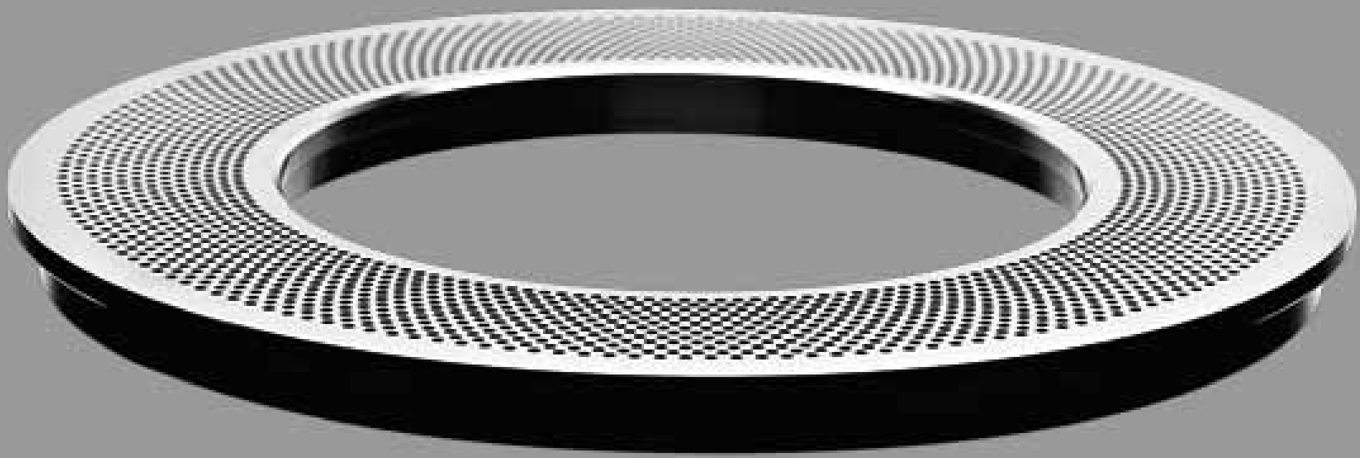
GEA Group

Annual Report 2005
GEA Group Aktiengesellschaft



See the inside of the back cover for a
multi-year comparison of the key figures

Key Figures for the GEA Group (IFRS)

EUR million

	2005	2004	Change in %
Results of operations			
Sales	4,497.6	4,058.6	10.8
thereof outside Germany	3,574.7	3,203.7	11.6
thereof in Germany	923.0	854.9	8.0
New orders	4,963.4	4,301.3	15.4
Order book	3,080.6	2,401.9	28.3
EBITDA	281.6	162.4	73.4
EBIT	209.4	86.1	143.3
% of sales	4.7	2.1	–
Earnings before tax on continuing operations	160.7	– 7.9	> 1,000
% of sales	3.6	– 0.2	–
Net income/loss on continuing operations	94.6	– 24.4	488.4
Net loss/income on discontinued operations	– 158.9	190.7	– 183.3
Net loss/income	– 64.3	166.4	– 138.6
Minority interest	– 2.2	– 3.1	29.3
Net assets			
Total assets	4,784.9	5,198.4	– 8.0
Equity	1,584.1	1,672.5	– 5.3
% of total assets	33.1	32.2	–
Net position[1]	351.4	326.8	7.5
cash	464.7	585.1	– 20.6
securities	11.8	55.8	– 78.9
bank debt + bonds	125.1	314.1	– 60.2
Gearing (%)[2]	– 22.2	– 19.5	–
Financial position			
Net cash provided by operating activities	187.5	29.9	526.6
Free cash flow[3]	51.9	1,157.9	– 95.5
Investment (at balance sheet date)[4]	2,061.4	2,007.3	2.7
ROCE (%)[5]	10.2	4.3	–
Capital expenditure incl. finance leases	220.9	159.0	38.9
Employees[6]			
Employees at balance sheet date	17,595	17,117	2.8
thereof in Germany	7,509	7,464	0.6
thereof outside Germany	10,086	9,653	4.5
GEA Group shares			
Share price at end of year (EUR)	10.50	8.69	20.8
Basic earnings per share (EUR)	– 0.35	0.85	– 141.7
thereof on discontinued operations	– 0.84	0.99	– 184.2
Dividend[7] per share (EUR)	0.10	–	–
Weighted average number of shares (million)	188.0	192.3	– 2.3
Economic value added	65.8	– 48.0	236.9

1) Net position = cash + securities – bonds – bank debt

2) Gearing = net position[1] / equity, incl. minority interest

3) Free cash flow = net cash provided by (used for) operating activities + net cash provided by (used for) investing activities

4) Investment = non-current assets + current assets – trade payables – other liabilities – advances received – cash

5) ROCE = EBIT / investment

6) Full-time equivalents (FTEs), excl. trainees

7) Proposed dividend

Customized Systems (CUS)

EUR million

	2005	2004	Change in %
Sales	**701.1**	711.4	– 1.4
New orders	**743.9**	699.3	6.4
Order book	**173.3**	131.4	31.9
EBITDA	**60.1**	64.9	– 7.3
EBIT	**47.4**	53.0	– 10.6
% of sales	**6.8**	7.4	–
Earnings before tax	**48.6**	50.8	– 4.2
Net cash used for/provided			
by operating activities	**– 0.5**	58.5	– 100.8
Employees at balance sheet date[1]	**4,281**	4,324	– 1.0

Process Equipment (PEQ)

EUR million

	2005	2004	Change in %
Sales	**1,119.3**	1,019.5	9.8
New orders	**1,201.0**	1,036.9	15.8
Order book	**310.5**	223.2	39.2
EBITDA	**146.7**	132.2	11.0
EBIT	**126.7**	111.3	13.8
% of sales	**11.3**	10.9	–
Earnings before tax	**118.1**	100.9	17.0
Net cash provided by			
operating activities	**87.6**	108.0	– 18.9
Employees at balance sheet date[1]	**5,695**	5,698	– 0.1

Process Engineering (PEN)

EUR million

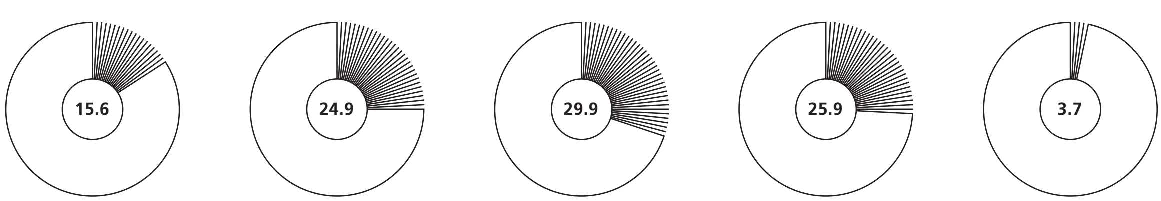
	2005	2004	Change in %
Sales	**1,343.5**	1,191.5	12.8
New orders	**1,542.8**	1,340.3	15.1
Order book	**945.8**	696.7	35.8
EBITDA	**109.2**	87.5	24.9
EBIT	**96.1**	74.5	28.9
% of sales	**7.2**	6.3	–
Earnings before tax	**95.8**	74.6	28.4
Net cash provided by			
operating activities	**4.3**	63.7	– 93.3
Employees at balance sheet date[1]	**5,028**	4,447	13.1

Plant Engineering (PLE)

EUR million

	2005	2004	Change in %
Sales	**1,166.9**	979.6	19.1
New orders	**1,524.5**	1,247.7	22.2
Order book	**1,647.4**	1,330.8	23.8
EBITDA	**3.1**	– 31.5	109.8
EBIT	**– 10.2**	– 47.4	78.5
% of sales	**– 0.9**	– 4.8	–
Earnings before tax	**– 13.9**	– 52.6	73.6
Net cash provided by/used for			
operating activities	**89.1**	– 88.2	201.0
Employees at balance sheet date[1]	**2,098**	2,107	– 0.4

Proportion of Group sales in percent



Customized Systems **Process Equipment** **Process Engineering** **Plant Engineering** **Other Eliminated**

1) Full-time equivalents (FTEs), excl. trainees

The GEA Group is an internationally successful technology corporation. It focuses on specialty mechanical engineering – especially process engineering and equipment – and plant engineering. Its most important markets are the food, pharmaceutical and petrochemical industries. Sales in 2005 totaled approximately EUR 4.5 billion.

At December 31, 2005 the company employed 17,595 people. GEA Group Aktiengesellschaft is listed in the MDAX and, with a market capitalization of around EUR 2.0 billion at the end of 2005, is one of Germany's largest corporations.

Title object: Spinneret used in staple fiber production Liquid polymer is pressed through fine holes, cools and solidifies into fine filaments, which are then cut into staple fibers.

Zimmer offers staple fiber technology based on spinnerets containing up to 10,000 holes. This reduces the cost of capital expenditure while increasing plant capacity by up to 100 percent for the same product quality.

See inside back cover for full list
of contents and index

Annual Report 2005

A successful year for the GEA Group

March 7: Lurgi wins major international contracts

Lurgi AG wins major international orders worth a total of more than EUR 210 million. The company is to build the largest propane-processing plant of its kind, worth around EUR 180 million, in Saudi Arabia. It is also erecting a plant to produce fatty alcohol in Indonesia.

May 24: GEA AG is merged with mg technologies ag

GEA AG is merged with its parent company mg technologies ag with effect from May 18, 2005. This move successfully completes the process of streamlining the mg Group's holding company structures. The Annual Shareholders' Meeting of mg technologies ag on June 7, 2005 decides to rename the company "GEA Group Aktiengesellschaft".

July 12: GEA Group's head office is moved to Bochum

mg technologies ag starts trading under the name of "GEA Group Aktiengesellschaft" (GEA Group) with effect from July 12, 2005. The firm's head office is relocated from Frankfurt am Main to Bochum. GEA stands for Global Engineering Alliance.

October 4: GEA Group wins contracts to build air-cooling systems

In September the Energy Technology division wins orders to build air-cooling systems worth in excess of EUR 90 million from China and Saudi Arabia.

October 13: GEA Group acquires STERIS GmbH

GEA Group acquires STERIS GmbH, a subsidiary of the U.S.-based STERIS Corporation, expanding its product portfolio in the growing pharmaceuticals business.

November 7: Disposal of automotive supplier Dynamit Nobel Plastics

The GEA Group sells automotive supplier Dynamit Nobel Plastics to Sweden's Plastal Group. The disposal is based on an enterprise value of EUR 350 million.

December 7: GEA Group acquires U.S. heat-exchanger specialist

GEA Group Aktiengesellschaft acquires Flatplate Inc., a heat-exchanger specialist based in York (Pennsylvania), U.S.A., strengthening its Process Equipment segment.

December 19: Lurgi wins contract for world's largest biodiesel project

Lurgi AG is to build the world's largest biodiesel project in Saxony-Anhalt, eastern Germany. The order is worth EUR 64 million and was awarded by Neckermann-Renewables GmbH, a firm based in Würzburg.

Jürg Oleas, Chairman of the Executive Board

Executive Board

Dear Shareholders,

In 2005 we achieved our goal of returning the Group to profitable growth. In the Customized Systems, Process Equipment and Process Engineering segments, new orders rose by 13.4 percent, sales by 8.3 percent and earnings (EBIT) by 13.1 percent. We also achieved significant gains year on year in the Plant Engineering segment, with new orders up 22.2 percent, sales up 19.1 percent and growth in earnings of 78.5 percent. We were able to reduce expenses in "Other" companies and the holding company by around EUR 54.8 million.

This operating performance provides us with the basis for further profitable growth; it clearly demonstrates that the Group is reliable, predictable and that it generates value added. In sum, 2005 was an outstanding performance by our employees and managers and we can be very proud of them. I would like to take this opportunity, on behalf of the Executive Board, to express our gratitude to all our employees. For you, our shareholders, we are proposing a return to dividend payments, starting with EUR 0.10 a share for 2005.

Group structure

The Group completed its move to Bochum on schedule in July 2005 together with the merger between mg technologies ag and GEA AG and the associated relocation of the head office as approved by the Annual Shareholders' Meeting. The disposal of the last elements of the Dynamit Nobel Group was completed, as planned, on December 30, 2005. We also continued to reduce the number of "Other" companies not forming part of our core business. On December 1, 2005, Mr. Hartmut Eberlein was appointed to the Executive Board to take responsibility for finance from January 1, 2006.

Market environment

The firmer U.S. dollar had a positive impact on the company in 2005. Encouraging economic data brought stability to our business in the markets with low growth. On the other hand, these positives were countered by the continuous increases in the price of steel, which was already at a high level; we were only partly able to recoup these increases through higher prices. However, we were also able to benefit from the high demand for engineering products. In particular, interest in plant for power generation and the processing of renewable resources creates a superb basis for future development.

Acquisitions, capital expenditure and R&D

The performance in 2005 of the six businesses acquired in 2004 was as expected. We were able to rapidly integrate them into operating units where they could generate profits. In 2005, we carried out five acquisitions, although we would have preferred to do more. The overcapitalization of markets meant that the price of many of our targets was simply too high. However, we will again check out the opportunities offered by the market in 2006. In 2005, the Group invested EUR 82.4 million in property, plant and equipment, roughly half of which was spent on growth markets and new products. We invested in research and development and thereby continued to build on our excellent position in attractive markets. Our products are highly innovative: 70 percent of products that we sold in 2005 are no more than three years old.

Outlook

In 2006, we aim to continue to raise new orders and sales and achieve a disproportionate increase in earnings. Operating cash flow is particularly important for us.

The substantially improved Plant Engineering segment can look forward to a continuation of the encouraging performance in its core technologies such as biofuels and synthesis gas production. In 2006, we will decide how the emerging options in this regard can best be implemented.

In addition, we will concentrate on acquisitions that fit our core segments. We will always measure these against our own share price, thereby optimizing our debt structure. Our share price performance in 2005 was below average compared to the DAX and MDAX. Given the Group performance we have described, we think this is unsatisfactory. Following gains in the first few weeks of 2006, the share price is now on the right path to an appropriate level in the market.

I would like to thank you, our shareholders, for your interest in GEA Group Aktiengesellschaft. You can rely on us to continue to drive the Group forward, expanding our position as a leading supplier to the food, pharmaceuticals and energy industries and enhancing the value of the Group for your benefit.

Sincerely yours,

Jürg Oleas
Chairman of the Executive Board

Corporate Governance

Transparent, responsible corporate management and control that is designed to add value over time is considered of fundamental importance in GEA Group Aktiengesellschaft. The management of the Group follows recognized principles of corporate governance and ensures far-reaching compliance with the proposals and recommendations in the German Corporate Governance Code in its version of June 2, 2005.

Corporate management and control: Executive Board and Supervisory Board

The Executive Board of GEA Group Aktiengesellschaft, comprising four members, is the body responsible for the executive management of the Group. The Supervisory Board advises and monitors the Executive Board. Until the sale of the Dynamit Nobel Plastics Group, which took place at the end of 2005, the Supervisory Board comprised 20 members. As a result of the "status proceedings" (Statusverfahren) required by German law and initiated at the beginning of 2006, the Supervisory Board will now consist of twelve members, effective from the end of the Annual Shareholders' Meeting to be held on May 4, 2006. Half of the twelve members will be shareholder representatives, the other half employee representatives. The Executive Board and the Supervisory Board work closely together to the benefit of the company. Their common objective is to achieve a sustained increase in enterprise value. The Executive Board makes regular, timely and comprehensive reports to the Supervisory Board concerning all relevant corporate planning and strategic development issues, the performance of business and the overall position of the Group, including the risk position. The articles of incorporation and rules of internal procedure require that important business transactions be submitted to the Supervisory Board for its consent. The work of the Supervisory Board is supported by committees: Chairman's Committee, Audit Committee and Strategy Committee. The Strategy Committee was added in June 2005. The report of the Supervisory Board on page 118 et seq. of this annual report sets out further details on the board's activities.

Responsible handling of risk

GEA Group Aktiengesellschaft is a fast-growing enterprise. However, sustained growth can only be achieved if, in addition to considering the rewards, the management of the business identifies and takes appropriate account of the risks involved in its entrepreneurial activities. Effective risk management is therefore one of the core elements of corporate governance in GEA Group Aktiengesellschaft. More information on risk management can be found on pages 29 et seq. of this annual report.

Transparency of accounting and auditing

GEA Group Aktiengesellschaft undertakes to ensure transparency in its financial reporting. From its 1999/2000 fiscal year onward, the company published its consolidated financial results in accordance with United States generally accepted accounting principles (U.S. GAAP). From 2005, it is publishing these financial statements in accordance with International Financial Reporting Standards (IFRS). The parent company's individual financial results continue to be prepared in accordance with the German Commercial Code (HGB). The Supervisory Board engages the auditors elected by the Annual Shareholders' Meeting and, in the form of the Audit Committee, sets the auditors' schedule and fees. This ensures that the auditors' work is not compromised by conflicts of interest.

Extensive reporting

Shareholders, shareholder organizations, analysts and interested members of the public are regularly and promptly informed on equal terms by GEA Group Aktiengesellschaft about matters concerning the position of the company and material changes to the business. The company website is an important medium for this purpose. It offers annual reports and interim reports, press releases, ad-hoc statements and other disclosures required by the German Securities Trading Act, and other relevant information. The Group also organizes regular analysts' meetings, press conferences, and events for investors.

Director's dealings

No acquisitions or sales of company shares or associated financial instruments by directors of the company or by other persons subject to reporting requirements (director's dealings) were reported during the year under review.

Basic features of the remuneration system for the Executive Board and Supervisory Board

Remuneration details, as a total and on an individual basis, for members of the Executive Board and Supervisory Board in the year under review are shown on pages 106 onward of this annual report. Information on shares held by the members of the Executive Board and Supervisory Board can be found on page 11 currently; details on stock option programs and similar value-based incentive systems in the company are shown under Note 7 to the consolidated financial statements on pages 76 onward.

Declaration of compliance

The declaration of compliance submitted on November 16, 2004 reported two exceptions. In the declaration of compliance below, which has been made permanently available to shareholders on the company's website at www.geagroup.com, the Executive Board and the Supervisory Board state that only one exception now remains, as the company has decided to publish details of the individual remuneration paid to each member of the Executive Board. This exception concerns the recommendation that the Supervisory Board's remuneration should include a variable component. The reason for this exception is the view that making part of the Supervisory Board's remuneration variable could compromise its control function.

GEA Group Aktiengesellschaft complies with the recommendations of the German Corporate Governance Code in its version of June 2, 2005 with the following exception:

– The **remuneration paid to members of the Supervisory Board does not contain any variable component** that is dependent on either the financial position or the performance of GEA Group Aktiengesellschaft (Code subparagraph 5.4.7, subsection 2, sentence 1).

Since the declaration of compliance submitted on November 16, 2004, GEA Group Aktiengesellschaft had complied with the recommendations of the German Corporate Governance Code in the relevant applicable version with the following exceptions:

– The company has not published **details of the individual remuneration paid to each member of the Executive Board** in the Notes to the consolidated financial statements, broken down into fixed salary, performance-related pay and long-term incentives (Code subparagraph 4.2.4, sentence 2).

– The **remuneration paid to members of the Supervisory Board does not contain any variable component** that is dependent on either the financial position or the performance of GEA Group Aktiengesellschaft (Code subparagraph 5.4.7, subsection 2, sentence 1).

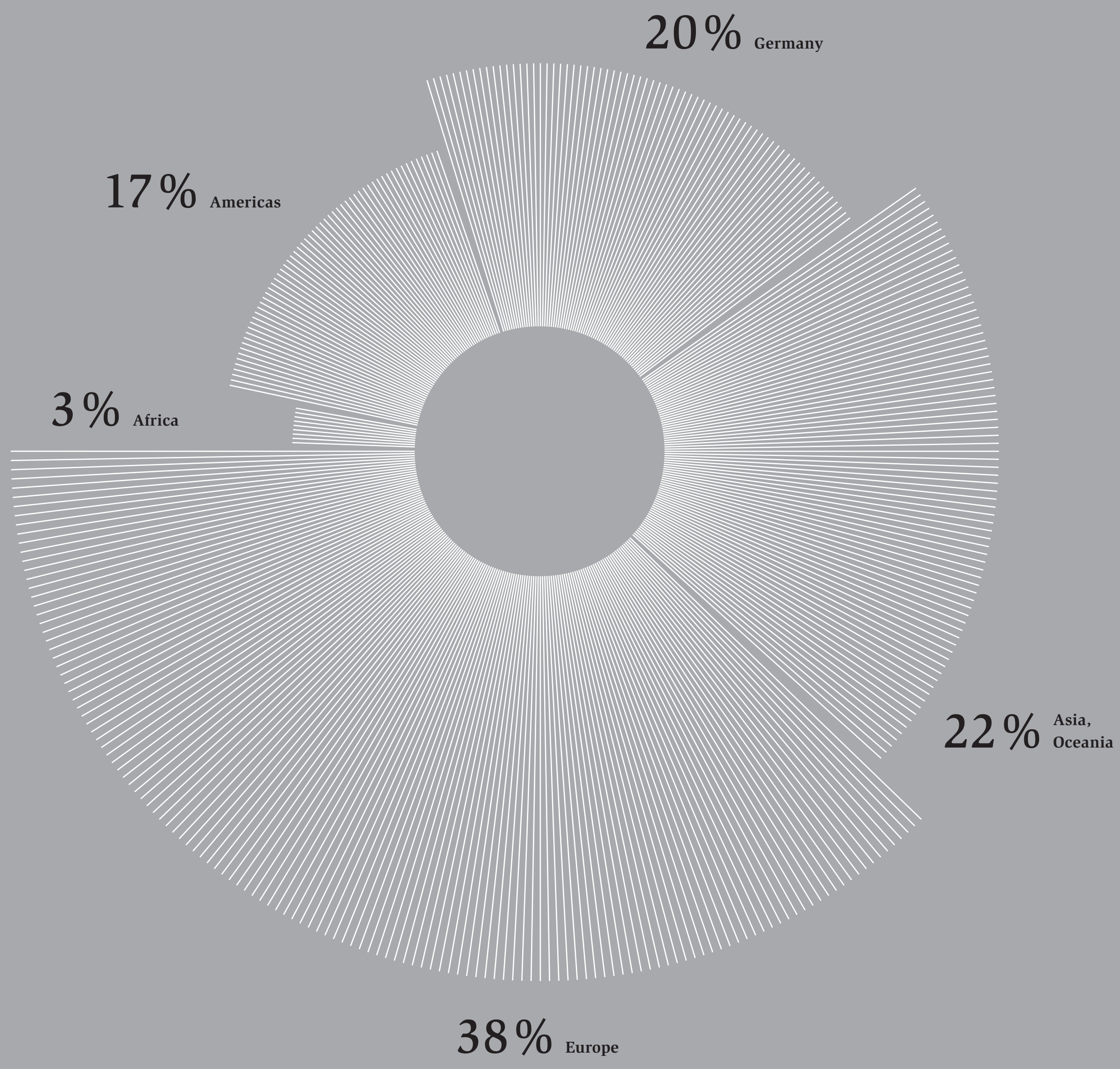
Bochum, February 23, 2006

On behalf of the Supervisory Board
Dr. Jürgen Heraeus

On behalf of the Executive Board
Jürg Oleas, Hartmut Eberlein

The GEA Group operates worldwide.

As a global player, it now generates around 80 percent of its sales from outside Germany and has a presence in all the world’s growth regions.



Group sales in 2005 by region

GEA Group's Shares

GEA Group's shares gain 21 percent over the year

Global stock markets continued their unbroken upward trend for the third year in succession. Germany's DAX index added roughly 26 percent over the course of the year. Small- and mid-cap stocks performed even better than blue chips in 2005, with the MDAX rising by almost 36 percent during the year. GEA Group shares closed the year at EUR 10.50 on December 30, 2005 having gained around 21 percent in 2005. The share price hit a low for the year of EUR 8.50 on May 9, 2005 before recovering swiftly to reach a high of EUR 11.16 on July 28, 2005. Following two sharp gyrations that only briefly spiked upwards, the share price did not stabilize and start to mirror the indexes until the final quarter. Increasingly upbeat analysts' notes bore testimony to the widespread perception that the GEA Group had successfully implemented its strategy, and encouraging news from the company itself underpinned this trend. After around the middle of November its share price again decoupled slightly from the MDAX, hitting a new 18-month high on January 19, 2006. On March 15, 2006 it stood at EUR 13.58, an increase of 29.3 percent since the beginning of the year (MDAX: 16.2 percent).

Performance of GEA Group's share price against the DAX and MDAX 2005 – Q1 2006

Market capitalization and trading volume grow year on year

The GEA Group's market capitalization amounted to EUR 1.97 billion at December 31, 2005 based on a total of 188.0 million shares. At the end of 2004 its market capitalization had been EUR 1.63 billion based on the same number of shares. Under the indexing system used by Deutsche Börse AG, which only counts companies' free float, the GEA Group's shares slipped to 54th place in terms of market capitalization compared with the other companies in the index. Although its trading volume of EUR 1.3 billion was higher in absolute terms in 2005, the GEA Group's shares fell back to 58th in the index, eight places down on the previous year.

At 0.52 million shares, average daily turnover in 2005 was well in excess of that in the previous year (0.47 million shares). In the first two months of 2006 an average of 1.24 million shares was traded each day. The vast majority of this trading volume was settled through the XETRA electronic trading system.

Shareholder structure unchanged

The shareholdings owned by the GEA Group's major stockholders in 2005 remained unchanged on the previous year. With a total of 40,053,571 shares, Dr. Otto Happel, the largest single shareholder, held 20.6 percent of the issued capital. Allianz AG, with 10.1 percent, and the Kuwait Investment Office, with 7.9 percent, also retained their shareholdings. The free float therefore remained at 61.4 percent.

At the end of 2005, the Executive Board members of the GEA Group held 570 shares (end of 2004: 570 shares). At the same date they held 60,000 option rights to GEA Group stock (end of 2004: 120,000 option rights). At the end of 2005, the members of the GEA Group's Supervisory Board held 40,077,171 shares (end of 2004: 40,074,371 shares).

Corporate bond redeemed

In June 2005, the GEA Group signed an agreement on a syndicated loan of EUR 500 million with a term of five years. This line of credit is currently not being used. The mg technologies finance B.V. corporate bond of EUR 139.1 million has been fully redeemed.

Stock buyback program

The Annual Shareholders' Meeting on June 21, 2004 authorized the GEA Group to buy back up to 10 percent of its own issued capital. In 2005 it repurchased a total of 75,000 of its own shares at an average price of EUR 9.05; in 2004 it had repurchased approximately 6.3 million shares.

Investor relations activities intensified

11 roadshows, 157 one-on-one meetings and attendance at 15 capital market conferences bear testimony to the intensive IR work conducted by the GEA Group and represent another year-on-year increase (roadshows up 83 percent, one-on-one meetings up 21 percent, conferences up 88 percent).

GEA Group's Shares: key performance indicators

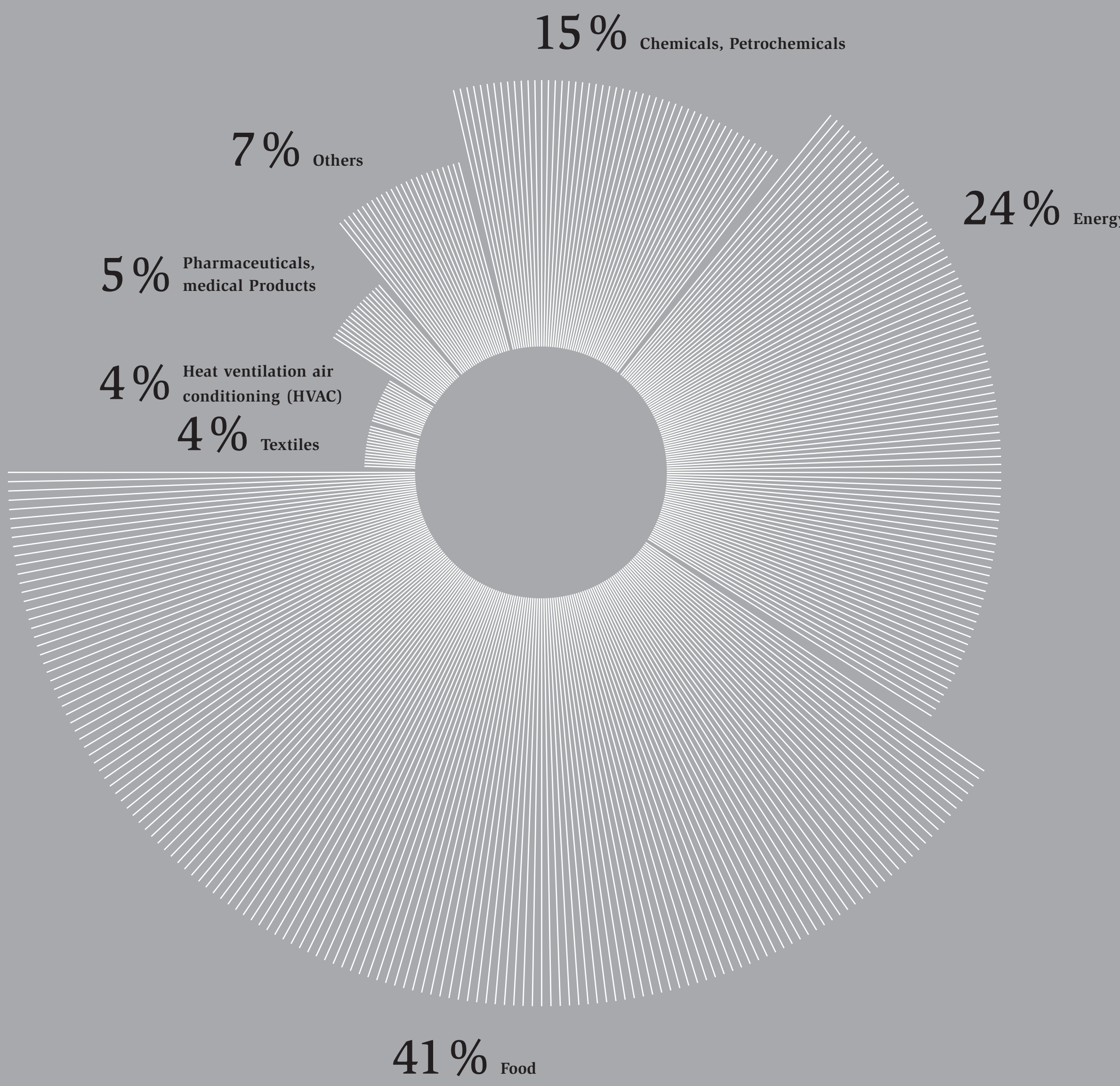
	2005	2004
No. of shares at December 31 (million)	**188.0**	188.0
Average number of shares (million)	**188.0**	192.3
Share price at December 31 (EUR)	**10.50**	8.69
Highest share price (EUR)	**11.16**	13.00
Lowest share price (EUR)	**8.50**	8.53
Market capitalization at December 31 (EUR billion)	**1.97**	1.63
Basic earnings per share (EUR)	**– 0.35**	0.85
thereof on discontinued operations	**– 0.84**	0.99
Dividend per share (EUR)[1]	**0.10**	–

1) Proposed dividend

The company has been trading under the name of GEA Group Aktiengesellschaft since July 15, 2005.

The GEA Group generates over one third of its sales in the food industry.

Roughly half of the 1.3 billion hectoliters of beer currently produced worldwide is made using plant and equipment supplied by the GEA Group. Growth in East Asia and eastern Europe and the increasing popularity of beer mixtures around the world promise further potential.



Group sales in 2005 by sector

Executive Board (from left to right): **Jürg Oleas,** Chief Executive Officer; **Peter Steiner**, Chief Financial Officer (until December 31, 2005); **Klaus Moll,** Plant Engineering; **Peter Schenk,** Process Engineering; **Hartmut Eberlein**, Chief Financial Officer (since January 1, 2006)

Management Report

Operating Activities

Organization and structure

GEA Group Aktiengesellschaft (GEA Group AG) is the management holding company of the GEA Group. The key cross-cutting functions it performs for the GEA Group are centralized financial management, coordination of the accounting function, financial planning and reporting for equity investments, and the overarching coordination of personnel, legal and tax issues. Apart from performing these holding company tasks, GEA Group AG has been functioning as an operating company since beneficial ownership of business operations was transferred with effect from December 31, 2002.

