularly U.S. dollars. Hedging the resulting currency risk is a key element of risk management.

The group guideline requires all group companies to hedge foreign currency items as they arise in order to fix prices on the basis of hedging rates. The hedging periods are determined by the maturity of the hedged items and are usually up to 12 months, but in exceptional cases may exceed that period significantly. Nevertheless, changes in exchange rates may affect sales opportunities outside the eurozone.

Group companies based in the eurozone are obliged to tender to GEA Group Aktiengesellschaft's finance unit all outstanding exposures relating to transactions in goods and services in major transaction currencies. Most of these exposures are passed on directly to banks at matching maturities, depending on the hedging objective of the derivatives and the related accounting treatment; they may also be hedged as part of a portfolio. The hedging of financial transactions and transactions conducted by subsidiaries outside the eurozone is also closely coordinated with the finance unit.

#### Interest rate risk

Because GEA Group operates worldwide, liquidity is raised and invested in the international money and capital markets in different currencies, mainly euros and at different maturities. The resulting financial liabilities and investments are exposed to interest rate risk, which must be assessed and controlled by central interest management. Derivative financial instruments may be used on a case-by-case basis to hedge the interest rate risk and reduce the interest rate volatility and financing costs of the hedged items. Only the central finance unit is permitted to enter into such interest rate hedges.

All interest rate derivatives are allocated to individual loans. The hedging relationships are documented and recognized as cash flow hedges. Overall, the interest expense from the loans and the allocated derivatives reported in the income statement represents the fixed interest rate for the hedging relationship.

Cross-currency swaps were used in connection with the financing of acquisitions in Canada and the UK. They are also recognized at fair value. However, they are not included in any documented hedging relationship with intragroup hedged items. The earnings effects arising from changes to currency parities that have occurred since the beginning of the cross-currency swaps, and the earnings effects due to the related intragroup receivables, do not match due to different calculation bases (forward rate relative to spot rate). The difference in value amounted to EUR -865 thousand in the fiscal year (previous year: EUR 227 thousand).

### Commodity price risk

GEA Group requires various metals such as aluminum, copper, steel, and titanium. Purchase prices for raw materials may fluctuate significantly depending on market conditions. Long-term supply agreements have been entered into with various suppliers in order to hedge commodity price risk. A small number of aluminum forwards existed as of the reporting date. These were acquired in connection with the Bock Group. There were no commodity derivatives within GEA Group as of December 31, 2010.

### Credit risk

Financial instruments are exposed to credit risk in that the other party to the contract may fail to fulfill its obligations. The counterparty limit system used by GEA Group for financial management aims to continuously assess and manage the counterparty default risk. A maximum risk limit has been defined for each counterparty, which in most cases is derived from the of ratings from recognized credit rating agencies and credit default swaps (CDSs). Appropriate action is taken if the individual limit is exceeded.

The financial standing of potential customers is ascertained before orders are accepted using an internal risk board procedure. Active receivables management, including nonrecourse factoring and credit insurance, is also performed. In the case of export transactions, confirmed and unconfirmed letters of credit are used alongside sureties, guarantees, and cover notes, including from export credit agencies such as Hermes. In addition to local monitoring by the subsidiary in question, GEA Group also oversees the main credit risks at group management level so that any accumulation of risk can be better managed.

Since trade receivables are usually due from a large number of customers in different sectors and regions, there is no concentration of risk. Valuation allowances take account of specific credit risks.

Derivative financial instruments are only entered into with reputable financial institutions so as to reduce the credit risk involved.

The maximum exposure for the financial assets is limited to their carrying amount.

## Liquidity risk

GEA Group is exposed to liquidity risk in that it may be unable to meet payment obligations because it has insufficient cash funds at its disposal. GEA Group Aktiengesellschaft's corporate finance unit is responsible for managing this risk. Cash funds are arranged and credit lines managed on the basis of a multi-year financial plan and a rolling month-by-month cash forecast. Cash flow from operating activities is the most important source of liquidity. Intragroup cash pooling avoids the need for external cash investments and borrowings to a large extent. To achieve this, GEA Group Aktiengesellschaft has established cash pooling groups in 13 countries that automatically balance the accounts of the participating group companies every day by crediting or debiting a target account at GEA Group Aktiengesellschaft. Any additional liquidity requirements are generally borrowed by the GEA Group Aktiengesellschaft, which also invests surplus liquidity.

The following tables show the undiscounted contractually agreed interest and principal payments for financial liabilities, including derivative financial instruments with negative fair values:

(EUR thousand)	Carrying amount	Cash flows					
		< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
<b>2011</b>							
Trade payables	903,334	890,631	12,703	–	–	–	–
Borrower's note loan	128,724	4,143	130,577	–	–	–	–
Bonds	409,134	17,000	17,000	17,000	17,000	417,000	–
Liabilities to banks	281,356	55,652	26,649	25,378	24,797	24,052	152,345
Liabilities under finance leases	44,164	4,523	4,736	4,863	4,901	5,375	73,235
Liabilities to equity investees	3,901	3,901	–	–	–	–	–
Currency derivatives not included in a recognized hedging relationship	10,188	157,009	6,113	–	–	–	–
Currency derivatives included in a cash flow hedge	15,404	246,713	15,791	2,663	309	–	–
Interest rate and cross-currency derivatives not included in a recognized hedging relationship	12,456	3,857	3,473	3,079	2,689	2,315	2,166
Interest rate and cross-currency derivatives included in a cash flow hedge	2,390	1,501	1,235	1,238	1,238	1,242	926
Commodity derivatives not included in a recognized hedging relationship	177	177	–	–	–	–	–
Other liabilities	803,762	786,596	17,166	–	–	–	–
<b>2010</b>							
Trade payables	672,103	661,861	10,242	–	–	–	–
Borrower's note loan	220,379	96,955	4,136	131,804	–	–	–
Bonds	–	–	–	–	–	–	–
Liabilities to banks	238,324	226,156	12,086	1,762	420	284	268
Liabilities under finance leases	44,567	4,264	4,387	4,515	4,586	4,903	78,286
Liabilities to investees	6,457	6,294	163	–	–	–	–
Currency derivatives not included in a recognized hedging relationship	5,570	244,425	754	–	–	–	–
Currency derivatives included in a cash flow hedge	7,109	157,161	11,936	610	244	–	–
Interest rate and cross-currency derivatives not included in a recognized hedging relationship	9,800	4,199	3,787	3,412	3,026	2,645	4,410
Interest rate and cross-currency derivatives included in a cash flow hedge	8,210	8,382	249	–	–	–	–
Commodity derivatives not included in a recognized hedging relationship	–	–	–	–	–	–	–
Other liabilities	654,704	646,923	7,781	–	–	–	–

All financial liabilities outstanding as of December 31, 2011, are included to the extent that payments have already been contractually agreed. Projected figures for future new liabilities are not taken into account. Foreign currency amounts are translated at the closing rates. In the case of financial liabilities that can be repaid at any time, it is assumed that they will be repaid within one year.

Payments for derivative financial instruments totaling EUR 453,734 thousand (previous year: EUR 445,240 thousand) were partially offset by payments received from the same instruments of EUR 424,839 thousand (previous year: EUR 417,419 thousand).

As of December 31, 2011, the group held cash credit lines of EUR 1,702,688 thousand (previous year: EUR 1,581,450 thousand), EUR 819,214 thousand of which has been utilized (previous year: EUR 458,781 thousand). The cash credit lines are composed of the following items:

(EUR thousand)	Maturity	12/31/2011 approved	12/31/2011 utilized	12/31/2010 approved	12/31/2010 utilized
Bond	April 21, 2016	400,000	400,000	–	–
Syndicated credit line 1	July 14, 2011	–	–	300,000	200,000
Borrower's note loan	August 18, 2011	–	–	92,000	92,000
	August 16, 2013	128,000	128,000	128,000	128,000
Syndicated credit line 2 (club deal)	June 13, 2013	–	–	325,000	–
Syndicated credit line 2 (club deal)	June 14, 2015	650,000	–	325,000	–
European Investment Bank	July 14, 2017	150,000	150,000	150,000	–
Kreditanstalt für Wiederaufbau (KfW)	Yearly instalments until May 31, 2016	90,000	90,000	–	–
	Quarterly instalments from March 31, 2013, until December 30, 2016	56,000	–	–	–
Various (bilateral) credit lines including accrued interest	Maximum of 1 year or "until further notice"	228,688	51,214	261,450	38,781
<b>Total</b>		<b>1,702,688</b>	<b>819,214</b>	<b>1,581,450</b>	<b>458,781</b>

Syndicated credit line 1 in the amount of EUR 300,000 thousand was repaid in July 2011 when it fell due after having been drawn down in full during the year. The borrower's note loan with the nominal amount of EUR 92,000 thousand was repaid in August 2011. On April 14, 2011, a bond in the amount of EUR 400,000 thousand was issued and credit lines furnished by the European Investment Bank and Kreditanstalt für Wiederaufbau (KfW) were drawn down to finance the acquisitions of the CFS and Bock groups on the one hand and to refinance the credit lines that had fallen due on the other.

Moreover, an additional loan in the amount of EUR 56,000 thousand was agreed with Kreditanstalt für Wiederaufbau in December 2011. The loan is being used to finance the construction of a new separator manufacturing facility in Oelde, Germany, which belongs to the GEA Mechanical Equipment Segment. The term of the loan is five years and it carries a reduced rate of interest, as the construction project receives financial support from the KfW Environmental and Energy Efficiency Program.

In addition, guarantee lines for the performance of contracts, advance payments, and warranty obligations of EUR 2,069,717 thousand were available (previous year: EUR 2,032,095 thousand), EUR 747,637 thousand of which has been utilized (previous year: EUR 881,006 thousand). Of this figure, guarantees amounting to EUR 219,615 thousand (previous year: EUR 328,249 thousand) are payable at first demand. As is generally customary for this type of order collateral and financing instrument, guarantees have only been drawn down by GEA Group in extremely rare exceptional cases in recent years.

As of the year-end, EUR 1,366 thousand (previous year: EUR 20,538 thousand) of bank guarantees under GEA Group Aktiengesellschaft credit lines and EUR 194,142 thousand (previous year: EUR 189,327 thousand) of group guarantees were granted to Lurgi AG's customers to collateralize that company's contractual obligations. EUR 1,364 thousand of the bank guarantees (previous year: EUR 20,472 thousand) is payable at first demand. The purchaser of Lurgi has granted bank guarantees in favor of GEA Group Aktiengesellschaft that largely cover the amount concerned in the unlikely event of the default of both Lurgi AG and Air Liquide S.A. EUR 20,894 thousand (previous year: EUR 46,899 thousand) of bank guarantees under GEA Group Aktiengesellschaft credit lines and EUR 120,446 thousand (previous year: EUR 158,292 thousand) of group guarantees were granted to Lentjes GmbH's customers to collateralize that company's contractual obligations. EUR 4,662 thousand of the bank guarantees (previous year: EUR 24,797 thousand) is payable at first demand.

Future payments from operating leases are reported separately under other financial liabilities (see section 9.2).

### Foreign currency sensitivity analysis

GEA Group companies are always exposed to foreign currency risk if their cash flows are denominated in a currency other than their functional currency. Foreign currency risk is hedged using suitable instruments, thus largely offsetting fluctuations arising from the hedged item and the hedging transaction over their term.

The foreign currency risk presented in the sensitivity analysis results from the following transactions:

- Currency derivatives that are included in hedging relationships for previously unrecognized hedged items, i.e., for contractually agreed or expected transactions.  
As these hedging relationships are regularly documented as such and presented as cash flow hedges, only equity is affected by exchange rate risk.
- Cross-currency swaps  
Although swaps are matched by intragroup receivables as hedged items, they are not included in a documented hedging relationship. While receivables are measured using the spot rate, the currency components of the swaps are measured on the basis of the forward rates. The two rates could differ significantly depending on the interest rate difference between the two currencies.
- Unsecured foreign currency transactions  
The translation of foreign currency receivables or liabilities at the closing rate has a direct effect on earnings.

The currency pairs in which the major part of the foreign currency cash flows are settled are included as relevant risk variables in the foreign currency sensitivity analysis. The following table shows the sensitivity of a 10 percent increase or decrease in the relevant foreign currency in relation to the relevant base currency from the group's perspective:

(EUR thousand)		Nominal amount	Profit/loss for the year		Equity	
Base currency	Foreign currency		2011		2011	
			+ 10%	- 10%	+ 10%	- 10%
EUR	USD	452,061	135	-165	11,009	-13,455
EUR	GBP	86,080	2,421	-2,959	44	-54
EUR	CAD	44,394	3,798	-4,641	7	-8
EUR	HKD	32,703	-7	8	1,118	-1,366
EUR	RUB	10,059	556	-680	200	-245
USD	MXN	6,998	-635	777	-	-

(EUR thousand)		Nominal amount	Profit/loss for the year		Equity	
Base currency	Foreign currency		2010		2010	
			+ 10%	- 10%	+ 10%	- 10%
EUR	USD	417,994	133	-163	7,998	-9,776
EUR	GBP	76,998	2,429	-2,968	299	-366
EUR	CAD	57,927	3,904	-4,773	-	-
EUR	CNY	28,294	-9	11	-1,345	1,643
EUR	BRL	9,800	321	-393	317	-388
EUR	INR	8,214	746	-912	-	-

The nominal amount relates to all contractually agreed foreign currency cash flows as of the reporting date, which are translated into euros at the closing rate. The nominal amount comprises the entire volume traded in foreign currency, and not only the volume on which the analysis of foreign currency sensitivity is based.

The potential fluctuations in the profit or loss for the year result primarily from derivatives that are not included in a designated hedging relationship, but are used to avoid currency risk as part of the general hedging strategy.

### Interest rate sensitivity analysis

The interest rate sensitivity analysis presents the effects of changes in market interest rates on interest payments, interest income and expenses, and equity. The sensitivity analyses are based on the following assumptions:

- Nonderivative fixed-income financial instruments are only subject to balance-sheet interest rate risk if they are measured at fair value. GEA Group measures such financial instruments at amortized cost.
- Nonderivative variable-rate financial instruments whose interest payments are not included as hedged items in a hedging relationship that is recognized as a cash flow hedge are subject to interest rate risk both in the income statement and in cash flow (cash flow interest rate risk and interest rate risk recognized in profit or loss).
- Interest rate derivatives included in a hedging relationship that is recognized as a cash flow hedge are subject to equity-related interest rate risk in the amount of the effective portion of the hedging relationship (balance sheet interest rate risk).
- Interest rate derivatives not included in a hedging relationship that is recognized as a cash flow hedge are subject to interest rate risk both in the income statement and in cash flow (cash flow interest rate risk and interest rate risk recognized in profit or loss).

- Currency derivatives are not subject to material interest rate risk and therefore have no effect on interest rate sensitivity.

The sensitivity analysis assumes a linear shift in the yield curve for all currencies of +/- 100 basis points as of the reporting date. This results in the following effects:

(EUR thousand)	12/31/2011		12/31/2010	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Cash flow interest rate risk	-8,008	7,853	2,615	-2,647
Balance sheet interest rate risk	3,617	-3,819	3,737	-3,532
Interest rate risk recognized in profit or loss	-7,366	7,072	2,673	-2,863

The calculation is based on a net volume of EUR 514,306 thousand (previous year: EUR 502,360 thousand).

### Capital management

GEA Group Aktiengesellschaft's key financial objective is to sustainably increase its enterprise value in the interests of investors, employees, customers, and suppliers, while safeguarding and securing the group's solvency at all times.

Improving profitability and, as a result, increasing the return on capital employed therefore takes priority in all business decisions. Our strict focus on contract margin quality is also derived from this. Equally, external growth through potential acquisitions is viewed from the perspective of this goal.

Capital management, in the form of generating sufficient liquidity reserves, plays a crucial role in the pursuit of these enterprise goals. Not only does it ensure GEA Group's long-term existence, it also creates the entrepreneurial flexibility needed to enhance and update current business activities and to take advantage of strategic opportunities. It is achieved by managing liquidity reserves and available credit lines on an ongoing basis using short- and medium-term forecasts of future liquidity trends and borrowing requirements.

The capital structure is monitored regularly using various key financial indicators so as to optimize capital costs. Core indicators include the equity ratio and the net debt to equity ratio (gearing). Net debt is calculated as follows:

(EUR thousand)	12/31/2011	12/31/2010
Liabilities to banks	-281,356	-238,324
Borrower's note loan	-128,724	-220,379
Bonds	-409,134	-
Cash and cash equivalents	432,401	563,532
<b>Net debt (-)/Net liquidity (+)</b>	<b>-386,813</b>	<b>104,829</b>
<b>Equity</b>	<b>2,163,592</b>	<b>1,867,606</b>
Equity ratio	34.8%	36.3%
Gearing	17.9%	-5.6%

Whereas GEA Group reported net liquidity in the previous year, it had net debt as of December 31, 2011. This shift was primarily due to acquisitions and in particular to the acquisition of the CFS Group.

There was no change in the assessments of GEA Group's financial risk issued by the rating agencies, which were as follows:

Agency	2011		2010	
	Rating	Outlook	Rating	Outlook
Moody's	Baa3	stable	Baa3	stable
Fitch	BBB-	stable	BBB-	stable

GEA Group's investment grade rating in the "BBB" range ensures that it has good financing opportunities both with banks and directly on the capital markets; this was demonstrated in the year under review and the previous year during the placement of Syndicated Credit Line 2 (the club deal) and the bond. On the one hand, the current ratings reflect GEA Group's strong solvency, while on the other they ensure access to a broad investor base.

## 4. Disposals

GEA Group sold the packaging materials business for the food industry that it acquired when it took over the CFS Group in the year under review by selling all material assets, including operating liabilities, of CFS Kempten GmbH, Kempten/Germany. In the previous fiscal year, the company generated revenue of EUR 45 million. It employed 166 people at the time of sale. The company's net assets were as follows at the date of disposal:

(EUR thousand)	2011	2010
Noncurrent assets	3,773	101
Current assets	8,981	4,414
Liabilities	5,058	4,362
<b>Net assets</b>	<b>7,696</b>	<b>153</b>
Selling price	8,463	181
<b>Gain/loss on disposal</b>	<b>767</b>	<b>28</b>
Cash received from sale	8,463	181
Cash and cash equivalents disposed	-	-
<b>Net cash flow from disposal</b>	<b>8,463</b>	<b>181</b>

No goodwill was disposed of when the investment was sold. The proceeds of sale are matched in the same amount by transaction costs and expenses associated with the recognition of a warranty provision.

The prior-year figures relate to the sale of the 100 percent interest in GEA Grenco Køleteknik A/S, Skanderborg/Denmark.

## 5. Acquisitions

### 5.1 Companies acquired

GEA Group acquired the following companies in fiscal year 2011:

Company	Head office	Acquisition date	Share of voting rights (%)	Consideration transferred (EUR thousand)
Mashimpeks Ltd.	Moscow/Russia	February 21, 2011	100.0	10,963
CFS Holdings B.V.	Bakel/Netherlands	March 24, 2011	100.0	132,835
Bock Kältemaschinen GmbH	Frickenhausen/Germany	March 31, 2011	100.0	53,053
San Joaquin Valley Dairy Equipment	Tulare/CA/U.S.A.	August 1, 2011	Asset Deal	7,363
Nu-Con Ltd.	Auckland/New Zealand	September 13, 2011	100.0	21,544
QPM	Olympia/WA/U.S.A.	December 9, 2011	Asset Deal	1,318

Mashimpeks Ltd. is allocated to the GEA Heat Exchangers Segment. The company has sold and installed GEA Group heat exchangers in Russia for several years. Its customers are mainly in the food, oil and gas, power generation, and HVAC industries. Mashimpeks operates sales and service offices throughout the country. This sales and service network will allow GEA Group to further expand its heat exchangers business in Russia. In fiscal year 2010, the company generated revenue of EUR 14,778 thousand and had 130 employees.

The CFS Holdings B.V. Group (CFS) is a manufacturer of process technology for the secondary processing and packaging of protein foods such as meat, poultry, fish, and cheese. CFS offers individual machines for grinding, mixing, cutting, forming, breading, frying, cooking, or loading, among other things, as well as end-to-end solutions that cover the entire process chain from preparing the raw material through to the finished packaging. CFS has sales companies or branches in more than 30 countries. Its production facilities are located mainly in the Netherlands and Germany. In fiscal year 2010/2011, CFS had a total of approximately 2,000 employees and generated revenue of EUR 406,545 thousand. Just under half of its revenue comes from Western Europe, around an eighth in each case from the Asia/Pacific, Eastern Europe, and North America regions, and the rest from Latin America and Africa. For GEA, the purchase of CFS offers an entry into a new and continuously growing area of food processing and packaging. It also provides a basis for additional acquisitions to further round off the company's product portfolio. CFS was integrated into GEA Group as a sixth operational segment under the name GEA Convenience-Food Technologies (CT).

Bock Kältemaschinen GmbH is a leading manufacturer of open and semi-hermetic reciprocating compressors for stationary and transport-related cooling applications. This acquisition complements the GEA Refrigeration Technologies Segment's existing compressor portfolio in the lower and mid-range performance segment. The Bock Group generated annual revenue of EUR 70,997 thousand in 2010 with around 340 employees. In addition to the headquarters in Frickenhausen, the company has smaller assembly sites in the Czech Republic, India, and China, and sales offices in Singapore, Thailand, Malaysia, and Australia. Around half of the products are sold in Europe, one-third in Asia/Pacific, and the rest in North and Latin America and Africa. Typical end customers of Bock compressors include the world's leading manufacturers in the food and beverage industry, some of the largest retail chains, and customers in the infrastructure and transportation sector.

Prior to its acquisition by the Farm Technologies Segment, the distributor San Joaquin Valley Dairy Equipment had already supplied GEA's milking and milk cooling equipment and related services to California's largest dairy industry region. The acquisition of all material assets provides GEA with opportunities for growth in one of the most important regions of North America. San Joaquin Valley Dairy Equipment generated annual revenue of EUR 5,802 thousand in 2010 with 30 employees.

Nu-Con Ltd. is a leading supplier of powder processing components, complete powder processing systems, and powder filling systems. The acquisition strengthens the GEA Process Engineering Segment's position in the global market for powder processing on the one hand, and increases its presence in the Asian growth markets on the other. Based in Auckland/New Zealand, the company had a workforce of 167 employees and generated revenue of around EUR 29,861 thousand in the last fiscal year. Nu-Con's powder processing systems are used particularly in the production of infant formula, dairy products, and other foodstuffs. The company's products are also used in a variety of other industrial processes.

QPM Manufacturing is a specialty producer of steel conveyor belts used to transport food products reliably in ovens and freezers. The acquisition gives the GEA Refrigeration Technologies Segment access to technology to expand its freezer offering.

## 5.2 Consideration transferred

The consideration transferred is composed of the following items:

Company (EUR thousand)	Cash	Contingent consideration	Total
Mashimpeks Ltd.	8,547	2,416	<b>10,963</b>
CFS Holdings B.V.	132,835	–	<b>132,835</b>
Bock Kältemaschinen GmbH	41,432	11,621	<b>53,053</b>
San Joaquin Valley Dairy Equipment	7,363	–	<b>7,363</b>
Nu-Con Ltd.	21,544	–	<b>21,544</b>
QPM	1,318	–	<b>1,318</b>
<b>Total</b>	<b>213,039</b>	<b>14,037</b>	<b>227,076</b>

The contingent consideration relating to the acquisition of the shares of Mashimpeks Ltd. relates primarily to an agreement to make additional payments amounting to a maximum of EUR 2,500 thousand depending on the company's results over the next three years. On the basis of its corporate planning, GEA expects to pay the maximum amount. The stated amount of EUR 2,416 thousand represents the fair value of the payment.

The contingent consideration relating to the acquisition of Bock Kältemaschinen GmbH comprises two components. The first component is tied to the development of new reciprocating processors. The amount of the payment depends on compliance with investment budgets and production cost targets. The second component is based on earnings over the next three years. A maximum of EUR 12,500 thousand may be paid out in total. Based on its current assessment of the extent to which the two targets will be achieved, GEA expects to pay EUR 12,500 thousand. This corresponds to a fair value of EUR 11,621 thousand.

A new three-year employment contract was entered into with the previous owners and managing directors of Mashimpeks Ltd. The two managing directors and former shareholders of Bock Kältemaschinen GmbH will also continue to work for the company. Consulting agreements with a term of three years and one year respectively were entered into with them. The contract of employment/consulting contracts have not been accounted for as part of the acquisition. The costs will be expensed ratably over the term of the agreements.

### 5.3 Assets acquired and liabilities assumed

The following assets were acquired and liabilities assumed with the six companies. The assets and liabilities of Mashimpeks Ltd., Nu-Con Ltd., San Joaquin Valley Dairy Equipment and QPM Manufacturing have been combined due to their minor significance.

Fair value (EUR thousand)	Bock	CFS	Others	Total
Property, plant, and equipment	13,259	53,373	2,672	69,304
Intangible assets	20,285	175,302	16,205	211,792
Equity-accounted investments	355	–	–	355
Other noncurrent financial assets	3,403	12	542	3,957
Deferred taxes	211	8,112	395	8,718
<b>Noncurrent assets</b>	<b>37,512</b>	<b>236,799</b>	<b>19,814</b>	<b>294,126</b>
Inventories	13,026	73,781	10,779	97,586
Trade receivables	9,625	68,525	3,673	81,823
Income tax receivables	–	752	–	752
Other current financial assets	3,185	22,829	1,194	27,208
Cash and cash equivalents	14,277	9,828	9,107	33,212
<b>Current assets</b>	<b>40,113</b>	<b>175,715</b>	<b>24,753</b>	<b>240,581</b>
<b>Total assets</b>	<b>77,625</b>	<b>412,514</b>	<b>44,567</b>	<b>534,707</b>
Noncurrent provisions	–	7	–	7
Noncurrent financial liabilities	773	–	2,343	3,116
Noncurrent employee benefit obligations	10,456	14,531	–	24,987
Other noncurrent liabilities	179	762	–	941
Deferred taxes	7,486	42,991	3,429	53,906
<b>Noncurrent liabilities</b>	<b>18,894</b>	<b>58,291</b>	<b>5,772</b>	<b>82,957</b>
Current provisions	2,739	6,926	1,301	10,966
Current employee benefit obligations	–	18,958	3,062	22,020
Current financial liabilities	160	319,575	–	319,735
Trade payables	3,072	48,155	3,443	54,670
Income tax liabilities	1,344	4,862	105	6,311
Other current liabilities	15,982	61,674	12,457	90,113
<b>Current liabilities</b>	<b>23,296</b>	<b>460,150</b>	<b>20,368</b>	<b>503,815</b>
<b>Total liabilities</b>	<b>42,190</b>	<b>518,441</b>	<b>26,140</b>	<b>586,772</b>
<b>Net assets acquired</b>	<b>35,435</b>	<b>-105,927</b>	<b>18,427</b>	<b>-52,065</b>
of which attributable to GEA Group Aktiengesellschaft	35,435	-105,660	18,427	-51,798
of which attributable to noncontrolling interests	–	-267	–	-267
Acquisition cost	53,053	132,835	41,187	227,076
Goodwill of GEA Group Aktiengesellschaft	17,618	238,495	22,760	278,873

The fair value of total receivables acquired with the acquisitions – primarily trade receivables – amounted to EUR 104,706 thousand. The contractual principal amount of the receivables is EUR 107,255 thousand. It was assumed at the acquisition date that an amount of EUR 2,549 thousand was uncollectible.

The goodwill of EUR 278,873 thousand arising from the acquisitions primarily comprises benefits from expected synergies and future market developments, as well as workforce expertise. EUR 4,946 thousand of the goodwill is tax-deductible.

## 5.4 Effects on consolidated profit

Since their acquisition, these companies have generated revenue of EUR 446,556 thousand and a loss before tax of EUR 8,227 thousand. If the companies concerned had been acquired as of January 1, 2011, they would have recorded revenue of EUR 616,811 thousand and a loss before tax of EUR 12,406 thousand.

## 5.5 Net cash outflow

The acquisitions in the fiscal year led to the following net cash outflow:

(EUR thousand)	2011	2010
Consideration transferred	227,076	15,537
Acquisition-related costs	4,640	593
less contingent consideration	-14,037	-3,332
<b>Purchase price paid including acquisition-related costs</b>	<b>217,679</b>	<b>12,798</b>
less cash acquired	-33,212	-511
<b>Payments to acquire subsidiaries and other businesses</b>	<b>184,467</b>	<b>12,287</b>

Payments to acquire subsidiaries and other businesses reported in the cash flow statement amounted to EUR 183,473 thousand (previous year: EUR 12,145 thousand). These include payments for contingent consideration components amounting to EUR 2,842 thousand (previous year: EUR 291 thousand), a cash outflow from the purchase of noncontrolling interests in the amount of EUR 1,695 thousand, as well as cash inflows from the inclusion of previously unconsolidated subsidiaries amounting to EUR 2,210 thousand (previous year: EUR 20 thousand). There is also a purchase price payment of EUR 3,318 thousand (previous year: EUR 413 thousand) that was due but unpaid at the reporting date. This payment is not included in the cash flow statement.

