Speech of the CEO

2015 Annual General Meeting
Oberhausen, April 20, 2016

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Speech delivered by Jürg Oleas, Chairman of the Executive Board of GEA Group Aktiengesellschaft, at the Annual General Meeting of the Company held on April 20, 2016

Thank you, dear Dr. Heraeus, distinguished GEA shareholders, dear guests. Together with my fellow Executive Board members Dr. Helmut Schmale, Steffen Bersch, Niels Erik Olsen and Dr. Stephan Petri, I would like to warmly welcome you to this year's Annual General Meeting here in Oberhausen. We are very pleased to see that, this year, once again, many of our shareholders have come to attend our Annual General Meeting. On this occasion, we would like to personally inform you about the progress of our Company.

2015 was a very special year for GEA. It was the year that saw the implementation of our "OneGEA" strategy. For this reason, I would like to emphasize the following distinctive features that characterize this particular year:

Over the course of the past year, the global economy continued to slow down. Nonetheless, we managed to successfully stand our ground in a challenging environment – in parallel to the profound restructuring of the entire Group at that. Based on a moderate increase in revenue, GEA's operating profit margin hit a new all-time high. Amongst others, this positive development reflects the ongoing implementation of our measures designed to bring about an enhancement of efficiency. On top of that, order intake also exceeded last year's level. The same applies to the operating cash flow driver margin. The latter was even significantly above the target corridor, which we had revised upwards one more time in the third quarter of 2015. With the exception of our sales revenue guidance – which we had revised down slightly in the third quarter – we managed to reach and/or surpass all forecasts communicated at the start of the fiscal year 2015. Due to this encouraging corporate development, we propose an increased dividend of 80 cents per share.

June 8, 2015, saw the go-live of our new Group structure. The latter enables us to operate more efficiently while allowing us to leverage further potential for optimization in the future. By the end of the year 2015, we had already managed to implement more than half of the workforce reductions to be achieved by 2017. These measures have already helped us realize savings in excess of EUR 20 million – but I'll get back to that later.

Ladies and Gentlemen, let us now take a closer look at our performance in the past fiscal year.

For the full year 2015, the order intake generated by our Group increased 1.6 percent to roughly EUR 4.6 billion. The largest individual orders each exceeded a volume of EUR 30 million and included 4 orders in the dairy sector as well as one beverage project. They were awarded to the Solutions Business Area by customers in Africa, Western Europe, in the Middle East and in Asia. The combined value of these large orders amounted to nearly EUR 260 million. Particularly worth mentioning is the development of order intake in the last quarter of the fiscal year 2015: During this period, we were able to post a volume of approximately EUR 1.25 billion. Thus, we outperformed the previous record quarter achieved in 2013. This progress underscores that we have successfully focused on our customers and that we accomplished this feat in spite of the challenging environment and the realignment of our Group. We would like to thank our customers for the trust they have placed in us.

At around EUR 4.6 billion, sales revenue also hit a new record high. Both Business Areas were accountable for this growth. All in all, revenue mounted 1.9 percent. This allowed us to achieve moderate growth as stated in our third quarter announcement. We actually succeeded in doing so despite more and more signs pointing to a further slowdown in the global economy in the course of 2015 – in particular in the emerging countries including China. As a consequence, the International Monetary Fund also revised its forecast down several times over the course of the year.

In the process of Group restructuring, we subdivided our business into the 6 regions shown on this slide. Both the sales and service activities in the respective countries are managed within the framework of this setup. Asia Pacific, DACH & Eastern Europe as well as North America continued to be the best-selling regions. In the previous fiscal year, the emerging countries accounted for approximately 36 percent of the sales revenue. In 2015, our 3 top-ranking individual markets continued to be the USA as well as China and Germany.

This slide shows our well-balanced applications portfolio. Just like last year, the food and beverages accounted for 72 percent of Group revenue. We were able to generate positive growth in the environmental and the chemical sectors as well as in the beverage industry. Some areas even showed two-digit growth rates. By contrast, the proportion of total revenue generated in the customer industries dairy farming and dairy processing, which account for more than one third of the Group's revenue, experienced a slight decline. Due to sagging milk prices, dairy farmers in many countries suffered losses, a topic repeatedly featured in press reports.