A further streamlining process in Group structures was completed when the merger of the previous GEA AG with mg technologies ag was entered in the commercial register on May 18, 2005. On June 7, 2005, the Annual Shareholders' Meeting of mg technologies ag approved the decision to rename the company "GEA Group AG" and move its head office to Bochum. These changes were entered in the Bochum commercial register on July 12, 2005.

The activities of the GEA Group are broken down into four segments based on the characteristics and risk profile of the activities. The Group has eleven divisions, each of which is assigned to one of the segments:

GEA Group

Segments	Divisions
Customized Systems	Refrigeration, Air Treatment
Process Equipment	Mechanical Separation, Process Equipment, Dairy Farm Systems
Process Engineering	Process Engineering, Energy Technology
Plant Engineering	Gas-to-Chemicals, Synthetic Fuels and Biofuels (Lurgi), Energy and Environment (Lurgi Lentjes),
	Gas Cleaning (Lurgi Bischoff), PET[1] and Fibers (Zimmer)

1) Polyethyleneterephthalate

General description of operating activities

Customized Systems

Divisions in the Customized Systems segment manufacture standardized components and customized systems that are based almost exclusively on the technological principle of heat exchange using air. The segment comprises the Refrigeration and Air Treatment divisions.

The **Refrigeration division** is active in the field of industrial cooling, both of processes and products. The product range is based on two core components, reciprocating compressors and screw compressors, which together with other refrigeration-cycle components and devices form part of complete refrigeration plants and complex systems. The fields in which these are principally used are the quality-assured processing, storage and transportation of foodstuffs. There are also numerous applications in the chemical and pharmaceutical industries, as well as in the field of ship refrigeration. Based on its strong local presence in Europe, the division is currently continuing to pursue expansion in eastern Europe, the Middle East and Asia as well as developing its service activities. In the medium term, the Refrigeration division aims to use this strategy to achieve a growth rate that appreciably outstrips that in the market generally and increase its share of the global market.

The product range in the **Air Treatment division** comprises both centralized and decentralized appliances for heating, cooling and ventilation. This equipment is used, for example, in hotels, public buildings, retail and commercial real estate, leisure facilities and in workshops. Complete clean-room systems are offered for the pharmaceutical and electrical engineering industries, and for hospitals. One specialist field is air-filtering technology (separators, filters and even complete filtering plants), which is used in areas such as the automotive industry, building engineering and in various aspects of process engineering. The Air Treatment division is one of the largest suppliers in Europe in a highly fragmented market. The division expects to exceed the forecast annual growth for the market with the introduction of new products, the development of new sales channels and the enhancement of its market position in regions where it already has a presence.

Process Equipment

The Process Equipment segment is represented by the Mechanical Separation, Process Equipment and Dairy Farm Systems divisions. This segment primarily manufactures highly specialized components in large volumes.

The subsidiaries in the **Mechanical Separation division** develop, manufacture and market separators and decanters. Both these product groups perform key functions in the clarification of liquids, the separation of liquid mixtures, the concentration and dewatering of solids, and the extraction of components. The core expertise lies in the sophisticated and heavily-patented process engineering. This makes the companies in the division knowledgeable partners and problem-solvers. The division plans to build on this expertise, achieving above-average growth and an expansion in its share of the global market.

The **Process Equipment division** offers a large number of mostly customized machinery and equipment items used for optimizing heat utilization and for equipment cooling and various special technological applications. Compact heat exchangers (charge air coolers for diesel engines and generator coolers for machines) and tubular heat exchangers (transformer oil coolers for energy technology and petrochemicals) represent traditional technology. Valves and pumps are liquid-processing components used by dairies, breweries and the pharmaceutical industry. Dairies are the principal customers for homogenizers. Currently, the greatest potential is in the field of plate heat exchangers used in food processing and other industrial applications. The division aims to increase its market share with organic growth and targeted acquisitions.

Technologies supporting the production and storage of milk are the focus of operating activities in the **Dairy Farm Systems division**. This division provides support for customers' end-to-end milk production processes, including cowshed hygiene, refrigeration systems and veterinary medical care. The range of services is offered worldwide for all herd sizes and all customer requirements. State-of-the-art computer-controlled feeding and herd management technology is used. Overall, the Dairy Farm Systems division is one of the leading global suppliers in these markets. Corporate strategy is focused on stepping up expansion in the hygiene business and further increases in productivity.

Process Engineering

The Process Engineering and Energy Technology divisions make up the Process Engineering segment. They are concerned with process plant engineering, manufacturing core components requiring a high degree of expertise. Features of orders in this segment are long throughput times and the frequent inclusion of installation services and commissioning of plant.

The **Process Engineering division** offers a broad range of technologies, applications and support services based on a combination of expertise, research and development, and innovative capabilities. The division is a global market leader in its fields of activity. Powder technology and processing are key processes used, for example, in the chemical and pharmaceutical industries, as well as in the food and dairy industries. Liquid processing activities include integrated process lines for dairies and breweries. In the area of thermal process engineering, the division focuses on services for the food, chemical and biotechnology industries.

The **Energy Technology division** is an international leader in the field of industrial air cooling. The principal product groups are direct and indirect dry cooling systems used in power plants, waste incineration plants and biomass plants. The companies in the division also offer wet cooling systems for use in industrial processes, depending on the locality. Air-cooled heat exchangers are also manufactured and used as process coolers, mainly in the chemical and petrochemical industries. Global markets for products in the Energy Technology division are enjoying a period of growth driven by strong demand, particularly in China and the Middle East. Market share is expected to continue to increase as a result of a stronger local presence based on, for example, the new production facility in China.

Plant Engineering

The Plant Engineering segment brings together the following divisions: Gas-to-Chemicals, Synthetic Fuels and Biofuels (Lurgi), Energy and Environment (Lurgi Lentjes), Gas Cleaning (Lurgi Bischoff), and PET and Fibers (Zimmer). This segment is characterized by high order volumes that can sometimes reach several EUR 100 million in value and by projects of long duration.

The **Gas-to-Chemicals, Synthetic Fuels and Biofuels division (Lurgi)** plans and constructs plants for the production of methanol from natural gas, crude-oil gas and coal gas. Core technologies include the MegaMethanol® process and the MTP® process that generates propylene from methanol, in addition to synthesis gas production. This range of products and services means that Lurgi is a technology leader spearheading this growth market. Currently, only 5 percent of natural gas produced worldwide is processed into methanol, petrochemical products and fuels; within the next 20 years, it is forecast that this proportion will grow to at least 20 percent. The product range also includes technologies for producing oleochemicals and fuels from renewable resources such as biodiesel and bioethanol. Lurgi is also a technological pioneer in the production of biofuels. After a long period of dragging its feet, the German automotive industry has made a clear commitment to the increased use of biodiesel and has set itself the target of 10 percent biodiesel fuel mixtures.

The **Energy and Environment division (Lurgi Lentjes)** is engaged in plant engineering at an international level, focusing on processes, technologies and components for power generation and environmental technology. Its product range in the field of power generation is primarily built around plants that run on fossil fuels. Lurgi Lentjes also supplies flue-gas cleaning plant and equipment for power stations. The environmental engineering business is based on plants that thermally treat hazardous and settlement waste, sewage sludge and residual material. In the EU alone, 200 of more than 450 coal-fired power plants are more than 30 years old. This means that these plants are at the end of their useful lives. Lurgi Lentjes, as one of the leaders in the field of flue-gas desulfurization plants, will benefit from this imminent replacement investment.

Lurgi Bischoff represents the **Gas Cleaning division**, specializing in gas cleaning components and systems for process industries, mainly in the nonferrous metals, chemicals, iron and steel, cement and glass sectors. The business is based on technologies for dedusting, the dry and wet removal of gaseous pollutants from process gases, and for the separation of heavy metals. In addition, Lurgi Bischoff has the expertise to reduce the proportion of sour gas, dioxins and furanes, and other elements in waste gas relevant to emissions.

The **PET and Fibers division (Zimmer)** is engaged in the engineering of industrial processes and plant used to produce raw materials for textiles and technical applications and for packing materials. Zimmer is a global market leader in plants that manufacture polyethyleneterephthalate (PET), a plastic used to make bottles and also serving as a raw material for textile filaments, staple fibers and industrial yarn. Demand for plant for the manufacture of packaging materials in the food and drink and chemicals and pharmaceuticals industries is enjoying strong global growth, whereas plant and equipment for textile applications is mainly supplied to the highly competitive Asian market. Zimmer's position in the market for Lyocell plants was strengthened by a licensing agreement for the use of patents, among other things. In addition, the product portfolio has been broadened to include purified terephthalic acid (PTA), the raw material for polyester. Project consultancy and services for the engineering and chemical industries offer further potential for growth.

Presentation and explanation of the internal control system

Implementation of strategic planning in the GEA Group ensures that all activities are focused on increasing economic value added. The key measure is return on capital employed (ROCE). ROCE is the ratio of net income from operating activities (earnings) before interest and tax (EBIT) to capital employed (defined as non-current assets plus working capital). With the transition to IFRS and the new breakdown in the financial statements, the definition of working capital has changed. The corresponding figure for 2004 has been adjusted.

The GEA Group employs a stringent, comprehensive control system for ROCE. To this end, ROCE is broken down into control-relevant and leading indicator value drivers and the relevant influencing factors are then regularly analyzed. At least once each quarter, review meetings are held with the divisions to assess business performance. The Executive Board can then use this basis to instigate prompt corrective action against any negative impact by the relevant ROCE value drivers. EBIT, EBT and capital employed form significant elements of the remuneration system within this comprehensive control environment.

Capital is allocated on the basis of economic value added (EVA). This is derived from the difference between the weighted cost of capital and the division ROCE multiplied by the capital employed.

Production

Most of the companies under the umbrella of the GEA Group are medium-sized engineering enterprises. They occupy a large number of attractive niches in the market. The large number of different applications is matched by the wide variety of technologies included in the range of products and services. The focus is very much on individually manufactured products. Flexible production design with short throughput times ensures low cost structures and low capital tie-up. The GEA Group is pursuing a relentless expansion of production capacity in growth markets. This reduces costs, for example in logistics, and improves market positioning as a result of a stronger regional presence.

Research and development

Innovation is the driving force in the GEA Group. This results in efficient products and systems that offer optimum value for money and, in conjunction with a complementary range of services, deliver critical value added for the customer. In this way, the companies in the GEA Group ensure that they remain in the technological vanguard, an indispensable requirement for sustained success in an increasingly intense global competitive environment. One indicator of the innovative strength of a company is the number of patent applications during the course of a year. In 2005, the total number of new patents applied for by the GEA Group was 172 (2004: 144).

In 2005, the GEA Group employed a total of 443 people in research and development (R&D), compared with 436 in 2004. R&D expenditure amounted to EUR 84.1 million, compared with EUR 63.8 million in the previous year. This equates to an R&D investment by the GEA Group of 1.9 percent of sales in 2005 (2004: 1.6 percent). This does not include customer-specific, reimbursed R&D activities.

The commitment of the Dairy Farm Systems division to the bio-security competence center in Bönen, western Germany, is a groundbreaking development. This research center comprises a number of specialist laboratories, its objective being to optimize efficiency and sustainability in food production and thereby to maximize quality and safety for consumers. The facility to rent the laboratories as a function of requirements and transfer expertise between companies means the Dairy Farm Systems division can accelerate its research and development program despite reduced cost and secure competitive advantages.

One of the ways in which the innovative culture in the Group is expressed is in the form of an innovation competition, which has been running for a number of years in the Customized Systems, Process Equipment and Process Engineering segments. Each year, this competition rewards the ability and the courage of employees to turn visions into ideas and ideas into new applications, processes and products. In 2005, the winner was the “Rekudenser”, a process innovation from GEA Ecoflex GmbH. In this process, a special plate heat exchanger, a bypass control unit and a static mixer are combined in a process chain in the emissions flow of a gas-fired or oil-fired power generation system. By using condensation and an intelligent control unit, the heat loss in the emissions can be reduced from 10 percent to 1 percent. At the same time, primary energy consumption falls by up to 7.5 percent.

In the Plant Engineering segment, Lurgi is pursuing a highly innovative project involving methanol plants in cooperation with the Freiberg University of Mining and Technology in Freiberg, eastern Germany. Currently, a large pilot plant is being operated in Freiberg with the aim of delivering further significant improvements in the synthesis gas process and, as a result, a considerable increase in efficiency. In addition, the individual companies in the divisions are carrying out further targeted development on processes, products and systems in all areas of the business.

Procurement

With a purchasing volume of just under EUR 3 billion, procurement management can make a significant contribution to the success of the business. Individual procurement operations are coordinated across companies and divisions. For example, a locally deployed team is used in the purchasing of components and parts systems to identify purchasing synergies in the Group and implement the necessary measures with the subsidiaries on a global basis. Master agreements are entered into at Group level and these agreements can then be used by the subsidiaries. In 2005, procurement management was able to use these activities to contribute to limiting the effects of sharp increases in raw material prices for aluminum, copper, titanium, steel and stainless steel. The impact of the shortage of materials in important segments and hefty increases in energy costs was also similarly restricted.

Environment

In many areas, our measures to protect the environment exceed the statutory requirements. Cutting-edge, production-integrated environmental protection, conservation of resources, integrated materials management, and comprehensive health and safety regulations are a matter of course at all companies in the GEA Group engaged in manufacturing activities. Damage to the environment is prevented using environmental protection management systems. Production waste is sorted and recycled where possible. Air filters, the preparation of process liquids, and storage tanks are used to minimize the impact on the environment. The effectiveness of these measures is evidenced by environmental certification to DIN EN ISO 14001 standard.

A considerable volume of business is generated using technologies, products and plant that support environmental protection and the conservation of resources. Innovative products and processes in the GEA Group combine efficiency with optimum environmental compatibility.

GEA Group and its competitors

The GEA Group is a specialist engineering technology group. The companies in the Group develop, manufacture and market a broad portfolio of equipment, components, systems and process plant for a large number of applications. Given the variety in its fields of activity, it is difficult to draw comparisons between the GEA Group and other enterprises. Nevertheless, there are market players such as Alfa Laval AB, SPX Corp. and Alstom S.A. who are competitors of the GEA Group in one or more areas of business. However, even in this case, there is little value in a financial comparison because of the difference in overall risk profile.

Economic Environment

Global economy

The economic climate picked up again in 2005. The second half of the year saw an increase in the growth rate, but expansion in the global economy still fell slightly short of the high rate seen in 2004. The impetus was created by favorable financing terms, sustained growth in company earnings and efficiency, as well as moderate inflation. On the negative side, the year saw the first effects of the high oil price, mainly caused by heavy demand from China and the U.S.A. The oil price reached record levels during the course of the year under review, slashing purchasing power in importing countries and generating inflationary pressure as a direct result of increases in energy prices and indirectly through the effect on wages and prices.

Growth was also above average in central and eastern Europe. However, growth in euro-zone countries was rather more sluggish. In Germany, gross domestic product increased by 0.9 percent, less than the figure of 1.6 percent in 2004. Despite a sharp growth in exports there was weak demand at home.

Engineering

2005 saw a continuation of the strong growth at German companies in the engineering sector. According to the German Engineering Federation (VDMA), there was an overall real increase in production of 4 percent. New orders went up by around 6 percent. Exports were again the mainspring for this growth, registering a 9 percent increase. In 2005, the largest boom recorded by the VDMA was in India, where demand reached more than EUR 1.4 billion. In contrast, demand in China fell slightly compared to the high level reached in 2004. Despite a flood of orders in December, domestic business for the whole of 2005 remained one percent lower than 2004. Overall growth was depressed by the high level of raw material prices. To a large extent, these offset the impact of economies of scale on earnings growth. According to the VDMA, there was little change across the board in the gross return on sales for the sector compared to the just under 6 percent achieved in 2004.

In 2005, the performance of the sectors relevant to the GEA Group varied widely. In process engineering, new orders rose by more than half compared with 2004. This was down to strong demand in the Middle East for plant and machinery to be used in the petrochemical industry. Plant engineering was also able to benefit from this development. Besides the petrochemical industry, the power plant market in Germany and Europe started to increase its investment levels again and was able to make a significant contribution. New orders in food and packing machinery and in dairy farm systems saw growth more or less in line with the global economy. On the other hand, textile machines and areas of the air treatment business witnessed downturns caused, among other things, by increasing competition in Asian growth markets and a simultaneous slip in demand in China.

Business Performance

New orders

New orders in EUR million

	2005	2004	Change in %
GEA Group [1]	**4,963.4**	4,301.3	15.4
Customized Systems	**743.9**	699.3	6.4
Process Equipment	**1,201.0**	1,036.9	15.8
Process Engineering	**1,542.8**	1,340.3	15.1
Plant Engineering	**1,524.5**	1,247.7	22.2

1) Including "Other" and "Eliminated"

The volume of new orders in the GEA Group grew by 15.4 percent in 2005 on the back of demand outside Germany. Most of this growth was organic. The Group was able to derive particular benefit from the rapid pace of growth in China and in the Middle East.

The comparatively lower growth rate in the Customized Systems segment is mainly down to the subdued growth in the European construction industry and the unwillingness of customers in the Refrigeration division to invest in the first six months of 2005. In contrast, plate heat exchanger business in the Process Equipment segment registered strong organic growth. The Process Engineering segment received a boost from growing demand for products and services in the power plant market and for process air coolers in the chemicals and petrochemicals industries. Business in the Plant Engineering segment picked up significantly with the burgeoning boom in biodiesel plants in the second half of the year. In addition, the Energy and Environment division won two major contracts at the end of the year, on the whole enabling 2005 to repeat the high volume of new orders achieved in 2004.

Sales

Sales in EUR million

	2005	2004	Change in %
GEA Group[1]	**4,497.6**	4,058.6	10.8
Customized Systems	**701.1**	711.4	– 1.4
Process Equipment	**1,119.3**	1,019.5	9.8
Process Engineering	**1,343.5**	1,191.5	12.8
Plant Engineering	**1,166.9**	979.6	19.1

1) Including "Other" and "Eliminated"

The slightly lower growth in sales compared to new orders is mainly the result of long order throughput times of up to 36 months. The downturn in the Customized Systems segment is attributable to the low volume of new orders in the fall of 2004 and the first six months of 2005 in the Refrigeration division. Sales in the Process Equipment and Process Engineering segments feed through from new orders after some delay. In the year under review, activity in the Plant Engineering segment was mainly focused on processing the high level of orders received in 2004. By the end of 2005, the strong demand registered in the second half of the year had not yet had time to take effect. The increase in sales in the GEA Group was largely generated by organic growth.

Sales by region in percent

Order book

Order book in EUR million

				Coverage (months)[2]	
	12/31/2005	12/31/2004	Change in %	**2005**	2004
GEA Group[1]	**3,080.6**	2,401.9	28.3	**8.2**	7.1
Customized Systems	**173.3**	131.4	31.9	**3.0**	2.2
Process Equipment	**310.5**	223.2	39.2	**3.3**	2.6
Process Engineering	**945.8**	696.7	35.8	**8.5**	7.0
Plant Engineering	**1,647.4**	1,330.8	23.8	**16.9**	16.3

1) Including "Other" and "Eliminated"

2) Order book at year-end in relation to sales; calculation based on 30 days per month and 360 days per year

The increase in the order book in 2005 was well above average in relation to new orders and sales as a result of the high volume of new orders at the end of the year. The relatively sharp rise in the Process Engineering segment is attributable to the increased proportion of longer-duration orders in the power plant business. At the same time, the increased proportion accounted for by biodiesel plants in the Plant Engineering order portfolio led to a downward trend in order book coverage in this segment.

Earnings

Earnings in EUR million

	2005	2004	Absolute change	Change in %	EBIT as percentage of sales (EBIT margin) 2005	2004
EBIT	**209.4**	86.1	123.3	143.3	**4.7**	2.1
Customized Systems	**47.4**	53.0	– 5.6	– 10.6	**6.8**	7.4
Process Equipment	**126.7**	111.3	15.4	13.8	**11.3**	10.9
Process Engineering	**96.1**	74.5	21.6	28.9	**7.2**	6.3
Plant Engineering	**– 10.2**	– 47.4	37.2	78.5	**– 0.9**	– 4.8
"Other" and "Eliminated"	**– 50.6**	– 105.4	54.8	52.0		
Net interest income/expense	**– 48.7**	– 94.0	45.3	48.2		
EBT	**160.7**	– 7.9	168.6	> 1,000		
Taxes	**– 66.1**	– 16.4	– 49.7	– 303.0		
Net income/loss on continuing operations	**94.6**	– 24.4	119.0	488.4		
Net loss/income on discontinued operations	**– 158.9**	190.7	– 349.6	– 183.3		
Net loss/income	**– 64.3**	166.4	– 230.7	– 138.6		

The GEA Group made significant advances in terms of earnings before interest and tax (EBIT) in 2005. Only earnings in the Customized Systems segment trailed behind the equivalent figure in 2004. The reasons for this were that, first, the low level of capacity utilization in the Refrigeration division persisted during the first six months. Secondly, the Air Treatment division registered the effects of expenses incurred in connection with the market launch of new generations of air-handling unit products and a new atmospheric climate control system.

Good levels of capacity utilization in the Process Equipment and Process Engineering segments led to a further improvement in the already excellent EBIT margin. Earnings in the Plant Engineering segment received a boost during the year under review from improved quality in orders. This was offset by the impact of residual processing on older orders and underutilization of capacity in the Zimmer division. The negative contribution to earnings from "Consolidation and Other" fell as a result of a drop in the holding company's costs and improvements in companies not forming part of the core business.

As a result of the inflow of funds from the sale of Dynamit Nobel's Chemicals activities in the second half of 2004, we were able to significantly reduce overall borrowing, and therefore also net interest expense, in the GEA Group. The significant increase in tax expense is mainly attributable to deferred taxes. Net income on continuing operations showed an overall improvement of EUR 119.0 million to EUR 94.6 million. The net loss on discontinued operations is mainly accounted for by losses on the disposal of Dynamit Nobel Kunststoff GmbH. This loss resulted in a net loss for the Group.

Under German accounting standards (HGB), GEA Group Aktiengesellschaft achieved a distributable profit of EUR 22.0 million. The Executive Board and Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend of EUR 0.10 per no par value share be paid. Dividends will be paid without deduction of capital-gains tax and the German solidarity surcharge.

Financial position

Cash flow statement summary in EUR million

	2005	2004	Absolute change
Net cash provided by operating activities	**187.5**	29.9	157.6
ROCE (%)	**10.2**	4.3	–
Net cash used for/provided by investing activities	**– 135.6**	1,128.0	– 1,263.6
Free cash flow	**51.9**	1,157.9	– 1,106.0
Net cash used for by financing activities	**– 221.9**	– 748.9	527.0
Net position of continuing operations	**351.4**	326.8	24.6
Net position of discontinued operations	**0**	– 81.6	81.6
Gearing (%)	**– 22.2**	– 19.5	–
EVA	**65.8**	– 48.0	–

The noticeable improvement in earnings made a significant contribution to the EUR 157.6 million increase in net cash provided by operating activities. In addition to the high volume of new orders with corresponding advance payments at the end of the year in the Plant Engineering segment, the Process Engineering segment also won several major orders in the Asian growth market. The capital required for these markets meant that the Process Engineering segment made a relatively small contribution to operating cash flow.

In 2005, EUR 58.3 million was used for acquisitions as part of our investing activities to further reinforce our competitive position. In addition, EUR 37.1 million was used to acquire the remaining shares (roughly 2 percent) in GEA AG. The disposal of the Dynamit Nobel Plastics Group led to a net cash outflow of EUR 14.0 million. At the same time, there was a reduction of EUR 316.0 million in financial liabilities as part of our financing activities, which accounted for a considerable portion of the change in liabilities related to assets held for sale. The net cash outflow from financing activities in 2005 resulted from the redemption of finance facilities and the complete repayment of the corporate bond.

The net position (cash plus securities minus bonds minus bank debt) of the Dynamit Nobel Plastics Group amounted to minus EUR 81.6 million at December 31, 2004. Because of the disposal of the Plastics Group, the net position of discontinued operations at the end of 2005 was zero. The net position of continuing operations improved to EUR 351.4 million. This results in gearing (net position divided by equity) of minus 22.2 percent. This substantially improved the financing options open to the GEA Group.

The GEA Group uses factoring and leasing. The obligations arising from leases and rentals are explained in Note 9.2 of the notes to the consolidated financial statements.

The improvement in ROCE is mainly the result of the significant increase in EBIT. The figure for EVA – showing a positive value once again and representing a clear increase on 2004 – results from the fact that ROCE was higher than the weighted cost of capital. The GEA Group was therefore able to generate value added.

At December 31, 2005, we had bank lines of credit of EUR 1,036.5 million, of which EUR 911.4 million had not been utilized. This figure includes a syndicated credit line of EUR 500 million that was raised in 2005 and runs for five years. In addition, we had guarantee lines of EUR 1,763.4 million available for performance of contracts, advances and warranty obligations, of which EUR 794.0 million had not been utilized.

The credit rating agency Fitch confirmed GEA's investment-grade rating in August 2005. The rating outlook was improved to "stable". Moody's kept its credit rating for the GEA Group unchanged at "Ba1; outlook positive" in 2005.

Net assets

Summary consolidated balance sheet in EUR million

	12/31/2005	% of total assets	12/31/2004	% of total assets	Change in %
Assets					
Non-current assets	**2,460.8**	**51.4**	2,430.9	46.8	1.2
thereof goodwill	**1,280.3**	**26.8**	1,186.4	22.8	7.9
thereof deferred taxes	**581.0**	**12.1**	618.2	11.9	– 6.0
Current assets	**2,300.7**	**48.1**	2,199.6	42.3	4.6
Assets held for sale	**23.4**	**0.5**	568.0	10.9	– 95.9
Total assets	**4,784.9**	**100.0**	5,198.4	100.0	– 8.0
Equity and liabilities					
Equity	**1,584.1**	**33.1**	1,672.5	32.2	– 5.3
Non-current liabilities	**1,085.8**	**22.7**	1,126.7	21.7	– 3.6
Current liabilities	**2,102.1**	**43.9**	1,996.5	38.4	5.3
Liabilities related to					
assets held for sale	**12.9**	**0.3**	402.8	7.7	– 96.8
Total equity and liabilities	**4,784.9**	**100.0**	5,198.4	100.0	– 8.0

The increase in goodwill resulted for the most part from acquisitions. A breakdown of goodwill by segment is given in Note 10.1 and acquisitions are described in Note 5 of the notes to the consolidated financial statements. Deferred taxes are explained in Note 8.7. The upturn in business volume was the critical factor in the increase in current assets.

The fall in assets held for sale and related liabilities arose because of the disposal of the Dynamit Nobel Plastics Group. This sale meant that we posted a net loss. The equity figure fell as a result. The effects of this disposal are described in Note 4.1 of the notes to the consolidated financial statements.

Current liabilities included two items that balance out against each other. The high volume of new orders at the end of the year led to a year-on-year increase in advances received; to a large extent, this increase was offset by the repayment of current financial liabilities.

General Statement on Business Performance

The financial year 2005 met the expectations of the Executive Board. The EBIT and EBT targets that we set were achieved or exceeded. Starting from a solid base, the companies in specialty mechanical engineering were able to further reinforce their market position, earnings in plant engineering were considerably improved and the costs of the holding company were reduced. In addition, the Dynamit Nobel Plastics Group was sold and our withdrawal from the Chemicals business concluded. At the start of 2006, the strong order position continued.

Employees

Employees in the GEA Group excluding trainees

	2005	2004
Customized Systems	**4,281**	4,324
Process Equipment	**5,695**	5,698
Process Engineering	**5,028**	4,447
Plant Engineering	**2,098**	2,107
Other	**493**	541
Total	**17,595**	17,117

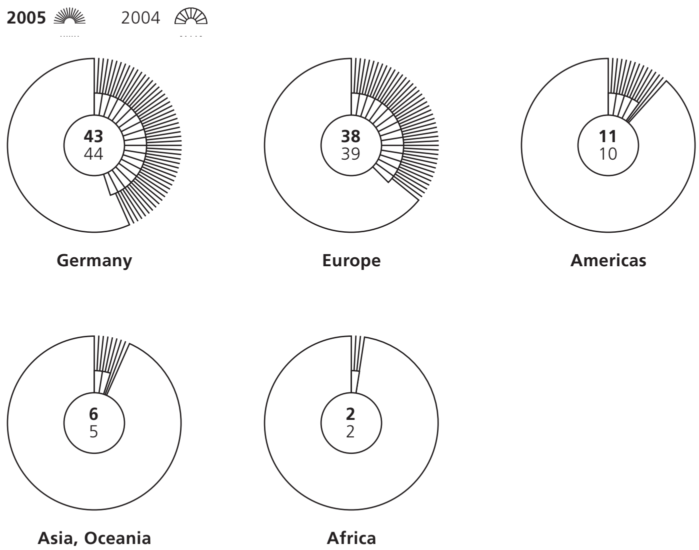
Excluding the effect of changes in the companies included in the consolidation group, the number of employees rose by 30 in the year under review. Sales per employee increased by 7.8 percent in 2005.

The GEA Group sets great store by training and development. At December 31, 2005, the GEA Group employed 444 apprentices and trainees, compared to 402 at the same point in 2004.

The rate of training at 2.5 percent (2004: 2.3 percent) is evidence of the importance that the GEA Group attaches to professional training and development. The GEA Group sees this training rate, which is again in excess of its own requirements, as part of its social responsibility.

The Executive Board would like to thank all employees of the GEA Group for their dedication and cooperation in working toward our objectives. Our thanks also go to members of the works councils, both in Germany and abroad, for their constructive and valuable contribution to fulfilling our shared responsibilities.

Employees by region excluding trainees in percent



Resolved litigation

Several minority shareholders of GEA AG had brought an action before the Bochum regional court to have the squeeze-out resolution adopted by the Annual Shareholders' Meeting of GEA AG on August 13, 2004 overturned. The court dismissed these actions and, in a ruling of December 7, 2004, decreed that the bringing of these actions does not prevent the resolution on the transfer of stock from being entered in the commercial register. The claimants had decided to appeal against both decisions. Both appeals were dismissed and the squeeze-out took effect when it was entered in the commercial register.

One shareholder had brought an action before the Frankfurt am Main regional court to overturn the resolutions adopted by the Annual Shareholders' Meeting of mg technologies ag on June 21, 2004 to approve the disposal of the Dynamit Nobel Group and, accordingly, to amend the articles of incorporation with respect to the purpose of the company's business. Further shareholders had decided to support the claimant in this legal dispute. This litigation was brought to an end when a settlement was reached in court.

Events after the Balance Sheet Date

Following the disposal of the Dynamit Nobel Plastics Group, the number of employees in Germany fell below 10,000. Under the German Codetermination Act, a Supervisory Board in enterprises of this size should comprise 12 members. On January 5, 2006, the Executive Board initiated the "status proceedings" (Statusverfahren) required by German law to bring the number of members in line with this statutory requirement. These proceedings were successfully concluded one month later. As a result of this, the mandate of the current members of the Supervisory Board will come to an end after the Annual Shareholders' Meeting scheduled for May 4, 2006. The meeting will elect new members of the Supervisory Board for the period thereafter.

Opportunities and Risks Report

Risks and risk management system

Quarterly and internal ad-hoc risk reports throughout the Group ensure that decision-makers are promptly informed about any risks of future development. Risk management tools, such as the Risk Assessment and Advisory Committee (RAAC) and a risk reporting system with consolidated budget accounts, monthly consolidated financial statements and regular review meetings, are used to identify and analyze the various risks.

The special requirements in project business, principally in plant engineering, are taken into account by the use of “risk boards”. Orders are checked in detail by specialists in various departments before a bid is submitted. The imposition of additional conditions helps avoid the acceptance of high-risk projects.

GEA’s risk management system therefore not only provides early identification of risks jeopardizing the continued existence of the company as prescribed in the German Control and Transparency of Companies Act (KonTraG). It also captures all risks that could materially impair the Group’s results of operations. The risk management system is regularly reviewed by internal audit to ensure that risk management remains effective.

At present there is no evidence of any risks that might jeopardize the continued existence of the GEA Group as a going concern. Adequate provision for all risks identified in day-to-day business was made when the annual financial statements were prepared, insofar as the risks concerned were subject to reporting requirements. The following section contains details of current risks.

General statement on the risk position and changes compared to 2004

2005 saw specialty mechanical engineering deliver a strong performance. The volume of new orders ensures full employment in all segments except for parts of the Zimmer division. The rigorous assessment of possible risks in new obligations and action to avoid or limit these risks is having a positive effect. As things stand overall, there are no risks that might jeopardize the continued existence of the GEA Group.

