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GEA releases preliminary figures 2017 and an initial indication for the 2018 fiscal year

Düsseldorf, January 23, 2018 – GEA Group Aktiengesellschaft has released preliminary figures for fiscal year 2017 as well as an initial indication for 2018. Fiscal year 2018 is anticipated to be challenging, in particular due to the sustained weakness of dairy processing, an important customer industry, as well as the strength of the euro. GEA has already launched important strategic initiatives.

Based on preliminary figures for the fiscal year 2017, excluding effects from the acquisition made in the year just ended, GEA expects order intake to be moderately above the prior-year level at approximately EUR 4,750 million (previous year EUR 4,674 million). Revenue is up almost 2 percent at roughly EUR 4,580 million (previous year EUR 4,492 million). The negative impact due to changes in exchange rates from the first to the second half of the year amounts to a mid double-digit million-euro range for both order intake and revenue. Operating EBITDA, in which the corresponding negative impact from currency effects amounts to about EUR 5 million in the second half of the year, is projected to total approximately EUR 565 million (previous year EUR 566 million). This amount includes additional expenses for bottling lines that were communicated in July 2017 of around EUR 20 million. The company does not anticipate any further financial burden to arise from those bottling lines in the current fiscal year. The guided operating EBITDA target range communicated in July 2017 was between EUR 573 million and EUR 633 million. The divestment of non-essential property, as announced in July 2017, resulting in proceeds of approximately EUR 14 million, as well as additional, company-wide, rigorous cost management measures positively impacted GEA's result. The operating cash flow driver margin is expected to total approximately 8.5 percent.

Regarding order intake a good fourth quarter allowed GEA to compensate for a weak third quarter when looking at the year as a whole. The company presumably reaches approximately EUR 1,300 million (previous year EUR 1,223 million) in the fourth quarter, being most likely a new all-time-high in a single quarter. The trends observed in the individual customer industries during the first three quarters persisted, with food, dairy farming and chemical performing extremely well, while results in the dairy processing and beverage sectors were disappointing. Moreover, fourth-quarter revenue will also presumably be at a solid level of around EUR 1,310 million (previous year EUR 1,293 million) despite substantial currency effects.

"Based on our current assessment we are able to close the 2017 fiscal year with encouraging fourth-quarter order intake levels despite the sustained weakness of the dairy processing customer industry. By contrast, the other customer industries experienced a roughly 5 percent organic growth for the full year. The euro's strength turned out to be a major impediment, in particular in the second half of the year. Nonetheless, we were able to accomplish moderate revenue growth in line with our forecast, although this growth is at the lower end of our expectations. Our operating EBITDA margin for the fourth quarter is also expected to be above the level of the previous year," said Jürg Oleas, CEO of GEA Group Aktiengesellschaft.

According to initial estimates and based on exchange rates on December 31, 2017, GEA expects revenue to be on prior-year level plus a revenue contribution in the amount of approximately EUR 190 million from acquisitions made between the beginning of 2017 and today. First estimates also based on exchange rates on December 31, 2017 suggest that the operating EBITDA will be between EUR 590 and 640 million including these acquisitions.

Aside from an adverse impact of currency effects, GEA expects a roughly EUR 40 million increase in salary expenses in 2018. Moreover, IT infrastructure expenses are expected to rise by EUR 10 million. In this context, the shift from in-house investments to future-proof cloud services as part of the corporate digitalization initiative will come into play. In addition, this year is not expected to see any further major divestments of real estate.

"For the time being, we must continue to assume that order intake in 2018 in the customer industries dairy processing and beverage will remain subdued, offsetting the good to very good development in our other customer industries. However, the areas enjoying strong growth include sectors that previously used to generate below-average margins within the group. Furthermore, the strength of the euro will likely result in currency-related competitive disadvantages in addition to adverse currency translation effects. In view of these factors, we anticipate that 2018 will also turn out to be a challenging fiscal year. As a consequence, it can be assumed that we will not meet analyst consensus expectations, according to for example Bloomberg or Reuters, for the company's 2018 results of approximately EUR 635 million, which, in our opinion, do not yet take into account all current developments," commented Jürg Oleas.

"Our optimized group structure already sees GEA well prepared. However, we must realize that the complete transformation process is taking longer than originally anticipated. Nonetheless, we stand firm in our belief that going forward the previously launched measures will have an increasingly positive impact, in particular in the fields of purchasing and production. In addition, we will systematically tackle further strategic initiatives, engineering for a better world

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notably in terms of revenue growth, service, portfolio, as well as additional optimization measures. Detailed information on these activities will be provided at our Capital Markets Day in March," added Jürg Oleas.

As to fourth quarter 2017 group earnings under IFRS, GEA anticipates an adverse impact from the valuation of deferred tax assets in the mid double-digit million-euro range; however, this will not affect the company's cash flow. The above effect is mainly due to the lower US corporate tax rate that was reduced to 21 percent within the framework of the US tax overhaul ("Tax Cuts and Jobs Act"). This also has an impact on fourth quarter earnings per share, but not on distributable equity in the separate financial statements of GEA Group Aktiengesellschaft under commercial law that determines dividend payout.

GEA will publish its final 2017 results and the ultimate outlook for the 2018 fiscal year together with the audited consolidated financial statements 2017 on March 12, 2018. The company will announce its new mid-term targets at the Capital Markets Day scheduled to be hosted at the same date.

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About GEA

GEA is one of the largest suppliers for the food processing industry and a wide range of other industries that generated consolidated revenues of approximately EUR 4.6 billion in 2017. The international technology group focuses on process technology and components for sophisticated production processes in various end-user markets. The group generates around 70 percent of its revenue in the food and beverages sector that enjoys long-term sustainable growth. As of September 30, 2017, the company employed about 17,000 people worldwide. GEA is a market and technology leader in its business areas. The company is listed on the German MDAX (G1A, WKN 660 200). In addition, GEA's stock is included in the MSCI Global Sustainability Indexes. Further information is available on the Internet at gea.com.