In addition, GEA Group replaced the CFS Group's external financing provided by the previous shareholders and banks in the amount of EUR 319,435 thousand on acquiring the group.

## 6. Consolidated balance sheet disclosures: Assets

### 6.1 Property, plant, and equipment

Property, plant, and equipment changed as follows:

(EUR thousand)	Land and buildings (owner-occupied)	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Total
<b>Jan. 1, 2010</b>					
Cost	567,671	672,556	320,412	51,251	<b>1,611,890</b>
Cumulative depreciation and impairment losses	-256,375	-484,973	-233,892	-278	<b>-975,518</b>
<b>Carrying amount</b>	<b>311,296</b>	<b>187,583</b>	<b>86,520</b>	<b>50,973</b>	<b>636,372</b>
<b>Changes in 2010</b>					
Additions	7,223	19,411	18,484	26,267	<b>71,385</b>
Disposals	-2,757	-3,715	-1,802	-124	<b>-8,398</b>
Depreciation	-17,650	-34,179	-26,415	-22	<b>-78,266</b>
Impairment losses	-5,573	-6,966	-2,974	-1,255	<b>-16,768</b>
Reclassification held for sale	-373	-76	-11	-	<b>-460</b>
Changes in consolidated Group	1,397	566	389	-1	<b>2,351</b>
Currency translation	10,899	7,204	3,639	1,262	<b>23,004</b>
Other changes	26,524	16,242	603	-45,553	<b>-2,184</b>
<b>Carrying amount at Dec. 31, 2010</b>	<b>330,986</b>	<b>186,070</b>	<b>78,433</b>	<b>31,547</b>	<b>627,036</b>
<b>Jan. 1, 2011</b>					
Cost	598,045	573,926	324,837	32,605	<b>1,529,413</b>
Cumulative depreciation and impairment losses	-267,059	-387,856	-246,404	-1,058	<b>-902,377</b>
<b>Carrying amount</b>	<b>330,986</b>	<b>186,070</b>	<b>78,433</b>	<b>31,547</b>	<b>627,036</b>
<b>Changes in 2011</b>					
Additions	14,438	19,563	27,781	71,385	<b>133,167</b>
Disposals	-1,688	-1,816	-1,243	-2,849	<b>-7,596</b>
Depreciation	-18,981	-35,607	-29,322	-63	<b>-83,973</b>
Impairment losses	-2,176	-605	-353	-	<b>-3,134</b>
Reclassification held for sale	-	-	-	-	<b>-</b>
Changes in consolidated Group	39,294	8,858	13,675	1,559	<b>63,386</b>
Currency translation	208	1,550	-453	-271	<b>1,034</b>
Other changes	1,771	15,040	2,152	-21,411	<b>-2,448</b>
<b>Carrying amount at Dec. 31, 2011</b>	<b>363,852</b>	<b>193,053</b>	<b>90,670</b>	<b>79,897</b>	<b>727,472</b>
<b>Dec. 31, 2011</b>					
Cost	652,576	616,545	360,198	82,882	<b>1,712,201</b>
Cumulative depreciation and impairment losses	-288,724	-423,492	-269,528	-2,985	<b>-984,729</b>
<b>Carrying amount</b>	<b>363,852</b>	<b>193,053</b>	<b>90,670</b>	<b>79,897</b>	<b>727,472</b>

The decision to close two production facilities in the GEA Heat Exchanger Segment in Turkey and Mexico resulted in impairment losses of EUR 3,134 thousand. The assets affected were written down to their net realizable value.

Impairment losses in the previous year were incurred in the amount of EUR 13,497 thousand in the GEA Heat Exchangers Segment and EUR 2,920 thousand in the GEA Mechanical

Equipment Segment. In the GEA Heat Exchangers Segment, the impairment losses related to the reorganization of heat exchanger activities resolved in 2009. As a consequence of this, 12 production facilities were closed or restructured, mainly in Germany and Europe. Items of property, plant and equipment for which there was no further use following the reorganization were written down to their net realizable value. Assets that could not be sold were written down to their scrap value. The impairment losses are part of the restructuring expenses reported in other expenses (see section 8.3.).

The impairment losses in the GEA Mechanical Equipment Segment related to property, plant and equipment in the membrane filtration systems business and were attributable to the decline in orders received. EUR 549 thousand of the impairment losses are included in cost of sales and EUR 2,371 thousand in administrative expenses.

The changes in the consolidated Group are primarily acquisitions. The other changes are mainly attributable to reclassifications from assets under construction to other items of property, plant, and equipment, and to intangible assets.

As in the previous year, items of property, plant, and equipment are depreciated on a straight-line basis using the relevant residual values and the following useful lives:

	Useful life in years
Buildings and parts of buildings	2 to 50
Technical equipment and machinery, other equipment	2 to 30
Operating and office equipment	3 to 40

The underlying residual values and useful lives are reviewed at each reporting date and adjusted if necessary.

Property, plant, and equipment comprises land and buildings, technical equipment and machinery, and office and operating equipment leased under finance leases:

(EUR thousand)	2011	2010
Cost – capitalized leased assets under finance leases	62,366	60,319
Cumulative depreciation and impairment losses	-15,481	-13,587
<b>Carrying amount</b>	<b>46,885</b>	<b>46,732</b>

EUR 39,668 thousand (previous year: EUR 40,849 thousand) of the carrying amount of the leased items of property, plant, and equipment relates to buildings. The leases for the buildings extend beyond 2030. The leases do not include extension options, escalation clauses, or the option to acquire the leased asset.

The corresponding lease liabilities are explained under financial liabilities (see section 7.4).

The carrying amount of property, plant, and equipment that serves as collateral for credit lines amounted to EUR 6,686 thousand at the reporting date (previous year: EUR 5,511 thousand). Most of these assets relate to land.

## 6.2 Investment property

The following table shows the changes in investment property:

(EUR thousand)	Land	Buildings	Total
<b>Jan. 1, 2010</b>			
Cost	21,836	22,630	<b>44,466</b>
Cumulative depreciation and impairment losses	-4,853	-16,919	<b>-21,772</b>
<b>Carrying amount</b>	<b>16,983</b>	<b>5,711</b>	<b>22,694</b>
<b>Changes in 2010</b>			
Additions	330	15	<b>345</b>
Disposals	-331	-	<b>-331</b>
Depreciation	-	-2,012	<b>-2,012</b>
<b>Carrying amount at Dec. 31, 2010</b>	<b>16,982</b>	<b>3,714</b>	<b>20,696</b>
<b>Jan. 1, 2011</b>			
Cost	21,835	22,645	<b>44,480</b>
Cumulative depreciation and impairment losses	-4,853	-18,931	<b>-23,784</b>
<b>Carrying amount</b>	<b>16,982</b>	<b>3,714</b>	<b>20,696</b>
<b>Changes in 2011</b>			
Additions	-	8	<b>8</b>
Disposals	-6,853	-517	<b>-7,370</b>
Depreciation	-	-1,176	<b>-1,176</b>
Impairment losses	-1,187	-	<b>-1,187</b>
Reversals of impairment losses	688	-	<b>688</b>
Currency translation	-	-1	<b>-1</b>
Other changes	-	179	<b>179</b>
<b>Carrying amount at Dec. 31, 2011</b>	<b>9,630</b>	<b>2,207</b>	<b>11,837</b>
<b>Dec. 31, 2011</b>			
Cost	14,982	7,175	<b>22,157</b>
Cumulative depreciation and impairment losses	-5,352	-4,968	<b>-10,320</b>
<b>Carrying amount</b>	<b>9,630</b>	<b>2,207</b>	<b>11,837</b>

The impairment losses of EUR 1,187 thousand relate to a property held for sale in Frankfurt am Main and are the result of general trends in property values at that location. The impairment losses are reported in administrative expenses.

The fair value of investment property is EUR 16,955 thousand (previous year: EUR 22,688 thousand). The fair values are calculated on the basis of comparable market-based prices that are determined internally.

The following amounts are reported in the income statement in connection with investment property:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Rental income	14,824	18,876
Operating expenses	14,194	16,681
of which: properties used to generate rental income	14,194	16,681
<b>Total</b>	<b>630</b>	<b>2,195</b>

Rental income of EUR 14,764 thousand (previous year: EUR 18,812 thousand) generated by GEA Real Estate GmbH is reported in other income. This was still reported as revenue in the previous year. Prior-year figures were not adjusted for reasons of materiality.

## 6.3 Goodwill

Goodwill is allocated to the segments, which constitute the cash-generating units. The recoverable amount of a segment is determined by calculating value in use using the discounted cash flow method. The cash flows used are the after-tax operating cash flows from the consolidated medium-term planning (three-year period) prepared on a bottom-up basis and approved by the Executive Board and Supervisory Board. Cash flows equal to the amount in the final planning year are assumed for the period beyond the planning horizon. These are extrapolated using a uniform growth rate of one percent (previous year: one percent).

The total cost of capital assumed for discounting is based on a risk-free interest rate of 4.00 percent (previous year 4.00 percent) and a market risk premium of 5.00 percent (previous year 5.00 percent). In addition, beta factors derived from the respective peer group, a borrowing risk premium, as well as capital structure were taken into account for each segment. Segment-specific tax rates were also applied. Cash flows for the individual segments are discounted using the following after-tax rates:

Discount rate (%)	12/31/2011	12/31/2010
GEA Convenience-Food Technologies	8.43	–
GEA Farm Technologies	9.35	9.29
GEA Heat Exchangers	9.36	9.46
GEA Mechanical Equipment	10.10	10.18
GEA Process Engineering	9.34	9.49
GEA Refrigeration Technologies	8.74	8.48

The planning assumes continued stable growth in the food and drink sales markets. This assumption is based on an expectation of growing demand for processed foods. All GEA Group segments will profit from these underlying trends with the exception of GEA Heat Exchangers. Although less strong in comparison to the food industry, growth is also assumed for other customer industries. This is derived from the assumption of continuing sustained interest in process optimization with respect to efficiency and productivity, as well as energy use and plant availability. By contrast, declining growth rates have been factored in for the energy and marine sectors. The weighted average growth rates used are largely consistent with forecasts in reports by economic research institutes.

With regard to raw material prices, it is assumed that any increase can be offset by increased selling prices.

No business acquisitions were included in planning.

All of GEA Group's segments reported goodwill. The carrying amount of goodwill as of December 31, 2011, was EUR 1,900,147 thousand (previous year: EUR 1,550,423 thousand). The impairment test performed in the fourth quarter confirmed the recoverability of existing goodwill.

In the GEA Convenience Food Technologies Segment, the recoverable amount exceeds the carrying amount of net segment assets by only 8.7 percent. A 100 or 200 basis point higher discount rate would result in an impairment of EUR 23,987 thousand or EUR 77,736 thousand respectively. The assumption of a 50 basis point lower growth rate for cash flows after the three-year detailed planning horizon would not result in an impairment loss. If a growth rate were eliminated entirely for extrapolation of the last planning year, the impairment would be EUR 11,918 thousand. A reduction in cash flows by 10 percent over the entire planning horizon would result in an impairment loss of EUR 11,252 thousand.

For the other segments, as in the previous year, the relevant recoverable amount is sufficiently higher than the carrying amount of the respective net assets that neither a 200 basis point higher discount rate nor a growth rate of zero would result in the impairment of the allocated goodwill. The same applies if cash flows are reduced by 10 percent over the entire planning horizon.

The following table shows the allocation of goodwill to the segments and changes in goodwill:

(EUR thousand)	GEA Convenience-Food Technologies	GEA Farm Technologies	GEA Heat Exchangers	GEA Mechanical Equipment	GEA Process Engineering	GEA Refrigeration Technologies	<b>Total</b>
<b>Carrying amount at Dec. 31, 2009</b>	–	<b>165,611</b>	<b>523,430</b>	<b>305,964</b>	<b>375,008</b>	<b>160,848</b>	<b>1,530,861</b>
Additions	–	3,911	557	–	3,715	729	<b>8,912</b>
Disposals	–	–	–	–	-419	-85	<b>-504</b>
Currency translation	–	4,579	1,451	362	1,829	2,933	<b>11,154</b>
<b>Carrying amount at Dec. 31, 2010</b>	–	<b>174,101</b>	<b>525,438</b>	<b>306,326</b>	<b>380,133</b>	<b>164,425</b>	<b>1,550,423</b>
Additions	238,495	11,523	31,677	17,950	23,612	24,532	<b>347,789</b>
Disposals	–	–	–	–	–	-69	<b>-69</b>
Currency translation	–	2,209	75	-178	-1,031	929	<b>2,004</b>
<b>Carrying amount at Dec. 31, 2011</b>	<b>238,495</b>	<b>187,833</b>	<b>557,190</b>	<b>324,098</b>	<b>402,714</b>	<b>189,817</b>	<b>1,900,147</b>

The additions amounting to EUR 347,789 thousand stem from EUR 278,873 thousand business acquisitions in 2011 (see section 5.3) and the settlement offer of EUR 64,580 thousand in the award proceedings concerning the control and profit and loss transfer agreement entered into by the former Metallgesellschaft AG and the former GEA AG in 1999. In the settlement offer, GEA Group agreed to increase the share-based compensation (see section 9.4). This resulted in a retrospective increase in the acquisition cost of the former GEA AG and a corresponding increase in goodwill. Measurement of the new shares to be issued will be based on the historical price of shares of Metallgesellschaft AG at the first possible date of exchange. The remaining addition of EUR 4,336 thousand (previous year: EUR 1,771 thousand) is primarily attributable to purchase price adjustments for acquisitions in previous years.

The disposal of goodwill amounting to EUR 69 thousand (previous year: EUR 504 thousand) is due to purchase price adjustments for acquisitions in previous years.

## 6.4 Other intangible assets

The carrying amount of intangible assets changed as follows:

(EUR thousand)	Market-related intangible assets	Customer-related intangible assets	Contract-based intangible assets	Technology-based intangible assets	Internally generated intangible assets	Total
<b>Jan. 1, 2010</b>						
Cost	45,640	33,073	71,124	84,876	29,594	<b>264,307</b>
Cumulative amortization and impairment losses	-1,755	-7,293	-48,412	-34,978	-12,650	<b>-105,088</b>
<b>Carrying amount</b>	<b>43,885</b>	<b>25,780</b>	<b>22,712</b>	<b>49,898</b>	<b>16,944</b>	<b>159,219</b>
<b>Changes in 2010</b>						
Additions	31	165	4,801	7,218	6,339	<b>18,554</b>
Disposals	-	-	-299	-105	-159	<b>-563</b>
Amortization	-458	-3,360	-8,039	-7,456	-4,676	<b>-23,989</b>
Impairment losses	-4,530	-	-28	-3,023	-	<b>-7,581</b>
Changes in consolidated Group	1,229	2,739	348	1,259	11	<b>5,586</b>
Currency translation	1,500	1,499	367	1,626	191	<b>5,183</b>
Other changes	-32	-	2,579	2,429	208	<b>5,184</b>
<b>Carrying amount at Dec. 31, 2010</b>	<b>41,625</b>	<b>26,823</b>	<b>22,441</b>	<b>51,846</b>	<b>18,858</b>	<b>161,593</b>
<b>Jan. 1, 2011</b>						
Cost	48,452	37,931	78,957	98,844	30,746	<b>294,930</b>
Cumulative amortization and impairment losses	-6,827	-11,108	-56,516	-46,998	-11,888	<b>-133,337</b>
<b>Carrying amount</b>	<b>41,625</b>	<b>26,823</b>	<b>22,441</b>	<b>51,846</b>	<b>18,858</b>	<b>161,593</b>
<b>Changes in 2011</b>						
Additions	260	-	6,364	7,885	13,415	<b>27,924</b>
Disposals	-262	-23	-36	-807	-	<b>-1,128</b>
Amortization	-419	-19,990	-6,812	-11,863	-4,360	<b>-43,444</b>
Impairment losses	-369	-225	-54	-1,909	-270	<b>-2,827</b>
Changes in consolidated Group	27,959	134,034	598	51,510	-69	<b>214,032</b>
Currency translation	642	532	80	354	19	<b>1,627</b>
Other changes	49	-49	897	577	325	<b>1,799</b>
<b>Carrying amount at Dec. 31, 2011</b>	<b>69,485</b>	<b>141,102</b>	<b>23,478</b>	<b>97,593</b>	<b>27,918</b>	<b>359,576</b>
<b>Dec. 31, 2011</b>						
Cost	76,851	172,667	85,828	159,517	44,822	<b>539,685</b>
Cumulative amortization and impairment losses	-7,366	-31,565	-62,350	-61,924	-16,904	<b>-180,109</b>
<b>Carrying amount</b>	<b>69,485</b>	<b>141,102</b>	<b>23,478</b>	<b>97,593</b>	<b>27,918</b>	<b>359,576</b>

The addition to internally generated intangible assets is primarily attributable to the capitalization of development costs in three of the segments. The internally generated intangible assets in the GEA Convenience-Food Technologies Segment are related to a series of enhancements in areas that include grinding, forming, and injecting. As in the previous year, the addition in the GEA Farm Technologies Segment relates to enhancements in automated milking. In the GEA Process Engineering Segment, development work in the area of extrusion blow molding was capitalized.

As in the previous year, intangible assets with finite useful lives are amortized on a straight-line basis using the following useful lives:

	Useful life in years
Market-related intangible assets	3 to 20
Customer-related intangible assets	1 to 10
Contract-based intangible assets	1 to 18
Technology-based intangible assets	1 to 25

The amortization of intangible assets amounting to EUR 43,444 thousand in fiscal year 2011 (previous year: EUR 23,989 thousand) is reported in cost of sales.

Market-related intangible assets amounting to EUR 65,710 thousand (previous year: EUR 37,662 thousand) are not amortized because their useful life cannot be determined. These assets are company and product names of the acquired companies. These are established brands in their respective sectors and will continue to be used indefinitely after the company in question has been acquired.

The carrying amount of intangible assets with indefinite useful lives is broken down as follows:

Segment	12/31/2011		12/31/2010	
	Carrying amount (EUR thousand)	Proportion of total carrying amount (%)	Carrying amount (EUR thousand)	Proportion of total carrying amount (%)
GEA Convenience-Food Technologies	13,676	20.8	–	–
GEA Farm Technologies	4,862	7.4	4,926	13.1
GEA Heat Exchangers	18,583	28.3	17,762	47.2
GEA Process Engineering	13,657	20.8	8,604	22.8
GEA Refrigeration Technologies	14,932	22.7	6,370	16.9
<b>Total</b>	<b>65,710</b>	<b>100.0</b>	<b>37,662</b>	<b>100.0</b>

These brands are tested for impairment at least once a year. For this purpose, their internal value in use is determined using the relief from royalty method. Under this approach, the value of a brand is calculated on the basis of the future royalties that GEA Group would have to pay if it had to license the brands from third parties. The brand-related revenue is multiplied by the estimated license fee installments. The brand-related revenue is derived from the medium-term planning approved by the Executive Board and the Supervisory Board. The assumed license fee installments generally correspond to those of the initial measurement. The payments saved calculated in this way are then discounted using a brand-specific pre-tax discount rate. Valuation is based on the following assumptions:

(percent)	12/31/2011	12/31/2010
Discount rate	7.93 - 21.51	8.65 - 18.54
Royalty rate	0.25 - 1.50	0.25 - 1.50

The impairment test performed at the end of the year led to a write down of EUR 369 thousand. The impairment was caused by a significantly higher discount rate, particularly in Spain, resulting from the sovereign debt crisis.

The impairment loss recognized on technology-based intangible assets relates to carton freezer and chiller technology in the GEA Refrigeration Technologies Segment and is due to lower than expected orders.

The impairment of market-related and technology-based intangible assets in the previous year was attributable to the GEA Heat Exchangers Segment and was caused by the reorganization. Consolidating sites in connection with the reorganization and streamlining the product range led, among other things, to a reduction in products marketed under individual brands and the discontinuation of certain product and production technologies. If companies acquired in the past were affected by these measures, and their brand names and technologies were recognized as assets at the time of acquisition, these had to be written down to reflect the new structure. Impairment losses of EUR 4,530 thousand and EUR 3,023 thousand on market-related and technology-based intangible assets respectively are part of the restructuring expenses reported in other expenses. The impairment of market-related intangible assets also includes the write-down of a capitalized restraint on competition.

## 6.5 Equity-accounted investments

Equity-accounted investments are reported at a carrying amount of EUR 13,448 thousand at December 31, 2011 (previous year: EUR 13,492 thousand).

The following overview presents the key figures for equity-accounted associates as of December 31, 2011. The relevant figures are stated at 100 percent and are based on the most recently available annual financial statements.

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Revenue	27,531	7,731
Profit after tax	9,702	-729

(EUR thousand)	12/31/2011	12/31/2010
Assets	85,017	45,354
Liabilities	31,474	43,094

The proportionate total assets and the group's share of the profit of equity-accounted investments are insignificant in relation to the group's total assets and profit.

The following overview presents the proportionate key figures for equity-accounted joint ventures as of December 31, 2011:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Revenue	32,972	38,350
Profit after tax	2,621	3,940

(EUR thousand)	12/31/2011	12/31/2010
Assets		
Noncurrent assets	4,059	5,961
Current assets	27,401	23,277
Liabilities		
Noncurrent liabilities	1,869	1,171
Current liabilities	19,236	18,785

## 6.6 Other financial assets

Other financial assets are composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
Investments in unconsolidated subsidiaries and other equity investments	35,058	40,109
Other securities	11,603	–
Derivative financial instruments	686	1,600
Miscellaneous other financial assets	8,907	7,101
<b>Other noncurrent financial assets</b>	<b>56,254</b>	<b>48,810</b>
Lease receivables	–	776
Derivative financial instruments	23,773	10,921
Miscellaneous other financial assets	179,996	131,978
<b>Other current financial assets</b>	<b>203,769</b>	<b>143,675</b>
<b>Total</b>	<b>260,023</b>	<b>192,485</b>

### Other securities

Miscellaneous other financial assets include a receivable of EUR 11,603 thousand (previous year: EUR 0 thousand) from the former raw materials activities of Metallgesellschaft AG, which is divided into an equity instrument of EUR 1,083 thousand and a debt instrument of EUR 10,520 thousand. Between 1981 and 1984, the former Metallgesellschaft AG granted customer loans in a total amount of CAD 33,646 thousand to a Canadian mining company under a long-term ore purchase agreement. The receivable was written off in full due to expected uncollectibility. A restructuring of the mine resolved at the end of the 1980s also did not make recovery of the receivable appear probable. However, after GEA Group received a total of CAD 14,317 thousand in the past four years, the Executive Board of GEA Group decided to capitalize the outstanding portion of the receivable at its present value of CAD 15,334 thousand. Including payments of EUR 1,520 thousand received in the reporting period, an earnings contribution of EUR 12,022 thousand (previous year: EUR 1,351 thousand) resulted from this matter. This is reported in financial income (see section 8.5). Additionally, income in the amount of EUR 1,083 thousand is recognized in other comprehensive income.

## Derivative financial instruments

Derivative financial instruments are explained in section 7.8.

## Miscellaneous other financial assets

Miscellaneous other financial assets with a carrying amount of EUR 188,903 thousand (previous year: EUR 139,079 thousand) were recognized as of the reporting date. They are broken down into noncurrent and current assets as follows:

(EUR thousand)	12/31/2011	12/31/2010
Other receivables from unconsolidated subsidiaries	224	223
Other receivables from equity investments	297	1,261
Receivables from tax authorities	3,761	3,628
Sundry miscellaneous other financial assets	4,625	1,989
<b>Other noncurrent financial assets</b>	<b>8,907</b>	<b>7,101</b>
Other receivables from unconsolidated subsidiaries	5,419	1,101
Other receivables from equity investments	13,640	9,069
Other receivables from tax authorities	83,631	66,970
Sundry miscellaneous other financial assets	77,306	54,838
<b>Other current financial assets</b>	<b>179,996</b>	<b>131,978</b>
<b>Total</b>	<b>188,903</b>	<b>139,079</b>

Receivables from tax authorities primarily comprise VAT receivables.

Sundry miscellaneous other financial assets include prepaid expenses totaling EUR 33,248 thousand (previous year: EUR 25,416 thousand).

The maturity structure of sundry miscellaneous other financial assets is as follows:

(EUR thousand)	12/31/2011	12/31/2010
<b>Carrying amount before impairment losses</b>	<b>88,616</b>	<b>64,856</b>
Impairment losses	6,685	8,029
<b>Carrying amount</b>	<b>81,931</b>	<b>56,827</b>
of which not yet due at the reporting date	80,317	56,697
of which past due at reporting date	1,614	130
Past due periods (time bands):		
less than 30 days	1,120	–
between 91 and 180 days	166	–
more than 360 days	328	130

## 6.7 Inventories

Inventories are composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
Raw materials, consumables, and supplies	216,618	184,038
Work in progress	158,824	133,652
Assets for third parties under construction	23,418	25,285
Finished goods and merchandise	284,281	202,720
Advance payments	59,758	43,908
<b>Total</b>	<b>742,899</b>	<b>589,603</b>

Impairment losses of EUR 23,699 thousand (previous year: EUR 18,995 thousand) were charged on inventories in the reporting period. EUR 2,984 thousand (previous year: EUR 5,419 thousand) of the impairment losses on inventories is contained in the restructuring provisions. The other impairment losses are reported in cost of sales. Impairment losses on inventories in previous years amounting to EUR 2,949 thousand (previous year: EUR 4,538 thousand) were reversed due to increased market prices. The reversals are recognized in cost of sales.

## 6.8 Trade receivables

Trade receivables are composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
Trade receivables	971,169	771,936
of which from third parties	941,926	744,129
of which from unconsolidated subsidiaries	29,243	27,807
Gross amount due from customers for contract work	386,377	262,412
<b>Total</b>	<b>1,357,546</b>	<b>1,034,348</b>

Trade receivables include receivables of EUR 25,297 thousand (previous year: EUR 22,054 thousand) that will not be realized until more than one year after the reporting date. Bad debt allowances on trade receivables totaled EUR 67,084 thousand (previous year: EUR 69,024 thousand).

Additional collateral has been assigned for receivables amounting to EUR 3,945 thousand (previous year: EUR 18,000 thousand).

The average payment period and volume of receivables outstanding are in line with the general market.

The maturity structure of trade receivables – with the exception of receivables from affiliated companies and equity investments – is as follows:

(EUR thousand)		12/31/2011	12/31/2010
<b>Carrying amount before impairment losses</b>		<b>1,009,010</b>	<b>813,153</b>
Impairment losses		67,084	69,024
<b>Carrying amount</b>		<b>941,926</b>	<b>744,129</b>
of which not yet due at the reporting date		727,700	573,490
of which past due at the reporting date		214,226	170,639
Past due periods (time bands):	less than 30 days	98,432	84,308
	between 31 and 60 days	38,949	26,961
	between 61 and 90 days	17,656	10,660
	between 91 and 180 days	24,452	16,767
	between 181 and 360 days	17,386	14,088
	more than 360 days	17,351	17,855

### Construction contracts

The gross amount due from and to customers for contract work is composed of the following items:

(EUR thousand)		12/31/2011	12/31/2010
Capitalized production cost of construction contracts		2,791,663	2,270,880
plus net gain from construction contracts		475,235	395,609
less anticipated losses		12,242	9,831
less progress billings		3,248,757	2,723,658
<b>Total</b>		<b>5,899</b>	<b>-67,000</b>
Gross amount due from customers for contract work (included in trade receivables)		386,377	262,412
Gross amount due to customers for contract work (included in other liabilities)		-380,478	-329,412
<b>Total</b>		<b>5,899</b>	<b>-67,000</b>

Advance payments received on construction contracts amounted to EUR 17,024 thousand at December 31, 2011 (previous year: EUR 39,192 thousand). Customer retention money amounted to EUR 41,135 thousand (previous year: EUR 31,387 thousand). Revenue of EUR 2,405,183 thousand (previous year: EUR 1,907,276 thousand) was generated from construction contracts in the reporting period.

## 6.9 Income tax receivables

Income tax receivables amounted to EUR 15,882 thousand at the reporting date (previous year: EUR 20,181 thousand). EUR 15,634 thousand (previous year: EUR 19,638 thousand) of this amount is due within one year. A further EUR 248 thousand (previous year: EUR 543 thousand) is due after more than one year.

## 6.10 Cash and cash equivalents

Cash and cash equivalents were composed of the following items at the reporting date:

(EUR thousand)	12/31/2011	12/31/2010
Unrestricted cash	426,674	552,731
Restricted Cash	5,727	10,801
<b>Total</b>	<b>432,401</b>	<b>563,532</b>

Cash and cash equivalents comprise cash funds and overnight deposits. Restricted cash consists of term deposits and bank deposits.

The standard market interest rate for short-term bank deposits in the eurozone was between 0.2 and 1.1 percent (previous year: between 0.5 and 1.1 percent). The average interest rate at the end of the year was 0.4 percent (previous year: 0.9 percent).

## 6.11 Assets held for sale/liabilities associated with assets held for sale

Assets held for sale include a property that is no longer required for operating purposes. After the property has been divided into lots, the individual lots will be sold. Also reported under this item are items of property, plant, and equipment affected by location closures. As these assets have no further use, they will be disposed of.