External risks

Risks arising from the economic environment

The price of steel and metals in qualities and specifications relevant to the GEA Group rose significantly in 2005. However, we were able to absorb this price increase for the most part. We are assuming that the high prices will persist in 2006 because of the continued strong demand. We are not expecting any significant impact on the Group’s profitability because ongoing master agreements include price escalation clauses. In addition, we will be exploiting the potential to reduce costs with design-to-cost projects.

Given the escalating conflict situation with Iran, the Group is currently taking a very close look at business relationships with that country and other states with predominantly Islamic populations. The risk can be difficult to quantify. However, we are not expecting risks with any significant impact on the Group's earnings.

Sectoral risks

With its strategic business units (SBUs), the GEA Group serves a number of niche markets, many of them subject to differing demand and innovation cycles. Although risks specific to certain sectors and regions may thus have an adverse effect on the profits of individual divisions, we only expect them to have a limited impact on the results of the Group as a whole.

Legal risks

The bankruptcy administrator for Polyamid 2000 AG is demanding from GEA Group AG, and from three other companies in the Group, the repayment of the purchase price for the construction of a carpet recycling plant amounting to EUR 164.6 million including VAT. The main claim of the bankruptcy administrator is that the contract for the construction of the plant was null and void because of failure to comply with the regulations on post-formation acquisitions stipulated in the German Joint Stock Corporation Act (AktG). The action was dismissed by the court of both first instance and second instance. The claimant has lodged an appeal with the Federal Court of Justice within the statutory time limit.

In connection with the conclusion of the control and profit-transfer agreement between mg technologies ag and GEA AG in 1999, an appeal is still pending regarding the appropriateness of the exchange offer made to shareholders of GEA AG.

In connection with the integration of Westfalia Separator AG into GEA AG in 1995, an appeal is pending with respect to the appropriateness of the compensation offered to the shareholders of Westfalia Separator AG. In its ruling of April 1, 2004, the regional court of first instance in Dortmund increased the compensation originally to be paid to the shareholders of Westfalia Separator AG. GEA AG immediately lodged an appeal against the court's ruling. The case is now pending before the regional appeal court in Düsseldorf.

After the squeeze-out resolution adopted by the Annual Shareholders' Meeting of GEA AG on April 28, 2005 was entered in the commercial register, several shareholders lodged an appeal with the regional court in Dortmund and requested that the court rule on the appropriate cash payment for the GEA AG shares transferred to mg technologies ag.

In addition, further legal proceedings or official investigations have been instituted or may be instituted against enterprises of the GEA Group as a result of earlier disposal activities and their operating activities. Appropriate provision has been made for risks arising from litigation. It is not possible to predict the outcome of individual cases with any degree of certainty. The GEA Group therefore cannot exclude the possibility that the final rulings on some of these cases may give rise to expenses that exceed the provisions accrued for such purposes.

Internal risks

Business-performance risks

In the last few years, the units of the Plant Engineering division have consistently focused on a small number of key technologies. In this way it has been possible to bundle core competencies and limit risks to the furthest-possible extent. The profitability of the Plant Engineering segment is largely dependent on the extent to which it utilizes its capacities. Order delays or cancellations can temporarily reduce capacity utilization, resulting in a corresponding impact on profits. In the Plant Engineering segment, business-performance risks arise mainly as a result of a deterioration in economic conditions in the course of a project. At the same time, any failure to meet milestones and completion dates normally incurs contractual penalties, so that unforeseeable difficulties in completing a contract may impair its profitability.

Compared with Plant Engineering, individual order volumes in the other segments (Customized Systems, Process Equipment, Process Engineering) are considerably lower. Risks arising from individual contracts play less of a role for Customized Systems and Process Equipment because of the nature of their business activities. In the Process Engineering segment, the risks are much higher. This segment is concerned with process plant involving the manufacture of knowledge-intensive core components. Some of the contracts have a throughput time of more than twelve months and include assembly and commissioning of major components and plant.

Financial risks

Basic principles of financial risk management

The Executive Board has created an appropriate set of rules in the form of guidelines to control financial risk across the Group and thereby hedge, or strictly limit, the risks involved. From a risk management viewpoint, these rules clearly define the objectives for the protection of assets, the elimination of gaps in security and efficiency improvements in the identification and analysis of risk, together with the relevant organizational forms, responsibilities and authority. The rules follow the principles of function separation, transparency, timely documentation and system security without exception. All the hedging instruments specified below are entered into with reputable banks and/or counterparties.
In the GEA Group, financial derivatives may only be used for hedging purposes, not for speculation.

Currency and interest rate risks

Contracts in emerging markets are usually invoiced in U.S. dollars or euros. This enables us to limit currency and interest rate risks. As a basic principle, it is the responsibility of local companies and divisional managements to identify present and future currency risks and to hedge these risks in accordance with the Group guidelines. Mitigation of interest rate risk is implemented at Group level. Foreign currency positions arising on operating business are normally hedged with financial derivative instruments. On the other hand, it is not our normal policy to hedge currency translation risks. The main objective of risk management as far as interest rates are concerned is to directly limit the risks to the GEA Group's profits. This is the responsibility of GEA Group AG. Although currency risk on individual contracts is excluded by means of hedging, significant medium-term and long-term fluctuations in exchange rates can influence sales opportunities outside the euro zone.

Risks on commodity derivatives

For some smaller units, the nature of their business operations requires that they use commodity derivatives. There are limits for these derivatives. In this way, risks are restricted to the limits specified by the Executive Board.

Credit risks

In the GEA Group, receivables from customers are monitored locally and in timely fashion. If necessary, credit risks are insured. The Group only holds fixed-term deposits with banks that are covered by the deposit guarantee fund.

The GEA Group has put in place a comprehensive risk management system for the financing of subsidiaries. In order to minimize the risks involved, individual credit limits are defined for the various companies. These limits are regularly monitored.

The risk inherent in loans granted to subsidiaries and in investments in subsidiaries is managed using a Group-wide planning and reporting system that comprises fully consolidated budget accounts, monthly consolidated financial statements and regular discussions of business performance at review meetings.

Taxation risks

The applicable national tax legislation can affect the usability of net operating loss (NOL) carryforwards and thus both the value of deferred taxes capitalized in the GEA Group and current taxation. The usability of U.S. NOL carryforwards can also be restricted by changes in GEA's shareholder structure, since the provision of section 382 of the IRC (Change of Ownership) applies to GEA Group AG in the U.S. In addition, the parlous state of Germany's public finances and the urgent need for reforms continue to create considerable uncertainty about the future shape of the country's tax legislation.

Minimum rates of corporation tax and trade tax were introduced in Germany in 2004. This means the use of NOL carryforwards has been delayed. However, the introduction of these minimum rates of taxation will mean that, despite existing NOL carryforwards, GEA Group AG will have to pay income taxes in the future.

Opportunities

In many areas, the GEA Group's segments are among the global leaders in their fields based on the numerous unique technologies and specific expertise that they have developed. The companies in the GEA Group are active in international growth markets for the most part. Given this background, the GEA Group will outperform the sector average in the expected continued rapid expansion of the global economy.

In the next few years, growth is expected to be focused in the Asian economies, especially China and India, and in North America. As a result, demand for energy will be sustained at high levels with a corresponding impact on the demand for, and price of, oil. This means that the oil-producing and petrochemical-processing industries will therefore expand capacity. The attractiveness of renewable resources will also see continuous growth.

Robust economic growth in populous countries such as China and India will be accompanied by increasing purchasing power. This development will favor the food industry and pharmaceuticals in particular. It is mainly our companies in the Process Equipment and Process Engineering segments that are active in these areas, offering a broad range of products and system solutions. The rising sales potential in important target markets will provide business momentum in both of these segments.

Disposal of the Dynamit Nobel Plastics Group has increased the financial resources available to support growth, both organically and through acquisitions. The completion of the Group's restructuring is also freeing up management capacity that can be added to the resources needed to drive forward operating activities.

Rewards may also accrue to the GEA Group from the strength of the U.S. dollar against the euro. Our business structure means that other currencies are of little significance.

Outlook

Upturn in global economy continues

The upturn in the global economy will continue in 2006. The effects of the increases in oil prices will remain subdued, because the hike in oil prices is attributable to a significant extent to the strong demand in North America, China and India, whose prospering economies are providing an important stimulus for global markets. Even if GDP growth rates in these countries are likely to follow the forecasts in 2006 and turn out to be slightly lower than in 2005, these countries still remain important props for the overall global economy. Above-average growth is also forecast for the emerging countries of Asia, Latin America and eastern Europe. On the other hand, the outlook for Japan is rather cautious. In the wake of burgeoning investment, an acceleration in economic growth can be expected in western European countries.

The prospects for the German economy have been picking up since the fourth quarter of 2005. The rate of expansion in exports will be stepped up in 2006 on the back of strong demand from abroad. It can also be assumed that companies will continue to raise their spending on equipment and machinery. However, no overall change is expected in the sluggish demand at home. The realignment process in construction investment, which has been going on for years, has not yet been completed. High energy prices are also restricting household purchasing power, so the best we can expect to see in consumer spending is some marginal growth.

Good prospects for the GEA Group's sectors

The outlook for the engineering sector in Germany continues to be considered favorable. The VDMA expects the companies in its sector to achieve output growth of 2 percent in 2006. According to forecasts, domestic and international growth will be similar. The VDMA believes that the trend in sectors relevant to the GEA Group could well build on their strong performance of 2005. Engineering companies have learned to cope with shorter product cycles and increasing product piracy, principally in key Asian markets. The more aggressive competition associated with this situation demands even more intensification in R&D activities, together with continuous improvements in productivity. Despite these challenges, the VDMA believes the sector is well positioned to sustain growth well beyond 2006.

Upward trend in GEA Group sustained

The focus in the Group on the three core segments of Customized Systems, Process Equipment and Process Engineering, as the segments with sustained growth in sales and earnings accompanied by increasing free cash flow, will also form the central plank in our strategy for the coming years.

The substantially improved Plant Engineering segment can look forward to a continuation of the encouraging performance in its key core technologies such as biofuels and synthesis gas production. In 2006, the Executive Board will decide how the emerging options in this regard can best be implemented.

The Executive Board is working on the basis of an investment rate for property, plant and equipment of 2 percent in 2006. It will also investigate possible acquisitions in the current year. These must be able to generate value added in the short and medium terms and match the risk profile of the core segments. The Executive Board is expecting to see growth in the global economy, especially in the sectors relevant to the GEA Group, although regional conflicts could pose a potential threat to this scenario.

The generally positive mood prevailing in the engineering sector is reflected in the Executive Board's forecasts for 2006. It believes that the volume of new orders will remain at the current high levels. Sales will continue to rise, and disproportionate growth in EBIT can be expected. All four segments are expected to deliver consistent or positive earnings performances.

The Executive Board forecasts that this trend will continue in 2007. The net position will show an improvement on a like-for-like basis in both years. As things stand, the Executive Board therefore expects the company's ability to pay dividends to improve.

Bochum, March 17, 2006

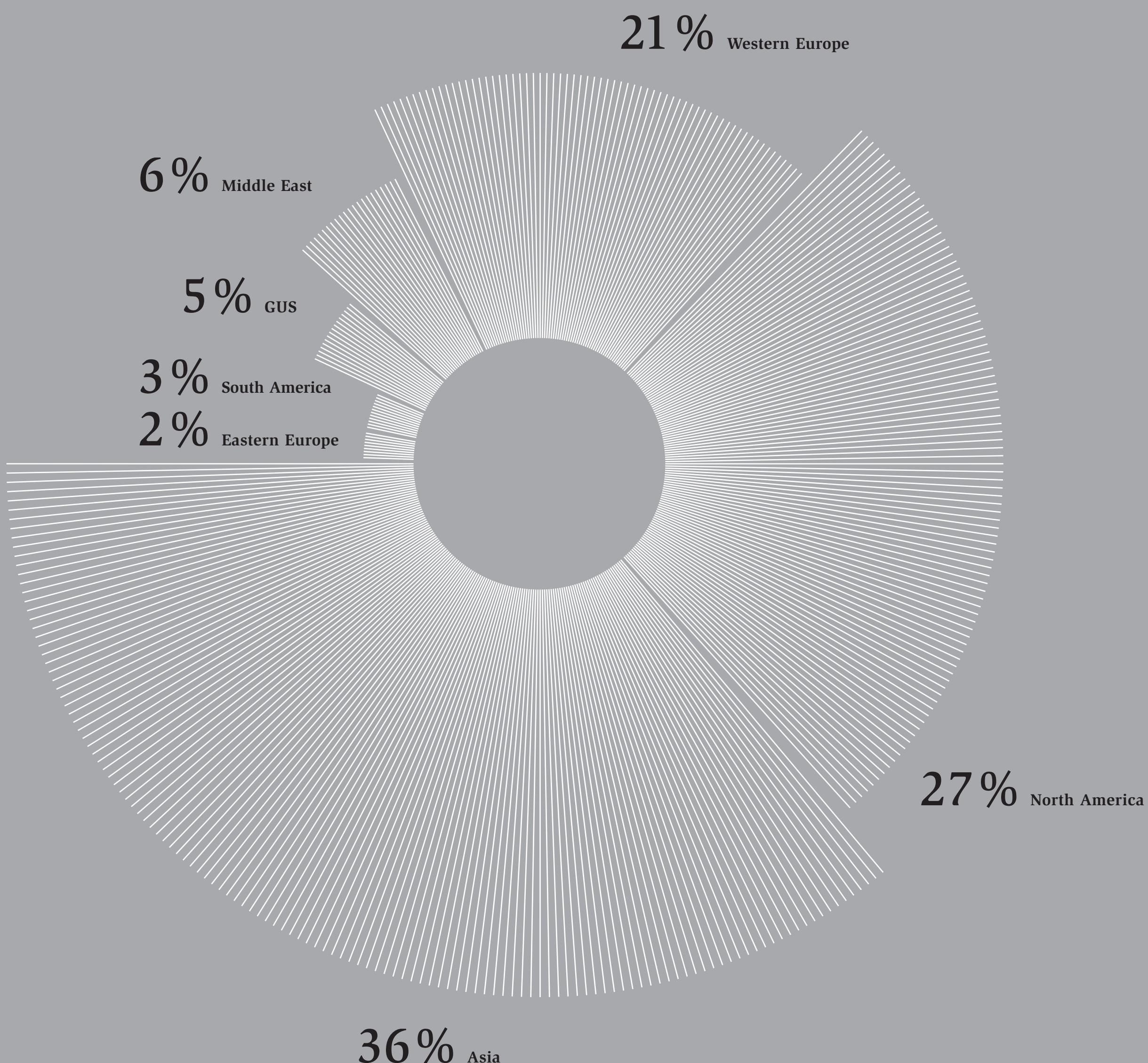
The Executive Board

This group management report includes forward-looking statements on GEA Group AG, 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.

70 percent of global methanol production comes from plant and equipment supplied by Lurgi.

In 2005, Lurgi won three new contracts to build methanol plants. This division has now commissioned 44 methanol plants with a total capacity of 23 million tonnes worldwide. This makes Lurgi the world's leading engineering firm in the construction of plant used to produce methanol from natural gas and crude-oil gas.

Source: Chemical Market Associates Inc. (CMAI)



Global demand in 2004 for methanol

Financial Statements

Consolidated Balance Sheet
at December 31, 2005

Assets in EUR thousand

	Note	12/31/2005	12/31/2004
Property, plant and equipment	6.1	**412,753**	410,470
Investment property	6.2	**55,303**	55,828
Goodwill		**1,280,333**	1,186,391
Other intangible assets	6.3	**24,876**	23,229
Investments in enterprises reported at equity	6.4	**20,804**	14,683
Other non-current financial assets	6.5	**85,825**	122,067
Deferred taxes	8.7	**580,954**	618,200
Non-current assets		**2,460,848**	2,430,868
Inventories	6.6	**422,127**	380,134
Trade receivables	6.7	**1,225,670**	916,502
Income tax assets		**6,408**	30,596
Other current financial assets	6.5	**181,755**	287,237
Cash and cash equivalents	6.9	**464,739**	585,081
Current assets		**2,300,699**	2,199,550
Assets held for sale	6.10	**23,358**	568,013
Total assets		**4,784,905**	5,198,431

The accompanying notes are an integral part of these consolidated financial statements.

Equity and liabilities in EUR thousand

	Note	12/31/2005	12/31/2004
Issued capital		**496,890**	496,890
Additional paid-in capital		**1,077,076**	1,077,076
Retained earnings		**58,086**	124,570
Accumulated other comprehensive income/loss		**16,418**	– 360
Treasury shares		**– 65,263**	– 64,584
Minority interest		**884**	38,897
Equity	7.1	**1,584,091**	1,672,489
Non-current provisions	7.2	**280,801**	305,357
Non-current obligations to employees	7.3	**695,764**	696,353
Non-current financial liabilities	7.4	**59,778**	83,159
Other non-current liabilities	7.7	**9,489**	5,204
Deferred taxes	8.7	**39,931**	36,600
Non-current liabilities		**1,085,763**	1,126,673
Current provisions	7.2	**265,775**	279,880
Current obligations to employees	7.3	**139,715**	144,411
Current financial liabilities	7.4	**98,127**	251,164
Trade payables	7.5	**836,298**	725,229
Income tax liabilities	7.6	**22,106**	47,707
Other current liabilities	7.7	**740,087**	548,114
Current liabilities		**2,102,108**	1,996,505
Liabilities related to assets held for sale	6.10	**12,943**	402,764
Total equity and liabilities		**4,784,905**	5,198,431

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statement

for the year ended December 31, 2005

EUR thousand

	Note	**01/01/2005 – 12/31/2005**	01/01/2004 – 12/31/2004
Sales	8.1	**4,497,640**	4,058,599
Cost of sales		**– 3,481,116**	– 3,146,521
Gross profit		**1,016,524**	912,078
Selling expenses		**– 406,718**	– 387,754
Administrative expenses		**– 395,913**	– 430,436
Other income	8.2	**87,677**	79,751
Other expenses	8.3	**– 99,694**	– 90,011
Net income/loss on enterprises reported at equity		**6,734**	1,267
Other financial income	8.5	**2,734**	2,877
Other financial expenses	8.6	**– 1,927**	– 1,705
Earnings before interest and tax (EBIT)		**209,417**	86,067
Interest and similar income		**24,389**	21,694
Interest expense and similar charges		**– 73,096**	– 115,698
Earnings before tax on continuing operations		**160,710**	– 7,937
Income taxes	8.7	**– 66,131**	– 16,416
thereof current		**– 27,922**	– 40,593
thereof deferred		**– 38,209**	24,177
Net income/loss on continuing operations		**94,579**	– 24,353
Net loss/income on discontinued operations	4	**– 158,865**	190,737
thereof losses/gains on disposals		**– 175,104**	361,233
thereof income taxes		**– 44,355**	– 39,908
Net loss/income		**– 64,286**	166,384
thereof minority interest		**2,198**	3,110
thereof attributable to shareholders of GEA Group Aktiengesellschaft		**– 66,484**	163,274

per share in EUR

Basic earnings per share	**– 0.35**	0.85
thereof on continuing operations	**0.49**	– 0.14
thereof on discontinued operations	**– 0.84**	0.99
Diluted earnings per share	**– 0.35**	0.85
Weighted average number of shares outstanding (million)	**188.0**	192.3

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2005

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Net loss/income	**– 64,286**	166,384
plus income taxes	**66,131**	16,416
plus net income/loss on discontinued operations	**158,865**	– 190,737
Earnings before tax on continuing operations	**160,710**	– 7,937
Net interest income	**48,707**	94,004
Earnings before interest and tax (EBIT)	**209,417**	86,067
Depreciation, amortization, impairment and reversal of impairment on non-current assets	**70,551**	74,625
Other non-cash income and expenses	**681**	3,498
Obligations to employees	**– 48,676**	– 47,947
Change in provisions	**– 15,387**	– 118,367
Gains/losses on disposal of non-current assets	**– 16,581**	– 2,767
Change in inventories, incl. unbilled PoC receivables[1]	**39,769**	25,434
Change in trade receivables	**– 125,923**	– 24,550
Change in trade payables	**74,387**	18,953
Change in other operating assets and liabilities	**15,965**	– 5,450
Tax payments	**– 38,735**	– 48,594
Net cash provided by operating activities of discontinued operations	**22,001**	69,015
Net cash provided by operating activities	**187,469**	29,917
Proceeds from disposal of non-current assets	**61,905**	14,179
Cash payments for purchase of property, plant and equipment and intangible assets	**– 93,300**	– 71,230
Cash payments for purchase of non-current financial assets	**– 24,970**	– 10,131
Acquisition of minority interest in GEA AG (squeeze-out)	**– 37,072**	0
Purchase of securities	**0**	– 50,661
Proceeds from disposal of securities	**50,456**	5,794
Interest and dividend income	**21,111**	13,372
Cash payments for acquisitions	**– 58,349**	– 65,667
Proceeds from disposal of discontinued operations	**43,800**	1,387,001
Net cash lost on disposal of discontinued operations	**– 57,761**	– 23,429
Net cash used for investing activities of discontinued operations	**– 41,400**	– 71,228
Net cash used for/provided by investing activities	**– 135,580**	1,128,000
Cash payments for purchase of treasury shares	**– 679**	– 64,584
Change in finance lease liabilities	**– 4,373**	– 8,343
Cash receipts from finance facilities	**60,906**	432,425
Cash payments for redemption of finance facilities, incl. bonds	**– 329,485**	– 1,045,885
Interest payments	**– 19,073**	– 62,798
Net cash provided by financing activities of discontinued operations	**70,836**	270
Net cash used for financing activities	**– 221,868**	– 748,915
Exchange-rate-related and other changes in cash and cash equivalents	**4,571**	– 2,154
Adjustment of change in cash and cash equivalents of discontinued operation	**6,324**	25,372
Change in unrestricted cash and cash equivalents	**– 159,084**	432,220
Unrestricted cash and cash equivalents at beginning of year	**583,447**	151,227
Unrestricted cash and cash equivalents at end of year	**424,363**	583,447
Restricted cash and cash equivalents	**40,376**	1,634
Cash and cash equivalents reported on the face of the balance sheet	**464,739**	585,081

1) Including advances received

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

at December 31, 2005

EUR thousand

	Shares	Issued capital	Additional paid-in capital	Retained earnings
Opening balance at 01/01/2004	194,366,618	496,890	1,080,188	– 38,705
Net income				166,385
Minority interest				– 3,110
Accumulated other comprehensive income/loss				
Total income and expense for the year				
thereof minority interest				
thereof attributable to shareholders of GEA Group AG				
Expense incurred by SOP & ESOP			– 3,112	
Purchase of treasury shares	– 6,346,002			
Change in minority interest				
Balance at 12/31/2004	188,020,616	496,890	1,077,076	124,570
Net loss				– 64,286
Minority interest				– 2,198
Accumulated other comprehensive income/loss				
Total income and expense for the year				
thereof minority interest				
thereof attributable to shareholders of GEA Group AG				
Purchase of treasury shares	– 75,000			
Acquisition of minority interest in GEA AG (squeeze-out)				
Deduction of minority interest due to disposal				
Change in other minority interest				
Balance at 12/31/2005	**187,945,616**	**496,890**	**1,077,076**	**58,086**

The accompanying notes are an integral part of these consolidated financial statements.

Accumulated other comprehensive income/loss					
Cumulative translation adjustment	Available-for-sale securities	Hedge accounting	Treasury shares	Minority interest	**Total**
0	862	4,454	0	41,575	**1,585,264**
					166,385
				3,110	**0**
– 10,721	– 544	5,589		52	**– 5,624**
					160,761
					3,162
					157,599
					– 3,112
			– 64,584		**– 64,584**
				– 5,840	**– 5,840**
– 10,721	318	10,043	– 64,584	38,897	**1,672,489**
					– 64,286
				2,198	**0**
34,319	518	– 18,059		– 270	**16,508**
					– 47,778
					1,928
					– 49,706
			– 679		**– 679**
				– 14,540	**– 14,540**
				– 24,453	**– 24,453**
				– 948	**– 948**
23,598	**836**	**– 8,016**	**– 65,263**	**884**	**1,584,091**

Notes to the Consolidated Financial Statements

1. Reporting Principles

Basis of presentation The consolidated financial statements of GEA Group Aktiengesellschaft have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time as of December 31, 2005, as required by section 315a of the German Commercial Code (HGB). The consolidated financial statements of GEA Group Aktiengesellschaft were prepared according to United States Generally Accepted Accounting Principles (U.S. GAAP) for the last time at December 31, 2004. The transition of the Group's accounting standards from U.S. GAAP to IFRS was performed in accordance with the provisions of IFRS 1 "First Time Adoption of International Financial Reporting Standards". Where there were discrepancies between U.S. GAAP and IFRS, previous years have been adjusted accordingly to IFRS principles to ensure that the accounting methods used are consistent with the IFRS principles adopted by the European Union. The reconciliation principles prescribed by IFRS 1 for the transition to IFRS are explained in Note 12.

The exemption granted by IFRS 1, which allows the items covered by IAS 39 to continue to be accounted for under the previous accounting standards (U.S. GAAP), has been utilized for the 2004 comparative period. The first-time adoption of IAS 39 as of January 1, 2005 has had no material impact on the Group's accounts.

Although the following accounting standards and interpretations and amendments to existing standards had already been published, they were not mandatory for the preparation of the IFRS consolidated financial statements at December 31, 2005:

- **IFRS 6** Exploration for and Evaluation of Mineral Resources
- **IFRS 7** Financial Instruments: Disclosures
- **IFRIC 4** Determining whether an Arrangement Contains a Lease
- **IFRIC 5** Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- **IFRIC 6** Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

- **Amendment of IFRS 1** First Time Adoption of International Financial Reporting Standards and IFRS 6 Exploration for and Evaluation of Mineral Resources
- **Amendment of IAS 1** Presentation of Financial Statements – Disclosures on Capital
- **Amendment of IAS 19** Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
- **Amendment of IAS 39** Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting
- **Amendment of IAS 39** Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts – Financial Guarantees.

The mandatory first-time adoption of the new and amended standards and the new interpretations is not expected to have a material impact on the consolidated financial statements.

The consolidated financial statements have been prepared in euros. All amounts, including the figures for the previous year, are stated in thousands of euros (EUR thousand). For reasons of clarity, various items on the face of the consolidated balance sheet and the consolidated income statement have been reported as one item and explained accordingly in the notes. Assets and liabilities are classified as either "current" or "non-current". The income statement has been prepared under the cost-of-sales method.

In departure from the classifications used in the interim financial statements in 2005 and in the published brochure entitled "mg technologies ag – transition of financial reporting from U.S. GAAP to IFRS", the consolidated financial statements at December 31, 2005 show deferred liabilities and obligations to employees separately from provisions. Liabilities from outstanding suppliers' invoices are reported under trade payables. Other deferred liabilities are shown together with other financial liabilities. In addition, advances received are no longer deducted from inventories. Impending losses on construction contracts are no longer reported under provisions; instead, they are deducted in full from the capitalized construction contracts.

Basic information on the GEA Group The merger of GEA AG, Bochum, with mg technologies ag, Frankfurt am Main, became legally effective on May 18, 2005. On July 12, 2005, the decision to rename mg technologies ag as "GEA Group Aktiengesellschaft" and to move its head office from Frankfurt am Main to Bochum, which had been approved by the Annual Shareholders' Meeting on June 7, 2005, was entered in the commercial register.

The Executive Board approved these consolidated financial statements on March 17, 2006 for publication.

2. Summary of Significant Accounting Policies

Scope of consolidation All material companies in which GEA Group Aktiengesellschaft holds a majority of voting rights either directly or indirectly or in other respects can directly or indirectly exert a controlling influence over their financial and business policy are consolidated. Subsidiaries are fully consolidated from the point at which the possibility of a controlling influence has passed to the GEA Group. They are deconsolidated from the point at which the controlling influence ends.

Subsidiaries acquired are accounted for under the purchase method. The cost of the acquisition is measured according to the cash and cash equivalents transferred and the fair value of assets transferred, equity instruments issued and liabilities assumed at the time of the transaction, plus the costs directly attributable to the acquisition. Assets, liabilities and contingent liabilities identifiable as part of a business combination are measured at their fair value at the time of the transaction for the purposes of first-time consolidation, irrespective of any minority interest.

The cost of purchase in excess of the acquired subsidiary's fair-value net assets is recognized as goodwill. If the cost of the acquisition is lower than the acquired subsidiary's fair-value net assets, the difference is shown on the face of the income statement.

Intercompany assets, liabilities and gains or losses on transactions between Group companies are eliminated.

Consolidated subsidiaries with a different balance sheet date from that of the parent company have been consolidated on the basis of interim financial statements at December 31.

In addition to GEA Group Aktiengesellschaft, 78 German (2004: 85) and 238 foreign subsidiaries (2004: 253) have been consolidated at December 31, 2005. In 2005, 25 subsidiaries were consolidated for the first time and 47 were deconsolidated.

124 subsidiaries are not consolidated (2004: 120) because their influence, even together, on the fair presentation of the Group's financial position and financial performance is not material.

Joint ventures The option to measure investments in joint ventures under the equity method has been utilized.

Three investments in joint ventures (2004: three) have been consolidated at the balance sheet date.

Investments in associates Material investments in enterprises over which a significant influence can be exerted are measured at equity. They are accounted for at cost. Associates are enterprises over which a Group company can exert a significant influence through its involvement in the associate's decision-making processes on financial or business policy. This affects enterprises in which the GEA Group holds between 20 percent and 50 percent of the voting rights either directly or indirectly.

Associates' gains or losses attributable to the Group are recognized on the face of the income statement; the Group's share of changes in associates' reserves not taken to income is reported under reserves. If the Group's share of an associate's losses exceeds the carrying amount of its net investment in the associate, no further losses are recognized. Any goodwill arising on acquisition is recognized in the carrying amount of the investment.

Where necessary, associates' accounting policies are modified to ensure consistent accounting policies throughout the Group.

22 investments in associates (2004: 22) have been consolidated at equity at the balance sheet date. Including changes of status, there were three additions and three disposals.

A list of material subsidiaries, joint ventures and associates can be found in the list of major shareholdings after the notes to the consolidated financial statements.

Currency translation The enterprises in the GEA Group prepare their annual financial statements based on their respective functional currencies.

Foreign-currency transactions conducted by consolidated enterprises are translated into the functional currency at the exchange rate prevailing at the time of the transaction. Monetary assets are adjusted to the exchange rate prevailing at each balance sheet date. The translation gains and losses on these items are generally reported as "other income" or "other expenses".

All financial statements of companies whose functional currency differs from the reporting currency are translated into the reporting currency of the GEA Group's consolidated financial statements. Assets and liabilities of the consolidated enterprises are translated at the middle rates prevailing on the balance sheet date. These enterprises' income statements are translated at moving average rates for the year. If the average rate does not represent a reasonable approximation of the actual transaction rates, the relevant amounts are translated at the prevailing transaction rates. Any exchange differences are allocated to a separate item in equity and amortized. At December 31, 2005 these differences amounted to a gain of EUR 23.598 million (2004: loss of EUR 10.721 million). Exchange differences arising prior to January 1, 2004 have been recognized in retained earnings as a result of the exempting provision of IFRS 1.22.

Goodwill arising on the acquisition of foreign subsidiaries and adjustments arising from their measurement at fair value are translated at the closing rate as these enterprises' assets.

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

The cost of regular large-scale maintenance is depreciated over the relevant asset's residual useful life or, if shorter, the next maintenance date.

Assets under finance leases are also reported under property, plant and equipment. A lease is deemed to be any agreement that confers the right to use a certain tangible asset for an agreed period in exchange for a consideration. Leases under which the lessee bears all material opportunities and risks arising from the use of the leased asset, and where he is consequently deemed to be the beneficial owner, are accounted for as finance leases. The leased asset is shown on the face of the lessee's balance sheet at its fair value or, if lower, the present value of the minimum lease payments. The corresponding lease liability is reported as a finance lease obligation. In subsequent periods, the leased asset is depreciated over the term of the lease or over its useful economic life, whichever is shorter. Payments to the lessor are divided into principal and interest, with the amounts representing interest recognized in income over the term of the lease as a continuous interest payment on the residual lease liability.

Leases under which the lessor bears all opportunities and risks in connection with the leased asset are classified as operating leases. The lease installments represent a cost for the lessee for the respective period.

Many of the enterprises included in these financial statements have sold and leased back tangible assets. All sale-and-leaseback transactions gave rise to operating leases. The entire gain is recognized immediately if the asset has been sold at its fair value. If the sale price is above fair value, the gain is deferred and recognized over the term of the lease.