In the previous fiscal year, GEA's results hit new record highs: Operating EBITDA amounted to EUR 621 million while the operating EBITDA margin accounted for 13.5 percent of our revenue. For us, both figures represent new all-time highs. This chart illustrates that, in the previous years, we have successfully implemented various measures aimed at continuously improving our margin. In addition, the current optimization of our Group structure has allowed us to further enhance the profitability of our business. On top of that, the disproportionate growth in our service business, which is further reinforced by our new organizational structure, has been instrumental in achieving such a positive result.

The cash flow driver margin is one of our key performance indicators. We chose to introduce this key figure to more closely align our Group with our objective to generate cash flow. This way, we create the necessary financial headroom for implementing our strategic growth targets in the long run. The cash flow driver margin significantly exceeded our guidance. In the third quarter, we had raised the latter from its initial range of 9.0 to 9.5 percent to 9.5 to 10.0 percent. Adjusted for one-offs, GEA finally realized a cash flow driver margin of 10.3 percent in the previous fiscal year.

2015 saw a 10 percent increase in our service business. Adjusted for currency translation and acquisition effects, this resulted in a growth of approximately 4 percent. Overall, our service business has thrived across all product groups and/or applications. On top of that, nearly all regions were able to contribute to growing revenues in our service business. The share of services accounted for by our separator business as well as the food processing and packaging area was particularly pronounced. Amongst others, our service business focused on upgrading and modernizing plants and equipment.

Let us take a brief look at our balance sheet. By the end of the year 2015, total assets had increased EUR 289 million or 5.0 percent to EUR 6.1 billion compared to the same date last year. This balance sheet expansion was mainly due to the acquisitions made. The ratio of current to non-current assets had slightly shifted in favor of long-term assets. Our equity capital went up markedly by EUR 317 million to EUR 2.8 billion. In particular, the Group's profit for the year in the amount of EUR 362 million was instrumental in advancing this specific balance sheet item. In turn, this impacted on our equity ratio: Year-on-year, the latter experienced a significant increase of 3.2 percentage points and currently totals 46.5 percent. At approximately EUR 1.3 billion, our long-term debt went down considerably. This was mainly due to the maturity-related reclassification of a bond in the amount of EUR 274 million. However, at the balance sheet date, short-term debt was at EUR 2 billion, exceeding last year's level by EUR 258 million. This increase resulted from the above-mentioned maturity-related reclassification of the bond as well as provisions for restructuring that had been set aside. In contrast, GEA redeemed the EUR 100-million loan awarded by the European Investment Bank ahead of time.

Ladies and Gentlemen, not least in view of the particular challenges we faced in the previous year, our special thanks go to our approximately 17,500 employees. In addition to their day-to-day business, they have shouldered the extra work and burden caused by internal changes affecting many ingrained work routines and structures. This way, our employees have brought our new GEA to life. Special thanks also go to the employee representative bodies. In recognition of their outstanding performance and commitment, we will pay out a higher special bonus this year. The latter will amount to roughly EUR 4.5 million. Dear Employees, dear GEA Managers, you can be very proud of what you have achieved!

This brings me to the next point, the performance of your GEA stock. In 2015, the international capital markets were exposed to pronounced economic and political influences. In this challenging environment, GEA's share price rose slightly during the course of the fiscal year. On April 10, 2015, GEA's share price even climbed as high as EUR 46.82. This was the highest price achieved over the past two decades. Afterwards, however, some profit taking as well as general market corrections, in particular the correction of cyclical stocks, adversely affected GEA's share. Nonetheless, our share recovered in the final quarter, with GEA's share closing at EUR 37.40 at the end of the year. As shown in this chart – even over longer periods – GEA's share price almost always outperformed the most important benchmark index, the STOXX® Europe TMI Industrial Engineering. The latter embraces around 60 leading European mechanical and plant engineering companies.

For the full year 2015, our profit for the year totaled roughly EUR 362 million. This corresponds to earnings in the amount of EUR 1.88 per share.

On behalf of the Executive Board and the Supervisory Board, we propose that an increased divided of 80 cents per share be distributed for the year 2015. This proposal is in line with our objective to pay out between 40 and 50 percent of the Group's net income as a dividend to you, dear Shareholders. One look at the dividends distributed over the previous years clearly shows: GEA represents an attractive investment. Therefore, this year, you may once again look forward to another increase in dividend payout.