## 7. Consolidated balance sheet disclosures: Equity and liabilities

### 7.1 Equity

#### Subscribed capital

The subscribed capital of GEA Group Aktiengesellschaft was unchanged at EUR 496,890 thousand as of December 31, 2011. As before, the shares are composed of 183,807,845 no-par value bearer shares. All the shares are fully paid up.

As in the previous year, the shares have a notional value of EUR 2.70 each (rounded).

All shares convey the same rights. Shareholders are entitled to receive dividends as declared and are entitled to one vote per share at the Annual General Meeting.

#### Authorized capital

(EUR thousand)	Annual General Meeting resolution	Expiring on	Amount (EUR thousand)
Authorized Capital I	April 30, 2007	April 29, 2012	77,000
Authorized Capital II	April 21, 2010	April 20, 2015	72,000
Authorized Capital III	April 22, 2009	April 21, 2014	99,000
<b>Total</b>			<b>248,000</b>

Under **Authorized Capital I**, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by issuing new no-par value shares against cash contributions on one or more occasions and, in accordance with Article 5(4) of the Articles of Association, to define a starting date for profit rights that differs from the date stipulated by law. The Executive Board is also entitled, with the approval of the Supervisory Board, to exclude fractions from shareholders' preemptive rights. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to stipulate the further details of the capital increase from Authorized Capital I and the terms and conditions of the share issue.

Under **Authorized Capital II**, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by issuing new no-par value shares against cash or noncash contributions on one or more occasions and, in accordance with Article 5(4) of the Articles of Association, to define a starting date for profit rights that differs from the date stipulated by law. The Executive Board is also entitled, with the approval of the Supervisory Board, to exclude fractions from shareholders' preemptive rights. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in a partial amount of EUR 50,000 thousand in the case of capital increases against noncash contributions for the purpose of business combinations or the acquisition of companies, parts of companies, or equity interests in companies. Additionally, the Executive Board is authorized, with the approval of the Supervisory Board, to stipulate the further details of the capital increases from Authorized Capital II and the terms and conditions of the share issue. The new shares may also be underwritten by banks with the obligation of offering them to the shareholders for subscription.

Under **Authorized Capital III**, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by issuing new no-par value shares against cash or noncash contributions on one or more occasions and, in accordance with Article 5(4)

of the Articles of Association, to define a starting date for profit rights that differs from the date stipulated by law. The Executive Board is also authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the case of capital increases against noncash contributions for the purpose of business combinations or the acquisition of companies, parts of companies, or equity interests in companies. Furthermore, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' preemptive rights in the case of capital increases against cash contributions if the issue price of the new shares does not fall materially below the market price of the same class of shares of the Company at the time the issue price is set. This disapplication of preemptive rights in accordance with sections 203(1) and 186(3) sentence 4 of the AktG is limited to a maximum of 10 percent of the Company's share capital. The limit of 10 percent of the share capital is reduced by the proportion of the share capital attributable to the treasury shares of the Company that are sold during the term of Authorized Capital III while shareholders' preemptive rights are disappplied in accordance with sections 71(1) no. 8 sentence 5 and 186(3) sentence 4 of the AktG. The limit is also reduced by the proportion of the share capital attributable to those shares that are issued to settle bonds with warrants or convertible bonds with an option or conversion right or with an option or conversion obligation, provided that the bonds are issued during the term of Authorized Capital III and shareholders' preemptive rights are disappplied in accordance with section 186(3) sentence 4 of the AktG. Furthermore, the Executive Board is entitled, with the approval of the Supervisory Board, to exclude fractions from shareholders' preemptive rights. The Executive Board is also authorized, with the approval of the Supervisory Board, to stipulate the further details of the capital increases from Authorized Capital III and the terms and conditions of the share issue. The new shares may also be underwritten by banks with the obligation of offering them to the shareholders for subscription.

### Contingent capital

(EUR thousand)	12/31/2011	12/31/2010
Bonds with warrants and convertible bonds according Annual General Meeting resolution 21. April 2010	48,660	48,660
Right to compensation of the shareholders of the former GEA Aktiengesellschaft in accordance with § 305 of the AktG	3,211	3,211
<b>Total</b>	<b>51,871</b>	<b>51,871</b>

Under a resolution adopted by the Annual General Meeting on April 21, 2010, the share capital was contingently increased by up to EUR 48,660 thousand, comprising up to 18,000,000 bearer shares. The contingent capital increase will only be implemented to the extent that the holders or creditors of option or conversion rights or persons obliged to convert or exercise options under bonds with warrants or convertible bonds that are issued against cash contributions or guaranteed by the Company or a subordinate group company of the Company up to April 20, 2015, on the basis of the authorization of the Executive Board by the Annual General Meeting resolution dated April 21, 2010, exercise their option or conversion rights or, if they are obliged to convert or exercise options, satisfy their obligation to convert or exercise options, or if GEA Group Aktiengesellschaft exercises its option to grant shares of GEA Group Aktiengesellschaft in full or in part instead of payment of the monetary amount due, and if no cash settlement is granted or own shares or shares of another listed company are used in settlement. New shares will be issued at the option or conversion price to be determined in accordance with the authorizing resolution referred to above. The new shares carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the contingent capital increase.

As in the previous year, no bonds with warrants or convertible bonds were issued in fiscal year 2011.

The share capital was contingently increased by a further EUR 3,211 thousand, comprising 1,188,791 bearer shares. The contingent capital increase serves to grant compensation in shares of the Company to the external shareholders of the former GEA Aktiengesellschaft, Bochum, in accordance with section 5 of the control and profit transfer agreement entered into by the former Metallgesellschaft AG and the former GEA Aktiengesellschaft dated June 29, 1999. Award proceedings on the appropriateness of the settlement and compensation defined in the control and profit transfer agreement are pending before the Dortmund Local Court. For the status of the proceedings, see section 9.4. Under the Articles of Association, the contingent capital increase will only be implemented to the extent that the external shareholders of the former GEA Aktiengesellschaft prior to the squeeze-out assert any right to compensation.

### Capital reserves

Capital reserves primarily reflect the effects from the business combination of Metallgesellschaft AG and GEA AG as well as premiums from issuing shares of Metallgesellschaft AG.

Capital reserves increased by EUR 64,631 thousand compared with the previous year and amount to EUR 1,333,359 thousand (previous year: EUR 1,268,728 thousand). EUR 64,580 thousand of the increase is attributable to the settlement offer in the award proceedings concerning the control and profit and loss transfer agreement entered into by the former Metallgesellschaft AG and the former GEA AG in 1999 (see section 6.3). The remaining increase of EUR 52 thousand (previous year: EUR 72 thousand) is related to the offsetting of expenses resulting from the launch of an employee share-based payment plan in South Africa.

Under the major “Medupi” order received at the end of 2007, GEA Group undertook to meet certain assessment criteria defined by the Broad Based Black Economic Empowerment Act of 2003. To do this, GEA Group launched a share-based payment plan for staff at its South African company, among other things. The shares granted to these employees are held indirectly via a trustee, which in turn issues options on these shares to the employees. The options vest after a five-year holding period. Twenty percent of the options will be exercised each year after the holding period expires. The exercise price corresponds to the fair value of the shares at the grant date. The options lapse if employees leave the company before the five-year period expires.

13,350 options were outstanding at December 31, 2010. 1,640 options expired in fiscal year 2011. The number of options outstanding at December 31, 2011, was therefore 11,710.

The weighted average fair value of the options issued amounted to EUR 36.69 at the grant date of May 6, 2009. The fair value of the options was determined using a Monte Carlo simulation. Expenses of EUR 52 thousand (previous year: EUR 72 thousand) were recognized to reflect expected staff turnover in fiscal year 2011.

### Retained earnings and net retained profits

The changes in retained earnings and net retained profits are reported in the statement of changes in equity. Actuarial gains and losses on the measurement of noncurrent employee benefit obligations are included in retained earnings.

The distribution of profits is based on the single-entity financial statements of GEA Group Aktiengesellschaft prepared in accordance with the HGB.

### Accumulated other comprehensive income/loss

Changes in equity outside profit or loss are reported in accumulated other comprehensive income if they do not relate to capital transactions with shareholders. Other comprehensive income comprises the gains or losses on financial assets measured at fair value and recognized directly in equity, the effective portion of the change in fair value of derivatives designated as cash flow hedges, and exchange rate gains or losses from the translation of the financial statements of foreign subsidiaries.

### Noncontrolling interests

Noncontrolling interests in GEA Group companies amount to EUR 1,026 thousand (previous year: EUR 1,809 thousand).

## 7.2 Provisions

The following table shows the composition of and changes in provisions in 2011:

(EUR thousand)	Guarantees, warranties	Financial guarantee contracts	Litigation risks	Follow-up costs	Environmental protection, mining	Other provisions	Total
<b>Balance at Jan. 1, 2011</b>	<b>127,088</b>	<b>127,894</b>	<b>19,435</b>	<b>76,325</b>	<b>78,616</b>	<b>133,082</b>	<b>562,440</b>
of which noncurrent	17,195	21,532	8,365	6,877	67,786	48,638	<b>170,393</b>
of which current	109,893	106,362	11,070	69,448	10,830	84,444	<b>392,047</b>
Additions	53,880	–	6,072	41,271	1,733	55,964	<b>158,920</b>
of which reported in profit from discontinued operations	–	–	–	–	–	48	<b>48</b>
Utilization	-33,057	-28,378	-2,659	-30,772	-4,528	-64,175	<b>-163,569</b>
Reversal	-35,427	-1,180	-3,490	-19,596	-6,709	-19,095	<b>-85,497</b>
of which reported in profit from discontinued operations	–	-1,000	-188	–	-1,335	-466	<b>-2,989</b>
Changes in consolidated Group	3,413	–	144	-60	–	2,281	<b>5,778</b>
Effect of interest rate changes	–	–	–	–	753	11	<b>764</b>
Interest cost	9	541	433	-10	2,356	954	<b>4,283</b>
Exchange differences	1,074	241	-87	740	-14	363	<b>2,317</b>
<b>Balance at Dec. 31, 2011</b>	<b>116,980</b>	<b>99,118</b>	<b>19,848</b>	<b>67,898</b>	<b>72,207</b>	<b>109,385</b>	<b>485,436</b>
of which noncurrent	14,160	10,000	6,103	6,067	63,573	32,504	<b>132,407</b>
of which current	102,820	89,118	13,745	61,831	8,634	76,881	<b>353,029</b>

### Provisions for guarantees and warranties

Provisions for guarantees and warranties relate to warranty commitments for products and equipment. As is customary in the industry, the guarantees and warranties on which they are based are granted in connection with certain performance criteria relating to products or equipment (e.g., guaranteed output volume, quality of product manufactured). Warranties usually have a contractual term of between one and two years from the date on which the products or equipment are accepted. In addition to warranties explicitly agreed under contract, product liability rules apply in many sales countries and may also stipulate that the manufacturer is liable beyond the contractually defined term of the warranty. In some cases, recourse claims exist in the form of insurance refunds or subcontractor guarantees. The level of provisions is based on management's best estimate. As of December 31, 2011, refund claims amounting to EUR 303 thousand against non-Group third parties were recognized (previous year: EUR 0).

### Provisions for financial guarantee contracts

Provisions for financial guarantee contracts comprise obligations under indemnification agreements as well as warranties and undertakings relating to the sale of business activities. The utilization of the provisions in fiscal year 2011 relates primarily to contracts entered into by Lurgi and Lentjes for which risk-sharing had been agreed in the share purchase agreements.

### Litigation risks

Provisions are recognized for risks arising from expected or pending litigation against GEA Group companies if it is believed that there is likely to be an unfavorable outcome to the proceedings. Assessments by counsel for the Company or legal experts were used to determine the likelihood of such litigation. The probable damages or sanctions have been recognized as a liability.

### Follow-up costs

This item comprises the cost of residual work that is incurred after a contract has already been invoiced and the profit from the contract has been recognized. The amount of the expected cost is stated.

### Environmental protection, mining

This item mainly comprises provisions for the clean-up of pit water from past mining activities, the clean-up of other instances of groundwater contamination, and the removal of contamination resulting from zinc production by Ruhr-Zink, including related measures to safeguard groundwater. Due to a lack of legal precedents, the law is unclear in some cases as to the amount and duration of the Company's obligation to clean up pit and ground water. The amount of the obligation will be influenced by the legal clarification of this issue, which the Company aims to achieve in cooperation with the authorities and the state of North Rhine-Westphalia. The level of provisions is based on the best estimate.

### Other provisions

Other provisions include provisions for expected losses of EUR 7,700 thousand (previous year: EUR 29,247 thousand), restructuring provisions of EUR 9,288 thousand (previous year: EUR 9,978 thousand), and provisions for repayments of investment subsidies of EUR 23,828 thousand (previous year: EUR 31,346 thousand). The provision for expected losses from contracts in the previous year related mainly to losses from leases. These were terminated early against a one-time payment in the past fiscal year.

## 7.3 Employee benefit obligations

Employee benefit obligations are composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
Obligations under pension plans	503,122	458,656
of which defined benefit pension plans	500,707	457,309
of which defined contribution pension plans	2,415	1,347
Obligations under supplementary healthcare benefits	15,872	16,686
Other employee benefit obligations	7,800	11,161
Partial retirement	13,900	17,717
Jubilee benefits	7,884	7,159
Other noncurrent obligations to employees	11,495	3,396
<b>Noncurrent employee benefit obligations</b>	<b>560,073</b>	<b>514,775</b>
Redundancy plan and severance payments	17,006	44,321
Outstanding vacation, flexitime/overtime credits	64,294	52,168
Bonuses	96,653	77,308
Other current obligations to employees	25,812	30,030
<b>Current employee benefit obligations</b>	<b>203,765</b>	<b>203,827</b>
<b>Total employee benefit obligations</b>	<b>763,838</b>	<b>718,602</b>

### 7.3.1 Defined benefit pension plans

#### Pension obligations and funded status

Pension benefits are granted to a large number of employees at GEA Group. The benefits in Germany usually comprise pension commitments. Employees typically receive fixed pension payments per year of service. Individual foreign subsidiaries operate country-specific pension plans, some of which are funded. As a rule, benefit obligations in Germany are unfunded.

As in the previous year, Klaus Heubeck's 2005G mortality tables were used as a basis for measuring all German pension plans as of December 31, 2011.

All German pension plans were measured as of December 31, 2011. The measurement date of the majority of foreign pension plans is also December 31, 2011.

The following table shows the changes in the present value of the defined benefit obligation and the plan assets, as well as in the calculation of the funded status:

(EUR thousand)	12/31/2011		12/31/2010	
	Germany	Other countries	Germany	Other countries
<b>Present value of defined benefit obligation at beginning of fiscal year</b>	<b>437,822</b>	<b>121,860</b>	<b>417,463</b>	<b>101,749</b>
Service cost: present value of vested entitlements earned during the period	7,231	2,051	4,871	1,710
Interest cost of expected pension obligations	23,388	5,316	23,126	5,283
Employee contributions	–	756	–	739
Actuarial loss	13,782	3,868	21,100	9,953
Past service cost	1,899	-154	–	893
Transfer of assets	-512	–	-63	–
Changes in consolidated Group	24,576	1,258	1,322	1,103
Exchange differences	–	3,622	–	5,932
Pension payments	-30,618	-6,179	-29,997	-5,502
<b>Present value of defined benefit obligation at end of fiscal year</b>	<b>477,568</b>	<b>132,398</b>	<b>437,822</b>	<b>121,860</b>
<b>Fair value of plan assets at beginning of the fiscal year</b>	<b>15,077</b>	<b>86,314</b>	<b>17,453</b>	<b>69,646</b>
Expected return on plan assets	675	4,945	814	4,297
Actuarial gain (+) / loss (-)	29	-5,259	140	2,859
Employer contributions	624	7,691	-3,668	6,272
Employee contributions	–	756	–	739
Changes in consolidated Group	1,681	–	1,133	1,533
Exchange differences	–	2,135	–	5,856
Pension payments by the funds	-931	-5,248	-795	-4,888
<b>Fair value of plan assets at the end of fiscal year</b>	<b>17,155</b>	<b>91,334</b>	<b>15,077</b>	<b>86,314</b>
<b>Funded status</b>	<b>460,413</b>	<b>41,064</b>	<b>422,745</b>	<b>35,546</b>
Unrecognized past service cost	–	-770	–	-982
<b>Net carrying amount</b>	<b>460,413</b>	<b>40,294</b>	<b>422,745</b>	<b>34,564</b>

The following overview shows the present value of the defined benefit obligation broken down into funded and unfunded plans:

(EUR thousand)	12/31/2011		12/31/2010	
	Germany	Other countries	Germany	Other countries
Present value of funded obligations	117,212	123,525	100,359	113,252
Fair value of plan assets	17,155	91,334	15,077	86,314
<b>Funded status</b>	<b>100,057</b>	<b>32,191</b>	<b>85,282</b>	<b>26,938</b>
Unrecognized past service cost	–	-441	–	-632
<b>Net carrying amount of funded obligations</b>	<b>100,057</b>	<b>31,750</b>	<b>85,282</b>	<b>26,306</b>
Present value of unfunded obligations	360,356	8,873	337,463	8,608
Unrecognized past service cost	–	-329	–	-350
<b>Net carrying amount of unfunded obligations</b>	<b>360,356</b>	<b>8,544</b>	<b>337,463</b>	<b>8,258</b>
<b>Net carrying amount</b>	<b>460,413</b>	<b>40,294</b>	<b>422,745</b>	<b>34,564</b>

Experience adjustments made to reflect differences between actuarial assumptions and actual developments had the following effects:

(EUR thousand)	Germany				
	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
<b>Present value of defined benefit obligation</b>	<b>477,568</b>	<b>437,822</b>	<b>417,463</b>	<b>409,247</b>	<b>444,360</b>
Effects of experience adjustments in the fiscal year (gain (-) / loss (+))	1,843	-1,673	5,138	1,286	4,124
<b>Fair value of plan assets</b>	<b>17,155</b>	<b>15,077</b>	<b>17,453</b>	<b>16,152</b>	<b>15,594</b>
Effects of experience adjustments in the current fiscal year (gain (+) / loss (-))	29	140	-75	-18	-164
<b>Funded status</b>	<b>460,413</b>	<b>422,745</b>	<b>400,010</b>	<b>393,095</b>	<b>428,766</b>

(EUR thousand)	Other countries				
	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
<b>Present value of defined benefit obligation</b>	<b>132,398</b>	<b>121,860</b>	<b>101,749</b>	<b>99,659</b>	<b>106,614</b>
Effects of experience adjustments in the fiscal year (gain (-) / loss (+))	-308	-170	-11	1,100	-548
<b>Fair value of plan assets</b>	<b>91,334</b>	<b>86,314</b>	<b>69,646</b>	<b>61,642</b>	<b>84,707</b>
Effects of experience adjustments in the current fiscal year (gain (+) / loss (-))	-5,259	2,859	5,251	-21,333	-5,328
<b>Funded status</b>	<b>41,064</b>	<b>35,546</b>	<b>32,103</b>	<b>38,017</b>	<b>21,907</b>

The net carrying amount of defined benefit pension plans changed as follows in fiscal years 2011 and 2010:

(EUR thousand)	12/31/2011		12/31/2010	
	Germany	Other countries	Germany	Other countries
Net carrying amount at beginning of fiscal year	422,745	34,564	400,010	32,001
Net pension expenses	31,843	2,481	27,183	2,708
of which reported in profit from discontinued operations	311	-	242	-
Actuarial gains (-) / losses (+) recognized in other comprehensive income	13,753	9,127	20,960	7,094
Employer contributions	-624	-7,691	3,668	-6,272
Pension payments	-29,687	-931	-29,202	-614
Transfer of assets	-512	-	-63	-
Changes in consolidated Group	22,895	1,258	189	-430
Exchange differences	-	1,486	-	77
<b>Net carrying amount</b>	<b>460,413</b>	<b>40,294</b>	<b>422,745</b>	<b>34,564</b>

The actuarial losses from the measurement of pension obligations reported in retained earnings as of December 31, 2011, were EUR 54,743 thousand (previous year: EUR 30,370 thousand). In the current fiscal year, losses (previous year: losses) of EUR 24,373 thousand (previous year: EUR 27,510 thousand) were recognized in other comprehensive income.

Of the pension provisions reported as of December 31, 2011, EUR 37,500 thousand (previous year: EUR 35,835 thousand) are classified as current.

### Actuarial assumptions

The weighted actuarial assumptions used to calculate the present value of the defined benefit obligation and the obligations under key pension plans are as follows:

(Percent)	12/31/2011		12/31/2010	
	Germany	Other countries	Germany	Other countries
Discount factor	5.10	4.19	5.30	4.34
Wage and salary increase rate	3.00	2.13	2.80	2.18
Pension increase rate	1.60	0.51	1.55	0.47

The actuarial measurement factors for German pension plans are established in consultation with actuarial experts Towers Watson Deutschland GmbH, Wiesbaden. The corresponding assumptions for pension plans outside Germany are determined with in accordance with national conditions with the help of local experts in coordination with Towers Watson Deutschland GmbH, Wiesbaden.

### Plan assets

The weighted composition of the plan assets used to cover the pension obligations was as follows at the reporting date:

(Percent)	12/31/2011		12/31/2010	
	Germany	Other countries	Germany	Other countries
Equity instruments	2.0	43.7	2.3	43.0
Debt instruments	4.0	27.0	5.0	23.8
Real estate	–	2.1	–	2.7
Insurance	93.3	14.8	91.8	17.3
Other	0.7	12.4	0.9	13.2
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Part of the plan assets of German pension plans is managed by pension funds and an endowment fund, and is mainly invested in fixed-income securities and term deposits, with only a relatively small proportion invested in equities. Plan assets held outside Germany are invested according to country-specific conditions as shown in the table above. In addition, a proportion of both the German and foreign plan assets is managed by insurance companies in accordance with their specific investment guidelines. The basic objective is that these investments ensure secure returns and preserve the value of the underlying assets in order to fund current and future pension benefits. There are currently no plans to change this investment strategy. The fair values and the expected long-term return on the plan assets are presented in the relevant tables. The returns are based primarily on average historical interest rates and current capital market rates.

In fiscal year 2012, EUR 531 thousand is expected to be added to the plan assets of German pension plans and EUR 6,105 thousand to plans outside Germany.

The actual return on plan assets in 2011 was EUR 390 thousand (previous year: EUR 8,110 thousand). It was therefore below (previous year: above) the expected return by EUR 5,230 thousand (previous year: EUR 2,999 thousand).

## Pension expenses

The pension expenses recognized in the income statement are composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011		01/01/2010 - 12/31/2010	
	Germany	Other countries	Germany	Other countries
Service cost: present value of vested entitlements earned during the year	7,231	2,051	4,871	1,710
Less service cost included from discontinued operations	–	–	-2	–
Interest cost of expected pension obligations	23,388	5,316	23,126	5,283
Less interest cost reported in profit from discontinued operations	-311	–	-240	–
Expected return on plan assets	-675	-4,945	-814	-4,297
Amortization of past service cost	1,899	59	–	12
<b>Net pension expenses</b>	<b>31,532</b>	<b>2,481</b>	<b>26,941</b>	<b>2,708</b>

Service cost, the effects of plan settlements, and the past service cost of continuing operations are recognized as personnel expenses under functional costs (cost of sales, selling expenses, or general and administrative expenses). The interest cost on expected pension obligations and the expected return on plan assets are reported under net interest income.

## Actuarial assumptions

The weighted actuarial assumptions used to calculate net pension expenses are as follows:

(Percent)	2011		2010	
	Germany	Other countries	Germany	Other countries
Discount factor	5.30	4.34	5.75	5.10
Wage and salary increase rate	2.80	2.18	2.80	2.30
Pension increase rate	1.55	0.47	1.54	0.50
Expected long-term return on plan assets	4.00	8.05	4.68	6.28

## Future payments

The following payments are expected to be made under the German and foreign pension plans in the coming years:

(EUR thousand)	2012	2013	2014	2015	2016	2017 - 2021
German pension plans	31,551	32,291	32,473	32,162	32,069	158,844
Foreign pension plans	5,949	5,873	6,590	7,078	6,561	37,818

## 7.3.2 Obligations under supplementary healthcare benefits

### Obligations and funded status

In addition to occupational pension benefits, certain retired employees are granted health insurance subsidies. The following information relates to the group's obligations under supplementary healthcare benefits in Germany and abroad:

(EUR thousand)	12/31/2011		12/31/2010	
	Germany	Other countries	Germany	Other countries
<b>Changes in present value of defined benefit obligation</b>				
Present value of defined benefit obligation at beginning of fiscal year	16,527	159	15,461	223
Service cost: present value of vested entitlements earned during the period	18	1	18	1
Interest cost of expected additional payment obligations	842	2	853	10
Actuarial gain (-) / loss (+)	-310	10	1,500	-2
Exchange differences	-	6	-	25
Payments	-1,282	-101	-1,305	-98
<b>Present value of defined benefit obligation at end of fiscal year</b>	<b>15,795</b>	<b>77</b>	<b>16,527</b>	<b>159</b>
<b>Funded status</b>	<b>15,795</b>	<b>77</b>	<b>16,527</b>	<b>159</b>
<b>Net carrying amount</b>	<b>15,795</b>	<b>77</b>	<b>16,527</b>	<b>159</b>

Experience adjustments made to reflect differences between actuarial assumptions and actual developments had the following effects:

(EUR thousand)	Germany				
	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
<b>Present value of defined benefit obligation</b>	<b>15,795</b>	<b>16,527</b>	<b>15,461</b>	<b>15,365</b>	<b>15,493</b>
Effects of experience adjustments in the current fiscal year (gain (-) / loss (+))	-584	825	-213	669	-527

(EUR thousand)	Other countries				
	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
<b>Present value of defined benefit obligation</b>	<b>77</b>	<b>159</b>	<b>223</b>	<b>252</b>	<b>345</b>
Effects of experience adjustments in the current fiscal year (gain (-) / loss (+))	-	-	38	-9	7

The net carrying amount of obligations under supplementary healthcare benefits changed as follows in fiscal years 2011 and 2010:

(EUR thousand)	2011		2010	
	Germany	Other countries	Germany	Other countries
Net carrying amount at beginning of fiscal year	16,527	159	15,461	223
Net pension expenses	860	3	871	11
of which reported in profit from discontinued operations	44	-	18	-
Actuarial gains (-) / losses (+) recognized in other comprehensive income	-310	10	1,500	-2
Payments	-1,282	-101	-1,305	-98
Exchange differences	-	6	-	25
<b>Net carrying amount</b>	<b>15,795</b>	<b>77</b>	<b>16,527</b>	<b>159</b>

The actuarial losses from the measurement of obligations from supplementary healthcare benefit plans reported in retained earnings as of December 31, 2011 were EUR 857 thousand (previous year: EUR 1,160 thousand). In the current fiscal year, gains (previous year: losses) of EUR 303 thousand (previous year: EUR 1,507 thousand) were recognized in other comprehensive income.

## Actuarial assumptions

The weighted actuarial assumptions used to calculate the present value of the defined benefit obligation relating to supplementary healthcare benefits were as follows:

(Percent)	2011		2010	
	Germany	Other countries	Germany	Other countries
Discount factor	5.10	–	5.30	1.75
Growth rate in the cost healthcare benefits	4.00	–	4.00	9.00

The growth rate in the cost of supplementary healthcare benefits in Germany is estimated at an unchanged 4 percent for fiscal year 2011. Based on past experience, this rate is not expected to change in the future.

For foreign supplementary health care benefits, no discounting is applied and the projected growth rate for the cost of benefits is zero, since the last benefit payments are expected in 2013.

The date used to measure obligations under supplementary healthcare benefits in Germany and abroad is December 31, 2011.

## Expenses

The cost of supplementary healthcare benefits is composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011		01/01/2010 - 12/31/2010	
	Germany	Other countries	Germany	Other countries
Service cost: present value of vested entitlements earned during the year	18	1	18	1
Interest cost of expected additional payments obligations	842	2	853	10
Less interest cost reported in profit from discontinued operations	-44	–	-18	–
<b>Net pension expenses</b>	<b>816</b>	<b>3</b>	<b>853</b>	<b>11</b>

Service cost from continuing operations is reported as personnel expenses under functional costs; the interest cost on expected pension obligations is recognized under interest expense.

## Actuarial assumptions

The weighted actuarial assumptions used to calculate the cost of supplementary healthcare benefits in Germany and abroad are as follows:

(Percent)	2011		2010	
	Germany	Other countries	Germany	Other countries
Discount factor	5.30	1.75	5.75	5.00
Growth rate in the cost of healthcare benefits	4.00	9.00	4.00	9.00

## Future payments

Estimated future payments for additional benefits in Germany and abroad are as follows:

(EUR thousand)	2012	2013	2014	2015	2016	2017 - 2021
German plans	423	436	439	444	447	2,295
Foreign plans	53	29	–	–	–	–

The following overview presents the effects of a one percentage point change in the growth rate for healthcare and life insurance benefits in Germany and abroad on the total of service cost and interest cost, as well as on the present value of the defined benefit obligation at December 31, 2011:

(EUR thousand)	1% increase		1% decrease	
	Germany	Other countries	Germany	Other countries
Effects on the total of service cost and interest cost	90	–	-80	–
Effects on the present value of the defined benefit obligation	1,515	–	-1,319	–

### 7.3.3 Defined contribution pension plans

Various companies – especially in the U.S.A. and Scandinavia – operate defined contribution pension plans. Under these plans, the obligation does not lie with GEA Group, but with the respective pension funds. Contributions totaling EUR 14,576 thousand were paid in fiscal year 2011 (previous year: EUR 13,838 thousand). These contributions are recognized as personnel expenses at the same time as the relevant work is performed.