A tangible asset's carrying amount is reviewed if it is likely to have been impaired as a result of events or changing circumstances. An impairment test is conducted by comparing the asset's carrying amount with its recoverable amount. If its carrying amount exceeds its recoverable amount, the asset is written down. 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 no more than the amortized historical cost.

Investment property Real estate that is held to earn rental income or generate capital growth is classified as investment property. In the case of real estate that is held partly to generate rental income and partly to produce and supply goods or to provide services or for administrative purposes, the entire property is classified as investment property if it is not intended for the investor's own use to any material extent. This is deemed to be the case if the investor uses it less than 10 percent of the time.

The cost is depreciated on a straight-line basis over a period of between 10 and 50 years. The measurement methods are the same as those used for property, plant and equipment.

Goodwill Goodwill arising on acquisitions of subsidiaries is recognized as an intangible asset.

In line with the exemption provided by IFRS 1.15, the goodwill reported in the consolidated financial statements of GEA Group Aktiengesellschaft at December 31, 2003 was taken unchanged on to the opening IFRS balance sheet at January 1, 2004.

The recoverability of the goodwill is reviewed at the division level at least once a year at the end of the fiscal year or if there is any indication of impairment. The recoverable amount for the division is compared with the carrying amount including goodwill. The recoverable amount corresponds to the higher of internal value in use or fair value less costs to sell. For business units classified as discontinued operations, the measure of recoverability is the fair value less costs to sell. If the carrying amount of the division's assets exceeds their recoverable amount, then the assets are impaired and an impairment loss amounting to the difference is recognized in income.

Any impairment loss is deducted from goodwill. Any amount exceeding the total value of goodwill is apportioned to the carrying amounts for non-current non-financial assets.

The value in use for 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 sale price if the value in use is less than the carrying amount.

Other intangible assets Patents, licenses, trademarks and similar rights and assets, including licenses for such rights and assets, are capitalized at cost. Computer software licenses acquired are recognized at the cost of purchasing the licenses and making the software usable.

If the useful economic life of an intangible asset can be determined, the asset is amortized on a straight-line basis over its useful life. An intangible asset's carrying amount is examined if it is likely to have been impaired as a result of events or changing circumstances. The impairment test is the same as that used for property, plant and equipment. Impairments already recognized must be reversed if the reasons for the impairment cease to apply. The impairment is then reversed up to no more than the amortized historical cost.

Other financial assets Other financial assets include investments in non-consolidated subsidiaries and other investments, other securities, financial receivables (except for trade receivables) and derivative financial instruments.

Investments in non-consolidated subsidiaries and other investments are recognized at amortized cost. They are measured at cost because these investments are not traded in an active market and their estimated fair value is subject to fluctuations without the probabilities of the fair values being able to be reliably determined within a certain range.

Debt instruments evidenced by securities that are intended to be held to maturity are measured at amortized cost under the effective interest method. All other securities are measured at fair value, and any fluctuations in value are reported as accumulated other comprehensive income/loss.

Financial receivables are measured at amortized cost under the effective interest method.

Derivative financial instruments are used purely for hedging purposes, particularly in order to mitigate the risk of interest rate fluctuations inherent in financing transactions, and to hedge against currency risk and price movements. They are always accounted for at fair value. Fluctuations in fair value are taken to income unless they are used as cash flow hedges.

The settlement date is relevant to both the initial recognition and the derecognition of financial assets. They are recognized as soon as the GEA Group becomes a party to the financial instrument in question. They are derecognized as soon as the right to receive cash payments or other financial assets expires as a result of payment, decree, statute of limitations, offset or any other factor or the right is transferred to another person, with the pertinent risks passing to the buyer.

Impairment tests are carried out on financial assets or groups of financial assets at each balance sheet date. Impairments are recognized in the income statement. With the exception of equity instruments, impairment losses on financial assets are reversed and recognized in income if the reasons for the impairment cease to apply.

Hedging At the time they are entered into, derivative financial instruments used for hedging purposes are designated either as fair value hedges (hedges of the exposure to fluctuations in the fair value of assets, liabilities or firm commitments) or as cash flow hedges (hedges of future cash flows associated with assets and liabilities).

In effective fair value hedges, changes in the fair value of both the derivative and the underlying transaction are recognized in income.

If derivatives are used as cash flow hedges, the hedge-effective portion of the change in the derivatives' fair value is reported as accumulated other comprehensive income / loss. The hedge-ineffective portion of the change in fair value is recognized as a gain or loss. The accumulated other comprehensive income / loss resulting from the hedge-effective portion of the change in fair value is recognized in the income statement as soon as the underlying transaction is settled. If settlement of the underlying transaction leads to the recognition of a non-financial asset, the accumulated other comprehensive income/ loss is offset against the cost of purchasing the non-financial asset. If, contrary to previous assumptions, the underlying transaction is not executed, the accumulated other comprehensive income / loss is released and taken to income.

Embedded financial derivatives are separated from their host contracts if certain qualifying conditions in terms of their recognition and measurement are met.

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

No deferred tax liabilities are recognized on taxable temporary differences arising from investments in subsidiaries, associates or joint ventures because the Group can control the reversal of these temporary differences and the temporary differences are therefore unlikely to be reversed in the foreseeable future.

Inventories Inventories are accounted for at the lower of cost and net realizable value. The cost of purchase is computed on average cost or using the first-in, first-out method. The cost of conversion includes direct costs and attributable manufacturing overheads as well as depreciation charges and production-related administrative costs, but it does not include any borrowing costs. The net realizable value is computed as the estimated sales proceeds less the costs still incurred until completion and selling expenses. Impairments already recognized must be reversed if the reasons for the impairment cease to apply. The impairment is then reversed up to no more than the amortized historical cost.

Trade receivables Trade receivables include no interest and are recognized on the face of the balance sheet at their nominal value less appropriate adjustments for irrecoverable debts.

Trade receivables from financial services enterprises sold under factoring agreements are derecognized once the related opportunities and risks have been transferred to the factoring company.

Construction contracts Receivables and sales arising from construction contracts are reported according to 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 cost of conversion plus a profit in proportion to the percentage of completion. Discounts are made for risks. Losses on construction contracts are immediately recognized in full in the fiscal year in which they are identified, regardless of the percentage of completion at that point. If the costs incurred and the gains or losses recognized exceed the discounts made, the excess amount is capitalized as an asset and is reported under trade receivables. If the progress-billing payments received exceed the accrued costs and recognized gains or losses at the balance sheet date, they are reported as a liability under trade payables. Advances received for construction contracts are reported separately as liabilities.

If the contract margin cannot be reliably estimated, sales are recognized only to the value of the contract cost incurred (zero-profit method). A profit is only recognized if the contract margin can be reliably estimated.

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

Cash and cash equivalents Cash and cash equivalents comprise restricted and unrestricted funds such as checks, cash on hand, credit balances and fixed-term deposits held with banks, and liquid assets with a term to maturity of no more than three months. Cash and cash equivalents are recognized at fair value.

Non-current assets held for sale and corresponding liabilities Non-current assets or groups of assets classified by IFRS 5 as "held for sale" are recognized at the lower of their carrying amount and their fair value less costs to sell. They are classified as "held for sale" if their sale is very likely, 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 their disposal rather than by their use, their depreciation ends when they are reclassified. Corresponding liabilities are reported as "liabilities related to assets held for sale".

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

Obligations under pension plans The obligations under pension plans include post-employment benefits. Obligations under pension plans are computed using the projected unit credit method. In order to ensure that it can provide the necessary pension benefits, the company holds financial assets in long-term investment funds outside the GEA Group (plan assets) and takes out qualified insurance policies. The amounts of provisions reported are based on calculations by independent actuaries. Where actuarial gains and losses exceed ten percent of the present value of the defined benefit obligation or of the plan assets at the balance sheet date, they are apportioned over the beneficiaries' average residual service period and recognized in income. Based on the exemption provided by IFRS 1, pension liabilities at January 1, 2004 were recognized at the present value of the defined benefit obligation. The interest included in pension costs is reported under financial expenses; the anticipated return on plan assets is shown as part of financial income. The service cost for the period is recognized under the relevant functional costs.

The pension plan obligation reported on the face of the balance sheet represents the net present value of the obligation at the balance sheet date plus unrecognized actuarial gains (less unrecognized actuarial losses) less unrecognized imputable service cost. If plan assets are available, their fair value is deducted from the obligation.

Other obligations to employees Other obligations to employees comprise other non-current benefits and all current benefits. Current obligations to employees generally fall due in full no more than 12 months after the relevant service or work has been performed. These include wages, salaries, social insurance contributions, paid vacation and profit-sharing schemes. They are charged to the income statement at the same time as the work being remunerated. Any expenditure in excess of the payments already made is reported as a deferred liability at the balance sheet date. Other non-current benefits, such as long-service awards or preretirement part-time employment contracts, are recognized at the present value of the obligation at the balance sheet date.

Provisions Provisions for contingent liabilities are reported when a legal or constructive obligation to a third party exists, the related cash outflow is likely, and its probable amount can be reliably estimated.

The cost of accruing provisions for warranties is included in the cost of conversion at the time the sales are recognized. In all other cases, provisions are accrued when the product is accepted by the customer. The measurement of the provision is based both on the warranty cost actually incurred in the past and on the evaluated overall risk inherent in the plant, equipment or product. Provisions are also accrued if a claim is made under a warranty and a loss is deemed likely. Rights of recourse against suppliers are capitalized, providing their services are subject to a warranty and it is highly likely that the claim can be enforced.

Financial liabilities Financial liabilities include bonds, bank debt and lease liabilities. They are initially recognized at fair value less transaction costs incurred. They are subsequently measured at amortized cost under the effective interest method. Lease liabilities are initially measured at the fair value of the leased asset or, if lower, the present value of minimum lease payments.

Other liabilities The recognition and subsequent measurement of other liabilities are the same as for financial liabilities.

Trade payables Trade payables include liabilities for goods received or services already performed that have not yet been invoiced as there is a slight uncertainty as to the amount of the liability.

Recognition of sales Sales generated by products are realized when delivery takes place and title to the goods passes to the customer. Sales under service agreements are realized when the service is performed. Sales are recognized at the fair value of the goods or services received or to be received. Customer bonuses, discounts, rebates, other allowances and the elimination of intercompany profits and sales reduce the amount of sales recognized. Sales from construction contracts are generally recognized under the percentage-of-completion method.

Interest and similar income is recognized under financing income pro rata temporis over the residual period based on the effective interest rate and the amount of the residual receivable.

Sales proceeds from user fees are recognized in the period in which they arise based on the underlying contracts.

Research and development Research costs are expensed as incurred. Development costs necessarily incurred under construction contracts are capitalized as cost of conversion.

Internally produced intangible assets are capitalized provided the necessary conditions are met.

Government grants Government grants are recognized at fair value provided the Group meets the necessary conditions to receive the grants. 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 purchase of the corresponding asset.

Estimates The preparation of these financial statements requires estimates and assumptions to be made that have an impact on the company's assets, liabilities, provisions, deferred tax assets and liabilities, income and expenses, as well as the contingent assets and liabilities reported. Although such estimates and assumptions are made carefully and in good faith, the actual amounts may differ from these estimates.

Factors that may cause these amounts to differ adversely from projections are a deterioration in the global economy, movements in exchange rates and interest rates, significant litigation, and changes in environmental or other legislation. Production errors, the loss of key customers, and higher funding costs can also impair the Group's future performance.

The section below discusses the possible effects of changes in estimates on the recognition and measurement of assets and liabilities.

a) Goodwill: The Group tests goodwill for impairment once a year. The recoverable amount of cash-generating units (divisions) has been computed based on the value in use. Calculations of the value in use are based on management's assumptions (see Note 6.3).

b) Deferred taxes: In assessing the recoverability of deferred tax assets, management has to judge to what extent they are likely to be realized. Whether the deferred tax assets can actually be realized depends on whether sufficient future tax revenue can be generated against which the temporary differences and NOL carryforwards can be offset. To this end, management considers the time at which the deferred tax liabilities are reversed as well as the future tax revenue anticipated. Given the projections of future business developments, management expects these deferred tax assets to be realized (see Note 8.7).

c) Provisions and contingent liabilities: Changes in estimates of the probability of a present obligation or of a cash outflow can mean that items previously classified as contingent liabilities have to be reported as provisions or that the level of provisioning has to be adjusted (see Note 7.2).

d) Obligations under pension plans: The present value of pension obligations depends on factors based on actuarial assumptions. The assumptions used to calculate the net pension cost include anticipated long-term returns on plan assets and the discount rate. Any changes in these assumptions have an impact on the carrying amount of pension obligations.

The anticipated returns on plan assets are computed on a uniform basis that considers long-term historical returns, asset allocations and estimates of future long-term investment returns.

The appropriate discount rate is determined at the end of each year. This is the interest rate used to calculate the present value of anticipated future cash outflows needed to settle the obligation. To compute the discount rate, the Group uses the interest rate on investment-grade corporate bonds that are denominated in the same currency in which the benefits are paid and whose terms to maturity correspond to those of the pension obligations.

Further material assumptions made for pension obligations are partly based on market conditions (see Note 7.3.1).

e) Construction contracts: The recognition of construction contracts under the percentage-of-completion method is based on management's estimates of the total cost involved in such contracts. Revisions of estimates or discrepancies between the estimated cost and the actual cost have a direct bearing on the profitability of construction contracts. After estimate revisions in the mid tens of millions of euros had impacted adversely on the profitability of such contracts in the previous year, these revisions were in the low tens of millions in 2005.

3. Financial Risk Management

The Group's financial risk management system monitors the risks arising from financial assets and uses derivative financial instruments to hedge certain types of financial risk. This involves identifying, measuring and hedging the existing financial risks in collaboration with the Group's business units based on the financial policy approved by the Executive Board. This financial policy codifies basic principles and guidelines for hedging certain types of risk, such as exchange rate risk, interest rate risk, credit risk and liquidity risk.

Management of currency risk Owing to its international strategy, the Group is exposed to exchange rate risk primarily in relation to the pound sterling, the U.S. dollar, the Australian dollar and the Japanese yen. In order to hedge currency risk arising from future business transactions, foreign-currency assets and liabilities, and buying and selling contracts denominated in foreign currencies, currency forwards are concluded, mainly at divisional level. The divisions act in accordance with rules and procedures prescribed by GEA Group Aktiengesellschaft. Material anticipated cash flows from international projects denominated in foreign currency must be fully hedged.

Management of price risk Price risk arises essentially from the buying of zinc concentrate and from the selling of zinc products. The Group hedges its buying and selling prices by using commodity derivatives. Commodity derivatives are used solely for hedging purposes. The use of derivative instruments is governed by appropriate rules and procedures.

Management of interest rate risk The Group monitors its interest rate risk by following changes in its net interest positions that could adversely impact its future cash flows and implementing suitable hedging strategies. Interest rate instruments are generally used by the Finance department of GEA Group Aktiengesellschaft. At December 31, 2004 and 2005 GEA Group Aktiengesellschaft held no interest rate instruments in its portfolio as there were no material interest rate risks.

Management of credit risk The Group is not exposed to any material credit risks. Its internal rules and procedures ensure that creditworthiness checks are conducted before products or services are sold and before financial transactions are entered into. The GEA Group is exposed to a potential credit risk which may arise if its counterparties fail to meet their contractual obligations. The GEA Group's counterparties for forward exchange deals and interest rate instruments are all reputable banks with an investment-grade rating. The general credit risk related to forward exchange deals and interest rate instruments is therefore not material. The counterparties with respect to commodity derivatives are mainly suppliers resident outside Germany. The GEA Group makes adequate provision for this potential credit risk by making appropriate adjustments on the derivatives it reports. There was no credit risk as of December 31, 2005.

Management of default risk Default risk constitutes the risk that counterparties to transactions involving financial instruments fail to meet their contractual obligations or that they fail to do so in a timely manner. Appropriate adjustments are recognized on the financial assets reported to mitigate the risk of financial losses.

Management of liquidity risk The robust liquidity management systems used by the Group to mitigate liquidity risk involve ensuring the availability of sufficient cash and credit lines and the ability to close out market positions.

4. Disposals and Discontinued Operations

4.1 Dynamit Nobel/Dynamit Nobel Plastics

In October 2003, the GEA Group's Executive Board decided to strategically restructure the Group's businesses; as part of this program, it initiated the process of selling the operations of the former Dynamit Nobel segment. Four of the Dynamit Nobel Group's five business units were sold to the acquisition companies affiliated to Rockwood Specialties Group Inc., Princeton (NJ), U.S.A. (Rockwood) with effect from July 31, 2004. The fifth business unit – Dynamit Nobel Plastics – was due to be sold to Flex-N-Gate Corporation, Urbana (Il), U.S.A. (FNG). After FNG had failed to meet its contractual obligations, despite an extension, the GEA Group's Executive Board utilized its contractual right to withdraw from the deal on September 15, 2004 and subsequently initiated a new process to sell these operations. This process was successfully completed on November 7, 2005. The remaining Plastics business of the former Dynamit Nobel Group was transferred to Plastal Group AB, Kungälv, Sweden, on December 30, 2005.

The financial results of Dynamit Nobel's Plastics business for the period from January 1 to December 30, 2005 are shown below. Up to July 31, 2004 the comparative figures also include the financial results achieved by the Dynamit Nobel Group's other business units.

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004	
		DN Group	thereof Plastics
Sales	**953,436**	1,778,709	914,808
Cost of sales	**– 813,433**	– 1,319,490	– 799,950
Financial income	**2,276**	10,008	3,651
Financial expenses	**– 13,927**	– 33,140	– 15,577
Other expenses and income	**– 69,923**	– 315,184	– 108,160
Earnings before tax	**58,429**	120,903	– 5,228
Income taxes	**– 22,909**	– 46,293	– 12,130
Net income on discontinued operations	**35,520**	74,610	– 17,358

The net income/loss on discontinued operations relating to all activities in the Dynamit Nobel Group in 2005 is broken down as follows:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Current earnings before tax	**58,429**	120,162
Tax on current earnings	**– 22,909**	– 36,626
Net gains/losses on disposals	**– 177,104**	312,082
thereof gains/losses on sales	**– 175,104**	471,848
thereof transaction costs and expense (income) arising from the accrual (reversal) of provisions for guarantees	**– 2,000**	– 159,766
Tax on net gains/losses on disposals	**– 1,945**	– 14,970
Net loss/income on discontinued operations	**– 143,529**	380,648

The cost of accruing provisions for guarantees in 2005 includes a reduction in the provision of EUR 20.0 million set aside for guarantees and warranties in connection with the sale of four of Dynamit Nobel's business units to Rockwood.

The purchase price paid for the Plastics business and the cash generated by this disposal were as follows:

EUR thousand	
Payment from buyer	50,800
thereof purchase price	22,748
thereof repayment of intercompany liabilities	28,052
Deduction of cash	57,761

The table below shows the main groups of assets and liabilities in the Plastics business at the time it was sold on December 30, 2005:

EUR thousand	**12/30/2005**	12/31/2004
Property, plant and equipment	**298,983**	291,153
Intangible assets	**5,482**	5,276
Non-current financial assets	**56,844**	31,744
Inventories	**75,469**	69,674
Sundry assets	**314,443**	169,629
Assets of discontinued operations	**751,221**	567,476
Provisions	**8,203**	11,925
Employee benefits	**67,976**	70,329
Financial liabilities	**315,965**	168,027
Trade payables	**94,344**	107,034
Sundry liabilities	**67,465**	76,975
Liabilities of discontinued operations	**553,953**	434,290

The exemptions granted in connection with the disposal of four of Dynamit Nobel's business units give rise to a potential maximum risk of EUR 400 million, although this figures does not include exemptions for taxation. There is a potential maximum risk of EUR 65 million in connection with the sale of the Plastics business. Claims in both cases can only be enforced if the damage incurred exceeds a certain amount. The lower limit depends on the type of exempted risk. The exemptions are time-limited.

4.2 Boiler Plant business & solvadis

In addition to the Dynamit Nobel Group, the operations of the former solvadis segment and the Boiler Plant business unit were also sold in 2004. The use and reversal of provisions for guarantees and warranties accrued for these disposals had the following impact on earnings and taxes in terms of the net income/loss on discontinued operations in 2005:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Current earnings before tax	**–**	– 51,100
Tax on current earnings	**–**	– 311
Net gains/losses on disposals	**4,165**	– 150,499
thereof loss on sale	**–**	– 110,615
thereof transaction costs and income (expense) arising from the reversal (accrual)		
of provisions for guarantees	**4,165**	– 39,884
Tax on net gains/losses on disposals	**– 19,501**	11,999
Net loss on discontinued operations	**– 15,336**	– 189,911

5. Acquisitions

Process Equipment

Flatplate Inc. (York, U.S.A.) On October 1, Tuchenhagen North America Inc., Portland, U.S.A. acquired 100 percent of the shares in Flatplate Inc., York, U.S.A. It was first consolidated as of December 31, 2005. Flatplate Inc. develops, assembles and markets brazed plate heat exchangers, mainly for the North American market. Because it was not consolidated until December 31, 2005, Flatplate Inc. did not contribute to the Group's net income for 2005. If it had been acquired as of January 1, 2005, Flatplate Inc. would have contributed sales of EUR 9.960 million to segment sales and would have added a net income of EUR 97,000 to segment earnings.

The excess of EUR 5.028 million in the cost of purchase over the fair value of net assets reported is largely due to the acquisition of new customers. Furthermore, the expertise of Flatplate's staff in how to develop, engineer and stamp plate heat exchangers – which cannot be separated from goodwill – was also acquired. The goodwill also includes the synergies expected to be created by the cooperation of the businesses of Flatplate Inc. and GEA Wilchwitzer Thermo-Technik GmbH.

The following assets and liabilities were acquired together with Flatplate Inc. as of October 1, 2005:

EUR thousand

	Fair value	Carrying amount
Property, plant and equipment	1,173	1,173
Intangible assets	463	268
Inventories	673	673
Other assets	1,760	1,760
Provisions	631	631
Trade payables	713	713
Other liabilities	1,432	1,432
Net assets acquired	**1,293**	**1,098**

Continuation of table showing "Assets and liabilities"

	Fair value	
Purchase price included in cash and cash equivalents	6.322	
Cash and cash equivalents acquired	–	
Cash outflow on acquisition	6.322	

Membraflow Group The acquisition of the assets and liabilities (asset deal) of Membraflow Filtersysteme GmbH & Co KG, Aalen-Essingen, and of Membraflow Systems GmbH & Co KG, Aalen-Essingen, (referred to below as Membraflow Group) with effect from October 1, 2005 has further strengthened the market position of the Mechanical Separation division, which forms part of the Process Equipment segment. The Membraflow Group's business includes the production and installation of membrane filtration plants and rounds off its technology portfolio. The company's products are used in speciality mechanical engineering applications for the food, chemical and pharmaceutical industries. Although the company's business is still centered on Europe, its strongest growth is coming from the U.S. and Asia.

The company's first-time consolidation at October 1, 2005 gave rise to goodwill of EUR 1.799 million on the consolidated balance sheet. The value of goodwill is based on the value represented by the net assets acquired as a combined functional unit. It also derives from the fair value of synergies expected to be created by the company's integration into the Mechanical Separation division. These synergies are likely to come from distribution, plant engineering and purchasing.

The following assets and liabilities were acquired together with Membraflow at the date of acquisition:

EUR thousand

	Fair value
Property, plant and equipment	3,932
Intangible assets	718
Inventories	351
Other assets	72
Provisions	– 72
Net assets acquired	**5,001**
Purchase price included in cash and cash equivalents	2,267
Cash and cash equivalents acquired	–
Cash outflow on acquisition	2,267

As the acquisition of the Membraflow Group was structured as an asset deal and no IFRS financial statements data is available for the companies acquired, it is impossible to say what sort of contribution the acquired assets would have made to segment earnings if they had been acquired on January 1, 2005.

The cost of purchase for the above acquisitions, the net assets acquired and the goodwill for the entire Process Equipment segment are as follows:

EUR thousand	
Cost of acquisition	13,122
thereof purchase price included in cash and cash equivalents	8,589
Fair value of net assets acquired	6,294
Goodwill	6,828

Process Engineering

2H Kunststoff GmbH (Wettringen) The Energy Technology division acquired all of the shares in 2H Kunststoff GmbH, Wettringen, with effect from March 1, 2005. 2H Kunststoff GmbH develops, manufactures and sells plastic components for cooling towers, water and sewage treatment, mass transfer and special applications.

As from March 1, 2H Kunststoff GmbH contributed net income of EUR 2.995 million to segment earnings for 2005. Had it been acquired on January 1, 2005, it would have contributed sales of EUR 13.791 million and earnings of EUR 3.184 million.

The goodwill of EUR 15.842 million arising on acquisition includes potential cash flow from growth opportunities and potential cost savings, especially in distribution through the shared use of existing sales channels and in purchasing through lower processing costs.

L&T Niro (Mumbai, India) On May 26, 2005, Niro A/S, Søborg, Denmark, acquired the remaining 50 percent of the shares in L&T-Niro Ltd., Mumbai, India, and the business of L&T Food (share deal), a division of Larsen & Toubro Ltd., Mumbai, India. L&T Niro is engaged in the business of powder and pulverization technology. This technology is applied in the food, pharmaceutical, chemical and dairy industries. L&T Food's activities focus on technologies and processes used in liquid processing, especially cooling, evaporation, extraction, heating and membrane filtration. This deal strengthens the division's position in the important and growing Indian market for dairy produce.

In 2005, the businesses of L&T Niro and L&T Food generated earnings of EUR 671,000 on sales of EUR 9.198 million from the date of their acquisition. The sales and earnings of the merged business cannot be stated in accordance with IFRS for the whole of 2005 as Indian accounting standards were used prior to the acquisitions.

The goodwill of EUR 11.532 million arises from the anticipated potential for cost savings created by merging the businesses of L&T Niro and L&T Food. The GEA Group's stronger presence in the Indian market is expected to reap additional synergies.

STERIS GmbH (Hürth) Niro GmbH, Müllheim, acquired all the shares in STERIS GmbH, Hürth, a subsidiary of U.S.-based STERIS Corp., on October 31, 2005. STERIS GmbH (renamed GEA Lyophil GmbH) is in the business of freeze-drying for pharmaceutical products. Its operations will strengthen the Process Engineering division, which forms part of the Process Engineering segment.

Because STERIS GmbH was not consolidated as part of GEA Group Aktiengesellschaft until December 31, 2005, it did not make any contribution to earnings. It is not possible to compute the company's sales and earnings from the theoretical acquisition date of January 1, 2005 in accordance with IFRS because the company previously used German accounting standards.

The EUR 22.215 million excess of the purchase price over the remeasured net assets acquired essentially arises from the company's unreported expertise in supplying plant and equipment for the production of solid drugs. Its technological expertise ranges from batching and weighing to granulation and drying as well as pressing the finished tablets.

The cost of the acquisitions, the net assets acquired and the goodwill for the entire Process Engineering segment are as follows:

EUR thousand	
Cost of acquisitions	45,227
thereof purchase price included in cash and cash equivalents	39,194
Fair value of net assets acquired	– 4,362
Goodwill	49,589

The following assets and liabilities accrued to the Process Engineering segment at the respective dates of the above acquisitions in 2005:

EUR thousand	Fair value	Carrying amount
Cash and cash equivalents	9,798	9,798
Property, plant and equipment	4,270	4,343
Inventories	2,507	2,738
Other assets	17,244	28,357
Provisions	15,726	11,777
Trade payables	5,497	5,064
Other liabilities	16,958	28,469
Net assets acquired	**– 4,362**	**– 74**
Purchase price included in cash and cash equivalents	39,194	–
Cash and cash equivalents acquired	9,798	–
Cash outflow on acquisition	29,396	–

6. Notes to the Consolidated Balance Sheet: Assets

6.1 Property, plant and equipment

The changes in property, plant and equipment were as follows:

EUR thousand

	Land and buildings (used by GEA Group)	Plant and equipment	Office furniture and equipment	Construction in progress	**Total**
01/01/2004					
Cost	461,288	545,336	281,194	28,978	**1,316,796**
Cumulative depreciation					
and impairment	– 220,761	– 455,008	– 233,538	– 99	**– 909,406**
Net carrying amount	240,527	90,328	47,656	28,879	**407,390**
Change in 2004					
Additions	8,586	15,824	17,891	24,644	**66,945**
Disposals	– 5,670	– 7,863	– 2,421	– 5,984	**– 21,938**
Depreciation	– 13,923	– 26,181	– 19,667	– 17	**– 59,788**
Impairment	– 1,621	– 125	–	–	**– 1,746**
Change in scope of consolidation	5,824	11,438	826	1,923	**20,011**
Currency translation	179	– 165	– 282	– 32	**– 300**
Other changes	7,490	11,865	1,264	– 20,723	**– 104**
Net carrying amount					
at 12/31/2004	241,392	95,121	45,267	28,690	**410,470**
12/31/2004					
Cost	470,402	557,453	264,067	28,811	**1,320,733**
Cumulative depreciation					
and impairment	– 229,010	– 462,332	– 218,800	– 121	**– 910,263**
Net carrying amount	241,392	95,121	45,267	28,690	**410,470**
Change in 2005					
Additions	12,059	18,002	17,700	32,024	**79,785**
Disposals	– 34,184	– 1,507	– 1,499	– 1,478	**– 38,668**
Depreciation	– 14,205	– 23,989	– 17,511	– 43	**– 55,748**
Change in scope of consolidation	3,418	5,576	2,320	1,077	**12,391**
Currency translation	2,949	1,911	1,218	376	**6,454**
Reclassified as "held for sale"	–	– 314	– 455	–	**– 769**
Other changes	497	12,987	4,488	– 19,134	**– 1,162**
Net carrying amount					
at 12/31/2005	211,926	107,787	51,528	41,512	**412,753**
12/31/2005					
Cost	430,741	537,388	262,419	41,660	**1,272,208**
Cumulative depreciation					
and impairment	– 218,815	– 429,601	– 210,891	– 148	**– 859,455**
Net carrying amount	211,926	107,787	51,528	41,512	**412,753**

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives based on their respective residual values:

	Useful life (years)
Buildings	10 to 50
Plant and equipment	3 to 30
Office furniture and equipment	3 to 20

The residual values and useful lives applied are reviewed at each balance sheet date and adjusted where necessary.

Property, plant and equipment includes land and buildings, plant and equipment, and office furniture and equipment on finance leases.

EUR thousand

	2005	2004
Cost of purchase: capitalized equipment on finance leases	**12,183**	11,872
Cumulative depreciation and impairment	**6,309**	6,130
Net carrying amount	**5,874**	5,742

The carrying amount of land and buildings serving as mortgage security for credit lines came to EUR 652,000 at the balance sheet date (2004: EUR 3.756 million). In 2005, EUR 4.205 million (2004: EUR 1.432 million) was recognized as own work capitalized under property, plant and equipment. The disposal of property, plant and equipment resulted in a total accounting profit of EUR 16.556 million (2004: EUR 7.158 million).

6.2 Investment property

The following table shows the changes in investment property in 2005:

EUR thousand

	Land	Buildings	**Total**
01/01/2004			
Cost	16.371	40.039	**56.410**
Cumulative depreciation and impairment	– 3.853	– 15.929	**– 19.782**
Net carrying amount	12.518	24.110	**36.628**

Continuation of table showing changes in "Investment property"

	Land	Buildings	**Total**
Change in 2004			
Additions	–	4,695	**4,695**
Disposals	– 3,093	– 9,207	**– 12,300**
Depreciation	–	– 2,541	**– 2,541**
Other changes	14,248	15,098	**29,346**
Net carrying amount at 12/31/2004	23,673	32,155	**55,828**
12/31/2004			
Cost	27,526	50,620	**78,146**
Cumulative depreciation and impairment	– 3,853	– 18,465	**– 22,318**
Net carrying amount	23,673	32,155	**55,828**
Change in 2005			
Additions	991	2,155	**3,146**
Disposals	– 534	– 362	**– 896**
Depreciation	–	– 2,088	**– 2,088**
Impairment	–	– 668	**– 668**
Currency translation	– 1	1	**–**
Other changes	– 19	–	**– 19**
Net carrying amount at 12/31/2005	24,110	31,193	**55,303**
12/31/2005			
Cost	27,963	51,973	**79,936**
Cumulative depreciation and impairment	– 3,853	– 20,780	**– 24,633**
Net carrying amount	24,110	31,193	**55,303**

The fair value of investment property comes to EUR 74.602 million (2004: EUR 69.540 million). Fair values have been computed based on comparative prices.

The value of one investment property is permanently impaired owing to a deterioration in it's physical condition and letting situation and a general fall in rents. An adjustment of EUR 668,000 (2004: EUR 0) was recognized in the year under review.