Ladies and Gentlemen, at this juncture I would like to give you an overview of our realignment towards an integrated "OneGEA" structure.

On June 8, 2015, GEA launched its new organizational structure. Now, our Group relies on hierarchical structures that are much flatter than in the past. In addition, the Company is much closer to its local customers on account of the new uniform country organizations. Just as I told you last year, our new Group structure reflects the elements included in our so-called ARTE strategy. The latter places a focus on applications, regions and technologies while also putting emphasis on the functional excellence of the organization. However, this kind of transformation goes far beyond renaming or shifting individual organizational units. In fact, we are talking about a fundamental restructuring of the processes and work routines that had been established over quite a number of years. Regardless of the stresses and strains imposed on our employees in the course of the Group's transformation, we have never lost sight of the markets and our customers.

Ladies and Gentlemen, apart from the above-mentioned reinforcement of sales activities, the most important pillar of organic growth is innovation. Let me just give you two typical examples: In the pharmaceutical sector, GEA has developed ConsiGma™, the centerpiece of a mobile and versatile tablet production technology. Plant commissioning merely takes a few days, with the plant also being able to produce smaller quantities of drugs – be it for the purpose of product development, clinical trials or commercial production. Once the plant is no longer required at a specific location, it may be swiftly put to use at another site thanks to its mobility. The prototype of such a plant is already in operation on the premises of a large pharmaceutical customer in the USA. Recently, this groundbreaking plant received the Facility of the Year Award from the International Society for Pharmaceutical Engineering, ISPE. Another GEA innovation comprises a new technology for instant coffee production, which we are currently rolling out in the market. Not only does it bring about a higher yield in terms of instant coffee production, but our innovation also enhances the taste of the product as such. An upgraded, two-stage grinding process allows a more gentle aroma extraction process generating a considerable yield of around 70 percent. Before, usage of the standard method usually resulted in a circa fifty percent loss of flavors.

Currently, GEA employs more than 600 engineers who are working in the field of product development. Under the old management structure, they were spread across many individual companies that were subject to specific reporting structures and priorities. Now, within the framework of our new organization, we have focused and bundled our research and development capabilities. This enables our engineers to cooperate across product and technology boundaries while harnessing valuable synergies.

On top of that, our acquisitions also seek to meet our objective of further expanding our leading market position, in particular in the food sector. This chart provides a summary of the acquisition strategy we have adopted in this context. Based on this strategy, we completed the acquisition of Imaforni in early April 2016 – our most recent addition that serves as an excellent example of our strategic alignment. Imaforni is a leading provider of advanced production plants and process solutions for crackers and pastries. Amongst others, these technologies are used by highly renowned customers. When registering to attend the meeting, you were already given the opportunity to sample some of the products in question. The purchase of Imaforni superbly complements our acquisition of Comas. Last year, this acquisition marked our entry into the market for machinery and plants for bakery products. Now, our recent acquisition of Imaforni makes us one of the market leaders in process technology in the pastry sector.

Thus, by taking over smaller companies that deliver above-average profitability, we are closing technology gaps while expanding our portfolio of complete process solutions in attractive markets. All in all, these acquisitions will further increase our Group's profitability.

For securing our competitiveness in a sustainable way, our new structure focused on realigning our service business. Within the framework of the "old" GEA setup, our service engineers used to work at a local level, each of them for an individual segment while merely dealing with specific products. However, some of our segments were not represented in each country, which implied that, from time to time, service technicians from another country had to travel abroad in the event of certain services being required or were actually unable to serve the customer in the first place. This did not only imply a larger amount of coordination, time and costs, but also adversely affected customer satisfaction. In the "new" OneGEA organization, all service employees are working under one management. Irrespective of the technologies involved, the Country Manager assumes overall responsibility for the service business in his or her country while serving as the central point of contact for the customer. In addition, the unified organization of our service staff enables us to generate additional orders by harnessing cross-selling opportunities. In this context, our services do not only embrace spare parts, but cover the entire life cycle of our plants and technologies, ranging from installation and maintenance to upgrading services while also bringing about efficiency increases for the benefit of projects conducted by our customers, to name but a few examples. As mentioned before, our service business is getting more and more important. And this is a good thing, because it ensures long-term customer retention.