A joint pension plan operated by several employers in the Netherlands was recognized as a defined contribution pension plan because the manager of the plan does not provide sufficient information to the participating companies on the amount of the obligation and of the plan assets for it to be recognized as a defined benefit pension plan. Contributions amounting to EUR 578 thousand (previous year: EUR 88 thousand) were made to the joint pension plan in fiscal year 2011. Neither a surplus nor a deficit in the plan would have any effect on the amount of future contributions.

### 7.3.4 Share-based payment

#### Performance Share Plan

Effective July 1, 2006, GEA Group Aktiengesellschaft launched a long-term remuneration program entitled “GEA Performance Share Plan” for all first- and second-level managers below the Executive Board. Third-level managers were also eligible to participate starting with the third tranche of the program as of July 1, 2008. The sixth tranche was issued on July 1, 2011. The goal of the GEA Performance Share Plan is to link managers’ remuneration with the long-term success of the Company and to align their interests with those of the shareholders.

Under the plan, participants are granted a defined number of Performance Shares at the beginning of the performance period. The number of Performance Shares allotted is determined by the participants' length of service. The Performance Shares must then be held for three years (performance period). To participate in the plan, managers must invest 20 percent of the amount of the allotted Performance Shares in shares of GEA Group Aktiengesellschaft.

The performance of GEA Group Aktiengesellschaft's shares relative to all other MDAX companies over the three-year performance period is measured on the basis of their total shareholder return (TSR). TSR is a suitable indicator for investors to compare the performance and appeal of different companies. It measures the total percentage return that an investor earns from a share over a certain period. In addition to share price performance, dividends and adjustments such as share splits are included in the calculation of TSR. This method of comparison eliminates share price performance that is due to general market volatility and enables the effects of different profit retention strategies to be compared. The relative performance of GEA Group Aktiengesellschaft's shares determines the number of Performance Shares finally paid out (between 0 percent and 300 percent).

The Performance Shares are paid out once the three-year performance period has expired. At that time, performance of GEA Group Aktiengesellschaft's shares relative to the MDAX determines how many Performance Shares are paid out: If the performance of the Company's shares equals the median in a TSR comparison, 50 percent of the Performance Shares are issued; if it reaches the third quartile, 100 percent of the Performance Shares are paid out. If GEA Group Aktiengesellschaft's shares outperform all other MDAX companies, 300 percent of the Performance Shares are issued. Other performance figures are interpolated between these values. The total amount paid out corresponds to the number of Performance Shares allotted to a participant multiplied by the average share price over the last quarter of the three-year performance period. Once the performance period has expired, participants may freely dispose of their GEA Group Aktiengesellschaft shares.

The third tranche expired on June 30, 2011. Since the TSR over the three-year performance period was below the median at 5.96 percent, there was no payout for the third tranche. In the previous year, the TSR was 3.75 percent above the median, resulting in a payout ratio of 63.09 percent. The payout amounted to EUR 717 thousand.

The number of Performance Shares changed as follows in fiscal year 2011:

(Number of shares)	12/31/2010	Additions	Expired	Paid Out	12/31/2011
2008 tranche	159,500	–	159,500	–	–
2009 tranche	333,450	–	12,150	–	321,300
2010 tranche	242,400	–	5,010	–	237,390
2011 tranche	–	184,798	–	–	184,798
<b>Total</b>	<b>735,350</b>	<b>184,798</b>	<b>176,660</b>	<b>–</b>	<b>743,488</b>

The total expense for fiscal year 2011 amounts to EUR 5,549 thousand (previous year: EUR 2,165 thousand), taking into account the fair value as of December 31, 2011, of EUR 21.21 (previous year: EUR 14.51) for the fourth tranche, EUR 20.65 (previous year: EUR 12.49) for the fifth tranche, EUR 17.08 for the sixth tranche, and EUR 0 (previous year: EUR 10.59) for the third tranche (previous year: second tranche) at the payment date.

The fair value of the Performance Shares is determined using a multidimensional Monte Carlo simulation. The following valuation assumptions are applied:

Tranche	2011			2010		
	2009	2010	2011	2008	2009	2010
Share price (EUR)	22.59	22.20	21.85	22.93	22.00	21.63
Dividend yield (%)	1.615	1.615	1.615	1.726	1.726	1.726
Risk-free interest rate (%)	0.101	0.055	0.248	0.454	0.703	1.060
Volatility GEA shares (%)	44,38	44,38	44,38	35,43	35,43	35,43

As the payout ratio of GEA Group Aktiengesellschaft's Performance Shares is linked to the MDAX, the volatilities of all MDAX shares and their correlations to GEA Group Aktiengesellschaft shares are also calculated.

The obligation under the plan amounted to EUR 8,687 thousand as of December 31, 2011 (previous year: EUR 3,027 thousand). The noncurrent portion is reported under provisions for other obligations to employees and the current portion under provisions for bonuses.

### Phantom shares

The bonus arrangements for Executive Board members were modified in fiscal year 2010 and a long-term incentive component was added. Half of the bonus calculated under the new arrangements is payable with the next regular salary payment following the date of the Company's Supervisory Board meeting convened to adopt the financial statements for the preceding fiscal year. If the targets are exceeded, this part of the bonus is limited to an amount of 75 percent of the annual basic bonus. The other half of the bonus is converted into phantom shares of the Company. It is calculated as the arithmetic mean of the daily closing prices of GEA Group shares in Xetra trading operated by the Frankfurt Stock Exchange on the market days in the three-month period that ends one month before the date of the Supervisory Board meeting convened in the fiscal year to adopt the financial statements. The quantity of phantom shares to be granted for a fiscal year is thus only calculated in the following year.

The payout value of the phantom shares is calculated following the expiration of a lock-up period of three years following the conversion into phantom shares. The amount of the payout is calculated as the arithmetic mean of the daily closing prices of GEA Group Aktiengesellschaft shares in Xetra trading operated by the Frankfurt Stock Exchange on the market days in the three-month period that ends one month before the date of the relevant Supervisory Board meeting convened to adopt the financial statements in the fiscal year in which the lock-up period expires. The dividends payable per share during the lock-up period are added to the value calculated in this way. The amount to be paid out under these arrangements is limited to 300 percent of the annual basic bonus. In the event of termination of the Executive Board member's contract of service, the three-year vesting period is reduced to one year as from the date of termination.

Because the exercise price is zero and the incentive program does not feature a vesting period, the fair value of the phantom shares corresponds to their intrinsic value and thus to the quoted market price of GEA Group Aktiengesellschaft shares at the reporting date. The fair value of the liability is calculated by multiplying the number of phantom shares by the relevant closing price, plus dividends paid during the lock-up period.

The number of phantom shares changed as follows in fiscal year 2011:

(Number of shares)	12/31/2010	Additions	Expired	Paid Out	12/31/2011
2010 tranche	57,887	–	–	–	57,887
2011 tranche	–	81,534	–	–	81,534
<b>Total</b>	<b>57,887</b>	<b>81,534</b>	<b>–</b>	<b>–</b>	<b>139,421</b>

The relevant price for the phantom shares issued in 2010 is EUR 22.25 (previous year: 21.63), and EUR 21.85 for phantom shares issued in 2011. This results in a total liability of EUR 3,070 thousand (previous year: EUR 1,252 thousand). The amount of the liability is included in the noncurrent employee benefit obligations under bonuses.

### 7.3.5 Redundancy plan and severance payments

The recognition of redundancy plan obligations and severance payments in fiscal year 2010 was attributable to the restructuring of GEA Group's activities, in particular the consolidation of all heat exchanger activities in the GEA Heat Exchangers Segment. Various production facilities were closed as a result of this reorganization.

## 7.4 Financial liabilities

Financial liabilities as of December 31, 2011, were composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
Borrower's note loan	128,245	128,372
Bonds	397,290	–
Liabilities to banks	232,110	13,681
Liabilities under finance leases	39,972	40,672
Liabilities from derivatives	16,191	11,004
Liabilities to equity investments	–	163
<b>Noncurrent financial liabilities</b>	<b>813,808</b>	<b>193,892</b>
Borrower's note loan	479	92,007
Bonds	11,844	–
Liabilities to banks	49,246	224,643
Liabilities under finance leases	4,192	3,895
Liabilities from derivatives	24,424	19,685
Liabilities to equity investments	3,901	6,294
<b>Current financial liabilities</b>	<b>94,086</b>	<b>346,524</b>
<b>Total financial liabilities</b>	<b>907,894</b>	<b>540,416</b>

In fiscal year 2011, the borrower's note loan of EUR 92,000 thousand and syndicated credit line 1 amounting to EUR 300,000 thousand were repaid after they had been utilized during the year. A bond in the amount of EUR 400,000 thousand was issued on April 14 and credit lines at the European Investment Bank (EIB) and the Kreditanstalt für Wiederaufbau (KfW) were drawn down to refinance the credit lines that had fallen due on one hand and the financing of business acquisitions, namely CFS and Bock, on the other. As a result, the financing of GEA Group as of December 31, 2011, consisted of the following items:

(EUR thousand)	Carrying amount 12/31/2011	Carrying amount 12/31/2010	Notional amount 12/31/2011	Fair value 12/31/2011	Interest basis	Effective interest rate 12/31/2011	Maturity
GEA bond	409,134	–	400,000	423,398	fixed	4.50%	April 21, 2016
Syndicated credit line 1	–	200,000	–	–	–	–	–
Borrower's note loan (2011)	–	92,118	–	–	–	–	–
Borrower's note loan (2013)	128,724	128,228	128,000	131,576	3M-Euribor	3.10%	August 16, 2013
European Investment Bank	150,805	–	150,000	157,079	3M-Euribor	2.45%	July 14, 2017
Kreditanstalt für Wiederaufbau (KfW)	90,389	–	90,000	93,248	3M-Euribor	2.80%	yearly installments until May 31, 2016

Excluding interest rate hedges.

## Bond

The bond has a five-year term and a fixed coupon of 4.25 percent. The issue price is 99.656 percent and the bond yields 4.328 percent. The bond's nominal yield is dependent on the group's rating by Moody's and Fitch. GEA Group Aktiengesellschaft is rated as investment grade at Baa3/ stable by Moody's and BBB-/stable by Fitch. The bond is unsecured. It is listed on the regulated market of the Luxembourg Stock Exchange.

## Borrower's note loans

GEA Group Aktiengesellschaft placed a borrower's note loan with a nominal amount of EUR 200,000 thousand and a term of three years in August 2008. A partial amount of EUR 108,000 thousand was extended in May 2010 for 2 years until August 2013. The borrower's note loan bore interest at 110 basis points above 3M-Euribor until August 2011 and thereafter at 160 basis points. In May 2010, GEA Group Aktiengesellschaft additionally agreed a further borrower's note loan with a nominal amount of EUR 20,000 thousand that matures in August 2013. The terms are the same as those for the borrower's note loan placed in August 2008 that was extended in May 2010. Both borrower's note loans are unsecured.

In August 2010, the interest rates on both borrower's note loans were fixed for the remaining term of three years using interest rate swaps. The weighted average interest rate is 2.89 percent. As of December 31, 2011, the effective interest rate including the interest rate hedge was 2.92 percent.

## Liabilities to banks

The maturities of liabilities to banks are as follows:

(EUR thousand)	12/31/2011	12/31/2010
< 1 year	49,246	224,643
1 - 2 years	20,984	11,241
2 - 3 years	20,305	1,531
3 - 4 years	20,308	384
4 - 5 years	20,153	266
> 5 years	150,360	259
<b>Total</b>	<b>281,356</b>	<b>238,324</b>

The current liabilities in the prior year related mainly to the utilization of the syndicated multicurrency revolving credit facility. This expired in July 2011 and was repaid accordingly.

The amounts falling due in the next 5 years are related primarily to the amortizable loan from Kreditanstalt für Wiederaufbau (KfW). The amount due after 5 years is the loan of EUR 150,000 thousand from the European Investment Bank (EIB). The premium on the reference interest rate is dependent on the rating of GEA Group. For a partial amount of EUR 50,000 thousand, interest was fixed for the full term using two interest rate swaps. The weighted average rate of interest for this part of the loan is 3.29 percent.

None of the credit lines drawn down are secured. GEA Group has undertaken in the loan agreements to comply with a certain covenant. Compliance with the covenant must be reviewed at the end of each quarter. The covenant was met as of December 31, 2011.

Transaction costs for the unused syndicated credit line 2 (club deal) are allocated on a straight-line basis over the term.

Other liabilities to banks in the eurozone bore interest rates of between 1.0 percent and 4.6 percent, depending on their maturity and financing purpose (previous year: between 0.8 percent and 5.5 percent). The group also held foreign currency liabilities in Indian rupees (previous year: Indian rupees) and Brazilian real (previous year: Brazilian real) that also bear standard market interest rates in the respective countries of around 13.0 percent (previous year: 12.0 percent) and 15.0 percent (previous year: 14.0 percent).

Liabilities to banks totaling EUR 846 thousand (previous year: EUR 452 thousand) were secured.

## Cash credit and guarantee credit lines

Including the borrower's note loans and the syndicated credit lines, the group had cash credit lines of EUR 1,702,688 thousand as of December 31, 2011 (previous year: EUR 1,581,450 thousand). Of this amount, cash credit lines of EUR 883.474 thousand (previous year: EUR 1,122,669 thousand) are unutilized (see section 3). In addition, guarantee lines for the performance of contracts, advance payments, and warranty obligations of EUR 2,069,717 thousand were available (previous year: EUR 2,032,095 thousand), EUR 747,637 thousand of which has been utilized (previous year: EUR 881,006 thousand).

## Liabilities under finance leases

The following table shows a breakdown of future payments under finance leases:

(EUR thousand)	Minimum lease payments		Present value of minimum lease payments	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
< 1 year	4,523	4,264	4,192	3,895
1 - 2 years	4,736	4,387	4,024	3,674
2 - 3 years	4,863	4,515	3,808	3,470
3 - 4 years	4,901	4,586	3,525	3,198
4 - 5 years	5,375	4,903	3,593	3,177
> 5 years	73,235	78,286	25,021	27,153
<b>Total future payments under finance leases</b>	<b>97,633</b>	<b>100,941</b>	<b>44,164</b>	<b>44,568</b>

Liabilities under finance leases relate mainly to land and buildings. The present value of minimum lease payments as of December 31, 2011, relating to leases for land and buildings amounted to EUR 42,462 thousand (previous year: EUR 43,356 thousand).

The weighted average incremental borrowing rate of interest used to calculate the present value of the minimum lease payments was 9 percent (previous year: 8 percent).

As the interest rates used in leases are constant, the fair value of lease liabilities may be exposed to interest rate risk. All leases comprise contractually agreed payments.

Liabilities under finance leases are effectively secured because the rights to the leased asset revert to the lessor if the terms and conditions of the lease are breached.

## Derivative financial instruments

Derivative financial instruments are explained in section 7.8.

## 7.5 Trade payables

Trade payables were as follows as of December 31, 2011:

(EUR thousand)	12/31/2011	12/31/2010
Trade payables	903,334	672,103
of which to unconsolidated companies	6,739	5,437

Trade payables of EUR 890,631 thousand (previous year: EUR 661,861 thousand) are due within one year. As in the previous year, no liabilities were due after more than 5 years.

Trade payables in the amount of EUR 45,303 thousand (previous year: EUR 45,163 thousand) are secured.

## 7.6 Income tax liabilities

Income tax liabilities relate to current taxes and amounted to EUR 51,525 thousand at the reporting date (previous year: EUR 42,407 thousand).

## 7.7 Other liabilities

Other liabilities as of December 31, 2011, are composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
<b>Other noncurrent liabilities</b>	<b>17,166</b>	<b>7,781</b>
Payments on account received in respect of orders and construction contracts	239,134	177,950
Gross amount due to customers for contract work	380,478	329,412
Other liabilities to unconsolidated subsidiaries	25,492	27,707
Liabilities from other taxes	52,953	47,670
Other liabilities	88,539	64,184
of which social security	17,556	17,940
of which other liabilities to employees	12,825	10,112
<b>Other current liabilities</b>	<b>786,596</b>	<b>646,923</b>
<b>Total other liabilities</b>	<b>803,762</b>	<b>654,704</b>

Payments on account received in respect of orders amounting to EUR 25,755 thousand (previous year: EUR 34,129 thousand) and other liabilities amounting to EUR 9,351 thousand (previous year: EUR 6,340 thousand) are secured.

The gross amount due to customers for contract work is the aggregate amount of orders whose progress billings exceed the capitalized cost plus the contract gains and losses recognized.

## 7.8 Financial instruments

The following tables provide an overview of the composition of financial instruments as of December 31, 2011, by class within the meaning of IFRS 7 as well as measurement category. The tables also include financial assets and liabilities, as well as derivatives that are included in recognized hedging relationships, that do not belong to any of the IAS 39 measurement categories.

(EUR thousand)	Measurement in accordance with IAS 39					Fair value recognized in accordance with other IFRSs 12/31/2011
	Carrying amount 12/31/2011	Amortized cost	Fair value through profit or loss	Fair value recognized in comprehensive income	Measurement with other IFRSs	
<b>Assets</b>						
Trade receivables	1,357,546	971,169	–	–	386,377	1,357,546
of which PoC receivables	386,377	–	–	–	386,377	386,377
Income tax receivables	15,882	–	–	–	15,882	15,882
Cash and cash equivalents	432,401	432,401	–	–	–	432,401
Other financial assets	260,023	103,322	16,812	19,249	120,640	260,023
of which: derivatives included in hedging relationships	7,647	–	–	7,647	–	7,647
<b>By IAS 39 measurement category</b>						
Loans and receivables	1,471,834	1,471,834	–	–	–	1,471,834
of which: cash and cash equivalents	432,401	432,401	–	–	–	432,401
of which: trade receivables	971,169	971,169	–	–	–	971,169
of which: other financial assets	68,264	68,264	–	–	–	68,264
Available-for-sale financial assets	46,660	35,058	–	11,603	–	47,419
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	16,812	–	16,812	–	–	16,812
<b>Liabilities</b>						
Trade payables	903,334	903,334	–	–	–	903,334
Financial liabilities	907,894	823,115	22,821	17,794	44,164	931,365
of which: liabilities under finance leases	44,164	–	–	–	44,164	44,164
of which: derivatives included in hedging relationships	17,794	–	–	17,794	–	17,794
Income tax liabilities	51,525	–	–	–	51,525	51,525
Other financial liabilities	790,873	91,848	–	–	699,025	790,873
<b>By IAS 39 measurement category</b>						
Financial liabilities at amortized cost	1,818,297	1,818,297	–	–	–	1,817,930
of which: trade payables	903,334	903,334	–	–	–	903,334
of which: bonds and other securitized liabilities	537,858	537,858	–	–	–	554,974
of which: liabilities to banks	281,356	281,356	–	–	–	287,711
of which: loan liabilities to unconsolidated subsidiaries	3,901	3,901	–	–	–	3,901
of which: other liabilities to affiliated companies	25,492	25,492	–	–	–	25,492
of which: other liabilities	66,356	66,356	–	–	–	66,356
Financial liabilities at fair value through profit or loss (derivatives not included in hedging relationships)	22,821	–	22,821	–	–	22,821

(EUR thousand)	Measurement in accordance with IAS 39					
	Carrying amount 12/31/2010	Amortized cost	Fair value through profit or loss	Fair value recognized in comprehensive income	Measurement with other IFRSs	Fair value 12/31/2010
<b>Assets</b>						
Trade receivables	1,034,348	771,936	–	–	262,412	1,034,348
of which PoC receivables	262,412	–	–	–	262,412	262,412
Income tax receivables	20,181	–	–	–	20,181	20,181
Cash and cash equivalents	563,532	563,532	–	–	–	563,532
Other financial assets	192,485	83,174	5,742	6,779	96,790	192,485
of which: derivatives included in hedging relationships	6,779	–	–	6,779	–	6,779
<b>By IAS 39 measurement category</b>						
Loans and receivables	1,378,533	1,378,533	–	–	–	1,378,533
of which: cash and cash equivalents	563,532	563,532	–	–	–	563,532
of which: trade receivables	771,936	771,936	–	–	–	771,936
of which: other financial assets	43,065	43,065	–	–	–	43,065
Available-for-sale financial assets	40,109	40,109	–	–	–	40,109
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	5,742	–	5,742	–	–	5,742
<b>Liabilities</b>						
Trade payables	672,103	672,103	–	–	–	672,103
Financial liabilities	540,253	464,997	15,370	15,319	44,567	539,886
of which: liabilities under finance leases	44,567	–	–	–	44,567	44,567
of which: derivatives included in hedging relationships	15,319	–	–	15,319	–	15,319
Income tax liabilities	42,407	–	–	–	42,407	42,407
Other financial liabilities	657,445	76,567	–	–	580,828	657,395
<b>By IAS 39 measurement category</b>						
Financial liabilities at amortized cost	1,213,830	1,213,830	–	–	–	1,213,463
of which: trade payables	672,103	672,103	–	–	–	672,103
of which: bonds and other securitized liabilities	220,379	220,379	–	–	–	220,379
of which: liabilities to banks	238,324	238,324	–	–	–	237,957
of which: loan liabilities to unconsolidated subsidiaries	6,457	6,457	–	–	–	6,457
of which: other liabilities to affiliated companies	27,712	27,712	–	–	–	27,712
of which: other liabilities	48,855	48,855	–	–	–	48,855
Financial liabilities at fair value through profit or loss (derivatives not included in hedging relationships)	15,370	–	15,370	–	–	15,370

Financial instruments measured at fair value can be classified as follows into the levels defined in the valuation hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2 – inputs that are observable directly (as prices) or indirectly (derived from prices) and that are not quoted prices as defined by Level 1.

Level 3 – inputs that are not based on observable market data.

(EUR thousand)	12/31/2011		12/31/2010	
	Level 2	Level 3	Level 2	Level 3
<b>Assets</b>				
Other financial assets	24,458	11,603	12,521	-
of which: derivatives included in hedging relationships	7,647	-	6,779	-
<b>Equity and liabilities</b>				
Financial liabilities	40,615	-	30,689	-
of which: derivatives included in hedging relationships	17,794	-	15,319	-

The level 3 financial instruments relate to the receivable concerning the former raw material activities of Metallgesellschaft AG (see section 6.6). The starting point for calculation of fair value is the payment plan of the debtor for the coming years. The cash flows derived from this are discounted using a market interest rate that matches both the term and the currency. As explained in section 6.6, the receivable had been fully written off in the past. The reversal of the impairment loss including the payments has resulted in an earnings contribution of EUR 12,022 thousand (previous year: EUR 1,351 thousand) in the reporting period. Additional income of EUR 1,083 thousand is reported in other comprehensive income.

### Nonderivative financial assets

The carrying amount of the trade receivables and other financial assets that are subject to the IAS 39 measurement requirements corresponds to their fair value. Assets allocated to the “available-for-sale financial assets” category are measured at amortized cost. These are shares in unconsolidated subsidiaries and other equity investments whose fair value cannot be determined reliably.

### Nonderivative financial liabilities

The carrying amount of the trade payables and other current liabilities that are subject to the measurement rules of IAS 39 corresponds to their fair value. The fair value of fixed-interest liabilities is the present value of their expected future cash flows. They are discounted at the rates prevailing at the reporting date. The carrying amount of variable-rate liabilities corresponds to their fair value.

### Derivative financial instruments

The fair value of currency forwards at the reporting date is calculated on the basis of the spot exchange rate, taking into account forward premiums and discounts corresponding to the relevant remaining maturities. Forward premiums and discounts are derived from yield curves observable at the reporting date. Fair value of currency options is calculated on the basis of recognized measurement models. The fair value is affected by the remaining term of the option, the current exchange rate, the volatility of the exchange rate, and the underlying yield curves.

The fair value of interest rate swaps and options is determined on the basis of discounted expected future cash flows. Market interest rates applicable to the remaining maturities of these financial instruments are used. Cross-currency swaps also include the exchange rates of the relevant foreign currencies in which the cash flows are generated.

The fair value of commodity futures and options is calculated by measuring all contracts at the market terms prevailing at the reporting date, and thus corresponds to the current value of the contract portfolio at the end of the fiscal year. The fair value of exchange-traded contracts is derived from their quoted market price. Measurements are performed both internally and by external financial institutions as of the reporting date.

GEA Group uses derivative financial instruments, including currency forwards, interest rate swaps, cross-currency swaps, and commodity futures. Derivative financial instruments serve to hedge foreign currency risk, interest rate risk, and commodity price risk for existing or planned underlying transactions.

The following table presents the notional values and fair values of the derivative financial instruments in use as of the reporting date. The notional value in foreign currency is translated at the closing rate.

(EUR thousand)	12/31/2011		12/31/2010	
	Notional value	Fair value	Notional value	Fair value
<b>Assets</b>				
Currency derivatives not included in a hedging relationship	288,628	16,808	109,340	5,735
Currency derivatives included in a cash flow hedge	142,105	7,446	165,192	5,695
Interest rate and cross-currency derivatives not included in a hedging relationship	1,440	4	–	–
Interest rate and cross-currency derivatives included in a cash flow hedge	128,000	201	220,000	1,084
Commodity derivatives not included in a hedging relationship	–	–	19	7
<b>Total</b>	<b>560,173</b>	<b>24,459</b>	<b>494,551</b>	<b>12,521</b>
<b>Equity and liabilities</b>				
Currency derivatives not included in a hedging relationship	191,366	10,188	259,085	5,570
Currency derivatives included in a cash flow hedge	283,123	15,404	161,848	7,109
Interest rate and cross-currency derivatives not included in a hedging relationship	69,092	12,456	68,870	9,800
Interest rate and cross-currency derivatives included in a cash flow hedge	58,979	2,390	208,713	8,210
Commodity derivatives not included in a hedging relationship	1,579	177	–	–
<b>Total</b>	<b>604,139</b>	<b>40,615</b>	<b>698,516</b>	<b>30,689</b>

#### Derivative financial instruments included in recognized hedging relationships

Derivative financial instruments included in recognized hedging relationships serve exclusively to hedge future cash flows exposed to foreign currency risk from future sale and procurement transactions, as well as interest rate risk from long-term financing (cash flow hedges). Fair value hedges are recognized to hedge changes in the fair value of assets, liabilities, or firm commitments. As in the previous year, the group had not entered into any fair value hedges as of December 31, 2011.

Derivatives are measured at fair value, which is split into an effective and an ineffective portion. The effective portion and any change in this amount are recognized in other comprehensive income until the hedged item is recognized in the balance sheet. The ineffective

portion is recognized in the income statement. When the hedged item is recognized in the balance sheet, gains and losses recognized in equity are realized and the hedge is unwound. In the case of a sale transaction, the effective portion is recognized as revenue, whereas in the case of a procurement transaction the cost is adjusted accordingly. In the case of interest rate derivatives, the gains and losses recognized in equity are reversed to interest expenses.

As of December 31, 2011, gains of EUR 7,819 thousand (previous year: EUR 6,848 thousand) and losses of EUR 17,814 thousand (previous year: EUR 15,625 thousand) from currency and interest rate derivatives were recognized directly in equity.

In the course of the fiscal year, gains of EUR 2,337 thousand (previous year: losses of EUR 2,813 thousand) were recognized in the income statement due to the hedged items being recognized in the balance sheet, and losses of EUR 1,110 thousand (previous year: losses of EUR 2,448 thousand) were offset against the cost of inventories. Of the amounts recognized in the income statement, EUR 3,529 thousand (previous year: EUR -986 thousand) was attributable to revenue. In addition, gains of EUR 7,850 thousand (previous year: EUR 4,412 thousand) and losses of EUR 9,042 thousand (previous year: EUR -6,239 thousand) were reported in net exchange rate gains/losses. EUR -957 thousand (previous year: EUR 0 thousand) was realized from interest derivatives was recognized in net interest income.

As in the previous year, there was no significant hedge ineffectiveness.

91 percent (previous year: 93 percent) of the hedged cash flows from the underlying transactions designated at the reporting date are expected to fall due in the following year. The remaining 9 percent (previous year: 7 percent) are due by 2017 (previous year: 2014). If financial assets are hedged, the derivatives are recognized in the income statement at the same time as the hedged items are recognized in the income statement and balance sheet. If financial liabilities from procurement transactions are hedged, the derivatives are recognized in the income statement when the purchased goods or services are recognized in the income statement.

### Derivative financial instruments not included in recognized hedging relationships

If the criteria for recognizing a hedging relationship are not met, any change in fair value is recognized in the income statement.