The other changes in 2005 relate to assets belonging to the project company Daimlerstrasse GmbH & Co. KG that were classified as held for sale at December 31, 2003. After a prospective buyer had withdrawn there were no further plans to sell these assets in 2004, and they are therefore reported under property, plant and equipment.

The following amounts were reported in the income statement in connection with investment property:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Rental income	**21,906**	21,121
Selling, general and administrative expenses	**23,387**	26,721
thereof for property on which rental income was earned	**23,387**	26,721
Total	**– 1,481**	– 5,600

6.3 Intangible assets

The changes in the carrying amounts of intangible assets in 2005 were as follows:

EUR thousand

	Goodwill	Software	Other	**Total**
01/01/2004				
Cost	1,265,698	57,925	37,455	**1,361,078**
Cumulative amortization and impairment	– 129,337	– 42,788	– 29,602	**– 201,727**
Net carrying amount	1,136,361	15,137	7,853	**1,159,351**
Change in 2004				
Additions	52,596	7,220	1,434	**61,250**
Disposals	– 235	– 307	– 61	**– 603**
Amortization	–	– 8,007	– 2,543	**– 10,550**
Change in scope of consolidation	–	875	1,523	**2,398**
Currency translation	– 2,331	13	– 9	**– 2,327**
Other changes	–	115	– 14	**101**
Net carrying amount at 12/31/2004	1,186,391	15,046	8,183	**1,209,620**
12/31/2004				
Cost	1,315,418	62,746	38,595	**1,416,759**
Cumulative amortization and impairment	– 129,027	– 47,700	– 30,412	**– 207,139**
Net carrying amount	1,186,391	15,046	8,183	**1,209,620**
Change in 2005				
Additions	88,134	8,594	2,777	**99,505**
Disposals	– 208	– 235	– 23	**– 466**
Amortization	–	– 8,635	– 3,412	**– 12,047**
Change in scope of consolidation	–	219	995	**1.214**
Currency translation	6,016	78	117	**6,211**
Reclassified as "held for sale"	–	–	– 10	**– 10**
Other changes	–	425	757	**1,182**
Net carrying amount at 12/31/2005	1,280,333	15,492	9,384	**1,305,209**
12/31/2005				
Cost	1,410,088	72,541	41,134	**1,523,763**
Cumulative amortization and impairment	– 129,755	– 57,049	– 31,750	**– 218,554**
Net carrying amount	1,280,333	15,492	9,384	**1,305,209**

Intangible assets acquired for a consideration are amortized on a straight-line basis over their estimated useful life. The useful economic lives applied are as follows:

	Useful life (years)
Patents, licenses, trademarks and similar rights and assets,	
including licenses for such rights and assets	3 to 15
Capitalized software	3 to 10

Goodwill The value in use of each division was determined using the discounted cash flow method as part of the impairment test conducted in the fourth quarter. This implies the theoretical assumption of a debt-free enterprise. The cash flows generally used in the calculation are the operating cash flow for the last fiscal year, the expected operating cash flow for the current fiscal year and the forecasts for the next three years. For periods thereafter, cash flows are based on the average of the above fiscal years, with a risk premium of 10 percent being deducted from this average. Anticipated operating cash flows are derived from the consolidated medium-term planning carried out by subsidiaries. Any material one-off items are adjusted in both actual and forecast data. Planning is based on specific assumptions regarding changes in the global economy, the price of raw materials and exchange rates. The weighted average growth rates used are essentially consistent with forecasts made in industrial reports. The discount rates used are pre-tax interest rates and reflect the specific risks inherent in the respective segments.

A uniform growth rate of 1 percent and a pre-tax discount rate of 9.04 percent were assumed.

As in 2004, the impairment tests conducted confirmed the recoverability of all existing goodwill. Goodwill on discontinued operations was written off as of December 31, 2004 based on the disposal proceeds anticipated by the GEA Group's Executive Board.

Software and other intangible assets Software and other intangible assets of EUR 24.876 million (2004: EUR 23.229 million) include patents, licenses, trademarks and similar rights and assets, including licenses for such rights and assets.

The useful lives of software and all other intangible assets can be estimated.

Intangible assets reported in 2005 have an average useful life of 9.5 years (patents, licenses, trademarks and similar rights and assets, including licenses for such rights and assets) and 3.8 years (software).

Amortization of intangible assets in 2005 amounting to EUR 12.047 million (2004: EUR 10.550 million) is shown under functional costs.

6.4 Investments in enterprises reported at equity

Investments in enterprises reported at equity are reported at a carrying amount of EUR 20.804 million (2004: EUR 14.683 million) at December 31, 2005. Associates and joint ventures with a total carrying amount of EUR 20.984 million (2004: EUR 14.860 million) are held.

The following list summarizes the key figures for associates reported at equity at December 31, 2005. The relevant figures are stated in full and are based on the most recently available annual financial statements in each case.

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Sales	**107,739**	130,134
Net income	**6,940**	– 10,407

EUR thousand

	12/31/2005	12/31/2004
Assets	**245,665**	202,222
Liabilities	**216,656**	180,076

At the balance sheet date, one associate was not reported at equity for reasons of materiality. Its cumulative total assets and net income are immaterial as a share of the GEA Group's total assets and net income.

At December 31, 2005, three (2004: three) investments in joint ventures are reported at equity in the consolidated financial statements. Their assets, liabilities, income and expenses are broken down as follows:

EUR thousand

	2005	2004
Non-current assets	**1,106**	87
Current assets	**14,162**	7,236
Non-current liabilities	**1,278**	52
Current liabilities	**9,983**	6,259
Sales	**14,253**	7,751
Net income	**1,111**	431

In 2005, an investment in a joint venture that had previously been written down was written up by EUR 1.619 million to its proportionate equity of EUR 2.163 million owing to a sharp increase in its business volumes.

6.5 Other financial assets

The table below gives a breakdown of other financial assets:

EUR thousand

	12/31/2005	12/31/2004
Investments in subsidiaries and other investments	**38,172**	35,195
Other securities	**2,620**	2,808
Loans and receivables	**40,593**	68,079
Financial derivatives	**2,166**	12,477
Sundry financial assets	**2,274**	3,508
Other non-current financial assets	**85,825**	122,067
Other securities	**11,767**	55,794
Loans and receivables	**138,026**	173,599
Financial derivatives	**9,731**	39,322
Other sundry financial assets	**22,231**	18,522
Other current financial assets	**181,755**	287,237
Total	**267,580**	409,304

Other securities Other securities are broken down into current and non-current as follows:

EUR thousand

	12/31/2005	12/31/2004
Carried on the balance sheet at fair value	**2,225**	2,646
Carried at amortized cost under the effective interest method	**395**	162
Other non-current securities	**2,620**	2,808
Carried on the balance sheet at fair value	**7,747**	55,244
Carried at amortized cost under the effective interest method	**4,020**	550
Other current securities	**11,767**	55,794
Total	**14,387**	58,602

The current and non-current investments and securities carried on the balance sheet at fair value are broken down as follows into equity instruments and debt instruments:

EUR thousand

	12/31/2005	12/31/2004
Equity instruments	**4.743**	4.864
Debt instruments	**5.229**	53.026
Total securities carried on the balance sheet at fair value	**9.972**	57.890

The equity instruments listed in the table above represent investments in listed shares which should provide the GEA Group with both dividend income and income from capital gains. The fair value of these securities was based on published market prices in all cases.

The average coupon on the debt instruments was 5.4 percent (2004: 3.0 percent). Money-market fund units worth EUR 50.0 million were sold in 2005.

Loans and receivables Loans and receivables with a nominal value of EUR 178.619 million are reported at the balance sheet date (2004: EUR 241.678 million). The two tables below give a breakdown of this amount.

The loans consist of the following items:

EUR thousand

	12/31/2005	12/31/2004
Loans to subsidiaries	**25**	4,377
Loans to other investments	**3,042**	3,552
Other loans	**15,030**	15,348
Total	**18,097**	23,277

The loans have an average term of five years. The longest term of the loans outstanding at the balance sheet date was eight years. The effective interest rate varied between 2 percent and 15 percent. The average interest rate was 4 percent. Neither the average term nor the average interest rate differed materially from those in 2004.

The fair value of receivables is their nominal value. Assets are classified as current or non-current as follows:

EUR thousand

	12/31/2005		12/31/2004	
	Non-current	**Current**	Non-current	Current
Other receivables from subsidiaries	**–**	**30,267**	252	8,350
Other receivables from investments	**482**	**9,736**	–	5,196
Receivables from tax authorities	**–**	**40,763**	–	37,678
Sundry other receivables	**22,014**	**57,260**	44,550	122,375
Total	**22,496**	**138,026**	44,802	173,599

The receivables from tax authorities consist primarily of Value added tax rebates.

Financial derivatives Derivative financial instruments are used in the following types of hedges:

Interest rate instruments: The fair value of interest rate swaps and options is determined using discounted anticipated future cash flows based on the market interest rates applicable to the residual maturities of these financial instruments. Options are measured using widely recognized option pricing models. Changes in the fair value of interest rate swaps included in cash flow hedges to cover floating-rate bank loans are reported as accumulated other comprehensive income/loss. Gains and losses on interest rate instruments are reported as interest expense or interest income.

Commodity derivatives: The fair value of commodity derivatives is obtained by measuring all contracts at the market terms prevailing at the balance sheet date, and thus corresponds to the actual value of the contract portfolio at the end of the year. The fair value of exchange-traded contracts is derived from their market price. The value of contracts not traded on an exchange is determined on the basis of market conditions.

Management of foreign exchange risk: The hedging of foreign exchange risks inherent in firm commitments and forecasted transactions is accounted for as a cash flow hedge. The hedging instruments used are forward exchange deals whose fair value is determined using current balance-sheet-date reference rates that take account of forward premiums and discounts. Hedge accounting is not generally used to hedge recognized assets and liabilities. Changes in the fair value of derivatives – and countervailing movements in the value of the respective assets and liabilities – are recognized in income.

The following derivative financial instruments were reported at their fair value at the balance sheet date:

EUR thousand

	12/31/2005		12/31/2004	
	Assets	**Liabilities**	Assets	Liabilities
Forward exchange deals	**11,586**	**20,157**	51,314	5,751
Interest rate instruments	**–**	**–**	144	–
Commodity derivatives	**311**	**4,205**	341	1,997
Total	**11,897**	**24,362**	51,799	7,748
thereof current	**9,731**	**21,262**	39,322	7,647

At December 31, 2005, cumulative gross losses (2004: gross gains) on currency derivatives used as cash flow hedges are reported as an accumulated other comprehensive loss of EUR 12.792 million (2004: income of EUR 18.036 million). The majority of hedged cash flows will arise in 2006.

The hedged notional amounts of derivatives are as follows:

EUR thousand

	12/31/2005	12/31/2004
Forward exchange deals	**856,799**	748,546
Interest rate instruments	**–**	94,004
Commodity derivatives	**101,552**	42,617
Total	**958,351**	885,167

71 percent (2004: 48 percent) of the hedged cash flows from the cash flow hedges designated at the balance sheet date are likely to fall due in the following year. As most cash flow hedges are used to hedge financial assets, they are taken to income as soon as the cash flow arises.

Sundry other financial assets The sundry other financial assets at the balance sheet date consisted exclusively of prepaid expenses of EUR 24.505 million (2004: EUR 22.030 million), of which EUR 22.231 million (2004: EUR 18.522 million) is classified as current.

6.6 Inventories

The table below gives a breakdown of inventories:

EUR thousand

	12/31/2005	12/31/2004
Raw materials and consumables	**119,728**	104,418
Work in process	**86,661**	80,503
Construction in progress	**33,871**	33,414
Finished goods and merchandise	**134,972**	132,228
Advances paid	**46,895**	29,571
Total inventories in continuing operations	**422,127**	380,134
Total inventories in discontinued operations	**–**	69,674
Total inventories	**422,127**	449,808

Of the continuing operations' inventories amounting to EUR 422.127 million (2004: EUR 380.134 million) available at December 31, 2005, EUR 223.286 million (2004: EUR 117.358 million) are reported at their net realizable value. During the year under review, impairment of EUR 9.941 million (2004: EUR 13.046 million) was charged on inventories. Owing to price rises in the market, impairment of EUR 409,000 made on inventories in previous years was reversed (2004: EUR 209,000).

6.7 Trade receivables

The table below gives a breakdown of trade receivables:

EUR thousand

	12/31/2005	12/31/2004
Trade receivables	**790,754**	634,611
thereof from subsidiaries	**27,494**	19,191
thereof from investments	**3,494**	12,186
Construction contracts with net credit balance toward customers	**434,916**	281,891
Total	**1,225,670**	916,502

The carrying amounts of trade receivables correspond to their fair value.

Trade receivables include receivables of EUR 16.153 million (2004: EUR 31.286 million) that are not expected to be realized until 12 months after December 31, 2005. Total specific adjustments on trade receivables amounted to EUR 62.624 million (2004: EUR 54.586 million); total general adjustments came to EUR 4.936 million (2004: EUR 8.340 million).

The average credit period and the average volumes of receivables outstanding are in line with the general market.

Construction contracts Construction contracts with a net credit or debit balance toward customers are broken down as follows:

EUR thousand

	12/31/2005	12/31/2004
Capitalized cost of conversion arising from construction contracts	**2,390,275**	2,334,121
plus PoC gains or losses	**237,802**	160,874
less anticipated losses	**1,202**	21,016
less progress billing amounts	**2,191,959**	2,192,088
Construction contracts with net credit balance toward customers		
(included in trade receivables)	**434,916**	281,891
Excess of anticipated losses over the sum of costs incurred and realized gains or losses	**– 70**	–
Excess of progress billing amounts over the sum of costs incurred, realized gains or losses		
and anticipated losses	**– 370,917**	– 268,096
Construction contracts with net debit balance toward customers		
(included in other liabilities)	**– 370,987**	– 268,096
Total	**63,929**	13,795

At December 31, 2005, advances of EUR 46.887 million had been received from construction contracts (2004: EUR 38.708 million). During the year under review, sales of EUR 3,350.016 million (2004: EUR 3,056.146 million) were earned from construction contracts.

6.8 Income tax assets

Income tax assets at the balance sheet date came to EUR 6.408 million (2004: EUR 30.596 million). All income tax receivables fall due within one year.

6.9 Cash and cash equivalents

Cash and cash equivalents at the balance sheet date are as follows:

EUR thousand

	12/31/2005	12/31/2004
Unrestricted cash and cash equivalents	**424,363**	583,468
Restricted cash and cash equivalents	**40,376**	1,613
Total	**464,739**	585,081

The effective interest rate on short-term bank deposits was 2.01 percent (2004: 2.05 percent). The restricted cash and cash equivalents mainly consisted of a credit balance held in a notarial trust account. Payment was received on December 30, 2005. After the underlying sale of real estate had been entered in the land register, the cash was released on February 21, 2006.

6.10 Assets held for sale and liabilities related to assets held for sale

The assets of EUR 23.358 million (2004: EUR 568.013 million) held for sale and the liabilities of EUR 12.943 million (2004: EUR 402.764 million) directly related to them, both of which are reported on the face of the balance sheet, comprise assets and liabilities from discontinued operations (see Note 4) and other assets held for sale.

The other assets of EUR 23.358 million (2004: EUR 218,000) held for sale essentially consist of land and buildings as well as the assets of Claus Queck GmbH, which was for sale at the balance sheet date. The company's liabilities of EUR 12.943 million are shown separately on the face of the consolidated balance sheet. The disposal of Claus Queck GmbH was completed on February 28, 2006.

7. Notes to the Consolidated Balance Sheet: Equity and Liabilities

7.1 Equity

Issued capital The issued capital of GEA Group Aktiengesellschaft amounted to EUR 496.890 million at December 31, 2005 and remained unchanged during the year under review. It consists of 194,366,618 no par value bearer shares.

Each equity security accounts for a rounded notional EUR 2.56 (DM 5) of the issued capital.

Authorized capital

EUR thousand

	Resolution adopted by Annual Shareholders' Meeting	Expiring on	Amount
Authorized capital I	March 28, 2002	March 27, 2007	77,000
Authorized capital II	June 21, 2004	June 20, 2009	48,000
Authorized capital III	June 21, 2004	June 20, 2009	123,000
Total			**248,000**

With the **authorized capital I,** the Executive Board is authorized, with Supervisory Board approval, to increase the issued capital by issuing new no par value shares against cash contributions on one or more occasions and, in doing so, to determine a starting date for profit participation other than that stipulated by law pursuant to section 5 (4) of the articles of incorporation.

The **authorized capital II** allows the Executive Board, with Supervisory Board approval, to increase the issued capital through the issue, on one or more occasions, of new no par value shares against cash contributions and, pursuant to section 5 (4) of the articles of incorporation, in doing so to determine a starting date for profit participation other than that stipulated by law. The Executive Board is authorized, with Supervisory Board approval, to exclude shareholders' options for fractional amounts. Furthermore, the Executive Board is authorized, with Supervisory Board approval, to exclude options unless the issue price of the new shares is substantially below the market price of shares in the company issued under the same terms and conditions at the time the issue price was determined.

The **authorized capital III** allows the issued capital to be increased through the issue, on one or more occasions, of new no par value shares against non-cash contributions, and the Executive Board may, pursuant to section 5 (4) of the articles of incorporation, determine a starting date for profit participation other than that stipulated by law. Furthermore, the Executive Board is authorized, with Supervisory Board approval, to decide on the exclusion of options and to determine the further details of the capital increase and the conditions governing the issuance of shares.

Conditional capital

EUR thousand

	12/31/2005	12/31/2004
Stock option program	**25,511**	25,511
GEA shareholders' right to compensation pursuant to section 305 of the German Joint Stock Corporation Act (AktG)	**3,211**	3,211
Convertible participatory capital	**1**	1
Total	**28,723**	28,723

By resolution of the Extraordinary Shareholders' Meeting of August 20, 1999, the conditional capital was increased by a total of EUR 101.805 million, divided into up to 39,822,608 bearer shares. The conditional capital increase was used to grant compensation in the form of shares of the former mg technologies ag to external shareholders of the former GEA Aktiengesellschaft, Bochum, following the conclusion of a control and profit transfer agreement between these two companies. An appeal still pending before the regional court in Dortmund is to rule on the appropriateness of the cash payment and compensation specified in the control and profit transfer agreement. The conditional capital increase will only be carried out to the extent that the external shareholders of the former GEA Aktiengesellschaft existing prior to the squeeze-out utilize any right they may have to compensation once the court has given its final ruling on the appeal.

For information on the conditional capital relating to the stock option program and the convertible participatory capital, please refer to the section on the stock option program.

Stock option program As part of a stock option program based on a conditional capital of EUR 28.121 million, the Annual Shareholders' Meeting of GEA Group Aktiengesellschaft of March 31, 2000 decided to authorize the Executive Board, with Supervisory Board approval, to issue on one or more occasions up to 11 million option rights with a maximum maturity of five years to Group executives on or before September 30, 2005. Shareholders' statutory option rights are excluded.

The stock option program is offered annually to executives of the Group in tranches, each of which runs for a period of three years.

Eligible executives have the right to convert the option rights into shares of GEA Group Aktiengesellschaft at a ratio of 1 for 1. The stock-purchasing rights may only be exercised during a period of four weeks following the Annual Shareholders' Meeting in the third fiscal year after the option rights have been issued. The aim of the program is to increase average pre-tax earnings per share (pre-tax EPS) during the three-year period between subscription and exercise of such rights (EPS performance value) in relation to average pre-tax EPS during the three years prior to subscription (base EPS value). This quotient constitutes the profit increase factor. The options can only be exercised if the EPS performance value exceeds the base EPS value, i.e. if the profit increase factor is at least 1 (program target).

The purchase price for one no par value share is determined by dividing the share's market price by the profit increase factor at the time of exercise. The applicable market price is the average closing price for the share in Xetra trading on the Frankfurt Stock Exchange over the five trading days following the Annual Shareholders' Meeting of GEA Group Aktiengesellschaft in the year of the respective exercise.

In April 2002, those eligible had the opportunity to participate in the stock option program. To this end, GEA Group Aktiengesellschaft issued 1,633,000 option rights (2002/2005) in June 2002. As the program target was not achieved, no option rights were exercised in 2005. The option rights of the 2002/2005 tranche have therefore expired.

In June 2003, those eligible had their final opportunity to participate in the stock option program. To this end, GEA Group Aktiengesellschaft issued 1,464,000 option rights (2003/2006) in July 2003. Eligible participants can exercise the option rights after the Annual Shareholders' Meeting for 2006 provided the program target is met. The number of option rights issued in this tranche fell to 912,000 at December 31, 2005 owing to the fact that eligible participants had left the company.

As no more options have been expected to be exercised since 2004, no more expense has been charged for them since this date. The expense of EUR 3.112 million already charged for the options outstanding at the time was cancelled in 2004.

The 2003/2006 tranche represents the end of the stock option program based on the resolution adopted by the Annual Shareholders' Meeting on March 31, 2000.

Additional paid-in capital The amount of additional paid-in capital was unchanged at EUR 1,077.076 million. It does not include any other additional payments pursuant to section 272 (2) number 4 of the German Commercial Code (HGB).

Retained earnings The changes in retained earnings are shown in the statement of changes in equity.

The distribution of profits is determined by the annual financial statements of GEA Group Aktiengesellschaft prepared in accordance with German accounting standards.

The distributable profit of GEA Group Aktiengesellschaft came to EUR 22.012 million at December 31, 2005.

Accumulated other comprehensive loss/income The accumulated other comprehensive income/loss includes the gains or losses on financial assets carried on the balance sheet at fair value, the effective portion of the change in fair value of derivatives designated as cash flow hedges, and the gains or losses on exchange differences arising from currency translation at foreign subsidiaries. The table below shows the changes in accumulated other comprehensive income/loss in 2005:

EUR thousand

	12/31/2005	12/31/2004
Accumulated other comprehensive loss/income at the beginning of the year	**– 360**	5,316
Change in unrealized gains/losses on securities carried on the balance sheet at fair value	**997**	254
Realized gains on securities carried on the balance sheet at fair value	**– 160**	– 1,291
Tax effect of securities carried on the balance sheet at fair value	**– 319**	493
Total gains/losses on securities carried on the balance sheet at fair value	**518**	– 544
Change in unrealized gains/losses on cash flow hedges	**– 22,523**	18,088
Realized losses/gains on derivatives	**– 8,305**	– 8,782
Tax effect of derivatives	**12,769**	– 3,717
Total losses/gains on hedging transactions	**– 18,059**	5,589
Total gains/losses on currency translation	**34,319**	– 10,721
Accumulated other comprehensive income/loss at the end of the year	**16,418**	– 360

Deduction of treasury shares from equity Treasury shares of EUR 65.263 million (2004: EUR 64.584 million) have been deducted from equity at December 31, 2005. The number of treasury shares comes to 6,421,002.

Minority interest After the squeeze-out implemented in 2005 and the disposal of the Dynamit Nobel Plastics Group, there is only a small remaining minority interest of EUR 884,000 in the GEA Group's companies (2004: EUR 38.897 million).

7.2 Provisions

The table below gives a breakdown of provisions and their changes during 2005:

EUR thousand

	Guarantees, warranties	Litigation risks	Follow-up costs	Environmental protection, mining	Other provisions	**Total**
Balance at 01/01/2005	172,866	136,261	37,588	47,936	190,585	**585,236**
thereof non-current	84,094	129,466	4,280	46,715	40,801	**305,356**
thereof current	88,772	6,795	33,308	1,221	149,784	**279,880**
Additions	39,850	1,770	39,753	1,158	70,850	**153,381**
Used	– 43,407	– 156	– 21,321	– 3,376	– 79,681	**– 147,941**
Reversed	– 28,812	– 1,632	– 7,005	– 165	– 26,226	**– 63,840**
Consolidation	3,183	765	– 230		3,933	**7,651**
Effect of change in interest rate	–	–	–	329	570	**899**
Accrued interest	–	6,384	–	1,286	240	**7,910**
Exchange differences	923	339	388	16	1,614	**3,280**
Balance at 12/31/2005	144,603	143,731	49,173	47,184	161,885	**546,576**
thereof non-current	49,469	138,594	2,603	45,734	44,401	**280,801**
thereof current	95,134	5,137	46,570	1,450	117,484	**265,775**

Provisions for guarantees and warranties Provisions for guarantees include provisions for indemnities as well as warranties and guarantees related to the disposal of businesses. Provisions for guarantees also relate to warranties on products. The guarantees and warranties on which they are based are usually granted, as is customary in the industry, in connection with certain performance criteria relating to plant, equipment or products (e.g. output guarantee, quality of product manufactured). Warranties generally run for between one and two years from the time when delivery of the products, plant or equipment is accepted. In addition to warranties explicitly agreed by contract, many countries also recognize product liability arrangements, which in some cases may stipulate that the manufacturer is liable beyond the contractually agreed life of the warranty. In some cases there are rights of recourse in the form of insurance reimbursements or subcontractors' guarantees. The level of provisions is based on management's best estimate.

Litigation risk Provisions for risks arising from impending or pending litigation against the GEA Group were accrued if, based on past events, there is justified cause for litigation. Assessments by the lawyers and legal experts representing the company were used to determine the likelihood of such litigation. The probable damages or sanctions have been recognized.

Follow-up costs This item comprises the cost of residual work (e.g. repairs) that is incurred subsequently, i.e. after the contract has already been invoiced and the gains or losses on the contract have been realized. The amount of the anticipated cost is recognized.

Environmental protection, mining This item essentially comprises provisions of EUR 37.491 million for the clean-up of pit water and groundwater. Because of a lack of legal precedents, the law is unclear as to the amount and duration of the company's obligation to clean up pit water. The amount of this obligation will be influenced by the attempts to clarify the legal position on this issue in collaboration with the mining authorities and the federal state of North Rhine-Westphalia. The level of provisions is based on the best-possible estimate.

Other provisions Other provisions include provisions for impending losses of EUR 39.259 million (2004: EUR 29.009 million), provisions for restructuring of EUR 7.857 million (2004: EUR 11.489 million) and sundry other provisions of EUR 114.769 million (2004: EUR 150.087 million). Most of the provisions for impending losses (EUR 24.396 million) have been accrued for impending losses on leases. Sundry other provisions during the year under review essentially comprised provisions of EUR 18.242 million for the repayment of investment subsidies.

7.3 Obligations to employees

The table below gives a breakdown of obligations to employees:

EUR thousand

	12/31/2005	12/31/2004
Obligations under pension plans	**607,464**	603,768
thereof defined-benefit pension plans	**606,381**	602,784
thereof defined-contribution pension plans	**1,083**	984
Liabilities from supplementary healthcare benefits	**45,121**	45,981
Other pension-related obligations	**6,957**	6,705
Preretirement part-time employment	**29,895**	34,004
Cost of long-service awards	**6,327**	5,895
Non-current obligations to employees	**695,764**	696,353
Redundancy and severance pay	**10,517**	24,453
Outstanding vacation and flexitime/overtime credits	**46,518**	41,274
Bonuses	**45,056**	47,503
Other obligations to employees	**37,624**	31,181
Current obligations to employees	**139,715**	144,411
Total obligations to employees	**835,479**	840,764

7.3.1 Defined-benefit pension plans

Pension obligations and funded status Pension benefits are granted to a large number of employees in the GEA Group. The benefits in Germany usually consist of pension entitlements. Employees generally receive fixed pension amounts per year of service. The subsidiaries outside Germany operate country-specific pension plans, some of which are funded. Benefit obligations in Germany are primarily unfunded.

All German pension plans were computed at December 31, 2005 based on the 2005G Heubeck mortality tables. With the exception of the Customized Systems, Process Equipment and Process Engineering segments, German companies' ongoing pension liabilities up to September 30, 1999 were measured last year using the Chemie 1996R pension fund mortality tables, while ongoing pension plans after September 30, 1999 and all benefits are measured using 1998 Heubeck mortality tables modified for Group-specific disability probabilities (35 percent for women and 50 percent for men). The Process Engineering, Process Equipment and Customized Systems segments all used the 1998 Heubeck mortality tables.

All German pension plans were measured as of December 31, 2005. Most foreign pension plans were also measured at December 31, 2005.

The changes in the present value of the defined benefit obligation and the plan assets and the reconciliation of the funded status of continuing operations are as follows:

EUR thousand

	12/31/2005		12/31/2004	
	German	**Foreign**	German	Foreign
Change in present value of defined benefit obligation*				
Present value of defined benefit obligation at beginning of year	**624,210**	**101,752**	585,548	97,598
Service cost	**7,156**	**2,267**	6,656	2,085
Interest cost	**30,270**	**5,701**	31,598	5,564
Actuarial loss (+)/gain (–)	**81,306**	**1,670**	32,160	4,347
Change in scope of consolidation/exchange differences	**4,720**	**7,334**	6,115	– 3,763
Benefits paid	**– 37,999**	**– 6,118**	– 37,867	– 4,079
Present value of defined benefit obligation at end of year	**709,663**	**112,606**	624,210	101,752

*) including future salary increases (defined benefit obligation)

Continuation of table showing "Benefit obligations, plan assets and funded status"

	12/31/2005		12/31/2004	
	German	**Foreign**	German	Foreign
Change in plan assets				
Fair value of plan assets at beginning of year	**15,314**	**71,440**	14,302	69,711
Expected return on plan assets	**691**	**5,310**	614	5,002
Actuarial loss (–)/gain (+)	**13**	**– 5,677**	134	– 146
Employer contributions	**1,184**	**4,370**	2,100	3,268
Change in scope of consolidation/exchange differences	**–**	**5,465**	–	– 2,425
Benefits paid	**– 1,200**	**– 6,015**	– 1,836	– 3,970
Fair value of plan assets at end of year	**16,002**	**74,893**	15,314	71,440
Reconciliation of funded status				
Funded status	**693,661**	**37,713**	608,896	30,312
Unrecognized actuarial loss	**– 113,304**	**– 11,804**	– 32,026	– 4,493
Net amount recognized	**580,357**	**25,909**	576,870	25,819

The table below shows the present value of the defined benefit obligation broken down into funded and unfunded plans:

EUR thousand

	12/31/2005		12/31/2004	
	German	**Foreign**	German	Foreign
Present value of the defined benefit obligation for funded plans	**282,174**	**110,811**	237,112	100,297
Fair value of plan assets	**16,002**	**74,893**	15,314	71,440
Funded status	**266,172**	**35,918**	221,798	28,857
Unrecognized actuarial loss	**– 63,916**	**– 11,511**	– 12,984	– 4,421
Net amount recognized for funded plans	**202,256**	**24,407**	208,814	24,436
Present value of the defined benefit obligation for unfunded plans	**427,489**	**1,795**	387,098	1,455
Unrecognized actuarial loss	**– 49,388**	**– 293**	– 19,042	– 72
Net amount recognized for unfunded plans	**378,101**	**1,502**	368,056	1,383
Net amount recognized	**580,357**	**25,909**	576,870	25,819

The table below shows the changes in the net amount recognized for defined-benefit pension plans in 2005 and 2004:

EUR thousand

	12/31/2005		12/31/2004	
	German	**Foreign**	German	Foreign
Net amount recognized at beginning of year	**576,870**	**25,819**	571,246	27,887
Net periodic pension cost	**36,750**	**2,694**	37,640	2,647
Employer contributions	**– 1,184**	**– 4,370**	– 2,100	– 3,268
Benefits paid	**– 36,799**	**– 103**	– 36,031	– 109
Change in scope of consolidation / exchange differences	**4,720**	**1,869**	6,115	– 1,338
Net amount recognized	**580,357**	**25,909**	576,870	25,819

Amounts recognized on the face of the consolidated balance sheet for the pension plans of continuing operations are as follows:

EUR thousand

	12/31/2005		12/31/2004	
	German	**Foreign**	German	Foreign
Obligations to employees	**580,357**	**26,024**	576,870	25,914
Prepaid expenses	**–**	**– 115**	–	– 95
Net amount recognized	**580,357**	**25,909**	576,870	25,819

Of the pension reserves reported at December 31, 2005, EUR 45.005 million (2004: EUR 36.902 million) are classified as current.

Actuarial parameters Weighted actuarial assumptions used to determine the present value of the defined benefit obligation for the principal pension plans were as follows:

Percent

	12/31/2005		12/31/2004	
	German	**Foreign**	German	Foreign
Discount rate	**4.0**	**2.0 – 10.0**	5.0	2.0 – 6.5
Rate of compensation increase	**2.5**	**2.0 – 8.0**	3.0	1.0 – 6.5

The actuarial assumptions for German pension plans were coordinated with actuarial experts Dr. Dr. Heissmann GmbH, Wiesbaden. The parameters for foreign pension plans were determined with the help of local actuarial experts and in accordance with local conditions.