Before concluding my remarks on the transformation of our Group, I would like to briefly summarize the current state of play in terms of savings. We were able to achieve the milestones set out for 2015 as scheduled. For this purpose, we defined a large number of measures, which we are consistently implementing for the time being. The transfer of some administrative tasks to Shared Service Center locations in Eastern Europe and South-East Asia is in full swing. Furthermore, we concluded the necessary agreements in all countries that have co-determination rights. This way, we are able to implement the workforce reductions in a socially acceptable manner as planned. Against this backdrop, we have already managed to realize more than half of the planned job cuts to be achieved by 2017. This was instrumental in bringing about savings that actually exceeded the upper boundary of the corridor of between EUR 10 to 20 million that had been projected for 2015. So far, we have realized and/or secured more than 80 percent of the planned workforce reduction. The remaining measures predominantly relate to the outsourcing of shared service activities to our service partner that is in progress. In 2016, we intend to increase our overall savings to roughly EUR 80 million as planned. This way, we will realize the full budgeted savings potential of at least EUR 125 million per year from 2017 onwards. At this juncture, I would like to underline one more time that we are fully aware of the fact that workforce reductions are painful for our employees. Nonetheless, we are still convinced that the new Group organization with its leaner structures will lead us into a sustainable, safe and successful future.

Moreover, this integrated structure will also open up further potential. For instance, in the area of procurement and with regard to our production network. By bundling and optimizing our activities in these two areas, we will increase our competitiveness in the medium run.

Ladies and Gentlemen, at the end of my speech, I would like to present an outlook for the current fiscal year 2016.

In the first quarter of 2016, preliminary order intake amounted to roughly EUR 1.1 billion. Thus, it was ca. 1.5 percent up on the same quarter in the previous year. On May 9, 2016, we will release our detailed performance figures for the first quarter of the year.

Now, I would like to briefly expand on our guidance for the fiscal year that was published in February 2016. Based on the assumption that there will be no further decline in global economic growth and no substantial exchange rate fluctuations, we seek to achieve the following key performance indicators in 2016:

- a moderate growth in revenue,
- an operating EBITDA between EUR 645 and EUR 715 million,
- as well as an operating cash flow driver margin between 10.0 and 11.0 percent.

This forecast includes all savings to be realized in connection with the transformation of the Group, while excluding one-offs and the acquisitions that have already been made in 2016.

Distinguished Shareholders, my colleagues and I hope that you are satisfied with the performance of your investment in GEA. In the fiscal year 2016, we seek to further grow our Company, drive its transformation and, thus, enhance our competitive position. Ladies and Gentlemen, now I have almost reached the end of my presentation. But before my colleagues and I will be happy to answer your questions, I would like to take the opportunity to make mention of another specific point.

After this Annual General Meeting, Dr. Jürgen Heraeus will no longer be available to serve on GEA's Supervisory Board. Over a period of 13 years, he has acted as Chairman of the Supervisory Board up to this very day. This includes more than 180 Committee meetings, 14 Annual General Meetings – i.e. including today's AGM – and thousands of hours spent for the benefit of our Company. In addition to that, he can look back upon another 11 years during which he was Chairman and a member of the Supervisory Board of the former GEA AG. Together with Dr. Heraeus, we have lived through eventful times during which our Group has transformed and continuously reinvented itself in its quest for consistent market leadership. Dr. Heraeus was also deeply involved in the recent transformation of our organizational structure. Moreover, the support he provided in his capacity as Chairman of the Supervisory Board enabled us to muster the courage to change and lead our Company towards a new, successful chapter in its history. Dear Dr. Heraeus, for many years GEA has had the possibility of benefiting from the wealth of experience you have gained as a renowned businessman. Your personal values have been instrumental in further advancing our corporate culture. On behalf of my fellow Executive Board members, the managers and employees as well as on behalf of GEA's entire Supervisory Board, I would like to thank you for everything you have done for this Company. Dear Dr. Heraeus, you are leaving GEA at a time when the Company is unencumbered by net debt, enjoys a high level of profitability and offers a distinct product portfolio. On behalf of everybody present in this room, I wish you every success and all the best for the future!

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GEA 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 is listed in the STOXX® Europe 600 Index.

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