### Income and expenses

The measurement effects from financial instruments have largely been recognized in profit or loss. The following table shows net income from financial instruments, broken down by the IAS 39 measurement categories:

(EUR thousand)	12/31/2011			12/31/2010		
	Net income	of which interest income/expense	of which impairment losses/reversals of impairment losses	Net income	of which interest income/expense	of which impairment losses/reversals of impairment losses
Loans and receivables	-9,503	6,109	-6,206	7,020	9,812	-2,924
Available-for-sale financial assets	11,554	-	11,878	405	-	-
Financial assets/liabilities at fair value through profit or loss	258	-3,197	-	-6,628	-4,765	-
Financial liabilities at amortized cost	-45,495	-47,237	-	-30,975	-31,751	-
<b>Total</b>	<b>-43,186</b>	<b>-44,325</b>	<b>5,672</b>	<b>-30,178</b>	<b>-26,704</b>	<b>-2,924</b>

## 8. Consolidated income statement disclosures

### 8.1 Revenue

Revenue is composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
From construction contracts	2,405,183	1,907,276
From sale of goods and services	1,945,135	1,610,133
From service agreements	1,066,186	901,010
<b>Total</b>	<b>5,416,504</b>	<b>4,418,419</b>

### 8.2 Other income

Other income is composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Income from disposal of noncurrent assets	4,199	3,887
Income from compensation payments and cost reimbursements	2,907	1,779
Income from payments received on receivables previously written off	4,622	12,652
Exchange rate gains	85,712	76,355
Gains on the measurement of foreign currency derivatives	85,597	76,755
Income from the reversal of provisions	26,071	28,726
Rental and lease income	19,761	5,531
Miscellaneous other income	36,377	27,279
<b>Total</b>	<b>265,246</b>	<b>232,964</b>

### 8.3 Other expenses

Other expenses are composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Exchange rate losses	91,119	79,953
Losses on the measurement of foreign currency derivatives	82,142	78,618
Restructuring expenses	25,920	119,307
Bad debt allowances on trade receivables	10,660	14,787
Cost of money transfers and payment transactions	1,507	1,481
Losses on the disposal of noncurrent assets	2,378	978
Miscellaneous other expenses	30,922	7,992
<b>Total</b>	<b>244,648</b>	<b>303,116</b>

## Restructuring expenses

Restructuring expenses are allocated as follows to the segments:

(EUR thousand)	2011	2010
GEA Convenience-Food Technologies	9,146	–
GEA Farm Technologies	–	3,806
GEA Heat Exchangers	15,303	84,399
GEA Mechanical Equipment	-1,093	12,436
GEA Process Engineering	2,817	1,101
GEA Refrigeration Technologies	-253	16,073
Others	–	1,492
<b>Total</b>	<b>25,920</b>	<b>119,307</b>

The restructuring expenses in the Convenience-Food Technologies Segment are related to the closure of production facilities in Denmark and the relocation of production to the Netherlands, as well as to the centralization of various administrative functions. Restructuring measures in the Heat Exchangers Segment relate to the closure of two production facilities in Turkey and Mexico.

The restructuring expenses in the previous year were mainly a result of the restructuring of GEA Group' activities. The focus was on consolidating all heat exchanger activities in the GEA Heat Exchangers Segment with the goal of eliminating overlaps in the product range and organizational structure.

The other segments had also initiated or implemented further measures to enhance efficiency in 2010. In the GEA Mechanical Equipment Segment, workflows at the main Oelde location were optimized. In the GEA Refrigeration Technologies Segment, the Contracting function was restructured to enable better order selection using less capacity.

The restructuring expenses are composed of the following items:

(EUR thousand)	01/01/2011- 12/31/2011	01/01/2010- 12/31/2010
Severance pay	6,056	66,175
Impairment on noncurrent assets	3,834	21,514
Impairment on current assets	2,984	5,419
Other restructuring costs	13,046	26,199
<b>Total</b>	<b>25,920</b>	<b>119,307</b>

The other restructuring expenses include costs resulting from inefficiencies in business operations due to facilities relocation, relocation costs for items of plant and equipment, and consulting fees.

## Miscellaneous other expenses

Miscellaneous other expenses primarily comprise additions to provisions.

## 8.4 Presentation of selected income and expenses by cost type

### Cost of materials

The cost of materials included in cost of sales increased by EUR 579,715 thousand in the reporting period to EUR 2,901,042 thousand (previous year: EUR 2,321,327 thousand). The cost of materials accounted for 53.1 percent of gross revenue for the period, slightly below the previous year's figure of 52.2 percent. In one segment, the classification between cost of sales and selling, general, and administrative expenses was changed at the expense of cost of sales in the amount of EUR 18,416 thousand in the fiscal year. The prior-year figures were not adjusted for reasons of materiality.

### Personnel expenses

Personnel expenses increased by EUR 126,318 thousand in 2011 to EUR 1,368,527 thousand (previous year: EUR 1,242,209 thousand). The interest cost on expected pension obligations is not recognized under personnel expenses, but under financial and interest expenses. Personnel expenses include wages and salaries in the amount of EUR 1,125,386 thousand (previous year: EUR 1,037,384 thousand) as well as social security contributions and expenses for post-employment benefits of EUR 243,245 thousand (previous year: EUR 205,853 thousand). The disproportionately low rise in personnel expenses can be mainly attributed to personnel-related restructuring expenses from the previous year in the amount of EUR 66,175 thousand, compared with only EUR 6,056 thousand in fiscal year 2011. The ratio of personnel expenses to revenue thus declined to 25.3 percent of gross revenue (previous year: 28.1 percent)

### Depreciation, amortization, and impairment losses

Depreciation, amortization, and impairment losses totaling EUR 135,741 thousand (previous year: EUR 128,616 thousand) were charged on property, plant, and equipment, investment property, and intangible assets in the reporting period. Depreciation, amortization, and impairment losses are largely included in cost of sales. Impairment losses of EUR 3,834 thousand (previous year: EUR 21,514 thousand) attributable to restructuring measures are included in other expenses as part of the restructuring expenses.

Impairment losses on nonderivative financial assets excluding trade receivables amounted to EUR 536 thousand in the reporting period (previous year: EUR 789 thousand). EUR 536 thousand of this amount (previous year: EUR 576 thousand) was attributable to noncurrent financial assets. Impairment losses on equity investments and marketable securities are contained in the financial expenses item. Inventories were written down by EUR 23,699 thousand (previous year: EUR 18,995 thousand). Impairment losses of EUR 2,984 thousand (previous year: EUR 5,419 thousand) are included in restructuring expenses. The other impairment losses are reported in cost of sales.

## 8.5 Financial and interest income

### Financial income

Financial income is composed of income from reversals of impairment losses on financial instruments, income from profit transfers, and investment income from other equity investments:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Income from reversal of impairment losses on financial assets	12,022	–
Income from profit transfer agreements	482	6,998
Income from other equity investments	5,112	1,394
of which from unconsolidated subsidiaries	5,077	1,017
<b>Total</b>	<b>17,616</b>	<b>8,392</b>

Income from the reversal of impairment losses on financial instruments reflects the payment receipts on a receivable relating to former raw materials activities of Metallgesellschaft AG that had been fully written off, as well as the reversal of the impairment loss on this receivable (see section 6.6). In the previous year, payment receipts on this receivable in the amount of EUR 1,351 thousand were reported under other income.

The income from profit transfer agreements in the previous year was mainly the result of the receipt of payment on a receivable from the former steel trading division that had been largely written off.

### Interest income

Interest and similar income is composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Interest income on receivables, cash investments, and marketable securities	5,672	7,863
of which from unconsolidated subsidiaries	433	442
Interest income on plan assets	5,620	5,111
Other interest income	2,225	3,489
<b>Total</b>	<b>13,517</b>	<b>16,463</b>

The following table shows the interest income on financial instruments broken down by the IAS 39 measurement categories, along with the interest income on assets measured in accordance with other pronouncements:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Loans and receivables	6,109	9,812
Financial assets at fair value through profit or loss	1,784	1,480
Financial assets not measured in accordance with IAS 39	5,624	5,171
<b>Total</b>	<b>13,517</b>	<b>16,463</b>

## 8.6 Financial and interest expenses

### Financial expenses

Financial expenses for fiscal year 2011 amounted to EUR 776 thousand (previous year: EUR 1,412 thousand) and comprised impairment losses on financial assets (excluding trade receivables) of EUR 312 thousand (previous year: EUR 789 thousand) and expenses from loss absorption totaling EUR 464 thousand (previous year: EUR 623 thousand).

### Interest expenses

Interest and similar expenses comprised the following items:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Interest expenses on liabilities to banks	30,381	18,950
Interest cost from discount unwinding on discounted pension obligations	29,193	29,014
Interest cost from discount unwinding on discounted provisions and other employee benefit obligations	4,616	11,389
Other interest expenses	25,343	22,861
of which to unconsolidated subsidiaries	441	218
<b>Total interest expenses</b>	<b>89,533</b>	<b>82,214</b>

The following table shows the interest expenses on financial instruments broken down by the IAS 39 measurement categories, along with the interest expenses on liabilities measured in accordance with other pronouncements:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Financial liabilities at amortized cost	47,237	31,751
Financial liabilities at fair value through profit or loss	4,981	6,245
Financial liabilities not measured in accordance with IAS 39	37,315	44,218
<b>Total</b>	<b>89,533</b>	<b>82,214</b>

If finance can be allocated to a specific investment, the actual borrowing costs are capitalized as part of the cost of the investment. Where no direct relationship can be established, the average interest rate for group borrowings in the current period is used as the capitalization rate due to GEA Group's central financing function. This amounted to 4.0 percent in fiscal year 2011 (previous year: 3.9 percent). Interest income generated on advance payments and progress payments received reduces the cost of the asset. In fiscal year 2011, net interest income of EUR 405 thousand (previous year: EUR 773 thousand) was allocated to the cost of assets.

In the fiscal year under review, expenses totaling EUR 1,507 thousand (previous year: EUR 1,481 thousand) were incurred for fees that were not included in the calculation of the effective interest rate.

## 8.7 Taxes on income

Income taxes for continuing operations are composed of the following items:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Current taxes	86,558	56,146
Germany	16,536	5,088
Other countries	70,022	51,058
Deferred taxes	-598	-16,266
<b>Total</b>	<b>85,960</b>	<b>39,880</b>

The expected tax expense is calculated using the tax rate of 29.83 percent (previous year: 29.46 percent) applicable to German group companies. This includes an average trade tax rate of 14.00 percent (previous year: 13.63 percent) in addition to the uniform corporate income tax rate of 15.0 percent (previous year: 15.0 percent) and the solidarity surcharge of 0.825 percent (previous year: 0.825 percent). The following table shows a reconciliation to the effective tax rate of 21.57 percent (previous year: 23.36 percent):

	01/01/2011 - 12/31/2011		01/01/2010 - 12/31/2010	
	(EUR thousand)	(%)	(EUR thousand)	(%)
<b>Profit before tax</b>	<b>398,571</b>	<b>-</b>	<b>170,741</b>	<b>-</b>
Expected tax expense	118,894	29.8	50,300	29.5
Non-tax deductible expense	13,431	3.4	4,816	2.8
Tax-exempt income	-3,109	-0.8	-632	-0.4
Change in valuation allowances	-47,077	-11.8	-15,880	-9.3
Change in tax rates	-2,561	-0.6	-570	-0.3
Foreign tax rate differences	196	0.0	-168	-0.1
Other	6,186	1.6	2,014	1.2
<b>Income tax and effective tax rate</b>	<b>85,960</b>	<b>21.6</b>	<b>39,880</b>	<b>23.4</b>

As in the previous year, the change in valuation allowances in the amount of EUR -47,077 thousand (previous year: EUR -15,880 thousand) was due primarily to a revised assessment of the recoverability of the deferred tax assets on tax loss carryforwards in Germany and abroad.

The effects of changes in tax rates in the amount of EUR -2,561 thousand (previous year: EUR -570 thousand) were mainly due to the change in the tax rate in Germany.

The foreign tax rate differences are due to different tax rates outside Germany in comparison to the German tax rate of 29.83 percent. The tax rates for foreign companies vary between 10.0 percent (Qatar) and 40.0 percent (Japan).

As in the previous year, the other reconciliation effects were due primarily to tax expenses for previous years.

Deferred tax assets and liabilities during the year under review can be broken down into current and noncurrent assets and liabilities as follows:

(EUR thousand)	12/31/2011	12/31/2010
Current deferred tax assets	102,552	86,414
Noncurrent deferred tax assets	296,332	275,842
<b>Total deferred tax assets</b>	<b>398,884</b>	<b>362,256</b>
Current deferred tax liabilities	57,664	35,109
Noncurrent deferred tax liabilities	88,186	44,824
<b>Total deferred tax liabilities</b>	<b>145,850</b>	<b>79,933</b>
<b>Net deferred tax assets</b>	<b>253,034</b>	<b>282,323</b>

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to income taxes levied by the same taxation authority.

Excluding offsetting, deferred taxes relate to the following items:

(EUR thousand)	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
Property, plant, and equipment	8,705	8,816	35,192	29,169
Investment property	–	79	–	–
Intangible assets	1,311	1,288	75,486	30,229
Goodwill	50,695	57,643	45,841	43,371
Equity-accounted investments	–	19	–	–
Other noncurrent financial assets	513	3,936	1,968	5,885
<b>Noncurrent assets</b>	<b>61,224</b>	<b>71,781</b>	<b>158,487</b>	<b>108,654</b>
Inventories	41,392	34,613	3,616	1,702
Trade receivables	9,044	9,940	50,858	35,094
Other current financial assets	20,454	4,739	13,497	4,606
Cash and cash equivalents	–	174	14	55
<b>Current assets</b>	<b>70,890</b>	<b>49,466</b>	<b>67,985</b>	<b>41,457</b>
<b>Assets held for sale</b>	–	–	–	–
<b>Total assets</b>	<b>132,114</b>	<b>121,247</b>	<b>226,472</b>	<b>150,111</b>
Provisions	15,335	23,649	127	813
Employee benefits	52,399	47,925	567	604
Noncurrent financial liabilities	8,543	6,731	3,613	96
Other noncurrent financial liabilities	321	1,315	4,233	1,796
<b>Noncurrent liabilities</b>	<b>76,598</b>	<b>79,620</b>	<b>8,540</b>	<b>3,309</b>
Provisions	34,746	36,636	2,481	9,953
Employee benefits	13,044	11,889	267	196
Current financial liabilities	12,563	9,595	12,524	2,613
Trade payables	4,178	3,603	9,888	309
Other current financial liabilities	13,699	8,206	7,356	14,452
<b>Current liabilities</b>	<b>78,230</b>	<b>69,929</b>	<b>32,516</b>	<b>27,523</b>
<b>Total liabilities</b>	<b>154,828</b>	<b>149,549</b>	<b>41,056</b>	<b>30,832</b>
Valuation allowances on temporary differences	-12,085	-12,797	–	–
<b>Deferred taxes on temporary differences</b>	<b>274,857</b>	<b>257,999</b>	<b>267,528</b>	<b>180,943</b>
Tax loss carryforwards	1,077,639	1,078,172	–	–
Valuation allowances on tax loss carryforwards	-831,934	-872,905	–	–
Offsetting of deferred taxes	-121,678	-101,010	-121,678	-101,010
<b>Recognized deferred taxes</b>	<b>398,884</b>	<b>362,256</b>	<b>145,850</b>	<b>79,933</b>

As of December 31, 2011, GEA Group recognized deferred tax assets in the amount of EUR 245,705 thousand (previous year: EUR 205,267 thousand) on tax loss carryforwards:

(EUR thousand)	12/31/2011	12/31/2010
Deferred tax assets on domestic tax loss carryforwards		
Corporate income tax	63,008	60,179
Trade tax	53,992	51,397
Deferred tax assets on foreign tax loss carryforwards	128,705	93,691
<b>Total</b>	<b>245,705</b>	<b>205,267</b>

The increase in deferred tax assets on domestic and foreign tax loss carryforwards relates to an updated assessment of the extent to which tax loss carryforwards can be utilized in future periods.

No deferred tax assets were recognized for corporate income tax loss carryforwards in the amount of EUR 2,051,707 thousand (previous year: EUR 2,070,796 thousand) and trade tax loss carryforwards in the amount of EUR 1,313,701 thousand (previous year: EUR 1,582,895 thousand) as their utilization is not sufficiently certain. The tax loss carryforwards of the German companies can be carried forward for an indefinite period. Foreign tax loss carryforwards can generally only be utilized for a limited period. The significant tax loss carryforwards of the foreign companies are expected to expire in 2029.

## 8.8 Earnings per share

Earnings per share are calculated as follows:

(EUR thousand)	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Profit for the period attributable to shareholders of GEA Group Aktiengesellschaft	311,951	129,337
of which from continuing operations	311,929	129,190
of which from discontinued operations	22	147
Weighted average number of shares outstanding (thousand)	183,808	183,808
<b>Earnings per share (EUR)</b>		
from profit for the period	1.70	0.70
of which attributable to continuing operations	1.70	0.70
of which attributable to discontinued operations	0.00	0.00
Profit for the period attributable to shareholders of GEA Group Aktiengesellschaft	311,951	129,337
of which from continuing operations	311,929	129,190
of which from discontinued operations	22	147
Weighted average number of shares outstanding (thousand)	183,808	183,808
Potential dilutive effect of award proceedings under status of settlement negotiations (previous year: under settlement proposed by the court)	13,417	12,115
Adjusted weighted average number of shares outstanding (thousand)	197,225	195,922
<b>Diluted earnings per share (EUR)</b>		
from profit for the period	1.58	0.66
of which attributable to continuing operations	1.58	0.66
of which attributable to discontinued operations	0.00	0.00

The calculation of dilutive effect from the award proceedings concerning the control and profit and loss transfer agreement entered into in 1999 by the former Metallgesellschaft AG (whose legal successor is GEA Group Aktiengesellschaft) and the former GEA Aktiengesellschaft, which was later merged with it, is based on the status of settlement negotiations at the end of the reporting year. The settlement was recorded by the court after the reporting date on January 30, 2012 (see section 9.4). In the previous year, the dilutive effect was calculated based on the settlement proposed by the Dortmund Regional Court in 2009.

The dilutive effect does not take into account the possibility that persons who ceased to be shareholders, in return for cash compensation, of the former GEA Aktiengesellschaft in the course of the squeeze-out in 2005 assert their right and, against the return of their cash compensation, convert their former shares of GEA Aktiengesellschaft into shares of GEA Group Aktiengesellschaft at the exchange ratio that has now been established. More shares could have been bought back at the reporting date using the cash settlement to be reimbursed than would have been issued as new.

## 8.9 Appropriation of net profit

GEA Group Aktiengesellschaft reported net income for the fiscal year of EUR 168,582 thousand in accordance with the HGB (previous year: EUR 199,876 thousand). The Executive Board and the Supervisory Board of GEA Group Aktiengesellschaft have appropriated an amount of EUR 68,000 thousand (previous year: EUR 72,000 thousand) to other retained earnings in accordance with section 58(2) of the AktG. In the previous year, the Executive Board and the Supervisory Board had appropriated an additional amount of EUR 54,252 thousand to other retained earnings in accordance with section 58(2a) of the AktG. Including the profit brought forward of EUR 785 thousand (previous year: EUR 684 thousand), the net retained profits amounted to EUR 101,367 thousand (previous year: EUR 74,308 thousand).

The Executive Board and Supervisory Board will propose to the Annual General Meeting that the net retained profits be appropriated as follows:

Appropriation (EUR thousand)	2011	2010
Dividend payment to shareholders	101,094	73,523
Profit carried forward	273	785
<b>Total</b>	<b>101,367</b>	<b>74,308</b>

The dividend payment corresponds to the payment of a dividend of 55 cents per share for a total of 183,807,845 shares. The dividend will be paid from the contribution account for tax purposes (section 27 of the Körperschaftsteuergesetz (KStG – German Corporate Income Tax Act)) and therefore without deduction of investment income tax and the solidarity surcharge. For shareholders in Germany, dividends are generally not subject to current taxation in the year of payment. The consensus opinion is that the dividend payment from the contribution account for tax purposes represents the return of shareholder contributions, which results in a retrospective reduction in the acquisition cost of the shares. This may lead to taxation of higher capital gains when shares are sold subsequently.

## 9. Contingent liabilities, other financial obligations, contingent assets, and litigation

### 9.1 Contingent liabilities

GEA Group Aktiengesellschaft has issued or instructed the issue of both bank and group guarantees in favor of customers or lenders. The obligations presented in the following table relate to contingent liabilities for which the primary creditor is not a consolidated company.

(EUR thousand)	Bank guarantees		Group guarantees	
	2011	2010	2011	2010
Guarantees for prepayments	934	431	538	725
Warranties	3,343	11,123	55	63
Performance guarantees	19,140	55,527	307,836	351,474
Other declarations of liability	488	2,318	22,824	14,691
<b>Total</b>	<b>23,905</b>	<b>69,399</b>	<b>331,253</b>	<b>366,953</b>
of which attributable to Lurgi/Lentjes	22,261	67,437	314,588	347,619

Most of the bank and group guarantees are attributable to Lurgi and Lentjes (see section 3).

The other guarantees relate mainly to customers of unconsolidated companies, banks, and employees of former subsidiaries. The beneficiaries are entitled to assert claims under the guarantees if the primary debtor fails to meet its contractual obligations, for example in the case of late or defective delivery, non-compliance with warranted performance parameters, or failure to repay loans in accordance with the contractual requirements.

The terms vary depending on the nature of the guarantee. The weighted average term of the group guarantees is 2.9 years (previous year: 2.5 years).

All guarantees issued by or on the instructions of GEA Group Aktiengesellschaft are issued on behalf of and with recourse against the primary debtor.

In addition to the liability risks resulting from bank and group guarantees, there are risks in particular from court, arbitration, or out-of-court disputes (see section 9.4) that could result in cash outflows.

## 9.2 Other financial obligations

Other financial obligations as of December 31, 2011, are composed of the following items:

(EUR thousand)	12/31/2011	12/31/2010
Rental and lease obligations	232,453	252,891
Purchase commitments	425,782	434,787
Obligations under agreements to acquire companies	–	384,930
<b>Total</b>	<b>658,235</b>	<b>1,072,608</b>

### Rental and lease agreements

Obligations under rental and lease agreements amounting to EUR 232,453 thousand (previous year: EUR 252,891 thousand) relate primarily to land and buildings, and to a lesser extent to technical equipment and machinery. The leases run until no later than 2031. Payments are spread over future fiscal years as follows:

(EUR thousand)	12/31/2011
2012	69,057
2013	42,590
2014	28,730
2015	23,822
2016	19,719
Thereafter	48,535
<b>Total interest expenses</b>	<b>232,453</b>

Expenses related to rental and lease agreements in fiscal year 2011 amounted to EUR 97,827 thousand (previous year: EUR 103,582 thousand), of which EUR 15,147 thousand (previous year: EUR 14,282 thousand) was attributable to variable payments. Subleases resulted in income of EUR 12,026 thousand in fiscal year 2011 (previous year: EUR 16,245 thousand). These subleases give rise to claims for rental income of EUR 6,252 thousand (previous year: EUR 37,159 thousand) over the coming years.

Sale and leaseback transactions relating to buildings resulted in future payments at the reporting date of EUR 38,467 thousand (previous year: EUR 74,743 thousand).

### Purchase commitments

EUR 415,433 thousand (previous year: EUR 432,003 thousand) of the purchase commitments is attributable to inventories and EUR 10,349 thousand (previous year: EUR 2,784 thousand) to items of property, plant, and equipment.

## 9.3 Contingent assets

On September 15, 2006, GEA Group Aktiengesellschaft won a judgment in its favor on the cause of action in the arbitration proceedings against Flex-N-Gate Corp., Urbana, Illinois, U.S.A. This requires Flex-N-Gate to compensate GEA Group Aktiengesellschaft for losses incurred as a result of the collapse of the sale of the Dynamit Nobel plastics business to Flex-N-Gate in the fall of 2004. In the second part of the proceedings, the court of arbitration ruled on the amount of compensation in favor of GEA Group Aktiengesellschaft on March 19, 2010. After Flex-N-Gate appealed the decision, the award was overturned by the Higher Regional Court in Frankfurt on February 17, 2011. GEA Group Aktiengesellschaft has appealed the decision of the Higher Regional Court to the German Federal Court of Justice (BGH). A decision by the BGH is not expected before the second half of 2012.

In 2008, GEA Group Aktiengesellschaft instituted arbitration proceedings against Ukraine at the International Centre for Settlement of Investment Disputes (ICSID), the court of arbitration of the World Bank Group. These related to the enforcement of an arbitration award made by the International Chamber of Commerce (ICC) in 2002 against a former Ukrainian near-government entity. GEA's complaint has since been dismissed.

## 9.4 Litigation

### Award proceedings

In the award proceedings described in the last annual reports, a court settlement between the parties was agreed on January 30, 2012, before the Dortmund Regional Court. The award proceedings relate to the control and profit transfer agreement entered into in 1999 between the former Metallgesellschaft AG (whose legal successor is GEA Group Aktiengesellschaft) and the former GEA Aktiengesellschaft, which was later merged with it. In this settlement, GEA Group Aktiengesellschaft undertook to increase the share-based compensation and grant a higher cash settlement, based on the court's proposal.

GEA Group Aktiengesellschaft intends to create contingent capital at its 2012 Annual General Meeting in order to create the new shares required by the settlement. The entry into force of the settlement is subject to the condition precedent that the contingent capital of GEA Group Aktiengesellschaft needed to settle the new shares is finally and absolutely entered in the commercial register. The award proceedings will be terminated with the entry into force of the settlement. Likewise, further information on the implementation of the settlement will be published when it enters into force.

Subject to the entry into force of the settlement, and based on the exchange ratio agreed in the settlement (31 shares of GEA Group Aktiengesellschaft for 15 shares of the former GEA AG), up to approximately 13.42 million new shares will be issued as increased compensation to those external shareholders of the former GEA AG who had already received the compensation provided for in the control and profit transfer agreement in 1999. A further up to approximately 1.68 million new shares of GEA Group Aktiengesellschaft may potentially have to be issued on request on the basis of the abovementioned exchange ratio to those shareholders of the former GEA AG who ceased to be shareholders of the former GEA AG in the course of the 2005 squeeze-out in return for a cash compensation payment in accordance with sections 327a ff. of the AktG. In return, these former GEA AG shareholders would then have to refund their cash compensation payment under the squeeze-out in the amount of EUR 53 per share of the former GEA AG, plus the interest paid by GEA.

In addition, those shareholders of the former GEA AG who received compensation payments on the basis of the control and profit transfer agreement will receive increased compensation in the total amount of approximately EUR 0.83 million.

### Plant engineering

There are still some sector-specific legal disputes from the former plant engineering business in which the disputed amounts in some cases are in the high millions; often, they have been set too high for tactical reasons. The main legal disputes relating to the former plant engineering business include the following:

GEA Group Aktiengesellschaft is one of two defendants being sued by Panda Energy International (“Panda Energy”) in a district court in Texas (U.S.A.) for alleged deception in connection with claimed investments by Panda Energy in a project undertaken in Texas by the plant engineering business that GEA has since disposed of (“Texas District Court proceedings”). In December 2011, Panda energy first specified its claim for damages in these proceedings at a minimum of USD 104 million plus punitive damages and legal, expert, and court costs. GEA Group Aktiengesellschaft had initially applied for the complaint to be dismissed due to lack of jurisdiction of the ordinary courts. The District Court and later the Texas Court of Appeals denied this application. GEA Group Aktiengesellschaft then appealed to the Texas Supreme Court and applied for the Texas District Court proceedings to be suspended pending the decision on jurisdiction. A decision by the Texas Supreme Court is still outstanding. GEA Group Aktiengesellschaft believes that Panda Energy’s claims for compensation are unfounded and it will continue to defend itself against the complaint. There is also an action pending before a district court in New York (U.S.A.) filed by GEA Group Aktiengesellschaft in August 2011 against Panda Ethanol, Inc. (PEI), a subsidiary of Panda Energy. In these proceedings, GEA Group Aktiengesellschaft is asserting claims against PEI arising from assigned rights against PEI that it had acquired in the course of insolvency proceedings for the project company. A decision by the court is still outstanding.

Two subsidiaries of the former plant engineering business were sued in connection with an earlier plant engineering project for repayment of subsidies in a total amount of approximately EUR 22 million (including possible interest). Both defendant companies had made liability declarations in line with the amount of their investment in the now insolvent project company covering the obligation of the project company to pay back subsidies received under certain conditions. The basic issue in dispute is whether the subsidiaries can rely on an earlier restricting declaration made by the highest competent authority of a German federal state in their defense against the claims asserted against them under the liability declarations. Since the two subsidiaries have the different places of jurisdiction, the actions were filed in courts in both Düsseldorf and Frankfurt. During the reporting period, the plaintiff won in the Higher Regional Court in Düsseldorf and lost in the Higher Regional Court in Frankfurt. The GEA subsidiary has appealed the decision of the Higher Regional Court in Düsseldorf to the German Federal Court of Justice (BGH) on the grounds of denial of appeal. In the decision of the Higher Regional Court in Frankfurt, the plaintiff has appealed to the BGH.