Plan assets As in 2004, the plan assets of German pension plans were managed by relief funds and an endowment fund and are mainly invested in fixed-income securities and fixed-term deposits; only a small proportion is invested in equities. These investments are intended to ensure consistent returns and to preserve the value of the underlying assets so that current and future pension benefits can be funded. There are no plans at present to change this investment strategy. The fair values and the expected long-term returns on these plan assets are stated in the relevant tables. These returns are essentially based on average historical interest rates and current capital market rates.

The assets for pension plans outside Germany are invested in accordance with the country-specific guidelines outlined below (almost identical to 2004). Australian plan assets are invested two-thirds in equities and one-third in bonds. U.K. plan assets are largely invested in blue-chip equities. Three-quarters of plan assets in Japan are invested in equities and the rest in bonds and real estate. Most plan assets in the Netherlands are managed by insurance companies in line with their specific investment guidelines. Norwegian plan assets are invested one-third in equities, one-third in bonds and one-third in money market instruments. In the U.S., the assets of all pension plans are pooled in a single fund, 60 percent of which is invested in equities and 40 percent in bonds. There are no plans at present to change these forms of investment. Returns are mainly based on historical interest rates and market rates at the balance sheet date.

In 2006, EUR 1.172 million is expected to be allocated to the plan assets of German pension plans and EUR 3.985 million to foreign plans.

The actual return on plan assets in 2005 was EUR 337,000 (2004: EUR 5.604 million).

Pension costs The table below gives a breakdown of the pension costs recognized in the income statement for continuing operations:

EUR thousand

	01/01/2005–12/31/2005		01/01/2004–12/31/2004	
	German	**Foreign**	German	Foreign
Service cost	**7,156**	**2,267**	6,656	2,085
Interest cost	**30,270**	**5,701**	31,598	5,564
Expected return on plan assets	**– 691**	**– 5,310**	– 614	– 5,002
Amortization of actuarial losses	**15**	**36**	–	–
Net periodic pension cost	**36,750**	**2,694**	37,640	2,647

The service cost and amortized actuarial losses are recognized as staff costs under functional costs (cost of sales, selling expenses and administrative expenses). The interest cost and the expected return on plan assets are reported under interest income and expense.

Actuarial parameters The weighted actuarial assumptions used to determine the net periodic pension cost are as follows:

Percent

	2005		2004	
	German	**Foreign**	German	Foreign
Discount rate	**5.0**	**2.0 – 6.5**	5.5	2.0 – 6.5
Rate of compensation increase	**3.0**	**1.0 – 6.5**	3.0	1.0 – 4.5
Expected long-term return on plan assets	**1.8–7.0**	**2.0 – 8.5**	2.2 – 7.0	2.0 – 8.5

Benefits paid in the future The following benefits are expected to be paid by German and foreign pension plans over the next few years:

EUR thousand

	2006	2007	2008	2009	2010	2011–2015
German pension plans	40,328	41,107	41,655	41,753	42,336	220,147
Foreign pension plans	4,677	4,792	4,436	4,944	5,731	34,484

7.3.2 Obligations from supplementary healthcare benefits

Liabilities and funded status In addition to pensions and similar benefits, certain retired employees are provided with postretirement benefits for health insurance premiums. The following information refers to the Group's liabilities from supplementary healthcare benefits in Germany.

EUR thousand

	12/31/2005	12/31/2004
Change in present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of year	**48,682**	44,250
Service cost	**168**	176
Interest cost	**2,349**	2,434
Actuarial loss (+) / gain (–)	**5,443**	3,526
Transfer of assets / change in scope of consolidation	**–**	1,594
Benefits paid	**– 3,326**	– 3,298
Present value of defined benefit obligation at end of year	**53,316**	48,682

The table below shows the reconciliation from the present value of the defined benefit obligation to the reserve:

EUR thousand

	12/31/2005	12/31/2004
Present value of defined benefit obligation at end of year	**53,316**	48,682
Unrecognized actuarial losses (–)	**– 8,970**	– 3,526
Reserve at the end of the year	**44,346**	45,156

Actuarial parameters Weighted actuarial assumptions used to determine the present value of the defined benefit obligation for supplementary healthcare benefits in Germany were as follows:

Percent

	12/31/2005	12/31/2004
Discount rate	**4.0**	5.0
Healthcare inflation rate	**4.0**	4.0

The inflation rate in the cost of supplementary healthcare benefits in Germany is estimated to be 4.0 percent for 2006. Based on past experience, this inflation rate is not expected to change in the future. The balance sheet date used to report liabilities from supplementary healthcare benefits in Germany is December 31, 2005.

Costs The net periodic cost of supplementary healthcare benefits in Germany is broken down as follows:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Service cost	**168**	176
Interest cost	**2,349**	2,434
Amortization of actuarial gains	**– 1**	–
Net periodic cost	**2,516**	2,610

Service cost and amortized actuarial gains are reported as staff costs under functional costs; the interest cost of pension obligations is shown under interest cost.

Actuarial parameters Weighted actuarial assumptions used to determine the cost of supplementary healthcare benefits in Germany were as follows:

Percent

	12/31/2005	12/31/2004
Discount rate	**5.0**	5.5
Healthcare inflation rate	**4.0**	4.0

Benefits paid in the future The following supplementary healthcare benefits are expected to be paid by German companies over the next few years:

EUR thousand

	2006	2007	2008	2009	2010	2011–2015
Benefits paid in the future	3,374	3,446	3,474	3,486	3,496	17,461

Benefits paid outside Germany One foreign company provides supplementary healthcare and life insurance benefits that were measured as of October 31, 2005. Their funded status at December 31, 2005 comes to EUR 1.117 million (2004: EUR 814,000) and the net amount recognized totals EUR 775,000 (2004: EUR 825,000). The relevant cost of these benefits in 2005 amounted to EUR 67,000 (2004: EUR 64,000). The actuarial assumptions used to determine the present value of the defined benefit obligation for these additional foreign benefits are based on a discount rate of 5.0 percent (2004: 6.0 percent). The cost of additional benefits in 2005 was based on a discount rate of 6.0 percent (2004: 6.3 percent). These assumptions also took into account estimates of the rising cost of medical and dental treatment benefits. The rise in the cost of medical healthcare benefits amounts to 13.0 percent (2004: 14.0 percent). It will fall by 1.0 percent per year (2004: identical) up to 2013 (2004: identical). The rise in the cost of dental healthcare benefits amounts to 6.5 percent (2004: 7.0 percent). It will decrease by 0.5 percent every year until 2010. There was no change here on 2004.

Benefits paid in the future Estimates of additional benefits to be paid in the future outside Germany are as follows:

EUR thousand

	2006	2007	2008	2009	2010	2011–2015
Benefits paid in the future	230	219	204	184	163	279

The following schedule presents the effect of a 1 percent change in the rate of increase of healthcare and life insurance benefits on the sum total of service cost plus interest cost and on the present value of the defined benefit obligation at December 31, 2005:

EUR thousand

	1% increase		1% decrease	
	German	Foreign	German	Foreign
Impact on the sum total of service cost plus interest cost	+ 282	+ 2	– 242	– 2
Effect on present value of defined benefit obligation	+ 5,016	+ 33	– 4,338	– 31

7.3.3 Defined-contribution pension plans

The individual companies of the GEA Group's continuing operations offer various postretirement benefits in the form of defined-contribution pension plans. The pension obligation of these plans lies not with the GEA Group but with the respective pension provider. Total contributions of EUR 9.727 million (2004: EUR 9.164 million) were paid in 2005. These contributions are recognized under staff costs at the same time as the relevant work is performed.

7.4 Financial liabilities

The table below gives a breakdown of financial liabilities at December 31, 2005:

EUR thousand

	12/31/2005	12/31/2004
Liabilities to banks	**54,637**	78,556
thereof maturing in 5 years or later	**1,192**	885
Liabilities under finance leases	**2,041**	4,281
thereof maturing in 5 years or later	**–**	81
Finance facilities and loans from subsidiaries and investments	**–**	221
thereof maturing in 5 years or later	**–**	–
Liabilities from derivatives	**3,100**	101
thereof maturing in 5 years or later	**–**	–
Non-current financial liabilities	**59,778**	83,159
Bonds	**–**	139,098
Liabilities to banks	**70,434**	96,443
Liabilities under finance leases	**3,557**	5,311
Promissory notes payable	**2,874**	2,594
Finance facilities and loans from subsidiaries and investments	**–**	71
Liabilities from derivatives	**21,262**	7,647
Current financial liabilities	**98,127**	251,164
Total financial liabilities	**157,907**	334,323

The fair value of financial liabilities approximates to their carrying amounts.

Security totaling EUR 28.733 million (2004: EUR 22.604 million) has been provided for finance facilities.

Liabilities to banks The decline in bank debt is a result of the decision to use part of the proceeds from the disposal of the Dynamit Nobel operations to pay down debt. The table below gives a breakdown of the maturities of the GEA Group's exclusively floating-rate bank debt:

EUR thousand

	2005	2004
Maturities of bank loans		
up to 1 year	**70,434**	96,443
1–2 years	**27,629**	37,260
2–3 years	**584**	27,467
3–4 years	**25,015**	6,535
4–5 years	**217**	6,409
more than 5 years	**1,192**	885
Total	**125,071**	174,999

The fair value of liabilities to banks corresponds to the stated carrying amounts.

The interest rate on floating-rate debt, which amounted to EUR 29.500 million at the balance sheet date (2004: EUR 29.500 million), is constantly adjusted based on 6-month EURIBOR plus a margin of 2.2 percent (2004: 2.2 percent). The interest rate on fixed-interest liabilities to banks varied between 3 percent and 6 percent p.a. during the year under review (2004: between 3 percent and 6 percent p.a.).

At December 31, 2005, there were lines of credit at banks (cash lines) of EUR 1,036.504 million. Of this amount, bank credit lines of EUR 911.433 million had not been utilized. In addition, there were guarantee lines of EUR 1,763.429 million available for performance of contracts, advances and warranty obligations, of which EUR 969.469 million was being used.

Lease liabilities The table below gives a breakdown of future payments under finance leases:

EUR thousand

	Minimum lease payment		Present value of minimum lease payment	
	12/31/2005	12/31/2004	**12/31/2005**	12/31/2004
up to 1 year	**3,936**	5,578	**3,880**	5,328
1 – 2 years	**1,484**	2,482	**1,456**	2,420
2 – 3 years	**260**	1,379	**252**	1,353
3 – 4 years	**11**	337	**10**	331
4 – 5 years	**–**	81	**–**	81
more than 5 years	**–**	81	**–**	81
Total future payments under finance leases	**5,691**	9,938	**5,598**	9,594

Most leases relate to either land and buildings or plant and equipment. The present value of minimum lease payments at December 31, 2005 amounted to EUR 1.186 million (2004: EUR 2.272 million) for leases of land and buildings and to EUR 234,000 (2004: EUR 618,000) for leases of plant and equipment.

The average incremental borrowing rate of interest implicit in the calculation of the present value of the minimum lease payment was 4.5 percent (2004: 4.5 percent).

As the interest rates implicit in leases are constant, the fair value of lease liabilities may be exposed to interest rate risk. All leases contain contractually agreed payments.

The fair value of lease liabilities approximates to their stated carrying amount.

The lease liabilities are effectively secured because the rights to the leased asset revert to the lessor if the terms and conditions of the lease are infringed.

7.5 Trade payables

Trade payables at December 31, 2005 were as follows:

EUR thousand

	12/31/2005	12/31/2004
Trade payables	**836,298**	725,229
thereof owed to subsidiaries	**19,077**	4,544
thereof owed to investments	**2,750**	1,117

The fair values correspond to the stated carrying amounts. Trade payables of EUR 741.029 million (2004: EUR 718.050 million) fall due within one year. No liabilities (2004: EUR 1.272 million) fall due after more than five years.

Security has been provided for trade payables of EUR 12.651 million (2004: EUR 2.036 million).

7.6 Income tax liabilities

The income tax liabilities relate to current taxes and amounted to EUR 22.106 million at the balance sheet date (2004: EUR 47.707 million).

7.7 Other liabilities

The table below gives a breakdown of other liabilities at December 31, 2005:

EUR thousand

	12/31/2005	12/31/2004
Other liabilities to subsidiaries	**149**	–
Other liabilities	**9,340**	5,204
thereof relating to social security	**15**	–
Other non-current liabilities	**9,489**	5,204
Advances received for orders and construction contracts	**201,051**	107,788
Net debit balance on construction contracts	**370,987**	268,096
Other liabilities to subsidiaries	**24,094**	22,445
Other liabilities to investments	**–**	779
Tax liabilities (excl. income taxes)	**54,691**	56,652
Other liabilities	**89,264**	92,354
thereof relating to social security	**21,264**	21,866
thereof relating to employees	**3,016**	3,484
Other current liabilities	**740,087**	548,114
Total other liabilities	**749,576**	553,318

The fair value of other financial liabilities corresponds to the stated carrying amounts.

Security of EUR 20.481 million has been provided for advances for orders (2004: EUR 35.577 million) and of EUR 1.588 million for other liabilities (2004: EUR 2.945 million).

The net debit balance on construction contracts amounts to the sum total of contracts whose progress billing amounts exceed the capitalized cost of conversion plus the contract gains and losses recognized. This balance includes an amount of EUR 70,000 (2004: EUR 0) that functions like a provision.

8. Notes to the Consolidated Income Statement

8.1 Sales

The table below gives a breakdown of the GEA Group's sales in 2005:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
From the sale of goods	**1,147,624**	1,002,453
From construction contracts	**3,350,016**	3,056,146
Total	**4,497,640**	4,058,599

8.2 Other income

Other income consisted of the following components:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Income from disposal of non-current assets	**18,236**	7,276
Income from disposal of current assets	**720**	2,084
Gains on exchange differences	**26,363**	19,581
Income from reversal of provisions	**6,500**	10,250
Income from rental and lease agreements	**2,906**	3,390
Excess of fair value net assets over the cost of an acquisition	**–**	150
Sundry income	**32,952**	37,020
Total	**87,677**	79,751

Income from disposal of non-current assets Income from the disposal of non-current assets includes income of EUR 12.522 million from a sale-and-leaseback transaction. Under this deal, a building was sold and then leased back for a period of 20 years.

Sundry income Sundry income essentially stems from the reversal of deferred income of EUR 1.549 million (2004: EUR 1.194 million), investment grants of EUR 1.272 million (2004: EUR 466,000), the reversal of impairment losses and payments received for adjustments on receivables of EUR 1.213 million (2004: EUR 2.215 million), payment of damages and rebates of EUR 446,000 (2004: EUR 845,000), license fees of EUR 435,000 (2004: EUR 1.193 million), derecognition of expired liabilities of EUR 127,000 (2004: EUR 678,000) as well as credit notes, income unrelated to the accounting period, and various reimbursements.

8.3 Other expenses

Other expenses consisted of the following components:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Non-reimbursed research and development costs	**58,961**	56,911
Losses on exchange differences	**15,644**	12,762
Cost of disposal of subsidiaries	**–**	4,393
Cost of money transmission and payments	**1,067**	1,108
Losses on disposal of non-current assets	**1,680**	118
Sundry expenses	**22,342**	14,719
Total	**99,694**	90,011

Sundry expenses The main items of sundry expenses consist of adjustments on receivables, from the forwarding of forfaited cash flows resulting from a take-or-pay agreement amounting to EUR 1.009 million (2004: EUR 4.119 million) as well as depreciation, amortization and impairment of assets held for sale of EUR 1.348 million (2004: EUR 0).

Research and development costs The GEA Group's total research and development costs in 2005 were as follows:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Customer-funded (reimbursed)	**25,110**	6,844
Group-funded (non-reimbursed)	**58,961**	56,911
Total	**84,071**	63,755

A portion of research and development (R&D) costs are incurred for R&D that is recoverable through overhead charged to certain construction contracts (reimbursed).

Group-funded (non-reimbursed) R&D is not directly contract-related and is expensed as incurred.

8.4 Presentation of selected expenses and income according to origin

Cost of materials The cost of materials rose by EUR 269.380 million during the year under review to EUR 2,766.832 million (2004: EUR 2,497.452 million). The cost of materials is reported under the cost of sales.

Staff costs Staff costs rose by EUR 46.124 million in 2005 to EUR 1,017.420 million (2004: EUR 971.296 million). Amounts relating to the interest cost of projected pension obligations are not recognized as staff costs. They are reported as part of interest expense and similar charges under financial and interest expenses. Staff costs include considerations of EUR 839.208 million (2004: EUR 794.393 million) as well as social security contributions and postretirement benefits of EUR 178.212 million (2004: EUR 176.903 million).

Depreciation, amortization and impairment Depreciation, amortization and impairment of property, plant and equipment and intangible assets in the year under review came to EUR 70.551 million (2004: EUR 74.625 million). Impairment of investments in subsidiaries, other investments and securities amounted to EUR 1.637 million in 2005 (2004: EUR 1.622 million). Adjustments of EUR 9.941 million (2004: EUR 13.046 million) were recognized on inventories. Depreciation, amortization and impairment are reported under the cost of sales. Impairment of investments and securities is reported under financial expenses.

8.5 Financial income, interest and similar income

Financial income comprises income from profit transfer agreements as well as net investment income from sundry investments:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Income from profit transfer agreements	**296**	42
Investment income	**2,438**	2,835
thereof from subsidiaries	**1,099**	2,247
Total other financial income	**2,734**	2,877

The table below gives a breakdown of interest and similar income:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Interest and similar income from receivables, investments and securities	**11,643**	8,487
Interest and similar income from plan assets	**6,001**	5,616
Other interest and similar income	**6,745**	7,591
thereof from subsidiaries	**1,425**	1,446
Total interest and similar income	**24,389**	21,694

8.6 Financial expenses, interest expense and similar charges

The financial expenses of EUR 1.927 million for 2005 (2004: EUR 1.705 million) include impairment of EUR 1.637 million on investments and securities (2004: EUR 1.622 million) and expenses of EUR 290,000 from the assumption of losses (2004: EUR 83,000).

The table below gives a breakdown of interest expense and similar charges:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Interest expense and similar charges arising from bank debt and bonds	**18,191**	52,930
Interest cost of pension obligations	**38,383**	39,657
Interest cost of provisions and other obligations to employees	**8,809**	5,651
Other interest expense and similar charges	**7,713**	17,460
Total interest expense and similar charges	**73,096**	115,698

8.7 Income taxes

Income taxes on continuing operations consist of the following components:

EUR thousand

	2005	2004
Current taxes	**27,922**	40,593
German	**2,117**	2,670
Foreign	**25,805**	37,923
Deferred taxes	**38,209**	– 24,177

The following reconciliation of income taxes for 2005 is based on an overall tax rate of 38.9 percent and reconciles figures to the effective tax rate of 41.1 percent:

EUR thousand

	01/01/2005 – 12/31/2005		01/01/2004 – 12/31/2004	
		%		%
Earnings before tax	**160,710**		– 7,937	
Anticipated tax expense (2004: tax benefit)	**62,516**	**38.9**	– 3,151	39.7
Non-tax-deductible expense	**8,464**	**5.3**	8,418	– 106.1
Change in adjustments	**9,963**	**6.2**	10,635	– 134.0
Change in tax rates	**9,184**	**5.7**	–	–
Tax effect of subsidiaries and investments	**– 252**	**– 0.2**	3,166	– 39.9
Foreign tax rate differential	**– 23,809**	**– 14.8**	– 2,965	37.4
Other	**65**	**0**	313	– 3.9
Income taxes and effective tax rate	**66,131**	**41.1**	16,416	– 206.8

Deferred taxes The table below gives a breakdown of net deferred tax assets and liabilities by maturity in 2005:

EUR thousand

	12/31/2005	12/31/2004
Current deferred tax assets	**40,265**	33,939
Non-current deferred tax assets	**540,689**	584,261
Total deferred tax assets (net)	**580,954**	618,200
Current deferred tax liabilities	**29,176**	24,805
Non-current deferred tax liabilities	**10,755**	11,795
Total deferred tax liabilities (net)	**39,931**	36,600
Net deferred tax assets	**541,023**	581,600

Deferred tax assets and liabilities are netted if an enforceable right to have actual tax assets offset against actual tax liabilities exists and if the deferred taxes relate to income taxes levied by the same tax authority.

Changes in deferred taxes – without any netting – were as follows:

EUR thousand

	12/31/2005	12/31/2004
Tax loss carried forward	**1,398,758**	1,255,802
Intangible assets	**209,268**	234,054
Property, plant and equipment	**11,676**	19,813
Pensions and other postretirement benefits	**69,324**	82,552
Other provisions	**136,703**	163,098
Other	**4,219**	2,270
Total	**1,829,948**	1,757,589
Less adjustments	**– 1,130,307**	– 987,153
Deferred tax assets	**699,641**	770,436
Intangible assets	**– 49,223**	– 47,780
Property, plant and equipment	**– 32,825**	– 36,329
Inventories	**– 48,298**	– 44,366
Other provisions	**– 5,227**	– 14,373
Liabilities	**– 15,031**	– 34,269
Deferred income	**– 4,841**	– 4,539
Other	**– 3,173**	– 7,180
Deferred tax liabilities	**– 158,618**	– 188,836
Net deferred tax assets	**541,023**	581,600

At December 31, 2005, GEA Group Aktiengesellschaft had recognized deferred tax assets of EUR 277.460 million on tax losses carried forward:

EUR thousand

	2005	2004
Deferred taxes on domestic losses carried forward		
Corporate tax	**149,612**	147,487
Trade tax	**70,632**	74,520
Deferred taxes on losses carried forward outside Germany	**57,216**	53,168
Total	**277,460**	275,175

A tax rate of 38.9 percent is applicable to German Group companies. This includes the standard rate of corporate tax, the solidarity surcharge and the average rate of trade tax.

The tax rates applicable to companies outside Germany vary between 10 percent (Ireland) and 40.69 percent (Japan).

No deferred tax assets were accrued on corporate-tax loss carryforwards of EUR 2.447 million (2004: EUR 2.527 million) or on trade-tax loss carryforwards of EUR 1.660 million (2004: EUR 1.464 million) because their utilization was not sufficiently certain. German companies' losses can be carried forward indefinitely. Foreign companies' losses can usually only be carried forward for a limited period. The majority of foreign companies' loss carryforwards will expire in 2011.

Of the deferred taxes of EUR – 4.352 million (2004: EUR 8.098 million) reported as accumulated other comprehensive income/loss in 2005, EUR – 4.776 million (2004: EUR 7.993 million) is attributable to hedging transactions and EUR 424,000 (2004: EUR 105,000) to to recognized changes in the value of financial assets carried on the balance sheet at fair value.

8.8 Earnings per share

Earnings per share are calculated as follows:

EUR thousand

	01/01/2005 – 12/31/2005	01/01/2004 – 12/31/2004
Net loss/income after minority interest	**– 66,484**	163,274
thereof on continuing operations	**92,381**	– 27,463
thereof on discontinued operations	**– 158,865**	190,737
Weighted average number of shares outstanding (thousands)	**187,971**	192,348
Undiluted and diluted earnings per share in EUR		
on net loss/income	**– 0.35**	0.85
thereof on continuing operations	**0.49**	– 0.14
thereof on discontinued operations	**– 0.84**	0.99

There were no dilutive effects in either 2005 or 2004. There was no dilution in the year under review because the preconditions for exercising the final tranche of the stock-based compensation program were not met. These stock options will expire after the Annual Shareholders' Meeting. In 2004 there were no dilutive effects because the GEA Group reported a net loss on its continuing operations.

8.9 Dividend per share

The annual financial statements of GEA Group AG report a distributable profit of EUR 22.012 million at December 31, 2005. The Executive Board and the Supervisory Board will propose to the Annual Shareholders' Meeting on May 4, 2006 that part of the distributable profit of EUR 22.012 million be appropriated to pay a dividend of EUR 0.10 per no par value share on the shares carrying dividend rights at the time of the resolution on profit appropriation – currently 187,945,616 shares – and that the remainder be carried forward to the next period. The total dividend payout amounts to EUR 18.795 million. As the dividend paid for 2005 is not decided until after the balance sheet date, these annual financial statements do not make provision for any dividend liability.

9. Contingent Liabilities, Other Financial Commitments and Ligitation

9.1 Contingent liabilities

Non-recognized contingent liabilities for continuing operations at December 31, 2005 were as follows:

EUR thousand

	12/31/2005	12/31/2004
Liabilities on guarantees	**44,661**	150,001
Liabilities on warranties	**63,239**	80,170
Declarations of backing	**5,346**	3,875
Total	**113,245**	234,046

Liabilities on guarantees Liabilities on guarantees mainly consisted of guarantees for advances, performance of contracts, and warranty obligations as well as guarantees for bank loans provided on behalf of investments.

Liabilities on warranties Liabilities on warranties primarily relate to security for pension liabilities and warranties for agreements with customers. There is also loan collateral for investments.

The maturity of contingent liabilities arising from guarantees and warranties is up to five years. There are also contingencies with maturity periods that depend on the performance of contractually agreed obligations or the occurrence of certain events. These contingent liabilities are largely to customers, banks and employees of former subsidiaries. Claims are made under guarantees if the debtor fails to meet its contractual obligations.

In addition to the contingent liabilities shown in the above table, there were warranty commitments in line with industry norms (see Note 7.2).

Declarations of backing Declarations of backing include contingent liabilities arising from agreements between parent companies and lenders to their subsidiaries in order to encourage and maintain their willingness to lend. The contingent liabilities arise from guarantee-like legal relationships such as indemnity bonds, assumption of liability, and liquidity guarantees.

9.2 Other financial commitments

Other financial commitments at December 31, 2005 consist of:

EUR thousand

	12/31/2005	12/31/2004
Rental and lease agreements	**462,403**	404,283
Order commitments	**294,934**	230,369

Rental and lease agreements The commitments of EUR 462.403 million (2004: EUR 404.283 million) under rental and lease agreements mainly relate to land and buildings and, to a lesser extent, to plant and equipment. The leases run until no later than 2031. Payments are spread over future years as follows:

EUR thousand

2006	72,363
2007	63,754
2008	50,267
2009	43,708
2010	40,247
thereafter	192,064
Total payments	**462,403**

In 2005, the cost of rental and lease agreements amounted to EUR 65.437 million (2004: EUR 86.541 million), of which EUR 1.498 million (2004: EUR 3.083 million) related to variable payments. Subleases in the year under review generated income of EUR 13.337 million (2004: EUR 14.919 million). These subleases give rise to claims to rental income of EUR 97.297 million (2004: EUR 90.411 million) over the next few years.

Sale-and-leaseback agreements on buildings gave rise to future payments of EUR 162.288 million (2004: EUR 150.375 million) at the balance sheet date.

Order commitments Of the total order commitments of EUR 309.789 million (2004: EUR 258.704 million), 97 percent (2004: 89 percent) relate to inventories and the remaining 3 percent (2004: 11 percent) to property, plant and equipment.

9.3 Litigation

The bankruptcy administrator for Polyamid 2000 AG is demanding that GEA Group Aktiengesellschaft and three other Group companies repay the purchase price for the construction of a carpet recycling plant amounting to EUR 164.6 million including Value added tax. The main claim of the bankruptcy administrator is that the contract for the construction of the plant was null and void because of failure to comply with the regulations on post-formation acquisitions stipulated in the German Joint Stock Corporation Act (AktG). The action was dismissed by the court of both first instance and second instance. The claimant has lodged an appeal with the Federal Court of Justice within the statutory period.

In connection with the conclusion of the control and profit-transfer agreement between mg technologies ag and GEA AG in 1999, an appeal is still pending regarding the appropriateness of the exchange offer made to shareholders of GEA AG.

In connection with the integration of Westfalia Separator AG into GEA AG in 1995, an appeal is pending with respect to the appropriateness of the compensation offered to the shareholders of Westfalia Separator AG. In its ruling of April 1, 2004, the regional court of first instance in Dortmund increased the compensation originally to be paid to the shareholders of Westfalia Separator AG. GEA AG immediately lodged an appeal against the court's ruling. The case is now pending before the regional appeal court in Düsseldorf.

After the squeeze-out resolution adopted by the Annual Shareholders' Meeting of GEA AG on April 28, 2005 was entered in the commercial register, several shareholders lodged an appeal with the regional court in Dortmund and requested that the court rule on the appropriate cash payment for the GEA AG shares transferred to mg technologies ag.

Further legal proceedings or official investigations have been instituted or may be instituted against companies of the GEA Group as a result of earlier disposal activities and their ongoing business operations. Appropriate provision has been made for these risks. However, it is not possible to predict the outcome of individual cases with any degree of certainty. The GEA Group cannot exclude the possibility that the final rulings on some of these cases may give rise to expenses that exceed the provisions accrued for such purposes.

10. Segment Reporting

10.1 Primary reporting format: business segments

The GEA Group's global operations were organized into four key business segments at December 31, 2005: Its main operations are broken down into

– Customized Systems
– Process Equipment
– Process Engineering
– Plant Engineering.

A detailed description of the business segments' operations and the products and services they offer can be found in the management report.

Segment earnings for 2005and 2004 were as follows:

Segment information in EUR million

	Customized Systems	Process Equipment	Process Engineering	Plant Engineering	Other	Eliminated	GEA Group
01/01–12/31/2005							
Sales	**699.5**	**1,048.9**	**1,320.9**	**1,166.7**	**261.7**	**–**	**4,497.6**
Intersegment sales	**1.6**	**70.4**	**22.6**	**0.2**	**14.6**	**– 109.5**	**–**
Total sales	**701.1**	**1,119.3**	**1,343.5**	**1,166.9**	**276.3**	**– 109.5**	**4,497.6**
EBITDA	**60.1**	**146.7**	**109.2**	**3.1**	**– 40.4**	**2.7**	**281.6**
EBIT	**47.4**	**126.7**	**96.1**	**– 10.2**	**– 53.3**	**2.7**	**209.4**
Segment earnings before tax (EBT)	**48.6**	**118.1**	**95.8**	**– 13.9**	**– 88.7**	**0.9**	**160.7**
Financial income	**5.7**	**11.5**	**11.8**	**22.4**	**25.8**	**– 43.3**	**33.9**
Financial expenses	**5.2**	**17.5**	**8.7**	**24.4**	**60.2**	**– 41.0**	**75.0**
Equity method income/loss in net financial income	**–**	**1.8**	**3.1**	**1.0**	**0.8**	**–**	**6.7**
Net loss on discontinued operations	**–**	**–**	**–**	**–**	**– 158.9**	**–**	**– 158.9**
Sales from discontinued operations	**–**	**–**	**–**	**–**	**953.4**	**–**	**–**
Segment assets	**824.0**	**1,544.8**	**1,399.8**	**1,598.3**	**2,338.9**	**– 2,920.8**	**4,784.9**
Segment liabilities	**332.4**	**632.0**	**794.9**	**1,214.7**	**2,037.4**	**– 1,810.6**	**3,200.8**
Capital expenditure	**19.3**	**22.3**	**24.7**	**5.1**	**21.9**	**–**	**93.3**
Depreciation, amortization and impairment	**12.7**	**20.0**	**13.1**	**13.3**	**13.0**	**–**	**72.2**
Number of employees	**4,281**	**5,695**	**5,028**	**2,098**	**493**	**–**	**17,595**
01/01–12/31/2004							
Sales	709.5	956.7	1,179.1	977.1	236.2	–	4,058.6
Intersegment sales	1.8	62.7	12.4	2.5	11.4	– 90.9	–
Total sales	711.4	1,019.5	1,191.5	979.6	247.6	– 90.9	4,058.6
EBITDA	64.9	132.2	87.5	– 31.5	– 99.2	8.6	162.4
EBIT	53.0	111.3	74.5	– 47.4	– 114.0	8.6	86.1
Segment earnings before tax (EBT)	50.8	100.9	74.6	– 52.6	– 181.5	– 0.1	– 7.9
Financial income	5.9	6.8	10.5	21.3	26.9	– 45.6	25.8
Financial expenses	8.1	16.0	9.2	26.0	95.2	– 37.2	117.4
Equity method income/loss in net financial income	–	0.2	1.0	–	0.0	–	1.3
Net income on discontinued operations	–	–	–	–	190.7	–	190.7
Sales from discontinued operations	–	–	–	–	2,181.3	–	–
Segment assets	799.6	1,483.5	1,123.8	1,318.4	3,702.5	– 3,229.3	5,198.4
thereof from discontinued operations	–	–	–	–	567.8	–	–
Segment liabilities	322.8	621.6	550.2	1,014.2	2,936.2	– 1,919.1	3,525.9
thereof from discontinued operations	–	–	–	–	402.8	–	–
Capital expenditure	18.7	18.2	21.1	3.2	12.9	–	74.1
Depreciation, amortization and impairment	11.9	20.9	12.9	15.9	14.7	–	76.3
Number of employees	4,324	5,698	4,447	2,107	541	–	17,117

With the exception of depreciation, amortization and impairment, there were no material non-cash expenses within the segments in either 2005 or 2004.