### **Dorries Scharmann AG**

An action brought by the insolvency administrator of Dorries Scharmann AG against GEA Group Aktiengesellschaft is pending at the Dusseldorf Regional Court. The former Metallgesellschaft AG, the legal predecessor to GEA Group Aktiengesellschaft, held an interest in Schiess AG, which later became Dorries Scharmann AG. On the basis of that interest, the insolvency administrator is asserting various claims under company law, in particular for equity substitution, which amount to approximately EUR 20 million including possible interest. GEA Group Aktiengesellschaft considers the claims that have been asserted to be unfounded. The senior expert appointed by the court to decide matters relating to equity substitution has fully confirmed GEA Group Aktiengesellschaft's opinion. GEA Group Aktiengesellschaft will continue to defend itself against all claims.

### **General**

Further legal proceedings or official investigations have been or may be instituted against GEA Group companies as a result of earlier business disposals and operating activities.

Adequate provisions have been recognized for all risks arising from both the legal disputes described above and other legal disputes being pursued by GEA Group in the course of its ordinary operating activities. However, the outcome of these proceedings cannot be predicted with any degree of certainty. It is therefore possible that the conclusion of the proceedings may result in expenses that exceed the amounts that may have been set aside for them.

## **10. Segment reporting**

### **10.1 Disclosures by segment**

GEA Group's business activities are divided into the following seven segments:

#### **Convenience Food-Technologies Segment**

GEA Convenience-Food Technologies is a leading manufacturer of machinery for preparing, marinating, processing, cutting, and packaging meat, poultry, fish, cheese, and other foods. Specializing in performance-driven solutions, its offering ranges from individual machines through to end-to-end production lines. GEA Convenience-Food Technologies is a broadly positioned manufacturer of process technology for secondary food processing and packaging.

#### **GEA Farm Technologies Segment**

GEA Farm Technologies is one of the world's leading manufacturers of integrated product solutions for profitable milk production and livestock farming. The segment's combined expertise in the areas of milking and milk-cooling technology, automatic feeding systems, manure management systems, and barn equipment provides today's farmers with a complete range of products and solutions. Services and animal hygiene solutions round off its profile as a full-line systems provider for farms of all sizes. The segment's sales strategy is built upon a global network of specialist dealers and sales and service partners.

### **GEA Heat Exchangers Segment**

GEA Heat Exchangers provides products and systems for numerous areas of use, ranging from air conditioning systems to cooling towers. Boasting what is probably the largest portfolio of heat exchangers worldwide, the segment supplies optimal single-source solutions for every conceivable application and also offers customers professional support with project planning.

### **GEA Mechanical Equipment Segment**

GEA Mechanical Equipment specializes in separators, decanters, valves, pumps, and homogenizers – high-quality process engineering components that ensure seamless processes and cost-effective production in almost all major areas of industry worldwide. At the same time, such equipment helps reduce production costs and protect the environment in a sustainable manner.

### **GEA Process Engineering Segment**

GEA Process Engineering specializes in the design and development of process solutions for the dairy, brewing, food, pharmaceutical, and chemical industries. The segment is an acknowledged market and technology leader in its business areas: liquid processing, concentration, industrial drying, powder processing and handling, and emission control.

### **GEA Refrigeration Technologies Segment**

GEA Refrigeration Technologies is a market leader in the field of industrial refrigeration technology. The segment develops, manufactures, and installs innovative key components and technical solutions for its customers. To ensure complete customer satisfaction, GEA Refrigeration Technologies also offers a broad range of maintenance and other services. Its product range comprises the following core components: reciprocating and screw compressors, valves, chillers, ice generators, and freezing systems.

### **Other**

The “Other” segment comprises the companies with business activities that do not form part of the core business. In addition to the holding and service companies, it contains companies that report investment property held for sale, pension obligations, and residual mining obligations.

(EUR million)	GEA CT <sup>1</sup>	GEA FT	GEA HX	GEA ME	GEA PE	GEA RT	Other	Consolidation	GEA Group
<b>01/01/2011 - 12/31/2011</b>									
Order intake <sup>2</sup>	329.8	527.4	1,653.2	874.9	1,709.9	650.4	–	-135.8	<b>5,609.7</b>
External revenue	346.0	509.0	1,588.2	757.5	1,574.1	641.7	–	–	<b>5,416.5</b>
Intersegment revenue	–	0.9	28.6	87.2	3.0	5.5	–	-125.2	–
Total revenue	346.0	509.8	1,616.8	844.7	1,577.2	647.2	–	-125.2	<b>5,416.5</b>
Share of profit or loss of equity-accounted investments	–	0.1	1.6	–	-0.1	0.9	0.4	–	<b>2.8</b>
EBITDA before PPA and restructuring expenses	26.2	45.2	160.4	178.7	163.2	60.0	-3.7	–	<b>630.1</b>
EBITDA before restructuring expenses	7.4	45.2	160.3	178.7	163.2	59.0	-3.7	–	<b>610.2</b>
EBIT before PPA and restructuring expenses	19.6	33.8	121.8	162.1	148.2	51.3	-12.3	–	<b>524.6</b>
as % of revenue	5.7	6.6	7.5	19.2	9.4	7.9	–	–	<b>9.7</b>
EBIT before restructuring expenses	-16.0	31.1	118.0	161.2	146.1	46.6	-12.5	–	<b>474.6</b>
as % of revenue	-4.6	6.1	7.3	19.1	9.3	7.2	–	–	<b>8.8</b>
Restructuring expenses	–	–	–	–	–	–	–	–	–
EBIT	-16.0	31.1	118.0	161.2	146.1	46.6	-12.5	–	<b>474.6</b>
as % of revenue	-4.6	6.1	7.3	19.1	9.3	7.2	–	–	<b>8.8</b>
ROCE in % <sup>3</sup>	-3.6	10.4	17.0	49.0	58.7	20.6	–	–	<b>20.5</b>
Interest income	1.0	2.0	4.6	7.3	7.5	2.8	37.5	-49.2	<b>13.5</b>
Interest expense	10.2	13.9	18.4	10.7	9.6	8.1	67.8	-49.2	<b>89.5</b>
EBT	-25.3	19.2	104.3	157.8	144.0	41.3	-42.8	–	<b>398.6</b>
Income taxes	1.7	9.7	30.5	17.0	27.3	10.3	-8.5	-2.0	<b>86.0</b>
Profit or loss from discontinued operations	–	–	–	–	–	–	0.0	–	<b>0.0</b>
Segment assets	764.3	601.3	2,081.8	1,263.0	1,621.8	737.8	3,183.8	-4,028.5	<b>6,225.2</b>
Segment liabilities	357.5	302.2	1,264.7	575.1	1,021.5	421.3	2,515.4	-2,396.0	<b>4,061.6</b>
Carrying amount of equity-accounted investments	–	1.3	5.0	–	2.6	2.0	2.5	–	<b>13.4</b>
Working capital (reporting date) <sup>4</sup>	55.5	131.9	184.4	178.1	-50.0	87.8	-10.7	–	<b>577.1</b>
Additions to property, plant, and equipment, intangible assets, and goodwill	493.9	29.0	66.3	78.0	53.9	70.8	10.2	–	<b>802.1</b>
Depreciation and amortization	23.5	14.1	37.9	17.5	16.8	10.6	8.4	-0.2	<b>128.6</b>
Impairment losses	-0.0	0.1	4.3	–	–	1.8	1.2	–	<b>7.4</b>
Additions to provisions	3.2	34.5	88.3	56.6	67.2	39.2	58.7	–	<b>347.7</b>

(EUR million)	GEA CT <sup>1</sup>	GEA FT	GEA HX	GEA ME	GEA PE	GEA RT	Other	Consolidation	GEA Group
<b>01/01/2010 - 12/31/2010</b>									
Order intake <sup>2</sup>	–	448.5	1,506.0	740.4	1,416.1	579.6	–	-112.6	<b>4,578.0</b>
External revenue	–	446.3	1,455.3	645.7	1,283.9	561.4	25.7	–	<b>4,418.4</b>
Intersegment revenue	–	0.4	28.0	79.6	4.6	2.3	–	-115.0	–
Total revenue	–	446.7	1,483.4	725.4	1,288.5	563.7	25.7	-115.0	<b>4,418.4</b>
Share of profit or loss of equity-accounted investments	–	0.5	1.1	–	-0.1	1.4	0.8	–	<b>3.7</b>
EBITDA pre PPA and before restructuring expenses	–	37.9	152.7	136.4	106.5	37.1	-7.1	–	<b>463.5</b>
EBITDA before restructuring expenses	–	37.9	152.7	136.4	106.5	37.1	-7.1	–	<b>463.5</b>
EBIT pre PPA and before restructuring expenses	–	26.3	118.8	117.0	93.2	29.4	-17.9	–	<b>366.8</b>
as % of revenue	–	5.9	8.0	16.1	7.2	5.2	-69.4	–	<b>8.3</b>
EBIT before restructuring expenses	–	23.9	114.3	116.2	91.3	28.3	-18.1	–	<b>355.8</b>
as % of revenue	–	5.3	7.7	16.0	7.1	5.0	-70.2	–	<b>8.1</b>
Restructuring expenses	–	3.8	84.4	12.4	1.1	16.1	1.5	–	<b>119.3</b>
EBIT	–	20.0	29.9	103.8	90.2	12.2	-19.6	–	<b>236.5</b>
as % of revenue	–	4.5	2.0	14.3	7.0	2.2	-76.0	–	<b>5.4</b>
ROCE in % <sup>3</sup>	–	8.4	17.0	38.6	38.2	15.9	–	–	<b>20.4</b>
Interest income	–	1.7	4.4	5.2	5.3	2.1	28.4	-30.6	<b>16.5</b>
Interest expense	–	13.3	15.1	9.7	9.7	6.5	58.6	-30.6	<b>82.2</b>
EBT	–	8.4	19.1	99.3	85.8	7.8	-49.6	–	<b>170.7</b>
Income taxes	–	5.5	21.3	14.9	25.7	0.2	-23.3	-4.5	<b>39.9</b>
Profit or loss from discontinued operations	–	–	–	–	–	–	0.1	–	<b>0.1</b>
Segment assets	–	575.0	1,917.0	1,103.5	1,366.1	576.2	2,422.5	-2,822.1	<b>5,138.2</b>
Segment liabilities	–	293.2	1,022.0	462.8	827.1	330.8	1,975.8	-1,641.1	<b>3,270.6</b>
Carrying amount of equity-accounted investments	–	1.1	4.2	–	4.1	2.0	2.2	–	<b>13.5</b>
Working capital (reporting date) <sup>4</sup>	–	119.7	179.0	178.0	-78.7	59.7	-10.0	-3.2	<b>444.6</b>
Additions to property, plant, and equipment, intangible assets, and goodwill	–	26.1	30.4	16.1	19.1	8.6	7.6	–	<b>107.9</b>
Depreciation and amortization	–	14.0	38.5	17.4	15.3	8.8	10.6	–	<b>104.3</b>
Impairment losses	–	0.3	21.1	2.9	–	–	0.0	–	<b>24.3</b>
Additions to provisions	–	32.2	143.0	64.8	62.7	37.4	48.9	-0.0	<b>389.0</b>

1) Inclusion of GEA Convenience-Food Technologies since initial consolidation as of April 1, 2011.

2) Unaudited supplemental information.

3) ROCE = EBIT before restructuring expenses in the past 12 months/capital employed - goodwill from the acquisition of the former GEA AG by the former Metallgesellschaft in 1999 (both at average of the past twelve months); capital employed = noncurrent assets + working capital.

4) Working capital = inventories + trade receivables - trade payables - advance payments received.

Consolidation primarily comprises the elimination of intercompany revenue and interest income and expense. Intersegment revenue is calculated using standard market prices.

Sales (EUR million)	2011	2010
<b>Revenue from construction contracts</b>		
GEA Convenience-Food Technologies	195.0	–
GEA Farm Technologies	–	–
GEA Heat Exchangers	577.1	554.1
GEA Mechanical Equipment	–	–
GEA Process Engineering	1,338.9	1,071.7
GEA Refrigeration Technologies	301.2	290.5
Others and consolidation	-7.1	-9.0
<b>Total revenue from construction contracts</b>	<b>2,405.2</b>	<b>1,907.3</b>
<b>Revenue from sale of components</b>		
GEA Convenience-Food Technologies	48.8	–
GEA Farm Technologies	396.4	343.9
GEA Heat Exchangers	862.2	749.6
GEA Mechanical Equipment	573.9	474.7
GEA Process Engineering	32.4	26.6
GEA Refrigeration Technologies	149.5	95.5
Others and consolidation	-118.1	-80.2
<b>Total Sales components</b>	<b>1,945.1</b>	<b>1,610.1</b>
<b>Revenue from services</b>		
GEA Convenience-Food Technologies	102.2	–
GEA Farm Technologies	113.4	102.8
GEA Heat Exchangers	177.5	179.7
GEA Mechanical Equipment	270.8	250.7
GEA Process Engineering	205.9	190.2
GEA Refrigeration Technologies	196.4	177.6
Others and consolidation	–	–
<b>Total revenue from services</b>	<b>1,066.2</b>	<b>901.0</b>
<b>Total revenue</b>	<b>5,416.5</b>	<b>4,418.4</b>

The segment asset recognition and measurement policies are the same as those used in the group and described in the accounting policies section. The profitability of the individual group segments is measured using “earnings before interest and tax” (EBIT) and “profit or loss before tax” (EBT), as presented in the income statement. It therefore includes restructuring expenses.

Impairment losses include all impairment losses on property, plant, and equipment, intangible assets, and investment property.

Reconciliation of EBITDA before purchase price allocation through EBIT before PPA to EBIT (EUR million)	2011	2010	Change (%)
<b>EBITDA before PPA and restructuring expenses</b>	<b>630.1</b>	<b>463.5</b>	<b>35.9</b>
Depreciation of property, plant and equipment, and investment property, and amortization of intangible assets	-101.0	-95.6	-5.7
Impairment losses on property, plant, and equipment, investment property, intangible assets, and goodwill	-4.0	-0.5	< -100
Other impairment losses and reversals of impairment losses	-0.5	-0.6	6.9
<b>EBIT before PPA and restructuring expenses</b>	<b>524.6</b>	<b>366.8</b>	<b>43.0</b>
Depreciation and amortization of assets recognized during PPA	-27.6	-8.7	< -100
Impairment losses on assets recognized during PPA	-2.5	-2.3	-6.7
Revaluation of inventories	-19.9	-	-
<b>EBIT before restructuring expenses</b>	<b>474.6</b>	<b>355.8</b>	<b>33.4</b>
Restructuring expenses	-	-119.3	-
<b>EBIT</b>	<b>474.6</b>	<b>236.5</b>	<b>&gt; 100</b>

The following table shows the reconciliation of EBITDA to EBIT:

(EUR thousand)	2011	2010
<b>EBITDA</b>	<b>610,176</b>	<b>365,684</b>
Depreciation of property, plant, and equipment, and investment property, and amortization of intangible assets (see notes 6.1, 6.2, 6.4)	-128,593	-104,267
Impairment losses on property, plant, and equipment, investment property, intangible assets, and goodwill (see notes 6.1, 6.2, 6.3, 6.4)	-6,460	-24,349
Impairment losses on noncurrent financial assets (see section 8.4)	-536	-576
<b>EBIT</b>	<b>474,587</b>	<b>236,492</b>

The following table shows the reconciliation of working capital to total assets:

Reconciliation of working capital to total assets (EUR million)	12/31/2011	12/31/2010
<b>Working capital (reporting date)</b>	<b>577.1</b>	<b>444.6</b>
Working capital (reporting date) of Ruhr-Zink	0.4	-0.1
Noncurrent assets	3,467.6	2,784.3
Income tax receivables	15.9	20.2
Other current financial assets	203.8	143.7
Cash and cash equivalents	432.4	563.5
Assets held for sale	5.1	2.6
plus trade payables	903.3	672.1
plus advance payments in respect of orders and construction contracts	239.1	178.0
plus gross amount due to customers for contract work	380.5	329.4
<b>Total assets</b>	<b>6,225.2</b>	<b>5,138.2</b>

## 10.2 Disclosures by geographic region

In the presentation of segment disclosures by geographic region, revenue is allocated by the destination of the goods or place of performance of the services, or by customer domicile. Assets are allocated by their location.

(EUR million)	Germany	Rest of Europe	North America	Latin America	Middle East	Asia / Pacific	Africa	Total
<b>01/01/2011 - 12/31/2011</b>								
External revenue	586.0	1,966.8	700.1	369.2	314.3	1,193.0	287.2	<b>5,416.5</b>
Noncurrent assets (property, plant and equipment, intangible assets, and investment property)	1,692.2	905.0	237.9	9.7	12.5	135.0	6.5	<b>2,999.0</b>
<b>01/01/2010 - 12/31/2010</b>								
External revenue	542.3	1,628.3	602.0	262.2	178.4	965.9	239.4	<b>4,418.4</b>
Noncurrent assets (property, plant and equipment, intangible assets, and investment property)	1,522.2	468.8	229.6	10.8	15.3	105.9	7.2	<b>2,359.7</b>

There are no relationships with individual customers whose revenue can be considered material in comparison to total group revenue.

## 11. Other disclosures

### 11.1 Cash flow disclosures

Cash flow from investing activities includes outflows of EUR 32,394 thousand (previous year: EUR 120,017 thousand) from the sale of discontinued operations. These outflows relate to payments linked to the sale of business activities in previous periods. The majority of this amount, at EUR 31,518 thousand (previous year: EUR 118,683 thousand), is attributable to the former Lurgi and Lentjes operations and results almost entirely from project-related indemnifications.

### 11.2 Government grants

Government grants related to income amounting to EUR 1,568 thousand were received in fiscal year 2011 (previous year: EUR 4,050 thousand). This item contains an amount of EUR 104 thousand (previous year: EUR 979 thousand) for grants related to short-time working. The grants received were deducted from the corresponding expenses. Grants related to assets amounting to EUR 871 thousand (previous year: EUR 806 thousand) were deducted from the carrying amounts of the assets concerned. In fiscal year 2011, expenses of EUR 192 thousand (previous year: EUR 1,001 thousand) were incurred for the potential repayment of grants received.

## 11.3 Related party disclosures

### 11.3.1 Related party transactions

Transactions between GEA Group Aktiengesellschaft and its consolidated subsidiaries have been eliminated in the course of consolidation, with the exception of income and expenses between continuing and discontinued operations.

Income and expenses from transactions with unconsolidated subsidiaries, joint ventures, and associates are composed of the following items:

(EUR thousand)	Revenue	Other income	Other expenses
<b>01/01/2011 - 12/31/2011</b>			
Unconsolidated subsidiaries	73,164	1,923	828
Joint ventures	10,235	240	25
<b>Total</b>	<b>83,399</b>	<b>2,163</b>	<b>853</b>
<b>01/01/2010 - 12/31/2010</b>			
Unconsolidated subsidiaries	53,013	5,357	745
Joint ventures	8,012	143	8
<b>Total</b>	<b>61,025</b>	<b>5,500</b>	<b>753</b>

Related party transactions resulted in the following outstanding items as of December 31, 2011:

(EUR thousand)	Trade receivables	Trade payables	Other receivables	Other liabilities
<b>12/31/2011</b>				
Unconsolidated subsidiaries	25,675	6,037	18,345	28,260
Joint ventures	3,404	634	1,195	1,133
Associates	–	–	37	–
<b>Total</b>	<b>29,079</b>	<b>6,671</b>	<b>19,577</b>	<b>29,393</b>
of which current	29,079	6,671	19,056	29,393
<b>12/31/2010</b>				
Unconsolidated subsidiaries	25,738	3,968	9,833	33,141
Joint ventures	2,080	1,462	1,769	1,197
Associates	–	–	52	–
<b>Total</b>	<b>27,818</b>	<b>5,430</b>	<b>11,654</b>	<b>34,338</b>
of which current	27,818	5,430	10,170	34,175

The outstanding amounts will be settled by bank transfer and are unsecured.

### 11.3.2 Remuneration of the Executive Board and the Supervisory Board

The Executive Board of GEA Group Aktiengesellschaft received total remuneration of EUR 6,305 thousand in fiscal year 2011 (previous year: EUR 4,936 thousand). This is composed of the following components:

(EUR thousand)	2011	2010
Fixed salary	2,484	2,309
Current bonus	1,799	1,190
Noncurrent share based bonus	1,799	1,190
Noncash benefits	141	169
Pension subsidies	83	78
<b>Total</b>	<b>6,305</b>	<b>4,936</b>

Former members of the Executive Board and their surviving dependents received remuneration of EUR 2,085 thousand (previous year: EUR 1,995 thousand) from GEA Group Aktiengesellschaft and payments of EUR 5,062 thousand (previous year: EUR 5,467 thousand) from the group. GEA Group Aktiengesellschaft recognized pension provisions for former Executive Board members and their surviving dependents in accordance with IFRSs of EUR 25,935 thousand (previous year: EUR 26,444 thousand); the amount recognized by the group for these persons was EUR 50,603 thousand (previous year: EUR 51,709 thousand).

The expenses incurred for the Supervisory Board amounted to EUR 1,147 thousand in fiscal year 2011 (previous year: EUR 745 thousand).

Other information on the remuneration of the Executive Board and the Supervisory Board can be found in the management report starting on page 65.

There were no other transactions by members of the Executive Board or Supervisory Board or their related parties in either the reporting or the comparative period.

## 12. Events after the end of the reporting period

On January 30, 2012, GEA Group Aktiengesellschaft reached a court settlement in the award proceedings that were instituted in 1999 and that are also described in greater detail on page 64 of the 2010 Annual Report. Further information on the settlement can be found in the chapter entitled "Litigation" (see page 180).

On February 24, 2012, GEA Group's Mechanical Equipment Segment acquired all the shares of a service company that specializes in the marine and energy sectors. The acquisition represents a further expansion in GEA Group's service business in the Mechanical Equipment Segment.

The costs of EUR 18,452 thousand are partially offset by preliminary net assets identified of EUR 11,499 thousand. On this basis, the provisional goodwill identified amounts to EUR 6,953 thousand.

## 13. Supplemental disclosures in accordance with section 315a of the HGB

### 13.1 Declaration on the Corporate Governance Code

The Executive Board and the Supervisory Board issued an updated declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on December 15, 2011, and made it permanently available to the shareholders on the Company's website.

### 13.2 Number of employees

The average number of employees during the year was as follows:

Average number of employees during the year *	2011	2010
Hourly workers	9,187	7,883
Salaried employees	14,214	12,530
<b>Continuing operations</b>	<b>23,401</b>	<b>20,413</b>
Hourly workers	4	4
Salaried employees	–	–
<b>Discontinued operations</b>	<b>4</b>	<b>4</b>
<b>Total</b>	<b>23,405</b>	<b>20,417</b>

\* Full-time equivalents (FTEs) excluding vocational trainees and inactive employment contracts

The number of employees at the reporting date was as follows:

Employees at reporting date *	2011	2010
Hourly workers	9,374	7,795
Salaried employees	14,460	12,590
<b>Continuing operations</b>	<b>23,834</b>	<b>20,386</b>
Hourly workers	4	4
Salaried employees	–	–
<b>Discontinued operations</b>	<b>4</b>	<b>4</b>
<b>Total</b>	<b>23,838</b>	<b>20,390</b>

\* Full-time equivalents (FTEs) excluding vocational trainees and inactive employment contracts

### 13.3 Audit and consulting fees

The fees charged by the auditors of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, for fiscal year 2011 are broken down as follows. The prior-year figures relate to Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft:

(EUR thousand)	2011	2010
Audit	1,397	1,415
Tax consulting services	21	277
Other services	181	529
<b>Total</b>	<b>1,599</b>	<b>2,221</b>

## 13.4 Investments

The following list shows all subsidiaries, associates, and joint ventures. With the exception of other equity investments within the meaning of section 313(1) no. 4 of the HGB, it does not contain investments in companies that GEA Group neither controls nor over which it can exercise significant influence.

Company	Head office	Country	Shares (%)
<b>Subsidiary</b>			
"SEMENOWSKY VAL" Immobilien- Verwaltungs-GmbH	Bochum	Germany	100.00
Beijing GEA Energietechnik Co., Ltd.	Beijing	China	100.00
Beijing Tetra Laval Food Machinery Company Li	Beijing	China	90.00
Bliss & Co. Ltd.	Fareham	United Kingdom	100.00
Bliss Refrigeration Ltd.	Fareham	United Kingdom	100.00
Bloksma Asia Ltd.	Hong Kong	China	100.00
Bock (India) Pvt. Ltd.	Vadodara, Gujarat	India	100.00
Bock Compressor Technology (Thailand) Co., Ltd.	Bangkok	Thailand	49.00 *
Bock GB Ltd.	London	United Kingdom	100.00
Bock Holding GmbH	Frickenhausen	Germany	100.00
Breconcherry Ltd.	Bromyard, Herefordshire	United Kingdom	100.00
Brouwers Equipment B.V.	Leeuwarden	Netherlands	100.00
Brückenbau Plauen GmbH	Frankfurt am Main	Germany	100.00
CFS Nordic A/S	Slagelse	Denmark	100.00
CFS North America Inc.	Frisco	U.S.A.	100.00
CFS Slagelse A/S	Slagelse	Denmark	100.00
CFS Asia Co. Ltd.	Hong Kong	China	100.00
CFS Asia Ltd.	Bangna, Bangkok	Thailand	99.99
CFS Chile Comercializadora Limitada	Santiago de Chile	Chile	100.00
CFS Commercial (Beijing) Limited	Beijing	China	100.00
CFS Czech s.r.o.	Prague	Czech Republic	100.00
CFS France SAS	Beaucouzé	France	100.00
CFS Grundstücksverwaltung GmbH	Kempton	Germany	100.00
CFS International Slagelse A/S	Slagelse	Denmark	100.00
CFS Italy S.p.A.	Grumello Del Monte	Italy	100.00
CFS Kempton GmbH	Kempton	Germany	100.00
CFS Korea Ltd.	Seoul	South Korea	80.00
CFS Poland Sp. z o.o.	Warsaw	Poland	100.00
CFS South Africa (Pty) Ltd.	Boksburg	South Africa	100.00
CFS South America Ltda.	Campinas, Sao Paulo	Brazil	100.00
CFS Switzerland AG	Rothrist	Switzerland	100.00
CFS UK and Ireland Ltd.	Newport Pagnell	United Kingdom	100.00
CFS Ukraine LLC	Kiev	Ukraine	100.00
Convenience Food Systems K.K.	Tokyo	Japan	100.00
Convenience Food Systems S.A. de C.V.	Mexico City	Mexico	100.00
Dairy Technology Services Pty Limited	Kyabram, Victoria	Australia	100.00
Dawmec Limited	Fareham	United Kingdom	100.00
Diessel Aktiengesellschaft	Zug	Switzerland	100.00
Dixie Union Ltd.	Newport Pagnell	United Kingdom	100.00
Dobbelenberg S.A./N.V.	Haren, Brüssel	Belgium	100.00
Ecodelta Ltd.	Zarechny	Russia	62.00
EGI Cooling System (China) Co. Ltd.	Tianjin	China	100.00
EGI Cooling Systems Trading (Beijing) Co.	Beijing	China	100.00
EGI Enerji Ins. Ic Ve Dis Tic. Ltd. Sti.	Ankara	Turkey	90.00
EGI Structura Kft.	Budapest	Hungary	76.00

\* 51% of voting rights GEA Group

Farmers Industries Limited	Mt. Maunganui South, Tauranga	New Zealand	100.00
GEA (Philippines) Inc.	Manila	Philippines	100.00
GEA (Shanghai) Farm Technologies Company Ltd.	Shanghai	China	100.00
GEA 2H Water Technologies GmbH	Wettingen	Germany	100.00
GEA 2H Water Technologies Ltd.	Northampton	United Kingdom	100.00
GEA 2H Water Technologies s.r.o.	Jilove	Czech Republic	70.97
GEA 2H Water Technologies Sp. z.o.o.	Bytom	Poland	63.00
GEA Abfülltechnik GmbH	Büchen	Germany	100.00
GEA Aerofreeze Systems, Inc.	Richmond	Canada	100.00
GEA Air Treatment GmbH	Herne	Germany	100.00
GEA Air Treatment Production GmbH	Wurzen	Germany	100.00
GEA Aircooled Systems (Pty) Ltd.	Germiston	South Africa	75.00
GEA Airflow Services SAS	Nantes	France	100.00
GEA ATG UK Holdings Limited	Warrington, Cheshire	United Kingdom	100.00
GEA Avapac Ltd.	Hamilton	New Zealand	100.00
GEA AWP GmbH	Prenzlau	Germany	100.00
GEA Barr-Rosin Ltd.	Maidenhead, Berkshire	United Kingdom	100.00
GEA Batignolles Technologies Thermiques Qatar L.L.C.	Doha	Qatar	100.00
GEA Batignolles Technologies Thermiques S.A.S.	Nantes	France	100.00
GEA Batignolles Thermal Technologies (Changshu) Co. Ltd.	Changshu	China	100.00
GEA Beteiligungsgesellschaft AG	Bochum	Germany	100.00
GEA Beteiligungsgesellschaft I mbH	Bochum	Germany	100.00
GEA Bischoff GmbH	Essen	Germany	100.00
GEA Bischoff Oy	Helsinki	Finland	100.00
GEA Bloksma B.V.	Almere	Netherlands	100.00
GEA Bock Asia Pte. Ltd.	Singapore	Singapore	100.00
GEA Bock Compressors (Hangzhou) Co., Ltd.	Hangzhou, Zhejiang	China	100.00
GEA Bock Czech s.r.o.	Stribro	Czech Republic	100.00
GEA Bock GmbH	Frickenhausen	Germany	100.00
GEA Bock Malaysia SDN. BHD.	Petaling Jaya	Malaysia	100.00
GEA Brewery Systems GmbH	Kitzingen	Germany	100.00
GEA CALDEMON, S.A.	Revilla de Camargo, Cantabria	Spain	100.00
GEA Canada, Inc.	Lethbridge, Alberta	Canada	100.00
GEA CFS B.V.	Bakel	Netherlands	100.00
GEA CFS Bakel B.V.	Bakel	Netherlands	100.00
GEA CFS Bühl GmbH	Kempton	Germany	100.00
GEA CFS Finance B.V.	Bakel	Netherlands	100.00
GEA CFS Germany GmbH	Osnabrück	Germany	100.00
GEA CFS Group B.V.	Bakel	Netherlands	100.00
GEA CFS Holding B.V.	Bakel	Netherlands	100.00
GEA CFS Holding GmbH	Biedenkopf-Wallau	Germany	100.00
GEA CFS Holdings B.V.	Bakel	Netherlands	100.00
GEA CFS International B.V.	Bakel	Netherlands	100.00
GEA CFS International Weert B.V.	Weert	Netherlands	100.00
GEA CFS Middle East F.Z.E.	Dubai	United Arab Emirates	100.00
GEA CFS Real Estate GmbH	Biedenkopf-Wallau	Germany	100.00
GEA CFS Uden B.V.	Bakel	Netherlands	100.00
GEA CFS Wallau Verwaltungs-GmbH	Biedenkopf-Wallau	Germany	100.00
GEA CFS Weert B.V.	Weert	Netherlands	100.00
GEA Colby Pty. Ltd.	Sydney	Australia	100.00
GEA DELBAG SAS	Montry	France	100.00
GEA Diessel GmbH	Hildesheim	Germany	100.00
GEA do Brasil Intercambiadores Ltda.	Franco da Rocha	Brazil	100.00
GEA Dutch Holding B.V.	's-Hertogenbosch	Netherlands	100.00
GEA Ecoflex (Asia) Sdn. Bhd.	Shah Alam, Selangor	Malaysia	100.00
GEA Ecoflex China Co. Ltd.	Shanghai	China	100.00
GEA Ecoflex GmbH	Sarstedt	Germany	100.00
GEA Ecoflex India Pvt. Ltd.	Rabale Navi, Mumbai	India	98.00

GEA Ecoflex Middle East FZE	Dubai	United Arab Emirates	100.00
GEA Ecoflex Scandinavia Oy	Vantaa	Finland	100.00
GEA Ecoflex UK Limited	Dinnington, Sheffield	United Kingdom	100.00
GEA EcoServe Belgie BVBA	Zelee	Belgium	100.00
GEA EcoServe Deutschland GmbH	Holzwickede	Germany	100.00
GEA EcoServe Nederland B.V.	Belfeld	Netherlands	100.00
GEA EcoServe Scandinavia AB	Gothenburg	Sweden	100.00
GEA EGI Energiagazdálkodási Zrt.	Budapest	Hungary	99.62
GEA Energietechnik Anlagen- und Betriebs-GmbH	Bochum	Germany	100.00
GEA Energietechnik GmbH	Bochum	Germany	100.00
GEA Energietechnik UK Limited	Moreton-On-Lugg, Hereford	United Kingdom	100.00
GEA Engenharia de Processos e Sistemas Industriais Ltda.	Campinas, Sao Paulo	Brazil	100.00
GEA Ergé-Spirale et Soramat S.A.	Wingles	France	100.00
GEA Erste Kapitalbeteiligungen GmbH & Co. KG	Bochum	Germany	100.00
GEA Eurotek Ltd.	Aylsham	United Kingdom	100.00
GEA Exergy AB	Gothenburg	Sweden	100.00
GEA EXOS Ventilation AB	Enköping	Sweden	100.00
GEA Farm Technologies (Ireland) Ltd.	County Kildare	Ireland	100.00
GEA Farm Technologies (UK) Limited	Warminster	United Kingdom	100.00
GEA Farm Technologies Acier SAS	Château-Thierry	France	100.00
GEA Farm Technologies Argentina S.R.L.	Buenos Aires	Argentina	100.00
GEA Farm Technologies Australia Pty. Ltd.	Tullamarine, Victoria	Australia	100.00
GEA Farm Technologies Austria GmbH	Plainfeld	Austria	100.00
GEA Farm Technologies Belgium N.V./S.A.	Olen	Belgium	100.00
GEA Farm Technologies Bulgaria EOOD	Sofia	Bulgaria	100.00
GEA Farm Technologies Chile SpA	Osorno	Chile	100.00
GEA Farm Technologies Croatia d.o.o.	Dugo Selo	Croatia	100.00
GEA Farm Technologies CZ, spol. s.r.o.	Napajedla	Czech Republic	100.00
GEA Farm Technologies do Brasil, Industria e Comercio de Equipamentos Agrícolas e Pecuários Ltda.	Jaguariúna	Brazil	100.00
GEA Farm Technologies France SAS	Château-Thierry	France	100.00
GEA Farm Technologies GmbH	Bönen	Germany	100.00
GEA Farm Technologies Ibérica S.L.	Granollers	Spain	100.00
GEA Farm Technologies Japy SAS	Saint-Apollinaire	France	100.00
GEA Farm Technologies Mullerup A/S	Ullerslev	Denmark	100.00
GEA Farm Technologies Nederland B.V.	Zeewolde	Netherlands	100.00
GEA Farm Technologies New Zealand Limited	Cambridge	New Zealand	100.00
GEA Farm Technologies România S.R.L.	Alba Julia	Romania	100.00
GEA Farm Technologies Serbia d.o.o.	Belgrade	Serbia	100.00
GEA Farm Technologies Slovakia spol. s.r.o.	Piestany	Slovakia	100.00
GEA Farm Technologies Sp. z o.o.	Bydgoszcz	Poland	100.00
GEA Farm Technologies Suisse AG	Ittigen	Switzerland	100.00
GEA Farm Technologies, Inc.	Wilmington, Delaware	U.S.A.	100.00
GEA Farm Technologies Tarım Ekip.Mak.Kim. Tek.Dan.San.Tic.Ltd.Sti.	Kemalpaşa, Izmir	Turkey	100.00
GEA Finance B.V.	Barendrecht	Netherlands	100.00
GEA Goedhart B.V.	Sint Maartensdijk	Netherlands	100.00
GEA Goedhart Bohemia s.r.o.	Prague	Czech Republic	100.00
GEA Goedhart Holding B.V.	Sint Maartensdijk	Netherlands	100.00
GEA Grasso International GmbH	Berlin	Germany	100.00
GEA Grasso Refrigeration OOO	Moscow	Russia	100.00
GEA Grasso s.r.o.	Prague	Czech Republic	100.00
GEA Grasso Spółka z o.o.	Gdynia	Poland	100.00
GEA Grasso SRL	Cluj	Romania	100.00
GEA Grasso TOV	Kiev	Ukraine	100.00
GEA Grasso UAB	Vilnius	Lithuania	100.00
GEA Greenco Ireland Ltd.	Cavan	Ireland	100.00
GEA Greenco Ltd.	Sittingbourne, Kent	United Kingdom	100.00
GEA Greenco N.V. i.L.	Mechelen	Belgium	100.00
GEA Group Holding GmbH	Bochum	Germany	100.00

GEA Happel Belgium N.V.	Haren, Brussels	Belgium	100.00
GEA Happel Nederland B.V.	Capelle an der Yssel	Netherlands	100.00
GEA Happel SAS	Roncq	France	100.00
GEA Heat Exchangers GmbH	Bochum	Germany	100.00
GEA Heat Exchangers Limited	Moreton-On-Lugg, Hereford	United Kingdom	100.00
GEA Heat Exchangers Pte. Ltd.	Singapore	Singapore	100.00
GEA Heat Exchangers S.r.l.	Monvalle	Italy	100.00
GEA Heat Exchangers, Inc.	Lakewood, Colorado	U.S.A.	100.00
GEA Houle, Inc.	Drummondville	Canada	100.00
GEA Ibérica S.A.	Igorre	Spain	100.00
GEA Industrial Heat Exchanger Systems (China) Ltd.	Wuhu	China	97.08
GEA Industrial Services Ltd.	Willenhall, West Midlands	United Kingdom	100.00
GEA Industriebeteiligungen GmbH	Bochum	Germany	100.00
GEA Insurance Broker GmbH	Frankfurt am Main	Germany	100.00
GEA Intec, LLC	Durham	U.S.A.	100.00
GEA Ireland Limited	Kildare	Ireland	100.00
GEA ISISAN TESISAT INSAAT TAAHHÜT TICARET VE SANAYI A.S.	Istanbul	Turkey	100.00
GEA IT Services GmbH	Oelde	Germany	100.00
GEA klima rashladna tehnika d.o.o.	Zagreb	Croatia	100.00
GEA Klima Sanayi ve Ticaret Anonim Sirketi A.S.	Istanbul	Turkey	100.00
GEA Klimaprodukter AS	Oslo	Norway	100.00
GEA Klimatechnik GmbH	Gaspoltshofen	Austria	100.00
GEA Klimatechnika Kft.	Budapest	Hungary	100.00
GEA Klimatechnik Aps	Copenhagen	Denmark	100.00
GEA Klimatizace spol. s.r.o.	Liberec	Czech Republic	100.00
GEA Klimatizacia s.r.o.	Bratislava	Slovakia	100.00
GEA Klimatizacijska tehnika d.o.o.	Ljubljana	Slovenia	100.00
GEA Klimatyzacja Spolka z o.o.	Wroclaw	Poland	100.00
GEA Küba GmbH	Baierbrunn	Germany	100.00
GEA Levati Food Tech S.r.l.	Collecchio	Italy	100.00
GEA Luftkühler GmbH	Bochum	Germany	100.00
GEA LVZ, a.s.	Liberec	Czech Republic	100.00
GEA Lyophil (Beijing) Ltd.	Beijing	China	100.00
GEA Lyophil GmbH	Hürth	Germany	100.00
GEA Maschinenkühltechnik GmbH	Bochum	Germany	100.00
GEA Mashimpeks OOO	Moscow	Russia	100.00
GEA Mechanical Equipment Canada, Inc.	Saint John, New Brunswick	Canada	100.00
GEA Mechanical Equipment GmbH	Oelde	Germany	100.00
GEA Mechanical Equipment Italia S.p.A.	Parma	Italy	99.99
GEA Mechanical Equipment UK Limited	Milton Keynes	United Kingdom	100.00
GEA Mechanical Equipment US, Inc.	Wilmington, Delaware	U.S.A.	100.00
GEA Messo AG i.L.	Zurich	Switzerland	100.00
GEA Messo GmbH	Duisburg	Germany	100.00
GEA Middle East FZE	Dubai	United Arab Emirates	100.00
GEA NEMA Wärmetauscher GmbH	Netzschkau	Germany	100.00
GEA Nilenca (Pty) Ltd.	Germiston	South Africa	74.83
GEA NIRO GmbH	Müllheim	Germany	100.00
GEA Niro PT B.V.	's-Hertogenbosch	Netherlands	100.00
GEA North America, Inc.	Delaware	U.S.A.	100.00
GEA Nu-Con Ltd.	Penrose, Auckland	New Zealand	100.00
GEA Nu-Con Manufacturing Limited	Mairangi Bay, Auckland	New Zealand	100.00
GEA Nu-Con Pty. Ltd.	Sutherland, Sydney	Australia	100.00
GEA of Alabama, L.L.C.	Montgomery	U.S.A.	100.00
GEA Pharma Systems (India) Private Limited	Vadodara, Gujarat	India	100.00
GEA Pharma Systems AG	Bubendorf	Switzerland	100.00
GEA Pharma Systems Limited	Eastleigh, Hampshire	United Kingdom	100.00
GEA PHE Systems Baltics OÜ	Tallinn	Estonia	100.00

GEA PHE Systems Scandinavia AB	Ystad	Sweden	100.00
GEA Polacel Cooling Towers B.V.	Doetinchem	Netherlands	100.00
GEA Polacel Cooling Towers FZCO	Dubai	United Arab Emirates	100.00
GEA Polska Sp. z o.o.	Swiebodzice	Poland	100.00
GEA Power Cooling de Mexico S. de R.L. de C.V.	San Luis Potosi	Mexico	100.00
GEA POWER COOLING TECHNOLOGY (CHINA) LTD.	Langfang	China	100.00
GEA Process Engineering (India) Pvt. Ltd.	Vadodara, Gujarat	India	100.00
GEA Process Engineering (Pty) Ltd.	Midrand	South Africa	100.00
GEA Process Engineering (S.E.A.) Pte. Ltd.	Singapore	Singapore	100.00
GEA Process Engineering A/S	Soeborg	Denmark	100.00
GEA Process Engineering Asia Ltd.	Hong Kong	China	100.00
GEA Process Engineering CEE Kft.	Budaörs	Hungary	100.00
GEA Process Engineering Chile S.A.	Santiago de Chile	Chile	100.00
GEA Process Engineering China Limited	Shanghai	China	100.00
GEA Process Engineering China Ltd.	Shanghai	China	100.00
GEA Process Engineering Inc.	Columbia	U.S.A.	100.00
GEA Process Engineering Italia S.P.A.	Segrate	Italy	100.00
GEA Process Engineering Japan Ltd.	Tokyo	Japan	100.00
GEA Process Engineering Ltd.	Penrose, Auckland	New Zealand	100.00
GEA Process Engineering Ltd.	Birchwood, Warrington, Cheshire	United Kingdom	100.00
GEA Process Engineering N.V.	Halle	Belgium	100.00
GEA Process Engineering Nederland B.V.	Deventer	Netherlands	100.00
GEA Process Engineering OOO	Moscow	Russia	100.00
GEA Process Engineering Oy	Vantaa	Finland	100.00
GEA Process Engineering Pty. Ltd.	Blackburn, Victoria	Australia	100.00
GEA Process Engineering S.A.	Buenos Aires	Argentina	100.00
GEA Process Engineering S.A.	Alcobendas, Madrid	Spain	100.00
GEA Process Engineering S.A. de C.V.	Mexico City	Mexico	100.00
GEA Process Engineering S.A.S.	Saint-Quentin en Yvelines Ced.	France	100.00
GEA Process Engineering S.A.S.	Bogota D.C.	Columbia	100.00
GEA Process Engineering s.r.o.	Brno	Czech Republic	100.00
GEA Process Engineering Taiwan Ltd.	Taipeh	Taiwan	100.00
GEA Process Engineering Z o.o.	Warsaw	Poland	100.00
GEA PROCESS MÜHENDISLIK MAKINE INSAAT TAAHÜT İTHALAT İHRACAT DANIS. SAN. VE TIC. LTD. STI.	Kemalpaşa, Izmir	Turkey	100.00
GEA Process Technologies Ireland Limited	Dublin	Ireland	100.00
GEA Process Technology Netherlands B.V.	Cuijk	Netherlands	100.00
GEA Procomac S.p.A.	Sala Baganza	Italy	100.00
GEA PT France SAS	Montigny le Bretonneux	France	100.00
GEA PT Holdings Ltd.	Birchwood	United Kingdom	100.00
GEA Real Estate GmbH	Frankfurt am Main	Germany	100.00
GEA Refrigeration (Thailand) Co. Ltd.	Nonthaburi	Thailand	100.00
GEA Refrigeration Africa (Pty) Ltd.	Cape Town	South Africa	100.00
GEA Refrigeration Components (Australia) Pty. Ltd.	Carrum Downs, Victoria	Australia	100.00
GEA Refrigeration Components (Nordic) A/S	Kolding	Denmark	100.00
GEA Refrigeration Components (UK) Ltd.	Ross-on-Wye, Herefordshire	United Kingdom	100.00
GEA Refrigeration France SAS	Les Sorinières	France	100.00
GEA Refrigeration Germany GmbH	Berlin	Germany	100.00
GEA Refrigeration Hongkong Ltd.	Hong Kong	China	100.00
GEA Refrigeration Ibérica S.A.	Alcobendas, Madrid	Spain	100.00
GEA Refrigeration Italy S.p.A.	Castel Maggiore, Bologna	Italy	100.00
GEA Refrigeration Netherlands N.V.	's-Hertogenbosch	Netherlands	100.00
GEA Refrigeration Technologies GmbH	Bochum	Germany	100.00
GEA Refrigeration Technologies, Inc.	York, Pennsylvania	U.S.A.	100.00
GEA Refrigeration Technology (Suzhou) Co., Ltd.	Suzhou	China	100.00
GEA Refrigeration UK Ltd.	London	United Kingdom	100.00
GEA Refrigeration Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	100.00
GEA Renzmann & Grünewald GmbH	Monzingen	Germany	100.00
GEA Saudi Arabia LLC	Al Kobar	Saudi Arabia	100.00

GEA Searle Ltd.	Fareham	United Kingdom	100.00
GEA Segment Management Holding GmbH	Bochum	Germany	100.00
GEA Services and Components OOO	Moscow	Russia	100.00
GEA Shanxi Dry Cooling Design Ltd.	Taiyuan, Shanxi	China	60.00
GEA Sistemas de Resfriamento Ltda.	Indaiatuba	Brazil	100.00
GEA TDS GmbH	Sarstedt	Germany	100.00
GEA Technika Cieplna Spolka z o.o.	Opole	Poland	100.00
GEA Thermal Engineering Investments (Pty) Ltd.	Germiston	South Africa	100.00
GEA Tuchenhagen France	Hoenheim	France	100.00
GEA Tuchenhagen GmbH	Büchen	Germany	100.00
GEA Tuchenhagen Polska sp. z o.o.	Koszalin	Poland	100.00
GEA Westfalia Separating Equipment (Tianjin) Co., Ltd.	Tianjin	China	100.00
GEA Westfalia Separator (China) Ltd.	Wanchai, Hong Kong	China	100.00
GEA Westfalia Separator (S.E.A.) PTE. LTD.	Singapore	Singapore	100.00
GEA Westfalia Separator (Thailand) Ltd.	Bangkok	Thailand	100.00
GEA Westfalia Separator (Tianjin) Co., Ltd.	Tianjin	China	100.00
GEA Westfalia Separator Argentina S.A.	Buenos Aires	Argentina	100.00
GEA Westfalia Separator Australia Pty. Ltd.	Thomastown, Victoria	Australia	100.00
GEA Westfalia Separator Austria GmbH	Vienna	Austria	100.00
GEA Westfalia Separator Belgium N.V.	Schoten	Belgium	100.00
GEA Westfalia Separator Chile S.A.	Santiago de Chile	Chile	100.00
GEA Westfalia Separator CIS Ltd.	Moscow	Russia	100.00
GEA Westfalia Separator CZ s.r.o.	Prague	Czech Republic	100.00
GEA Westfalia Separator Deutschland GmbH	Oelde	Germany	100.00
GEA Westfalia Separator DK A/S	Skanderborg	Denmark	100.00
GEA Westfalia Separator do Brasil Industria de Centrifugas Ltda.	Campinas, Sao Paulo	Brazil	100.00
GEA Westfalia Separator France	Château-Thierry	France	100.00
GEA Westfalia Separator Group	Kiev	Ukraine	100.00
GEA Westfalia Separator Group GmbH	Oelde	Germany	100.00
GEA Westfalia Separator Hellas A.E.	Athens	Greece	100.00
GEA Westfalia Separator Hungária Kft.	Budaörs	Hungary	100.00
GEA Westfalia Separator Ibérica, S.A.	Granollers	Spain	100.00
GEA Westfalia Separator Iceland ehf	Reykjavik	Iceland	100.00
GEA Westfalia Separator India Pvt. Ltd.	New Delhi	India	100.00
GEA Westfalia Separator Ireland Ltd.	Ballincollig, Cork	Ireland	100.00
GEA Westfalia Separator Japan K.K.	Minato-ku, Tokyo	Japan	100.00
GEA Westfalia Separator Korea Ltd.	Seoul	South Korea	100.00
GEA Westfalia Separator Mexicana S.A. de C.V.	Cuernavaca, Morelos	Mexico	100.00
GEA Westfalia Separator Nederland B.V.	Cuijk	Netherlands	100.00
GEA Westfalia Separator Nederland Services B.V.	Cuijk	Netherlands	100.00
GEA Westfalia Separator Norway AS	Oslo	Norway	100.00
GEA Westfalia Separator NZ Ltd.	Penrose, Auckland	New Zealand	100.00
GEA Westfalia Separator Polska Sp. z o.o.	Warsaw	Poland	100.00
GEA Westfalia Separator Production France	Château-Thierry	France	100.00
GEA Westfalia Separator Romania SRL	Bucharest	Romania	100.00
GEA Westfalia Separator Sanayi ve Ticaret Ltd. Sti.	Kemalpaşa, Izmir	Turkey	100.00
GEA Westfalia Separator South Africa (Pty.) Ltd.	Midrand	South Africa	100.00
GEA Westfalia Separator Sweden AB	Gothenburg	Sweden	100.00
GEA WestfaliaSurge Canada Ltd.	Halifax, Nova Scotia	Canada	100.00
GEA WestfaliaSurge Mexicana S.A. de C.V. i.L.	Aguascalientes	Mexico	100.00
GEA Wiegand GmbH	Ettlingen	Germany	100.00
GEA WTT GmbH	Nobitz-Wilchwitz	Germany	100.00
GEA Zweite Kapitalbeteiligungen GmbH & Co. KG	Bochum	Germany	100.00
Grasso Componentes Ibérica Lda.	Cascais	Portugal	100.00
Grasso Refrigeration Systems Shanghai Co., Ltd.	Shanghai	China	100.00
Hovex B.V. Engineering	Veendam	Netherlands	100.00
Kupferbergbau Stadtberge zu Niedermarsberg GmbH	Frankfurt am Main	Germany	100.00
Kupferexplorationsgesellschaft mbH	Bochum	Germany	100.00
Les Produits Agro B Inc.	Quebec	Canada	100.00

LL Plant Engineering (India) Private Limited	Mumbai Maharashtra	India	100.00
LL Plant Engineering AG	Ratingen	Germany	100.00
LL Plant Engineering France S.A.S.	Sartrouville	France	100.00
mg AIS GmbH Automotive Ignition Systems i.L.	Frankfurt am Main	Germany	100.00
mg Altersversorgung GmbH	Bochum	Germany	100.00
mg capital gmbh	Bochum	Germany	100.00
MG Stahlhandel GmbH	Bochum	Germany	100.00
mg venture capital ag	Bochum	Germany	100.00
mg vv Projektgesellschaft Hornpottweg GmbH	Frankfurt am Main	Germany	100.00
mgvv Projektentwicklung Daimlerstrasse GmbH & Co. KG	Frankfurt am Main	Germany	100.00
mgvv Projektentwicklung Daimlerstrasse Verwaltungs GmbH	Frankfurt am Main	Germany	100.00
Niro Projectos e Instalacoes Ltda.	Campinas, Sao Paulo	Brazil	100.00
Niro Sterner Inc.	Columbia	U.S.A.	100.00
Nu-Con (Shanghai) Trading Co. Ltd.	Pudong, Shanghai	China	100.00
Nu-Con Systems Pte. Limited	Singapore	Singapore	100.00
Nu-Con Systems Sdn. Bhd.	Shah Alam, Selangor	Malaysia	100.00
OOO GEA Energietechnik	Moscow	Russia	100.00
OOO GEA Farm Technologies Rus	Moscow	Russia	100.00
OOO GEA Farm Technologies Ukraine	Bila Zerkva	Ukraine	100.00
Paul Pollrich GmbH	Herne	Germany	100.00
Pelacci S.R.L. i.L.	Sala Baganza	Italy	67.00
Procomac Engenharia Ltda.	Barueri	Brazil	100.00
PT Westfalia Indonesia	Jakarta	Indonesia	100.00
PT. GEA Grasso Indonesia	Jakarta Barat, Cengkareng	Indonesia	100.00
Royal de Boer Stalinrichtingen B.V.	Leeuwarden	Netherlands	100.00
Ruhr-Zink GmbH	Datteln	Germany	100.00
Sachtleben Bergbau Verwaltungsgesellschaft mit beschränkter Haftung	Lennestadt	Germany	100.00
SC GEA KLIMATECHNIK SRL	Timisoara	Romania	100.00
SCI Sartrouville	Sartrouville	France	100.00
TOV GEA-Ukrayina	Kiev	Ukraine	100.00
Trennschmelz Altersversorgung GmbH	Bochum	Germany	100.00
Tuohenhagen (Philippines) Inc.	Manila	Philippines	100.00
Tuohenhagen (Thailand) Co. Ltd.	Bangkok	Thailand	100.00
Tuohenhagen do Brasil Ltda.	Campinas, Sao Paulo	Brazil	100.00
UAB GEA Klimatechnik	Vilnius	Lithuania	100.00
VDM-Hilfe GmbH	Frankfurt am Main	Germany	100.00
Westfalia Separator (Philippines), Inc.	Manila	Philippines	100.00
Westfalia Separator Malaysia SDN. BHD.	Petaling Jaya	Malaysia	100.00
WestfaliaSurge la Laguna, S.A. de C.V. i.L.	Torreón	Mexico	100.00
Wilarus OOO	Kolomna	Russia	100.00
Wolfking LLC	Frisco	U.S.A.	100.00
Wolfking Ltd.	Newport Pagnell	United Kingdom	100.00
Wolfking Ltda.	Campinas, Sao Paulo	Brazil	100.00
ZAO Convenience Food Systems AO	Moscow	Russia	100.00
ZiAG Plant Engineering GmbH	Frankfurt am Main	Germany	100.00
ZiAG Plant Engineering Switzerland AG i.L.	Zurich	Switzerland	100.00
<b>Associates</b>			
IMAI S.A.	Buenos Aires	Argentina	20.00
Polyamid 2000 Handels- und Produktionsgesellschaft Premnitz AG i.L.	Premnitz	Germany	49.90
Technofrigo Abu Dhabi i.L.	Abu Dhabi	United Arab Emirates	49.00
ZAO Moscow Coffee House	Moscow	Russia	29.00
<b>Joint ventures</b>			
Blue Glacier Technology, LLC	Durham	U.S.A.	50.00
Bock Australia Pty. Ltd.	Rosebery	Australia	50.00
GEA Cooling Tower Technologies (India) Private Limited	Chennai, Madras	India	51.00
GEA Shanxi Thermal Equipment Company Ltd.	Taiyuan, Shanxi	China	48.00
GRADE Grasso Adearest Limited	Dubai	United Arab Emirates	50.00
GRADE Refrigeration LLC	Sharjah	United Arab Emirates	49.00
Merton Wohnprojekt GmbH	Frankfurt am Main	Germany	50.00

MG NE Beteiligungs GmbH i.L.	Eschborn	Germany	50.00
Orion WestfaliaSurge Co., Ltd.	Nagano	Japan	49.00
RSZ Rott Sarstedt Zerspanung GmbH	Sarstedt	Germany	50.00
SNKS-Procomac K.K.	Osaka	Japan	50.00
TANSA-CALDEMON UTE	Muriedas Ayuntam. de Camargo	Spain	50.00
Wuhan Bloksma Heat Exchangers Co. Ltd.	Wuhan	China	50.00
<b>Other equity investments under section 313(1) no. 4 of the HGB</b>			
Arbeitsgemeinschaft Zellenkühleranlage KKW Isar GEA Energietechnik GmbH-Alpine Bau Deutschland AG	Bochum	Germany	55.02
Bauverein Oelde GmbH	Oelde	Germany	35.50
Ehrfeld Mikrotechnik GmbH i.L.	Wendelsheim	Germany	26.00
EPSA Empresa Paulista de Servicios Ambientais S.A.	Sao Paulo, Sao Paulo	Brazil	47.50
Indo Technofrigo Ltd. i.L.	Rajkot	India	49.00
Joint Venture GEA Energietechnik GmbH - ELIKA ATEE	Kozani	Greece	47.00
KOS – GEA Korea Ltd.	Seoul	South Korea	25.00
TPK Mashimpeks	Moscow	Russia	34.00

### 13.5 Companies exempted in accordance with section 264(3) of the HGB

The following German companies are exempted from the duty to comply with the supplementary accounting, audit, and publication provisions applicable to corporations in accordance with section 264(3) of the HGB:

Bock Holding GmbH, Frickenhausen  
 CFS Grundstücksverwaltung GmbH, Kempten  
 CFS Kempten GmbH, Kempten  
 GEA 2H Water Technologies GmbH, Wettringen  
 GEA Air Treatment GmbH, Herne  
 GEA Air Treatment Production GmbH, Wurzten  
 GEA AWP GmbH, Prenzlau  
 GEA Bischoff GmbH, Essen  
 GEA Bock GmbH, Frickenhausen  
 GEA Brewery Systems GmbH, Kitzingen  
 GEA CFS Bühl GmbH, Kempten  
 GEA CFS Germany GmbH, Osnabrück  
 GEA CFS Holding GmbH, Biedenkopf-Wallau  
 GEA CFS Real Estate GmbH, Biedenkopf-Wallau  
 GEA CFS Wallau Verwaltungs-GmbH, Biedenkopf-Wallau  
 GEA Diessel GmbH, Hildesheim  
 GEA Ecoflex GmbH, Sarstedt  
 GEA Energietechnik Anlagen- und Betriebs-GmbH, Bochum  
 GEA Energietechnik GmbH, Bochum  
 GEA Farm Technologies GmbH, Bönen  
 GEA Grasso International GmbH, Berlin  
 GEA Group Holding GmbH, Bochum  
 GEA Heat Exchangers GmbH, Bochum  
 GEA Industriebeteiligungen GmbH, Bochum  
 GEA Insurance Broker GmbH, Frankfurt am Main  
 GEA IT Services GmbH, Oelde  
 GEA Küba GmbH, Baierbrunn

GEA Luftkühler GmbH, Bochum  
GEA Lyophil GmbH, Hürth  
GEA Maschinenkühltechnik GmbH, Bochum  
GEA Mechanical Equipment GmbH, Oelde  
GEA Messo GmbH, Duisburg  
GEA NEMA Wärmetauscher GmbH, Netzschkau  
GEA NIRO GmbH, Müllheim  
GEA Real Estate GmbH, Frankfurt am Main  
GEA Refrigeration Germany GmbH, Berlin  
GEA Refrigeration Technologies GmbH, Bochum  
GEA Renzmann & Grünewald GmbH, Monzingen  
GEA TDS GmbH, Sarstedt  
GEA Tuchenhagen GmbH, Büchen  
GEA Westfalia Separator Deutschland GmbH, Oelde  
GEA Westfalia Separator Group GmbH, Oelde  
GEA Wiegand GmbH, Ettlingen  
GEA WTT GmbH, Nobitz-Wilchwitz  
LL Plant Engineering AG, Ratingen  
mg Altersversorgung GmbH, Bochum  
mg capital gmbh, Bochum  
mg vv Projektgesellschaft Hornpottweg GmbH, Frankfurt am Main  
Paul Pollrich GmbH, Herne  
ZiAG Plant Engineering GmbH, Frankfurt am Main

Düsseldorf, March 1, 2012

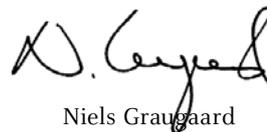
The Executive Board



Jürg Oleas



Dr. Helmut Schmale



Niels Graugaard

# Independent Group Auditor's Report

We have audited the consolidated financial statements prepared by the GEA Group Aktiengesellschaft, Düsseldorf (until May 24, 2011: Bochum) – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, notes to the consolidated statements, consolidated cash flow statement and consolidated statement of changes in equity – together with the group management report combined with the management report of the parent company (management report) for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch “German Commercial Code”] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 1, 2012

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Guido Moesta  
Wirtschaftsprüfer  
(German public auditor)

Markus Zeimes  
Wirtschaftsprüfer  
(German public auditor)

# Responsibility Statement

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 management report of the Group, which has been combined with the management report of the Company, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Düsseldorf, March 1, 2012

The Executive Board



Jürg Oleas



Dr. Helmut Schmale



Niels Graugaard

# Report of the Supervisory Board

In the year under review, too, the Supervisory Board performed with great diligence the controlling and advisory functions incumbent on it by virtue of the law, the Articles of Association and the internal Rules of Procedure, dealing in depth with the Company's position and its business prospects as well as all relevant special issues. The Supervisory Board provided ongoing advice to the Executive Board on the management of the Company and monitored its conduct of business.