The table below gives a breakdown of goodwill by segment:

EUR thousand

	Customized Systems	Process Equipment	Process Engineering	Plant Engineering	**Total**
Carrying amount at 12/31/2004	260,333	490,695	370,361	65,002	**1,186,391**
Additions	6,341	23,142	58,680	–	**88,163**
Disposals	– 29	–	– 208	–	**– 237**
Exchange differences	3,802	784	487	943	**6,016**
Carrying amount at 12/31/2005	270,447	514,621	429,320	65,945	**1,280,333**

In 2005, the Annual Shareholders' Meeting of GEA Group Aktiengesellschaft (formerly mg technologies ag) adopted a resolution to transfer the shares of GEA Aktiengesellschaft's minority shareholders ("squeeze-out") to the majority shareholders of GEA Group Aktiengesellschaft in return for a cash payment. The expenses incurred by the squeeze-out process increased goodwill by EUR 28.433 million (2004: EUR 6.740 million). The increase in goodwill was spread across the segments.

The table below gives a breakdown of cash flows by segment:

Cash-Flow in EUR thousand

	Customized Systems	Process Equipment	Process Engineering	Plant Engineering	Other	**GEA Group**
01/01–12/31/2005						
Net cash from operating activities	**– 450**	**87,594**	**4,280**	**89,089**	**6,956**	**187,469**
Net cash from investing activities	**– 13,493**	**– 30,657**	**– 18,090**	**– 4,665**	**– 68,675**	**– 135,580**
Net cash from financing activities	**10,207**	**– 50,425**	**40,065**	**– 32,393**	**– 189,322**	**– 221,868**
Adjustment of cash and cash equivalents of discontinued operations	**–**	**–**	**–**	**–**	**6,324**	**6,324**
Exchange-rate-related changes in cash and cash equivalents	**391**	**– 261**	**3,641**	**800**	**0**	**4,571**
Change in unrestricted cash and cash equivalents	**– 3,345**	**6,251**	**29,896**	**52,831**	**– 244,717**	**– 159,084**
01/01–12/31/2004						
Net cash from operating activities	58,494	108,017	63,745	– 88,228	– 112,111	29,917
Net cash from investing activities	– 40,313	– 47,976	– 13,292	– 3,670	1,233,251	1,128,000
Net cash from financing activities	– 16,839	– 60,111	– 24,248	68,157	– 715,874	– 748,915
Adjustment of cash and cash equivalents of discontinued operations	–	–	–	–	25,372	25,372
Exchange-rate-related changes in cash and cash equivalents	355	– 80	– 808	423	– 2,044	– 2,154
Change in unrestricted cash and cash equivalents	1,697	– 150	25,397	– 23,318	428,594	432,220

10.2 Secondary reporting format: geographical segments

The Group's business segments operate in five main geographical regions. Most of the Group's sales are generated in Germany, other European countries and the Americas:

Segmentation by country in EUR million

	Germany	Rest of Europe	Americas	Asia/ Oceania	Africa	**Total**
01/01–12/31/2005						
Sales	**923.0**	**1,713.7**	**740.0**	**1,008.5**	**112.6**	**4,497.6**
Percentage of total	**20.5**	**38.1**	**16.5**	**22.4**	**2.5**	**100.0**
Segment assets	**2,347.8**	**1,640.1**	**532.6**	**222.2**	**42.1**	**4,784.9**
Capital expenditure	**48.9**	**29.8**	**6.8**	**7.2**	**0.6**	**93.3**
Employees[1]	**7,509**	**6,676**	**1,962**	**1,078**	**370**	**17,595**
01/01–12/31/2004						
Sales	854.9	1,608.5	691.6	814.0	89.6	4,058.6
Percentage of total	21.1	39.6	17.0	20.1	2.2	100.0
Segment assets	3,175.0	1,426.0	424.3	124.0	49.1	5,198.4
thereof from						
discontinued operations	340.8	203.4	18.4	5.2	–	567.8
Capital expenditure	37.2	29.6	5.4	1.3	0.6	74.1
Employees[1]	7,464	6,642	1,813	842	356	17,117

1) Full-time equivalents (FTEs), excl. trainees

11. Other Notes

11.1 Government grants

Performance-related government grants of EUR 257,000 were received in 2005 (2004: EUR 267,000). These grants were deducted from the corresponding expenses. Grants of EUR 1.116 million for assets were deducted from the carrying amount of the respective asset (2004: EUR 12,000).

11.2 Related-party transactions

11.2.1 Transactions with non-consolidated subsidiaries and associates

Transactions between GEA Group Aktiengesellschaft and its consolidated subsidiaries have been eliminated as part of consolidation.

The table below gives a breakdown of the income and expenses generated by transactions with non-consolidated subsidiaries and associates:

EUR thousand

	Sales	Other income	Other expenses
2005			
Non-consolidated subsidiaries	**35,137**	**2,520**	**570**
Associates	**5,733**	**52**	**94**
Total	**40,870**	**2,572**	**664**
2004			
Non-consolidated subsidiaries	17,052	1,889	832
Associates	4,644	229	368
Total	21,696	2,118	1,200

The table below gives a breakdown of outstanding items from transactions with non-consolidated and associates at December 31, 2005:

EUR thousand

	Trade receivables	Trade payables	Other receivables	Other liabilities
2005				
Non-consolidated subsidiaries	**27,494**	**19,077**	**30,292**	**24,243**
Associates	**929**	**274**	**11,123**	**–**
Total	**28,423**	**19,351**	**41,415**	**24,243**
thereof current	**28,423**	**19,351**	**40,003**	**24,094**
2004				
Non-consolidated subsidiaries	19,191	4,544	12,979	22,737
Associates	311	–	6,005	250
Total	19,502	4,544	18,984	22,987
thereof current	19,502	4,544	13,546	22,766

Outstanding items are settled in cash and are unsecured.

11.2.2 Remuneration paid to the Executive Board and the Supervisory Board

Executive Board The remuneration paid to the members of the Executive Board is composed of both performance-related and non-performance-related components. In addition, some members of the Executive Board have pension entitlements.

The non-performance-related basic remuneration is a fixed amount that is paid as a monthly salary. In addition, the members of the Executive Board receive an allowance toward the cost of their pensions against presentation of a receipt (up to half of the maximum amount prescribed by statutory pension insurance funds) as well as non-cash remuneration essentially consisting of the use of a company car (the value of which is recognized in accordance with tax rules), the reimbursement of the cost of maintaining two households, and accident insurance premiums.

The performance-related remuneration consists of the bonus. The bonus is generally determined by the achievement of profit-related and personal targets that are specified in individual agreements. Furthermore, two members of the Executive Board still hold stock options that were granted in 2003.

In addition, some members of the Executive Board have pension entitlements. Their contractual pension entitlements are based either on individually agreed fixed amounts or on amounts that increase in line with period of service but are capped at a certain level. In individual cases there are also entitlements accruing from contribution to a pension scheme through deferred compensation.

The total remuneration of the active Executive Board members of GEA Group Aktiengesellschaft amounted to EUR 5.221 million in 2005 (2004: EUR 8.903 million) and, in addition to a fixed payment of EUR 3.041 million (2004: EUR 3.686 million), contained a variable bonus of EUR 2.181 million (2004: EUR 5.217 million).

Former members of the Executive Board or their surviving dependants received remuneration of EUR 4.638 million (2004: EUR 8.810 million) from GEA Group Aktiengesellschaft and payments of EUR 8.227 million (2004: EUR 12.612 million) from the GEA Group. GEA Group Aktiengesellschaft accrued pension reserves of EUR 25.344 million (2004: EUR 19.308 million) for former members of the Executive Board or their surviving dependants; the GEA Group accrued pension reserves of EUR 53.253 million (2004: EUR 48.353 million) for these persons.

The tables below give details of the base salary, bonus, long-term incentives and pension entitlements for each member of the Executive Board. They do not give details of the individual remuneration paid to Executive Board members of the former GEA Aktiengesellschaft who left the company when it was merged with GEA Group AG.

The table below gives details of the remuneration paid to each member of the Executive Board in 2005 :

EUR

Name	Base salary	Bonus	Non-cash remuneration	Pension allowance	**Total in 2005**
Jürg Oleas	1,020,000.00	750,000.00	59,561.33	–	**1,829,561.33**
Hartmut Eberlein	33,333.34	33,333.34	1,220.26	273.19	**68,160.13**
Klaus Moll	680,000.04	325,000.00	52,699.42	6,084.00	**1,063,783.46**
Peter Schenk	475,000.08	600,000.00	17,628.77	6,084.00	**1,098,712.85**
Peter Steiner	500,000.04	500,000.00	36,550.35	5,529.12	**1,042,079.51**
Total	2,708,333.50	2,208,333.34	167,660.13	17,970.31	**5,102,297.28**
Other[1]					**119,090.86**
Total					**5,221,388.14**

1) This reconciling item for the total remuneration of EUR 5,221,388.14 paid to the Executive Board in 2005 includes the non-individualized remuneration paid to Executive Board members of the former GEA Aktiengesellschaft who left the company when it was merged with GEA Group Aktiengesellschaft; it also includes a reduction representing the difference between the total remuneration provision accrued for 2004 and the (lower) amount of remuneration actually paid in the spring of 2005.

The table below gives details of the option rights and pension entitlements of each member of the Executive Board in 2005:

EUR

Name	Number of option rights	Fair value at grant date in 2003	Annual pension entitlement (as of 12/31/2005) (annual entitlement upon reaching pensionable age)	Vested annual pension entitlement at 12/31/2005
Jürg Oleas	40,000	59,600.00*	220,000.00	68,444.44
Hartmut Eberlein	–	–	–	–
Klaus Moll	–	–	90,000.00	48,000.00
Peter Schenk	20,000	29,800.00*	151,883.00	93,487.00
Peter Steiner	–	–	111,667.00	111,667.00
Total	**60,000**	**89,400.00***	**573,550.00**	**321,598.44**

*) As the program target for the above option rights (2003/2006 tranche) will probably not be met, the option rights are unlikely to be exercised in 2006 and would then expire.

Supervisory Board The expenses for the Supervisory Board amounted to EUR 956,000 in 2005 (2004: EUR 985,000). §15 (1) of the articles of incorporation states that members of the Supervisory Board each receive fixed annual remuneration of EUR 30,000, payable after the end of each fiscal year, in addition to reimbursement of their out-of-pocket expenses. The chairman of the Supervisory Board receives two-and-a-half times this amount and the deputy chairman one-and-a-half times this amount.

§15 (2) of the articles of incorporation states that members of the Chairman's Committee and of the Audit Committee each receive EUR 25,000. The chairmen of each of these committees receive twice this amount. No separate remuneration is paid to members of the Mediation Committee or of the recently established Strategy Committee. Members who join or leave the Supervisory Board or its committees during the year are paid only pro rata temporis for the period of their membership. The remuneration paid to members of the Supervisory Board contains no performance-related element.

The table below gives details of the remuneration paid to each member of the Supervisory Board, the Chairman's Committee and the Audit Committee for 2005:

Remuneration of Supervisory Board members in EUR

Name	Supervisory Board remuneration	Chairman's Committee remuneration	Audit Committee remuneration	**Total in 2005**
Dr. Heraeus	75,000.00	50,000.00	25,000.00	**150,000.00**
Siegers	45,000.00	25,000.00		**70,000.00**
Ammer	30,000.00	25,000.00		**55,000.00**
Bastaki	30,000.00			**30,000.00**
Delaveaux	30,000.00		25,000.00	**55,000.00**
Erler	30,000.00			**30,000.00**
Gröbel	30,000.00	7,602.74	22,465.75	**60,068.49**
Dr. Happel	30,000.00	25,000.00		**55,000.00**
Hunger	30,000.00			**30,000.00**
Dr. Jooss	12,986.30		21,643.84	**34,630.14**
Kleindienst	12,986.30			**12,986.30**
Prof. Krebs	30,000.00			**30,000.00**
Kruse	30,000.00			**30,000.00**
Dr. Kuhnt	30,000.00		28,493.15	**58,493.15**
Neuroth	25,479.45			**25,479.45**
Dr. Perlet	17,095.89			**17,095.89**
Dr. Rittstieg	30,000.00			**30,000.00**
Schräder	17,095.89			**17,095.89**
von Sperber	17,095.89			**17,095.89**
Stöber	8,794.52		2,602.74	**11,397.26**
Vassiliadis	21,205.48	17,465.75		**38,671.23**
Walter	12,986.30			**12,986.30**
Wick	30,000.00	25,000.00		**55,000.00**
Graf von Zech	30,000.00			**30,000.00**
Total	655,726.02	175,068.49	125,205.48	**955,999.99**

No advances, loans or guarantees were granted to directors of GEA Group Aktiengesellschaft. No remuneration or benefits were paid to members of the Supervisory Board for personal services rendered, such as consultancy, mediation or agency services.

11.3 Additional information pursuant to section 161 AktG and 315 a) HGB

11.3.1 Declaration on the German Corporate Governance Code

The declaration pursuant to section 161 of the German Joint Stock Corporation Act (AktG) was issued on February 23, 2006 and has been made permanently available to shareholders.

11.3.2 Number of employees

The average number of employees during the year was as follows:

Average for the year	2005	2004
Wage earners	**6,342**	6,459
Salaried employees	**10,940**	10,631
Continuing operations	**17,282**	17,090
Wage earners	**2,833**	5,788
Salaried employees	**952**	3,449
Discontinued operations	**3,785**	9,237
Total	**21,067**	26,327

The number of employees at the balance sheet date was as follows:

Balance sheet date	12/31/2005	12/31/2004
Wage earners	**6,436**	6,525
Salaried employees	**11,159**	10,592
Continuing operations	**17,595**	17,117
Wage earners	–	3,769
Salaried employees	–	1,282
Discontinued operations	–	5,051
Total	**17,595**	22,168

11.3.3 Auditing and consultancy fees

The table below gives a breakdown of the fees and expenses paid to the auditors of the 2005 consolidated financial statements:

EUR thousand

	Fee
Auditing	3,195
Tax advice	12
Other services	805
Total	**4,012**

11.3.4 Companies exempted under section 264 (3) HGB

- FK Wärmetauscher Kemmerling GmbH, Wickede
- GEA Abgastechnik GmbH, Bochum
- GEA Air Treatment GmbH, Herne
- GEA Air Treatment Marketing Services International GmbH, Herne
- GEA Buck Valve GmbH, Müllheim
- GEA Delbag-Lufttechnik GmbH, Herne
- GEA Diessel GmbH, Hildesheim
- GEA Ecoflex GmbH, Sarstedt
- GEA Energietechnik GmbH, Bochum
- GEA Energy Technology GmbH, Bochum
- GEA GP GmbH, Bochum
- GEA Happel Klimatechnik GmbH, Herne
- GEA Happel Klimatechnik Produktions- und Servicegesellschaft mbH, Herne
- GEA Happel Systems Engineering GmbH, Herne
- GEA Happel Wieland GmbH, Sprockhövel
- GEA Industriebeteiligungen GmbH, Herne
- GEA Jet Pumps GmbH, Ettlingen
- GEA Luftkühler GmbH, Bochum
- GEA Luftkühler Holding GmbH, Bochum
- GEA Management Gesellschaft für Wärme- u. Energietechnik mbH, Bochum
- GEA Maschinenkühltechnik GmbH, Bochum
- GEA Messo GmbH, Duisburg
- GEA Process Equipment GmbH, Bochum
- GEA Process Technology GmbH, Bochum
- GEA PT Industriebeteiligungs GmbH, Bochum
- GEA Saturn GmbH, Bochum
- GEA IT Services GmbH, Oelde
- GEA Wiegand GmbH, Ettlingen
- GEA Wilchwitzer Thermo-Technik GmbH, Nobitz-Wilchwitz
- Grasso GmbH Refrigeration Technology, Berlin
- Grasso International GmbH, Bochum
- KÜBA Kältetechnik GmbH, Baierbrunn
- LKH Lüftung-, Klima-, Heizung-Service GmbH, Willich
- Lurgi AG, Frankfurt am Main
- Lurgi Bischoff GmbH, Essen
- Lurgi Lentjes AG, Düsseldorf
- mg Altersversorgung GmbH, Frankfurt am Main
- mg capital gmbh, Frankfurt am Main
- mg vermögensverwaltungs gmbh, Frankfurt am Main
- Niro GmbH, Müllheim
- Paul Pollrich GmbH, Mönchengladbach
- Polytrade GmbH, Frankfurt am Main
- Renzmann + Grünewald GmbH, Monzingen
- Tuchenhagen Brewery Systems GmbH, Büchen
- Tuchenhagen Diary Systems GmbH, Sarstedt
- Tuchenhagen GmbH, Büchen
- Westfalia Separator ACE GmbH, Ennigerloh
- Westfalia Separator AG, Oelde
- Westfalia Separator Deutschland GmbH, Oelde
- Westfalia Separator Engineering GmbH, Oelde
- Westfalia Separator Food Tec GmbH, Oelde
- Westfalia Separator Industry GmbH, Oelde
- Westfalia Separator Membraflow GmbH, Oelde
- Westfalia Separator Mineraloil Systems GmbH, Oelde
- Westfalia Separator Umwelttechnik GmbH, Oelde
- WestfaliaSurge Deutschland GmbH, Bönen
- WestfaliaSurge GmbH, Bönen
- Zimmer Aktiengesellschaft, Frankfurt am Main

12. Transition of Financial Reporting from U.S. GAAP to IFRS

12.1 Reconciliation of equity on the opening IFRS balance sheet at January 1, 2004

The U.S. GAAP balance sheet at December 31, 2003 shows equity of EUR 1,663.761 million. Including minority interest of EUR 42.333 million, which under IFRS forms part of equity, the latter amounts to EUR 1,706.094 million. On the U.S. GAAP balance sheet, minority interest attributable to discontinued operations is reported under liabilities related to assets held for sale. Including all minority interest, equity on the IFRS opening balance sheet at January 1, 2004 comes to EUR 1,585.264 million.

EUR thousand

	U.S. GAAP	IFRS	Difference
Issued capital	496,890	**496,890**	–
Additional paid-in capital	1,085,396	**1,080,188**	– 5,208
Retained earnings	254,441	**– 38,705**	– 293,146
Accumulated other comprehensive income/loss	– 172,966	**5,316**	178,282
Equity under U.S. GAAP	1,663,761	**1,543,689**	– 120,072
Minority interest	42,333	**41,575**	– 758
thereof liabilities related to assets held for sale	23,612		
Equity under IFRS	1,706,094	**1,585,264**	– 120,830

The difference of EUR 120.830 million arises from the following recognition and measurement adjustments:

EUR thousand

		U.S. GAAP	IFRS	Difference
Additional paid-in capital		1,085,396	**1,080,188**	– 5,208
Retained earnings		254,441	**– 38,705**	– 293,146
Property, plant and equipment and intangible assets	a			– 7,411
Trade receivables	b			– 5,925
Obligations under pension plans and similar obligations	c			– 2,049
Other provisions	d			– 168,093
Other financial liabilities	e			19,969
Deferred taxes	f			55,290
Other adjustments	g			– 123
Adjustments concerning discontinued operations	h			– 12,487
Cumulative translation adjustment and actuarial losses	i			– 178,282

Continuation of table showing "Recognition and measurement adjustments"

		U.S. GAAP	**IFRS**	Difference
Reclassification of losses on disposal of treasury shares	j			5,208
Minority interest in adjustments	k			758
Accumulated other comprehensive income/loss		– 172,966	**5,316**	178,282
Cumulative translation adjustment	i			120,175
Actuarial losses	i			58,107
Minority interest		42,333	**41,575**	– 758
Total adjustments				– 120,830

a) Property, plant and equipment and intangible assets The main reason for the reduction in equity is the reversal of the intangible pension asset. The remaining reduction is attributable to various smaller measurement adjustments, such as on leased assets.

b) Trade receivables The reduction is partly due to the lower likelihood that construction contract risks will materialize and partly to the different rules for recognizing sales on a multi-year commission agreement.

c) Obligations under pension plans The impact on equity is largely a consequence of the reclassification of a group pension plan as a defined-benefit plan. Under U.S. GAAP the plan had been classified as a defined-contribution plan. The recognition of pension obligations at the present value of the defined benefit obligation, utilizing the exemption available under IFRS 1, has not had a significant impact. The reduction in equity caused by the increased provision has been almost totally offset by the recognition of the minimum pension liability reported under U.S. GAAP.

d) Other provisions The reduction in equity resulting from higher provisions is essentially attributable to three factors. Compared with U.S. GAAP, IFRS demands a lower degree of probability that the provisioned obligation will materialize. This lower probability threshold results in the recognition of additional provisions for various items. A further difference relates to the recognition of provisions for preretirement part-time work. Under U.S. GAAP, a provision only has to be accrued for top-up payments made by the company for binding preretirement part-time employment contracts. Under IFRS, however, the provision takes into account not only preretirement part-time employment contracts already concluded, but also potential ones. Additional provisions also had to be accrued for impending losses on long-term leases. Under U.S. GAAP, income from the reversal of deferred gains on the disposal of the leased assets would have offset these losses. These deferrals were reversed under IFRS.

e) Other financial liabilities The main reason for the increase in equity is the reversal of deferred gains on sale-and-leaseback transactions.

f) Deferred taxes The increase in equity is due to the net increase in deferred tax assets. This in turn is a consequence of the different rules for recognizing assets under IFRS.

g) Other adjustments Other adjustments essentially relate to the reversal of deferred pension assets and to changes in associates.

h) Adjustments concerning discontinued operations Just as with continuing operations, differences in recognition and measurement rules caused differences in the carrying amounts of assets and liabilities of discontinued operations, which in turn caused changes in equity.

i) Cumulative translation adjustment and actuarial losses The reduction in equity is a result of the utilization of the aforementioned exemption available under IFRS 1. Consequently, all pension obligations have been recognized at the full present value of the defined benefit obligation. The minimum pension liability recognized in accumulated other comprehensive income/loss under U.S. GAAP owing to the actuarial losses has been recognized in retained earnings. The effects of translating financial statements denominated in foreign currency dating from prior to January 1, 2004 have also been recognized in retained earnings. The reduction in retained earnings is therefore matched by an increase of the same amount in accumulated other comprehensive income/loss. On balance this has had no impact on the level of equity.

j) Reclassification of losses on disposal of treasury shares Losses on the disposal of treasury shares are now recognized in additional paid-in capital instead of in retained earnings.

k) Minority interest in adjustments Of the total changes in equity resulting from recognition and measurement adjustments, a reduction of EUR 758,000 in equity is attributable to minority interest.

12.2 Reconciliation of equity on the balance sheet at December 31, 2004

Based on the IFRS definition of equity, there was a difference of EUR 36.582 million between equity under U.S. GAAP and equity under IFRS at December 31, 2004.

EUR thousand

	U.S. GAAP	**IFRS**	Difference
Issued capital	496,890	**496,890**	–
Additional paid-in capital	1,082,284	**1,077,076**	– 5,208
Retained earnings	316,009	**124,570**	– 191,439
Accumulated other comprehensive income/loss	– 160,148	**– 360**	159,788
Treasury shares	– 64,584	**– 64,584**	0
Equity under U.S. GAAP	1,670,451	**1,633,592**	– 36,859
Minority interest	38,620	**38,897**	277
thereof liabilities related to assets held for sale	23,170		
Equity under IFRS	1,709,071	**1,672,489**	– 36,582

The difference of EUR 36.582 million arises from the following recognition and measurement adjustments:

EUR thousand

		U.S. GAAP	IFRS	Difference
Additional paid-in capital		1,082,284	**1,077,076**	– 5,208
Retained earnings		316,009	**124,570**	– 191,439
Property, plant and equipment and intangible assets	a			– 5,047
Trade receivables	b			– 9,612
Obligations under pension plans and similar obligations	c			28,403
Other provisions	d			– 161,352
Other financial liabilities	e			15,599
Deferred taxes	f			51,476
Other adjustments	g			– 446
Adjustments concerning discontinued operations	h			44,397
Cumulative translation adjustment and actuarial losses	i			– 159,789
Reclassification of losses on disposal of treasury shares	j			5,208
Minority interest in adjustments	k			– 277
Accumulated other comprehensive income/loss		– 160,148	**– 360**	159,788
Cumulative translation adjustment	i			– 105,085
Actuarial losses	i			– 54,704
Minority interest		38,620	**38,897**	277
Total adjustments				– 36,582

For an explanation of the various differences in equity, please refer to the comments on the opening balance sheet. Material differences in recognition and measurement adjustments compared with the opening balance sheet arise with respect to the assets and liabilities from discontinued operations and with respect to pensions.

The first difference stems from the different rules on impairment tests. Both U.S. GAAP and IFRS state that assets from discontinued operations are recognized at the lower of their carrying amount and their realizable value, less transaction costs. Unlike IFRS, U.S. GAAP requires that currency translation gains and losses (in this case losses) previously reported as accumulated other comprehensive income/loss be recognized under assets for this purpose. The inclusion of these losses increases the assets' carrying amount and, consequently, their impairment. IFRS therefore reports a higher figure for assets held for sale than does U.S. GAAP at December 31, 2004.

The reason for the second difference is the U.S. GAAP concept of the minimum pension liability. The lowering of the discount rate in 2004 gave rise to actuarial losses. Under U.S. GAAP, these losses are included in the calculation of the minimum pension liability. IFRS states that new actuarial losses are not recognized until at least the following fiscal year if they exceed 10 percent of either the present value of the defined benefit obligation or of the plan assets.

12.3 Reconciliation of net income for 2004

Net income for 2004 is EUR 102.039 million higher under IFRS than under U.S. GAAP. The difference arises from the following effects.

EUR thousand

		U.S. GAAP	IFRS	Difference
Earnings before tax	a	10,187	**– 7,937**	– 18,124
Property, plant and equipment and intangible assets				– 1,076
Trade receivables				– 3,687
Investments in associates				– 614
Obligations under pension plans and similar obligations				5,082
Other provisions				– 5,259
Other financial assets and liabilities				– 3,996
Difference in definition of discontinued operations				– 7,135
Other adjustments				– 1,439
Income taxes		– 42,036	**– 16,416**	25,620
Net loss		– 31,849	**– 24,353**	7,496
Net income on discontinued operations		96,194	**190,737**	94,543
Current earnings	b			103,174
Net gains on disposals	c			10,662
Effect of taxes	d			– 19,293
Net income		64,345	**166,384**	102,039
thereof shareholders of GEA Group AG		61,568	**163,274**	101,706
thereof minority interest		2,777	**3,110**	333

a) Earnings before tax on continuing operations The reasons for the higher figure for earnings before tax under IFRS are essentially the change in the differences between U.S. GAAP and IFRS carrying amounts at January 1, 2004 and the new recognition and measurement differences arising in 2004.

A reduction of EUR 7.135 million stems from the differing definitions of discontinued operations used by U.S. GAAP and IFRS. Before they can be classified as “discontinued”, IFRS requires that such operations constitute either a material business area or a geographical region. Under U.S. GAAP, it is sufficient that the activities and cash flows constituting these operations can be separately defined. In some cases, units treated as discontinued operations by U.S. GAAP do not meet the definition applied by IFRS. The loss attributable to these operations therefore forms part of the net income / loss on continuing operations under IFRS. The net income / loss on discontinued operations has improved by the same amount.

b) Current earnings The higher figure for current earnings is essentially due to two factors. IFRS and U.S. GAAP differ on the time at which they classify operations as "discontinued". IFRS classified the Dynamit Nobel Group's operations as discontinued from January 1, 2004 unlike U.S. GAAP, which only did so as from June 30, 2004. Consequently, the depreciation, amortization and impairment of property, plant and equipment and intangible assets were already discontinued as of January 1, 2004 under IFRS.

A further effect was the recognition of exchange differences predating the transition date. The assets belonging to Dynamit Nobel Plastics were tested for impairment at December 31, 2004. As explained above, U.S. GAAP included currency translation losses in the calculation of impairment for this purpose. This increased the amount of impairment.

c) Net gains on disposals The higher net gain on disposals was largely due to two countervailing effects. Because exchange differences were recognized at January 1, 2004 under IFRS, currency translation losses accrued up to that point were not realized and taken to income at the time of disposal. This effect increased the net gains on disposals.

The earlier discontinuation of depreciation, amortization and impairment under IFRS had the opposite effect. It increased the net assets, which in turn reduced the net gains on disposals under IFRS.

d) Effect of taxes The difference in the effect of taxes stems from the differences in current earnings and net gains on disposals.

12.4 Reconciliation of the cash flow statement for 2005

The IFRS cash flow statement differs from that prepared under U.S. GAAP in two respects.

First, interest, dividends and income taxes paid and received are shown separately in the IFRS cash flow statement instead of being described in the notes to the consolidated financial statements. Because interest paid and received and income taxes paid are reported on the cash flow statement, the basis for calculating cash flow under IFRS is not net income, but earnings before interest and tax (EBIT).

The cash flows from interest paid and received are allocated to the respective sections under which the interest-related balance sheet items are also reported. The net cash flows from income taxes paid and received are allocated to operating activities.

Second, IFRS shows cash flows generated by discontinued operations until their deconsolidation in the relevant categories. U.S. GAAP reports these cash flows in aggregated form under investing activities. Furthermore, cash lost when discontinued operations are sold is reported separately as part of investing activities under IFRS.

Bochum, March 17, 2006

The Executive Board

Independent Auditors' Report

We have audited the consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the notes to the consolidated financial statements, the consolidated cash flow statement and the consolidated statement of changes in equity – and the group management report prepared by GEA Group Aktiengesellschaft, Bochum, for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs), as applied throughout the European Union, and the supplementary provisions of commercial law applicable in accordance with section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position and financial performance in the consolidated financial statements in accordance with the applicable accounting standards 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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting 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 the enterprises included in the consolidated financial statements, the scope of consolidation, the recognition and consolidation principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements and the 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 of GEA Group Aktiengesellschaft, Bochum, comply with IFRSs, as applied throughout the European Union, and the supplementary provisions of commercial law applicable in accordance with section 315a (1) HGB and give a fair presentation of the Group's financial position and financial performance in accordance with these provisions. 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.

Frankfurt am Main, March 17, 2006

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Schmidt	Kompenhans
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Report of the Supervisory Board

In 2005, the Supervisory Board monitored the company's situation closely and performed the duties incumbent upon it by virtue of the law, the articles or incorporation and the rules of internal procedure. These duties included deliberations based on regular, timely and comprehensive information provided by the Executive Board, involvement in decisions of material importance to the company, and the necessary monitoring of the Executive Board.

The Supervisory Board was informed in detail about the company's business performance and financial position, including its risk position and risk management systems. The company's strategic development was agreed with the Supervisory Board. After thorough examination and deliberation, the Supervisory Board gave its approval to the reports and proposed resolutions from the Executive Board, insofar as this was required by provisions of the law, the articles of incorporation and the rules of internal procedure. Prior to and in between meetings, the Executive Board submitted written reports on material events. Furthermore, the Chairman of the Supervisory Board remained in regular contact with the Executive Board, especially with its Chairman, who constantly provided him with timely information about significant developments and pending decisions.

The Supervisory Board or Chairman's Committee was also provided with detailed information in between meetings about projects and ventures of particular urgency for the company. Where necessary, resolutions were adopted in writing.

Focal points of the Supervisory Board's deliberations

Four Supervisory Board meetings were held during the year under review. The main issues discussed at the meeting of the Supervisory Board held on March 24, 2005 were the treatment of the financial statements for 2004, the proposals to be put to the Annual Shareholders' Meeting for approval on June 7, 2005, the merger between the former GEA AG and mg technologies ag (now GEA Group Aktiengesellschaft) and a profitability comparison between businesses recently sold and acquired.

The Supervisory Board meeting held immediately after the Annual Shareholders' Meeting on June 7, 2005 was mainly concerned with additions and amendments to the various rules of internal procedure for the management bodies of the company. These amendments included more detailed provisions for cooperation between the Executive Board and Supervisory Board and for transactions subject to consent, and the creation of a Strategy Committee

At its meeting held on September 12, 2005, the Supervisory Board discussed the status of negotiations for the sale of the Dynamit Nobel Plastics Group and agreed on how to proceed. The other main issues presented and discussed were the current position, prospects and strategy in the specialty mechanical engineering segments and Zimmer's plant engineering business.

At the meeting held on November 24, 2005, the Supervisory Board first looked at the report on the business situation in 2005 and the forecast for the year-end results, in addition to Executive Board matters. The main item was then an intensive discussion on medium-term planning for the Group and its segments, after which the budget for 2006 was approved. The remaining items discussed included the preparation of an efficiency review of Supervisory Board activities.

Work of the committees

The Chairman's Committee met on five occasions. Besides preparation of Supervisory Board meetings, the key topics covered by the committee were discussions on changes to, conclusion or cancellation of, service contracts for individual members of the Executive Board, strategic development of the Group especially with regard to the plant engineering business, current litigation involving the Group, the disposal of the Dynamit Nobel Plastics Group and the agreement by the company of a syndicated loan. The Chairman's Committee also considered the Group Internal Audit report on the findings of audits in 2004 and the audit schedule for 2005.

The Audit Committee met in four meetings and discussed the 2004 annual financial statements as well as quarterly figures during 2005. The committee also covered various accounting issues, e.g. the impact of the transition from U.S. GAAP to IFRS for the consolidated financial statements. The impact of exchange rate risks and increased prices of materials on results of operations was also a subject of discussion. In addition, the Audit Committee ensured that it was satisfied with the quality of the Group-wide risk management system. Deliberations also focused on the appointment of the auditors, the definition and monitoring of the audit process (including agreement on the auditors' fee), and the monitoring of the auditors' efficiency and independence. The auditors participated in all meetings

The Strategy Committee set up in June 2005 met once during the year under review. The meeting held general discussions on the overall economic environment and the business environments in which the individual divisions operate. The procedure for identifying primary acquisition projects was also presented and discussed at this meeting.

At the meetings of the Supervisory Board, the Chairmen of each of the committees reported at length on the meetings and work of their respective committees. The Mediation Committee did not have to be convened.

Corporate governance

The Supervisory Board monitored the further development of the corporate governance standards on an ongoing basis. On February 23, 2006, the Executive Board and the Supervisory Board issued an updated declaration of compliance pursuant to section 161 of the German Joint Stock Corporation Act (AktG) and posted this on the company's website where it can be permanently accessed by shareholders. GEA Group Aktiengesellschaft now complies with all requirements in the current version of the German Corporate Governance Code with just one exception (no performance-related remuneration component for members of the Supervisory Board).

Annual financial statements and consolidated financial statements for 2005

The 2005 annual financial statements of GEA Group Aktiengesellschaft and management report, as well as the consolidated financial statements and group management report prepared in accordance with IFRS, have been audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft and have been given their unqualified opinion. The auditors have confirmed that the consolidated financial statements and the group management report qualify for exemption from the duty to prepare accounts in accordance with German law (section 292 a of the German Commercial Code (HGB)) and that the Executive Board maintains an effective risk management system that meets the statutory requirements.

The management report and the annual financial statements of GEA Group Aktiengesellschaft, the proposed appropriation of profits, the consolidated financial statements and the group management report, as well as the audit report for 2005 were discussed and examined in detail at the meeting of the Audit Committee held on March 17, 2006 and at the meeting of the Supervisory Board held on March 22, 2006 for the purposes of adopting the financial statements. The auditors attended both meetings and report-ed on the procedures used and the material findings of their audit. They were available to answer any questions.

At its meeting held on March 22, 2006, the Supervisory Board agreed with the auditors' findings and, on the basis of the findings in an audit carried out by the Audit Committee and having conducted its own audit, found that it had no reservations to make. The Supervisory Board approved the 2005 consolidated financial statements and the 2005 annual financial statements of GEA Group Aktiengesellschaft. The annual financial statements of GEA Group Aktiengesellschaft have thus been adopted. The Supervisory Board agrees with the Executive Board's proposal for the appropriation of profits.

Personnel changes on the Supervisory Board and Executive Board

In the year under review, there were personnel changes to the Supervisory Board, principally as a result of changes to the Group structure.

The employee representative Dr. Manfred Döss left the company on December 31, 2004 and therefore also stood down from the Supervisory Board. Ms. Andrea Neuroth was appointed by the court as his successor with effect from February 25, 2005, but she left the company on December 31, 2005 and therefore also stepped down from the Supervisory Board. Her successor, Mr. Michael Kämpfert, was appointed by the court on February 7, 2006. Mr. Michael Vassiliadis – as representative of IG BCE, the Mining, Chemical and Energy Industrial Union – resigned his position on September 15, 2005 following the disposal of the Chemicals division. Mr. Joachim Stöber, as representative of the IG Metall engineering workers' union, was appointed by the court as his successor, effective from September 16, 2005. Mr. Rolf Erler stood down on January 31, 2006 and was replaced by the court-appointed Mr. Kurt-Jürgen Löw with effect from February 7, 2006.

Mr. Uwe Schräder was appointed by the court with effect from June 7, 2005 as the successor to Mr. Uwe Kleindienst, who resigned his position at the Annual Shareholders' Meeting on June 7, 2005 as a result of his decision to take partial retirement. Mr. Uwe Schräder and Mr. Wolfgang Wick left the Supervisory Board on December 30, 2005 with the sale of the Dynamit Nobel Plastics Group.

Following the disposal of Dynamit Nobel Plastics, the number of employees in Germany fell below 10,000. Under the German Codetermination Act, a Supervisory Board in enterprises of this size should comprise twelve members. On January 5, 2006, the Executive Board initiated the "status proceedings" (Statusverfahren) required by German law to bring the number of members in future in line with this statutory requirement. These proceedings were concluded at the beginning of February 2006 and, as a result, the mandate of the current Supervisory Board members will come to an end at the Annual Shareholders' Meeting scheduled for May 4, 2006, where a new Supervisory Board will be elected.

The following changes took place during the period under review among the shareholder representatives: Dr. Gerhard Jooss and Mr. Bernhard Walter stood down from the Supervisory Board at the 2005 Annual Shareholders' Meeting. Mr. Michael von Sperber and Dr. Helmut Perlet were elected as their replacements by the Annual Shareholders' Meeting on June 7, 2005.

Furthermore, the Annual Shareholders' Meeting on June 7, 2005 elected Louis Graf von Zech as the successor to Dr. Jürgen Krumnow for the remainder of the latter's term of office, as Dr. Krumnow had left the Supervisory Board with effect from September 1, 2004. Graf von Zech had been appointed to the Supervisory Board by the court on November 5, 2004. With effect from January 31, 2006, Professor Dr. Rolf Krebs and Mr. Michael von Sperber stood down.

The following changes took place to committee membership: on June 7, 2005, Dr. Otto Happel, Dr. Jürgen Heraeus, Mr. Reinhold Siegers and Mr. Wolfgang Wick were nominated as members of the new Strategy Committee, with Dr. Happel as chairman. In addition, on the same day, Dr. Dietmar Kuhnt was elected as successor to Dr. Gerhard Jooss as a member of the Audit Committee and as chairman of this committee. On September 12, 2005, the Supervisory Board designated Mr. Rainer Gröbel as successor to Mr. Michael Vassiliadis on the Chairman's Committee. By election, Mr. Joachim Stöber replaced Mr. Rainer Gröbel on November 24, 2005 as a new member of the Audit Committee, as Mr. Gröbel had resigned his membership of the committee. Mr. Klaus Hunger was elected successor to Mr. Wolfgang Wick on the Chairman's Committee, Strategy Committee and Mediation Committee on February 20, 2006.

Mr. Peter Steiner left the Executive Board on December 31, 2005. Mr. Hartmut Eberlein was appointed his successor with effect from December 1, 2005 and took over responsibility for finance from January 1, 2006.

The Supervisory Board would like to thank the managements, employee representatives, retired directors and, especially, all employees of the companies in the GEA Group for their considerable personal dedication and valuable contribution in 2005.

Bochum, March 22, 2006

Dr. Jürgen Heraeus
Chairman of the Supervisory Board

Major Shareholdings
at December 31, 2005

The full list of shareholdings is filed with the Commercial Register at the local court in Bochum (HRB 10437). A list of shareholdings can also be found on the internet at www.geagroup.com. The list below gives a breakdown of the GEA Group's major shareholdings – measured in terms of sales and total assets – for each segment:

Segment	Company	Head Office	Country
Customized Systems	GEA Air Treatment GmbH	Herne	Germany
	Grasso's Koninklijke Machinefabrieken N.V.	's-Hertogenbosch	Netherlands
	Grasso GmbH Refrigeration Technology	Berlin	Germany
Process Equipment	Westfalia Separator AG	Oelde	Germany
	Westfalia Separator Inc.	Northvale	U.S.A.
	GEA Ecoflex GmbH	Sarstedt	Germany
	WestfaliaSurge GmbH	Bönen	Germany
	WestfaliaSurge Inc.	Naperville	U.S.A.
Process Engineering	GEA Energietechnik GmbH	Bochum	Germany
	Batignolles Technologies Thermiques S.A.S.	Nantes	France
	GEA POWER COOLING INC.	Lakewood	U.S.A.
	Niro A/S	Søborg	Denmark
	Niro Inc.	Columbia	U.S.A.
	Tuchenhagen Diary Systems	Sarstedt	Germany
Plant Engineering	Lurgi Aktiengesellschaft	Frankfurt am Main	Germany
	Lentjes GmbH	Düsseldorf	Germany
	Lurgi Lentjes Aktiengesellschaft	Düsseldorf	Germany
	Lurgi Benelux S.A./N.V.	Schoten	Belgien
	LURGI (UK) Ltd.	Woking	UK
	Lurgi Bischoff GmbH	Essen	Germany
	Zimmer Aktiengesellschaft	Frankfurt am Main	Germany
Other	GEA Group Aktiengesellschaft	Bochum	Germany
	GEA North America Inc.	Delaware	U.S.A.
	GEA Process Technology GmbH	Bochum	Germany
	GEA PT Industriebeteiligungs GmbH	Bochum	Germany
	GEA Luftkühler Holding GmbH	Bochum	Germany
	GEA Industriebeteiligungen GmbH	Bochum	Germany
	GEA PT France SAS	Saint-Quentin en Yvelines	France
	mg vermögensverwaltungs gmbh	Frankfurt am Main	Germany
	Ruhr-Zink GmbH	Datteln	Germany

Directorships

Directorships Held by Members of the Executive Board

Jürg Oleas, Bochum/Hausen near Brugg, Switzerland,
CEO – Chief Executive Officer

- Deutsche Bank AG, Frankfurt am Main,
  Member of the Advisory Council (since August 1, 2005)
- Dynamit Nobel Kunststoff GmbH, Weissenburg,
  Chairman of the Supervisory Board
  (until December 30, 2005)
- Frankfurter Versicherungs-AG, Frankfurt am Main,
  Member of the Advisory Board (since April 1, 2005)
- GEA AG, Bochum,
  Chairman of the Supervisory Board (until May 18, 2005)
- GEA North America Inc., New York, U.S.A.,
  Member of the Board of Directors
- Lurgi AG, Frankfurt am Main,
  Chairman of the Supervisory Board (since May 30, 2005)
- Lurgi Lentjes AG, Düsseldorf,
  Member of the Supervisory Board
- mg trade services ag, Frankfurt am Main,
  Chairman of the Supervisory Board (until August 29, 2005)

Hartmut Eberlein, Bochum,
Member of the Executive Board (since December 1, 2005)
CFO – Chief Financial Officer (since January 1, 2006)

- GEA North America Inc., New York, U.S.A.,
  Member of the Board of Directors (since December 31, 2005)
- Lurgi AG, Frankfurt am Main,
  Member of the Supervisory Board (since January 16, 2006)
- Zimmer AG, Frankfurt am Main,
  Member of the Supervisory Board (since January 6, 2006)

Klaus Moll, Ludwigshafen,
COO – Chief Operating Officer for Plant Engineering

- Dynamit Nobel Kunststoff GmbH, Weissenburg,
  Member of the Supervisory Board (until December 30, 2005)
- GEA AG, Bochum,
  Member of the Supervisory Board (until May 18, 2005)
- GEA North America Inc., New York, U.S.A.,
  Member of the Board of Directors
- JJ-Lurgi Engineering Sdn. Bhd., Kuala Lumpur, Malaysia,
  Chairman of the Board (since June 15, 2005)
- Lurgi AG, Frankfurt am Main,
  Chairman of the Supervisory Board (until May 30, 2005)
  Member of the Supervisory Board (since May 30, 2005)
  Directorship suspended since June 1, 2005
  pursuant to section 105 (2) p. 3 AktG
  Chairman of the Executive Board (since June 1, 2005)
- Lurgi Española S.A., Madrid, Spain,
  Chairman of the Board (since August 22, 2005)
- Lurgi India Comp. Ltd., New Dehli, India,
  Chairman of the Board (since September 13, 2005)
- Lurgi Lentjes AG, Düsseldorf,
  Chairman of the Supervisory Board
- Lurgi PSI Inc., Memphis, U.S.A.,
  Chairman of the Board (since July 15, 2005)
- Otto Junker GmbH, Simmerath,
  Chairman of the Supervisory Board
- Zimmer AG, Frankfurt am Main,
  Chairman of the Supervisory Board

Peter Schenk, Bochum,
COO – Chief Operating Officer for Customized Systems, Process Equipment and Process Engineering

- GEA AG, Bochum,
  Chairman of the Executive Board (until May 18, 2005)
- GEA North America Inc., New York, U.S.A.,
  Member of the Board of Directors
- Grasso’s Koninklijke Machinefabrieken N.V.,
  ’s-Hertogenbosch, Netherlands,
  Member of the Supervisory Board
- Lurgi AG, Frankfurt am Main,
  Member of the Supervisory Board
- Lurgi Lentjes AG, Düsseldorf,
  Member of the Supervisory Board
- Niro A/S, Søborg, Denmark,
  Member of the Supervisory Board
- RWE Solutions AG, Neu-Isenburg,
  Member of the Supervisory Board (until May 18, 2005)
- Westfalia Separator AG, Oelde,
  Chairman of the Supervisory Board
- Zimmer AG, Frankfurt am Main,
  Member of the Supervisory Board

Peter Steiner, Wiesbaden,
CFO – Chief Financial Officer (until December 31, 2005)

- Dynamit Nobel Kunststoff GmbH, Weissenburg,
  Member of the Supervisory Board (until December 30, 2005)

- Frankfurter Assekuranz-Kontor GmbH,
  Frankfurt am Main,
  Chairman of the Supervisory Board
  (until December 31, 2005)

- GEA AG, Bochum,
  Member of the Executive Board (until May 18, 2005)

- GEA North America Inc., New York, U.S.A.,
  Member of the Board of Directors (until December 31, 2005)

- Lurgi AG, Frankfurt am Main,
  Member of the Supervisory Board (until December 31, 2005

- Lurgi Lentjes AG, Düsseldorf,
  Member of the Supervisory Board (until December 31, 2005)

- mg trade services ag, Frankfurt am Main,
  Member of the Supervisory Board (until September 15, 2005)

- mg venture capital ag, Frankfurt am Main,
  Chairman of the Supervisory Board (until December 31, 2005)

- mg vermögensverwaltungs gmbh, Frankfurt am Main,
  Chairman of the Supervisory Board (until December 31, 2005)

- Zimmer AG, Frankfurt am Main,
  Member of the Supervisory Board (until December 31, 2005)

Directorships Held by Members of the Supervisory Board

Dr. Jürgen Heraeus, Maintal,
Chairman of the Supervisory Board
Chairman of the Supervisory Board
of Heraeus Holding GmbH

a) EPCOS AG, Munich,
Member of the Supervisory Board

Heidelberger Druckmaschinen AG, Heidelberg,
Member of the Supervisory Board

Heraeus Holding GmbH, Hanau,
Chairman of the Supervisory Board

IKB Deutsche Industriebank AG, Düsseldorf,
Member of the Supervisory Board (until September 9, 2005)

Lafarge Roofing GmbH, Oberursel,
Member of the Supervisory Board (since September 7, 2005)

Messer Group GmbH, Sulzbach,
Chairman of the Supervisory Board

TEUTONIA Zementwerk AG, Hannover,
Chairman of the Supervisory Board (until June 23, 2005)

b) Argor-Heraeus S.A., Mendrisio, Switzerland,
Chairman of the Board of Directors

Reinhold Siegers*, Mönchengladbach,
Deputy Chairman of the Supervisory Board
Chairman of the Group Works Council of
GEA Group Aktiengesellschaft

a) Lurgi Lentjes AG, Düsseldorf,
Member of the Supervisory Board
(until December 31, 2005)

Dieter Ammer, Hamburg,
Chairman of the Management Board of Tchibo Holding AG

a) Beiersdorf AG, Hamburg,
Chairman of the Supervisory Board

Conergy AG, Hamburg,
Chairman of the Supervisory Board

Heraeus Holding GmbH, Hanau,
Member of the Supervisory Board (since June 11, 2005)

IKB Deutsche Industriebank AG, Düsseldorf,
Member of the Supervisory Board

Tchibo GmbH, Hamburg,
Chairman of the Supervisory Board (since January 18, 2006)

b) Die Sparkasse in Bremen
(Wirtschaftlicher Verein), Bremen,
Deputy Chairman of the Board of Directors
(until May 24, 2005)

Ahmad M.A. Bastaki, Safat, Kuwait,
Director, Kuwait Investment Authority

b) Banco Arabe Español (Aresbank), Madrid, Spain,
Member of the Board of Directors

Gerd Delaveaux*, Bochum,
Chairman of the Works Council of
GEA Happel Klimatechnik GmbH

Rolf Erler*, Düsseldorf, (until January 31, 2006)
Regional Head of IG Bergbau, Chemie, Energie, Düsseldorf

a) Rockwood Specialities Group GmbH, Frankfurt am Main,
Member of the Supervisory Board

Rainer Gröbel*, Sulzbach/Ts.,
Departmental Head, National Executive of IG Metall

a) Schunk GmbH, Heuchelheim,
Deputy Chairman of the Supervisory Board

Dr. Otto Happel, Lucerne, Switzerland,
Entrepreneur

a) Commerzbank AG, Frankfurt am Main,
Member of the Supervisory Board

Klaus Hunger*, Herne,
Works Council of GEA Maschinenkühltechnik GmbH

a) GEA AG, Bochum,
Member of the Supervisory Board (until May 18, 2005)

Dr. Gerhard Jooss, Essen, (until June 7, 2005)
Former Member of the Executive Board of ThyssenKrupp AG

a) Allgemeine Kredit Coface Holding AG, Mainz,
Member of the Supervisory Board (until June 30, 2005)

Allgemeine Kreditversicherung Coface AG, Mainz,
Member of the Supervisory Board (until June 30, 2005)

Ergo Versicherungsgruppe AG, Düsseldorf,
Member of the Supervisory Board

Westfalenbank AG, Bochum,
Deputy Chairman of the Supervisory Board

b) Giddings & Lewis LLC, Fonds du Lac, Wisconsin, U.S.A.,
Member of the Board of Directors (until January 31, 2005)

West LB International S.A., Luxembourg,
Member of the Board of Directors

Michael Kämpfert*, Recklinghausen, (since February 7, 2006)
Head of Human Resources at GEA Group Aktiengesellschaft

Uwe Kleindienst*, Voerde, (until June 7, 2005)
Chairman of the General Works Council of
Menzolit-Fibron GmbH

a) Menzolit-Fibron GmbH, Bretten,
Member of the Supervisory Board

Prof. Dr. med. Dr. h.c. Rolf Krebs, Mainz,
(until January 31, 2006) Former Spokesman for the
Management of Boehringer Ingelheim GmbH

a) Epigenomics AG, Berlin,
Chairman of the Supervisory Board

Ganymed AG, Mainz,
Member of the Supervisory Board

Vita 34 AG, Leipzig,
Member of the Supervisory Board

b) Air Liquide S.A., Paris, France,
Member of the Supervisory Board

Christine Kruse*, Frankfurt am Main,
Employee of Lurgi AG

a) Lurgi AG, Frankfurt am Main,
Member of the Supervisory Board
(from May 25 to August 11, 2005)

Dr. Dietmar Kuhnt, Essen,
Former Chairman of the Executive Board of RWE AG

a) Allianz Versicherungs AG, Munich,
Member of the Supervisory Board

Dresdner Bank AG, Frankfurt am Main,
Member of the Supervisory Board

Hapag-Lloyd AG, Hamburg,
Member of the Supervisory Board

HOCHTIEF AG, Essen,
Member of the Supervisory Board

RWE AG, Essen,
Member of the Supervisory Board (until April 13, 2006)

TUI AG, Hannover,
Member of the Supervisory Board

*) Employee representatives

a) Membership of statutory German supervisory boards

b) Membership of comparable German and foreign supervisory bodies of business enterprises

Kurt-Jürgen Löw*, Eberhahn, (since February 7, 2006)
Chairman of the Works Council of
Westfalia Industry GmbH

a) GEA AG, Bochum,
Member of the Supervisory Board (until May 18, 2005)

Westfalia Separator AG, Oelde,
Member of the Supervisory Board

Andrea Neuroth*, Bad Homburg v.d.H.,
(from February 25 to December 31, 2005)
Head of the Finance Department at
GEA Group Aktiengesellschaft

a) Dynamit Nobel Kunststoff GmbH, Weissenburg,
Member of the Supervisory Board (until December 30, 2005)

GEA AG, Bochum,
Member of the Supervisory Board (until May 18, 2005)

Versorgungskasse der Angestellten der
Metallgesellschaft AG VVaG, Frankfurt am Main,
Member of the Supervisory Board (until December 31, 2005)

Versorgungskasse der Angestellten der Vereinigte
Deutsche Metallwerke AG VVaG, Frankfurt am Main,
Member of the Supervisory Board (until December 31, 2005)

Dr. Helmut Perlet, Munich, (since June 7, 2005)
Member of the Board of Management of Allianz AG

a) Allianz Deutschland AG, Munich,
Member of the Supervisory Board

Allianz Global Investors AG, Munich,
Member of the Supervisory Board

Allianz Global Risks Rückversicherungs-AG, Munich,
Member of the Supervisory Board

Allianz Marine & Aviation Versicherungs-AG, Munich,
Member of the Supervisory Board
(since January 20, 2006)

Dresdner Bank, Frankfurt am Main,
Member of the Supervisory Board

International Reinsurance Company S.A., Luxembourg,
Member of the Supervisory Board (until June 30, 2005)

b) Fireman's Fund Ins. Co., Novato, U.S.A.,
Director

Lloyd Adriatico S.p.A., Trieste, Italy,
Member of the Consiglio di Amministrazione

Riunione Adriatico di Sicurtà S.p.A., Milan, Italy,
Member of the Board of Directors

Dr. Andreas Rittstieg, Hamburg,
Attorney

a) KERAMAG Keramische Werke Aktiengesellschaft, Ratingen,
Member of the Supervisory Board (until March 30, 2005)

TOMORROW FOCUS AG, Munich,
Deputy Chairman of the Supervisory Board

b) Berenberg Bank, Joh. Berenberg, Gossler & Co., Hamburg,
Member of the Board of Directors

Huesker Synthetic GmbH, Gescher,
Member of the Advisory Board

Uwe Schräder*, Helmstedt,
(from June 7 to December 30, 2005)
Deputy Chairman of the General
Works Council of Dynamit Nobel Kunststoff GmbH

a) Dynamit Nobel Kunststoff GmbH, Weissenburg,
Member of the Supervisory Board (until December 30, 2005)

Michael von Sperber, Wulfsen,
(from June 7, 2005 to January 31, 2006)
Attorney, Tax Advisor, Auditor

Joachim Stöber*, Biebergemünd, (since September 16, 2005)
Secretary of the National Executive of IG Metall

a) GEA AG, Bochum,
Deputy Chairman of the Supervisory Board
(until May 18, 2005)

Pierburg GmbH, Neuss,
Member of the Supervisory Board

Rheinmetall AG, Düsseldorf,
Deputy Chairman of the Supervisory Board

Michael Vassiliadis*, Hemmingen, (until September 15, 2005)
Member of the National Executive of
IG Bergbau, Chemie, Energie, Hannover

a) BASF AG, Ludwigshafen,
Member of the Supervisory Board

Henkel KGaA, Düsseldorf,
Member of the Supervisory Board

K+S AG, Kassel,
Deputy Chairman of the Supervisory Board

K+S Kali GmbH, Kassel,
Deputy Chairman of the Supervisory Board

Bernhard Walter, Bad Homburg v.d.H., (until June 7, 2005)
Former Spokesman of the Board of Managing Directors of Dresdner Bank AG

a) Bilfinger Berger AG, Mannheim,
Member of the Supervisory Board

DaimlerChrysler AG, Stuttgart,
Member of the Supervisory Board

Deutsche Telekom AG, Bonn,
Member of the Supervisory Board

Henkel KGaA, Düsseldorf,
Member of the Supervisory Board

Staatliche Porzellan-Manufaktur Meissen GmbH, Meissen,
Deputy Chairman of the Supervisory Board

ThyssenKrupp AG, Düsseldorf,
Member of the Supervisory Board (until January 21, 2005)

Wintershall AG, Kassel,
Deputy Chairman of the Supervisory Board

b) KG Allgemeine Leasing GmbH & Co., Grünwald,
Chairman of the Board of Directors

Wolfgang Wick*, Bottrop, (until December 30, 2005)
Chairman of the General Works Council of Dynamit Nobel Kunststoff GmbH

a) Dynamit Nobel Kunststoff GmbH, Weissenburg,
Deputy Chairman of the Supervisory Board
(until December 30, 2005)

Louis Graf von Zech, Frankfurt am Main,
Member of the Board of Managing Directors of BHF-Bank Aktiengesellschaft

a) Allgemeine Deutsche DirektBank AG (DiBa),
Frankfurt am Main,
Member of the Supervisory Board (until March 14, 2005)

Cocomore AG, Frankfurt am Main,
Member of the Supervisory Board

Deutsche Hypothekenbank
(Actien-Gesellschaft), Hannover/Berlin,
Chairman of the Supervisory Board (until May 12, 2005)

Sto AG, Stühlingen,
Member of the Supervisory Board

Zertus GmbH, Hamburg,
Deputy Chairman of the Supervisory Board

b) BHF-BANK International S.A., Luxembourg,
Deputy Chairman of the Board of Directors

BHF-BANK Switzerland, Zurich,
Chairman of the Board of Directors

Frankfurt-Trust Investment-Gesellschaft mbH,
Frankfurt am Main,
Deputy Chairman of the Supervisory Board

Committees of the Supervisory Board**

Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG)

Dr. Jürgen Heraeus, Chairman
Dr. Otto Happel
Klaus Hunger*
Reinhold Siegers*

Chairman's Committee

Dr. Jürgen Heraeus, Chairman
Dieter Ammer
Dr. Otto Happel
Rainer Gröbel*
Klaus Hunger*
Reinhold Siegers*

Audit Committee

Dr. Dietmar Kuhnt, Chairman
Gerd Delaveaux*
Dr. Jürgen Heraeus
Joachim Stöber*

Strategy Committee

Dr. Otto Happel, Chairman
Dr. Jürgen Heraeus
Reinhold Siegers*
Klaus Hunger*

*) Employee representatives

**) The personnel changes on the Supervisory Board and Executive Board are discussed in detail in the Report of the Supervisory Board from page 120 onward

a) Membership of statutory German supervisory boards

b) Membership of comparable German and foreign supervisory bodies of business enterprises

List of Abbreviations

AktG	German Joint Stock Corporation Act
CFO	chief financial officer
CG	corporate governance
COO	chief operating officer
CUS	Customized Systems
EBT	earnings before tax
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortization
EPS	earnings per share
EUR	euros
EVA	economic value added
HGB	German Commercial Code
IFRS	International Financial Reporting Standards
IR	Investor Relations
KonTraG	German Control and Transparency of Companies Act
MitbestG	German Employee Codetermination Act
MTP	methanol-to-propylene
PEN	Process Engineering
PEQ	Process Equipment
PET	polyethyleneterephthalate
PLE	Plant Engineering
PTA	purified terephthalic acid
RAAC	Risk Assessment and Advisory Committee
R&D	research and development
ROCE	return on capital employed
US$	U.S. dollars
U.S. GAAP	United States Generally Accepted Accounting Principles
VDMA	German Engineering Federation
WpHG	German Securities Trading Act

See the inside of the front cover for information
on its key performance indicators

Key Figures for the GEA Group

EUR million

	U.S. GAAP 2004	IFRS 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	IFRS 2005
Results of operations							
Sales	4,058.7	4,058.6	942.8	1,076.9	1,143.0	1,334.9	4,497.6
thereof outside Germany	3,191.2	3,203.7	718.9	876.1	905.6	1,074.1	3,574.7
thereof in Germany	867.5	854.9	223.9	200.9	237.4	260.8	923.0
New orders	4,243.6	4,301.3	1,159.4	1,128.4	1,171.7	1,503.9	4,963.4
Order book	2,351.8	2,401.9	2,674.4	2,788.3	2,873.7	3,080.6	3,080.6
EBITDA	140.5	162.4	33.3	38.4	79.5	130.4	281.6
EBIT	65.8	86.1	15.5	21.5	62.2	110.2	209.4
% of sales	1.6	2.1	1.6	2.0	5.4	8.3	4.7
Earnings before tax							
on continuing operations	10.2	– 7.9	2.2	9.9	51.6	97.0	160.7
% of sales	0.3	– 0.2	0.2	0.9	4.5	7.3	3.6
Net loss/income							
on continuing operations	– 31.8	– 24.4	0.8	5.0	31.1	57.7	94.6
Net income/loss							
on discontinued operations	125.5	190.7	9.6	12.0	– 170.0	– 10.4	– 158.9
Net income/loss	64.3	166.4	10.9	18.0	– 138.9	45.7	– 64.3
Minority interest	– 2.8	– 3.1	– 0.5	– 1.0	0.0	– 0.7	– 2.2
Net assets							
Total assets	5,122.1	5,198.4	5,308.9	5,354.4	5,163.1	4,784.9	4,784.9
Equity	1,670.5	1,672.5	1,689.7	1,701.1	1,561.0	1,584.1	1,584.1
% of total assets	32.6	32.2	31.8	31.8	30.2	33.1	33.1
Net position	326.8	326.8	59.9	30.1	– 4.6	351.4	351.4
cash	585.1	585.1	299.9	316.0	204.0	464.7	464.7
securities	55.8	55.8	55.6	6.5	7.1	11.8	11.8
bank debt + bonds	314.1	314.1	295.6	292.4	215.6	125.1	125.1
Gearing (%)	– 19.6	– 19.5	– 3.5	– 1.8	0.3	– 22.2	– 22.2
Financial position							
Net cash used for/provided							
by operating activities	– 48.0	29.9	– 231.3	31.0	– 7.7	395.5	187.5
Free cash flow	1,120.9	1,157.9	– 260.8	31.5	– 33.7	314.9	51.9
Investment (at balance sheet date)	3,452.2	2,007.3	2,192.7	2,162.0	2,213.7	2,061.4	2,061.4
ROCE (%)	1.9	4.3	0.7	1.0	2.8	5.3	10.2
Capital expenditure incl. finance leases	159.0	159.0	36.7	60.5	33.0	90.7	220.9
Employees							
Employees at balance sheet date	17,114	17,117	17,133	17,142	17,259	17,595	17,595
thereof in Germany	7,464	7,464	7,428	7,395	7,349	7,509	7,509
thereof outside Germany	9,650	9,653	9,705	9,747	9,910	10,086	10,086
GEA Group shares							
Share price at end of year (EUR)	8.69	8.69	9.87	9.98	9.49	10.50	10.50
Basic earnings per share (EUR)	0.32	0.85	0.06	0.09	– 0.74	0.24	– 0.35
thereof on discontinued operations	0.49	0.99	0.05	0.06	– 0.90	– 0.06	– 0.84
Dividend per share (EUR)	–	–	–	–	–	–	0.10
Weighted average number of shares (million)	192.3	192.3	188.0	188.0	188.0	188.0	188.0
Economic value added	– 148.1	– 48.0	– 20.8	– 14.3	24.4	74.3	65.8

Financial Calendar

March 23, 2006	Financial Statements Press Conference (Düsseldorf) and Analysts' Meeting (Frankfurt am Main) for 2005
May 4, 2006	Annual Shareholders' Meeting for 2005 (Bochum)
May 11, 2006	Interim Report for the period to March 31, 2006
August 10, 2006	Interim Report for the period to June 30, 2006
November 9, 2006	Interim Report for the period to September 30, 2006

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