This presupposed that in addition to the consultations at the Supervisory Board meetings the Executive Board complied with its information duties and kept the Supervisory Board up to date through regular, timely and comprehensive written and/or oral reports on all relevant matters of the Company, on the course of business and the position of the group. The Supervisory Board was directly involved in all decisions of fundamental importance for the Company. It was at all times given sufficient opportunity to critically discuss the reports and motions submitted by the Executive Board and to give recommendations through its committees and at the meetings of the entire Supervisory Board.

In addition, the chairmen of the Supervisory Board and of the Audit Committee maintained continuous contact with the Executive Board and exchanged mutual information on significant events. The chairman of the Supervisory Board was regularly and promptly informed by the Executive Board chairman on the prospects of the individual segments as well as on further important developments and imminent decisions. At preliminary meetings, the employee representatives regularly deliberated on the items on the agenda in advance of the plenary Supervisory Board meetings.

In between meetings, the Supervisory Board obtained continuous and thorough information on the order intake, revenue, earnings and capacity utilization trends at the group, its segments and the other companies as well as the discontinued operations. Any variances of the course of business from the plans and targets were explained to the Supervisory Board in detail on the basis of supporting documents and made plausible to it. The prospects and strategic development of the Company and its business units, including corporate planning, were extensively discussed and agreed with the Supervisory Board. Against the backdrop of the impact of the not yet fully overcome worldwide financial and economic crisis as well as the European financial crisis on the business progress of GEA Group it again proved essential in the year under review to focus specifically on the progress achieved with the restructuring and reorganization measures initiated in prior years, on the strategic advance development of the group and the financial situation. The Supervisory Board also monitored in depth the risk management and internal control system of the Company.

After comprehensive examination and debates, the Supervisory Board voted on the reports and motions submitted by the Executive Board to the extent that this was required or appropriate under the law and the provisions of the Articles of Association as well as the Rules of Procedure. Before and in between the meeting dates, the Executive Board provided reports on material events in writing or in text form. The Supervisory Board and/or its committees were informed extensively about projects and plans which called for urgent decision also in between regular meetings. In duly substantiated cases, especially those of urgency, resolutions were adopted by correspondence.

Conflicts of interest of members of the Executive Board and the Supervisory Board, which would have had to be promptly disclosed to the Supervisory Board and on which the Annual General Meeting should be informed, did not occur in the past fiscal year. A member of the Supervisory Board newly elected at the Annual General Meeting 2011 attended less than half the meetings because of other essential professional commitments which already existed before the election.

## Focal Points of the Supervisory Board's Deliberations

Seven Supervisory Board meetings were held in the year under review 2011, one of them in the form of a telephone conference. The economic and financial position and the risks remaining from the divested Plant Engineering business as well as the closure of Ruhr-Zink GmbH were the subject of regular discussions on the Supervisory Board.

Key items on the agenda for the Supervisory Board meeting on February 4, 2011 were the early information of the capital market and the proposed dividend distribution.

An important topic of the Supervisory Board meeting held on March 8, 2011 encompassed matters relating to Executive Board members including the establishment of new contractual agreements in the employment contracts of the Executive Board members. At the mentioned meeting, the Supervisory Board also dealt with the refinancing of GEA Group with a view to further growth, the M&A strategy and the efficiency check of its own performance. Over and above this, the meeting centered on the discussion of the annual financial statements and the consolidated financial statements for fiscal 2010, the appropriation of net earnings as well as the agenda for the Annual General Meeting 2011.

The Supervisory Board meeting held directly before the Annual General Meeting on April 21, 2011 served in particular to prepare for the Annual General Meeting. In addition, the Executive Board reported on the current business progress and on the closing of the acquisition projects CFS and Bock. The constituent meeting held after the Annual General Meeting dealt with the election of the chairman and deputy chairman, the appointment of the independent financial expert and the composition of the committees.

The Supervisory Board used the meeting held on June 22, 2011 to obtain information on the management staff development at GEA Group based on a comprehensive report provided by the Executive Board. Furthermore, the Supervisory Board was informed of the current business progress, pending M&A projects as well as the status of the divestments. In addition, it dealt with the award proceedings relating to the domination and profit & loss transfer agreement of 1999 and the status of the proceedings against Flex-N-Gate.

On September 20, 2011, the Supervisory Board held its meeting in Prague/Czech Republic. On the occasion of several plant visits to various business units of GEA Group in the Czech Republic and in Germany, the Supervisory Board assured itself of the outstandingly effective activities of the Company in Eastern Europe. The meeting focused on the report on the internal control system and risk management, the innovation management as well as the introduction of group-wide "GEA Values". The head of the Mechanical Equipment Segment reported in detail on the strategy, production and outlook of this segment. The Management of the Heat Exchanger Segment explained the situation and development of its area of responsibility. Further topics addressed at the meeting were the forecast of the mid-term planning and the budget 2012, the business progress and the award proceedings.

Focal items of the meeting held on December 15, 2011 related to Executive Board matters (especially the guidelines for a new variable remuneration system), potential acquisitions, once again the award proceedings, corporate governance issues, the report on the business situation as well as the mid-term planning for the group and its segments. The Supervisory Board approved the budget for fiscal 2012 and adopted the Declaration of Compliance with the German Corporate Governance Code. Moreover, it dealt with the target composition of the Supervisory Board with a view to item 5.4.1 of the German Corporate Governance Code (cf. Corporate Governance Report on p. 60). Another item on the agenda was the comprehensive report of the Chief Compliance Officer on his area of responsibility and the further extension of compliance activities at the group.

## Work of the Committees

The Presiding Committee met on five occasions. Besides the preparation of the Supervisory Board meetings, key topics related to consultations on the remuneration structure for the Executive Board members and the concomitant amendments of the Executive Board members' employment contracts, pending legal disputes of the group as well as reports on potential acquisitions. Furthermore, the Presiding Committee dealt with the renewal of the D&O insurance and an increase in the sum covered. In addition, the Presiding Committee approved several acquisition projects and the KfW loans.

The Audit Committee met five times. In the presence of the accounts auditor as well as the Executive Board chairman and the CFO, the Audit Committee focused on the annual financial statements and the consolidated financial statements for the 2010 fiscal year as well as the quarterly financial statements 2011. The remaining risks emanating from the divested Plant Engineering business and the closure of Ruhr-Zink GmbH as well as the bank portfolio were discussed comprehensively. The Audit Committee dealt with the surveillance of the accounting process and assured itself of the effectiveness of the internal control, risk management and internal audit systems. It also received reports on the opportunities and risks of the Company including the current legal disputes of the group. The Audit Committee was informed in detail of the financial planning of GEA Group. The accounts auditors explained in depth their auditing activities and the course of the audit. The proposal for the election and order award to the accounts auditor as well as the determination of the auditing procedure including the auditors' fees for the year 2011 had already been dealt with at a meeting in 2010. In addition, the Audit Committee was concerned with the reports of the Internal Audit function and of the Chief Compliance Officer.

The Nomination Committee met twice. At the first meeting it deliberated on potential candidates to be proposed to the Annual General Meeting for election of the new Supervisory Board in 2011 and conducted interviews with candidates. As Dr. Kuhnt did not campaign again for election in April 2011, special efforts made with the aid of a recruitment agency for finding a suitably qualified female candidate were successful. The second meeting of the Nomination Committee was held to deliberate on the succession of Mr. Ammer who stepped down from the Supervisory Board for personal reasons in early July 2011.

The Mediation Committee did not have to be convened in the year under review.

The respective committee chairmen reported to the Supervisory Board on the committee work in each case at the subsequent plenary Supervisory Board meetings.

## Corporate Governance

The Supervisory Board is continuously following up on the further development of the Corporate Governance Standards. At its meeting on December 15, 2011, it discussed the recommendations and suggestions of the German Corporate Governance Code. In particular, it dealt with the Supervisory Board's concrete target composition in view of item 5.4.1 Corporate Governance Code. At that meeting, the Executive Board and the Supervisory Board issued an updated Declaration of Compliance in accordance with § 161 AktG and made it permanently accessible to the public on the Company's website. GEA Group Aktiengesellschaft complies with the current recommendations of the German Corporate Governance Code with only one exception (no performance-related remuneration component for Supervisory Board members). Further information on corporate governance can be found in the Corporate Governance Report (p. 60).

## Annual Financial Statements and Consolidated Financial Statements for 2011

The 2011 annual financial statements of GEA Group Aktiengesellschaft, the consolidated financial statements prepared in accordance with IFRS and the combined management report have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft and have been given their unqualified opinion.

The combined management report, the annual financial statements of GEA Group Aktiengesellschaft, the proposal for the appropriation of the net earnings as well as the consolidated financial statements and the audit reports for 2011 were discussed exhaustively and examined in detail at the meeting of the Audit Committee on March 1, 2012 and at the meeting of the Supervisory Board held on March 8, 2012 for adopting the annual accounts in the presence of the accounts auditors. The auditors reported on the procedures applied and the material findings of their audit. They were also available to answer any questions.

On the basis of the final results of the examination performed by the Audit Committee and having performed its own audit, the Supervisory Board agreed with the auditors' findings at its meeting on March 8, 2012 and found that it had no reservations to make. The Supervisory Board approved the 2011 consolidated financial statements, the annual financial statements 2011 of GEA Group Aktiengesellschaft as well as the combined management report. The annual financial statements of GEA Group Aktiengesellschaft have been adopted therewith. The Supervisory Board regards the proposal for the appropriation of the net earnings as reasonable.

## Composition of the Supervisory Board and Executive Board

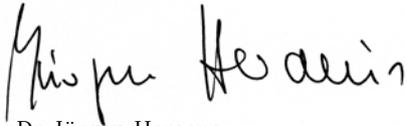
The term of office of the Supervisory Board members ended with effect from the close of the Annual General Meeting on April 21, 2011. The Annual General Meeting elected Ms. Spence and Messrs. Ammer, Bastaki, Eberlein, Dr. Heraeus and Dr. Perlet as shareholder representatives. Their term of office will end at the close of the Annual General Meeting in 2016. As Mr. Ammer resigned from the Supervisory Board for personal reasons on July 7, 2011, Prof. Dr. Bauer was appointed shareholder representative on the Supervisory Board by resolution of the Local Court of Düsseldorf on August 4, 2011 up until the close of the Annual General Meeting on April 24, 2012. The Supervisory Board therefore proposes to the Annual General Meeting 2012 that Prof. Dr. Bauer be elected to the Supervisory Board. With respect to the composition of the Supervisory Board, reference is also made to the Corporate Governance Report on p. 62.

The ordinary election of the employee representatives took place on September 29, 2011 for a term of office up to the end of the Annual General Meeting in 2016. Ms. Kerkemeier as well as Messrs. Siegers, Gröbel, Hunger, Kämpfert and Löw were elected to the Supervisory Board as employee representatives. In advance, the mentioned members had been court-appointed by resolution of the Local Court of Bochum on April 1, 2011 with effect from the close of the Annual General Meeting 2011 to bridge the time up to the ordinary election of the employee representatives.

At the Supervisory Board meeting on April 21, 2011, the term of office of Dr. Schmale on the Executive Board was renewed by another three years until March 31, 2015.

The Supervisory Board would like to express its thanks and appreciation to the former Supervisory Board members, Mr. Ammer, Dr. Kuhnt and Mr. Stöber, as well as the managements, employee representatives and, especially, all employees of the companies of the GEA Group for their personal dedication and performance in a difficult business climate.

Düsseldorf, March 8, 2012

A handwritten signature in black ink, appearing to read 'Jürgen Heraeus', written in a cursive style.

Dr. Jürgen Heraeus

Chairman of the Supervisory Board

# The Company's Executive Bodies and their Appointments

## Executive Board

### **Jürg Oleas, Meerbusch (Germany) / Hausen b. Brugg (Switzerland), CEO – Chairman of the Executive Board**

- a) LL Plant Engineering AG, Ratingen, Germany,  
Chairman of the Supervisory Board
- b) Allianz Global Corporate & Specialty AG, Munich, Germany,  
Member of the Advisory Board

Deutsche Bank AG, Frankfurt am Main, Germany,  
Member of the Central Regional Advisory Board

RUAG Holding AG, Bern, Switzerland  
Member of the Board of Directors (from May 3, 2011)

### **Niels Graugaard, Düsseldorf, Germany, COO – Member of the Executive Board**

- b) GEA North America, Inc., Delaware, U.S.A.,  
Member of the Board of Directors
- GEA Process Engineering A/S, Søborg, Denmark,  
Chairman of the Supervisory Board

### **Dr. Helmut Schmale, Bochum, CFO – Chief Financial Officer**

- b) GEA North America, Inc., Delaware, U.S.A.,  
Chairman of the Board of Directors
- Commerzbank AG  
Member of the Northwest Regional Advisory Board (from January 1, 2011)

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## Supervisory Board

### **Dr. Jürgen Heraeus, Maintal, Chairman of the Supervisory Board Chairman of the Supervisory Board of Heraeus Holding GmbH**

- a) Heraeus Holding GmbH, Hanau, Germany,  
Chairman of the Supervisory Board
- Messer Group GmbH, Sulzbach, Germany,  
Chairman of the Supervisory Board
- b) Argor-Heraeus S.A., Mendrisio, Switzerland,  
Chairman of the Board of Directors
- Helikos SE, Luxembourg, Luxembourg,  
Member of the Board of Directors (until July 26, 2011)

### **Reinhold Siegers, Mönchengladbach, Deputy Chairman of the Supervisory Board Chairman of the Works Council of GEA Group Aktiengesellschaft**

### **Dieter Ammer, Hamburg (until July 7, 2011), Former Chairman of the Executive Board of Conergy AG**

- a) Conergy AG, Hamburg, Germany,  
Member of the Supervisory Board (until June 30, 2011)
- Heraeus Holding GmbH, Hanau, Germany,  
Member of the Supervisory Board (until June 30, 2011)

### **Ahmad M.A. Bastaki, Safat, Kuwait, Executive Director, Office of the Managing Director, Kuwait Investment Authority**

### **Prof. Dr. Ing. Werner Bauer, Lutry, Switzerland (from August 4, 2011), Executive Vice President of Nestlé AG**

- a) Nestlé Deutschland AG, Frankfurt, Germany,  
Chairman of the Supervisory Board
- b) Bertelsmann Foundation, Gütersloh, Germany,  
Chairman of the Board of Trustees
- Galderma Pharma S.A., Lausanne, Switzerland,  
Member of the Board of Directors and Member of the Strategic Committee
- Life Ventures S.A., La Tour-de-Peilz, Switzerland,  
President of the Board of Directors
- Nutrition-Wellness Venture S.A., Vevey, Switzerland,  
President of the Board of Directors
- L'Oreal S.A., Paris, France,  
Member of the Board of Directors
- Nestlé Institute of Health Sciences S.A., Ecublens, Switzerland,  
President of the Board of Directors
- Nestlé Health Science S.A., Lutry, Switzerland,  
Member of the Board of Directors
- Sofinol S.A., Manno, Switzerland,  
President of the Board of Directors

- a) Membership of statutory German supervisory boards
- b) Membership of comparable German or foreign supervisory bodies of  
business entities

**Hartmut Eberlein, Gehrden, Germany,  
Former Member of the Executive Board of GEA Group Aktiengesellschaft**

**Rainer Gröbel, Sulzbach/Ts., Germany,  
Departmental Head, IG Metall, Management Board**

- a) Schunk GmbH, Heuchelheim, Germany,  
Deputy Chairman of the Supervisory Board

**Klaus Hunger, Herne, Germany,  
Chairman of the Works Council of GEA Maschinenkühltechnik GmbH  
(until December 31, 2011)  
Chairman of the Central Segment Works Council of  
GEA Heat Exchangers GmbH  
(from November 10, 2011)**

**Michael Kämpfert, Düsseldorf, Germany,  
Head of Human Resources at GEA Group Aktiengesellschaft**

**Eva-Maria Kerkemeier, Herne, Germany (from April 21, 2011),  
First Authorized Representative of IG Metall Herne**

**Dr. Dietmar Kuhnt, Essen, Germany (until April 21, 2011),  
Former Chairman of the Executive Board of RWE AG**

- a) Hapag-Lloyd AG, Hamburg, Germany,  
Member of the Supervisory Board (until March 30, 2011)  
  
TUI AG, Hannover, Germany,  
Chairman of the Supervisory Board (until February 09, 2011)

**Kurt-Jürgen Löw, Ebernhahn, Germany,  
Chairman of the Works Council of GEA Westfalia Separator Group GmbH**

**Dr. Helmut Perlet, Munich, Germany,  
Former Member of the Management Board of Allianz SE**

- a) Allianz Deutschland AG, Munich, Germany,  
Member of the Supervisory Board  
  
Commerzbank AG, Frankfurt, Germany,  
Member of the Supervisory Board
- b) Allianz Life Insurance Company of North America, Minneapolis/MN, U.S.A.,  
Member of the Board of Directors  
  
Fireman's Fund Ins. Co., Novato/CA, U.S.A.,  
Member of the Board of Directors  
  
Allianz of America Inc., Novato/CA, U.S.A.,  
Member of the Board of Directors  
  
Allianz S.p.A., Mailand, Italy,  
Member of the Board of Directors  
  
Allianz France S.A., Paris, France,  
Member of the Board of Directors

**Jean Spence, Wilmette /IL, U.S.A. (from April 21, 2011),  
Executive Vice President  
Research, Development & Quality  
Kraft Foods, Inc.**

**Joachim Stöber, Biebergemünd, Germany (until April 21, 2011),  
Executive Secretary to the Management Board of IG Metall**

- a) Rheinmetall AG, Düsseldorf, Germany,  
Deputy Chairman of the Supervisory Board

## Supervisory Board committees of GEA Group Aktiengesellschaft (as of December 31, 2011)

### Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Co-determination Act)

Dr. Jürgen Heraeus, Chairman  
Dr. Helmut Perlet  
Reinhold Siegers  
Klaus Hunger

### Presiding Committee

Dr. Jürgen Heraeus, Chairman  
Dr. Helmut Perlet  
Reinhold Siegers  
Rainer Gröbel

### Audit Committee

Hartmut Eberlein, Chairman  
Dr. Jürgen Heraeus  
Kurt-Jürgen Löw  
Klaus Hunger

### Nomination Committee

Dr. Jürgen Heraeus, Chairman  
Dr. Helmut Perlet

- a) Membership of statutory German supervisory boards
- b) Membership of comparable German or foreign supervisory bodies of  
business entities

## Key Figures by Quarter

	Q1 2011	Q1 2010	Q2 2011	Q2 2010	Q3 2011	Q3 2010	Q4 2011	Q4 2010	2011	2010	2009
<b>Order intake (EUR million)</b>											
GEA Convenience-Food Technologies	–	–	102.3	–	107.9	–	119.6	–	<b>329.8</b>	–	–
GEA Farm Technologies	125.9	101.1	129.5	116.1	140.3	115.0	131.7	116.3	<b>527.4</b>	<b>448.5</b>	<b>389.6</b>
GEA Heat Exchangers	375.5	304.4	445.6	398.3	369.8	404.1	462.3	399.2	<b>1,653.2</b>	<b>1,506.0</b>	<b>1,418.7</b>
GEA Mechanical Equipment	219.2	172.0	230.1	194.7	221.6	191.9	203.9	181.8	<b>874.9</b>	<b>740.4</b>	<b>685.1</b>
GEA Process Engineering	401.5	335.7	426.2	339.0	433.3	321.7	449.0	419.7	<b>1,709.9</b>	<b>1,416.1</b>	<b>1,148.3</b>
GEA Refrigeration Technologies	152.7	127.5	162.8	150.6	164.8	148.9	170.1	152.5	<b>650.4</b>	<b>579.6</b>	<b>526.6</b>
GEA Group	1,242.1	1,010.2	1,462.5	1,167.3	1,402.8	1,152.6	1,502.2	1,247.8	<b>5,609.7</b>	<b>4,578.0</b>	<b>4,080.7</b>
<b>Revenue (EUR million)</b>											
GEA Convenience-Food Technologies	–	–	103.3	–	112.1	–	130.6	–	<b>346.0</b>	–	–
GEA Farm Technologies	99.6	85.4	118.3	106.6	138.1	119.8	153.8	134.9	<b>509.8</b>	<b>446.7</b>	<b>411.8</b>
GEA Heat Exchangers	338.1	340.9	390.9	370.8	424.2	361.6	463.6	410.1	<b>1,616.8</b>	<b>1,483.4</b>	<b>1,623.4</b>
GEA Mechanical Equipment	191.6	156.7	207.8	173.7	204.9	193.1	240.4	201.9	<b>844.7</b>	<b>725.4</b>	<b>717.5</b>
GEA Process Engineering	300.8	256.9	385.1	298.5	394.7	330.9	496.6	402.2	<b>1,577.2</b>	<b>1,288.5</b>	<b>1,144.0</b>
GEA Refrigeration Technologies	132.8	117.4	166.6	135.3	166.2	139.7	181.6	171.3	<b>647.2</b>	<b>563.7</b>	<b>565.6</b>
GEA Group	1,038.0	938.2	1,349.0	1,065.1	1,397.4	1,124.7	1,632.2	1,290.4	<b>5,416.5</b>	<b>4,418.4</b>	<b>4,411.2</b>
<b>EBIT (EUR million)</b>											
GEA Convenience-Food Technologies	–	–	-22.6	–	-0.2	–	6.8	–	<b>-16.0</b>	–	–
GEA Farm Technologies	1.3	0.5	4.7	2.2	11.2	8.1	13.9	9.2	<b>31.1</b>	<b>20.0</b>	<b>12.4</b>
GEA Heat Exchangers	20.2	22.8	25.7	13.4	37.1	8.9	35.0	-15.2	<b>118.0</b>	<b>29.9</b>	<b>123.8</b>
GEA Mechanical Equipment	28.3	20.5	40.2	21.0	39.0	24.6	53.7	37.6	<b>161.2</b>	<b>103.8</b>	<b>87.6</b>
GEA Process Engineering	16.0	11.1	27.1	16.1	34.1	19.1	68.9	43.9	<b>146.1</b>	<b>90.2</b>	<b>52.3</b>
GEA Refrigeration Technologies	6.8	1.5	10.6	5.3	11.1	5.0	18.0	0.4	<b>46.6</b>	<b>12.2</b>	<b>13.3</b>
GEA Group	66.5	51.0	79.0	56.4	130.9	60.8	198.2	68.2	<b>474.6</b>	<b>236.5</b>	<b>268.2</b>
<b>EBIT margin (%)</b>											
GEA Convenience-Food Technologies	–	–	-21.9	–	-0.2	–	5.2	–	<b>-4.6</b>	–	–
GEA Farm Technologies	1.3	0.6	4.0	2.0	8.1	6.8	9.1	6.8	<b>6.1</b>	<b>4.5</b>	<b>3.0</b>
GEA Heat Exchangers	6.0	6.7	6.6	3.6	8.8	2.5	7.6	-3.7	<b>7.3</b>	<b>2.0</b>	<b>7.6</b>
GEA Mechanical Equipment	14.8	13.1	19.3	12.1	19.0	12.8	22.3	18.6	<b>19.1</b>	<b>14.3</b>	<b>12.2</b>
GEA Process Engineering	5.3	4.3	7.0	5.4	8.6	5.8	13.9	10.9	<b>9.3</b>	<b>7.0</b>	<b>4.6</b>
GEA Refrigeration Technologies	5.2	1.3	6.4	3.9	6.7	3.6	9.9	0.3	<b>7.2</b>	<b>2.2</b>	<b>2.4</b>
GEA Group	6.4	5.4	5.9	5.3	9.4	5.4	12.1	5.3	<b>8.8</b>	<b>5.4</b>	<b>6.1</b>

**Published by** GEA Group Aktiengesellschaft  
Investor and Public Relations  
Peter-Müller-Straße 12  
40468 Düsseldorf  
Germany  
[www.geagroup.com](http://www.geagroup.com)

**Design** [www.kpad.de](http://www.kpad.de)

**Printed by** WAZ-Druck, Duisburg

**Picture credits** Page 8 Carola Wolters  
Page 16 kPaD

All other pictures: GEA Group Aktiengesellschaft

This report is a translation of the German original; in the event of variances,  
the German version shall take precedence over the English translation.



# Financial Calendar

April 24, 2012	Annual Shareholders' Meeting for 2011
May 08, 2012	Quarterly Financial Report for the period to March 31, 2012
July 30, 2012	Half-yearly Financial Report for the period to June 30, 2012
October 29, 2012	Quarterly Financial Report for the period to September 30, 2012

## The GEA Group Stock: Key data

WKN	660 200
ISIN	DE0006602006
Kürzel Reuters	G1AG.DE
Kürzel Bloomberg	G1A.GR
Xetra	G1A.DE

## American Depository Receipts (ADR)

WKN (CUSIP)	361592108
Symbol	GEAGY
Sponsor	Deutsche Bank Trust Company Americas
ADR-Level	1
Verhältnis	1:1

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This report includes forward-looking statements on GEA Group Aktiengesellschaft, its subsidiaries and associates, and on the economic and political conditions that may influence the business performance of the GEA Group. All these statements are based on assumptions made by the Executive Board using information available to it at the time. Should these assumptions prove to be wholly or partly incorrect, or should further risks arise, actual business performance may differ from that expected. The Executive Board therefore cannot assume any liability for the statements made.

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Excellence

Passion

Integrity

Responsibility

GEA-versity

GEA Group is a global engineering company with multi-billion euro sales and operations in more than 50 countries. Founded in 1881 the company is one of the largest providers of innovative equipment and process technology. GEA Group is listed in the STOXX® Europe 600 Index.



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