



GEA Group Aktiengesellschaft
Annual Report 2008

GEA Group: Key IFRS figures

(EUR million)	2008	2007	Change (%)
Results of operations			
Order intake Energy and Farm Technology ¹	1,645.6	1,991.2	-17.4
Order intake Process Technology	3,346.6	3,432.1	-2.5
Order intake GEA Group¹	4,983.9	5,417.0	-8.0
Revenue Energy and Farm Technology	1,818.6	1,648.3	10.3
Revenue Process Technology	3,338.1	3,159.0	5.7
Revenue GEA Group	5,179.0	4,856.0	6.7
Order backlog	2,450.7	2,698.7	-9.2
EBITDA	585.9	480.7	21.9
EBIT Energy and Farm Technology	165.5	139.8	18.4
EBIT Process Technology	369.7	301.7	22.5
EBIT core segments	535.2	441.5	21.2
in percent of revenue	10.4	9.2	-
EBIT GEA Group	504.2	401.1	25.7
in percent of revenue	9.7	8.3	-
Earnings before tax	458.8	351.6	30.5
Net income/loss on continuing operations	349.0	237.2	47.1
Net income/loss on discontinued operations	-248.0	46.3	-
Net income/loss	101.0	283.5	-64.4
Net assets			
Total assets	5,128.3	4,748.0	8.0
Equity	1,455.4	1,413.7	3.0
in percent of total assets	28.4	29.8	-
Working Capital (balance sheet date) ²	790.4	625.2	26.4
Net position ^{3/4}	-60.2	61.3	-
Gearing (percent) ^{3/5}	4.1	-4.3	-
Financial position			
Cash flow from operating activities	388.9	181.1	114.8
Cash flow from operating activities (adjusted) ⁶	373.6	273.2	36.8
Investment (balance sheet date) ⁷	2,884.5	2,559.1	12.7
ROCE (percent) ⁸	17.5	15.7	-
Capital expenditure on property, plant and equipment and intangible assets	165.6	129.3	28.1
Employees GEA Group (balance sheet date)⁹	21,327	19,344	10.3
GEA Group Stock (EUR)			
Earnings per stock on continuing operations	1.89	1.26	49.9
Earnings per stock on discontinued operations	-1.35	0.25	-
Earnings per stock	0.54	1.51	-64.1
Weighted average number of stocks outstanding (million)	183.9	187.3	-1.8

1) Including large order contracts from South Africa totalling approximately EUR 340 million in 2007

2) Working capital = inventories + trade receivables - trade liabilities - advances received

3) Including discontinued operations

4) Net position = cash and cash equivalents + securities - bank debt

5) Gearing = net position / equity x (-1)

6) Excluding net cash flow from operating activities of discontinued operations

7) Investment = fixed assets + working capital

8) ROCE = EBIT / Investment

9) Full-time equivalents (FTEs), excl. apprentices / trainees and inactive employment contracts

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

Dear shareholders,

We are looking back on another successful but also challenging year for the GEA Group. Despite the deterioration in the economic environment, we raised earnings per share from continuing operations by around 50 percent to EUR 1.89 as a result of higher revenue and a considerable increase in the Group margin of 148 basis points. We achieved record earnings on Group level with EBIT of EUR 504.2 million and EBT of EUR 458.8 million. These results represent year-on-year increases of almost 26 percent and 31 percent respectively.

The uncertainty in capital markets accompanying the global financial crisis in the second half of 2008 also impacted the GEA Group stock. But the Group stands on a solid basis and is well equipped to meet future challenges. As a result of the success of our business last year, the Executive and Supervisory Boards will propose to the Annual General Meeting a year-on-year doubling of the dividend to EUR 0.40 per share.

Since this extraordinarily successful year reflects the performance of our employees, the Executive Board has decided to pay a one-off special bonus to the workforce totaling EUR 5.4 million (excluding senior management levels).

Securing the future

The German mechanical engineering sector can look back on one of the longest boom periods in post-war history, having reached record levels of performance in 2008. Since the summer of 2008, however, dire news have proliferated. In this environment, GEA Group's order intake in the fourth quarter of 2008 was down by around 14 percent com-

pared with the average for the first nine months. As early as November 2008, this prompted us to implement measures to counter a fall in earnings and to preserve liquidity. These range from cutting the employment of temporary workers and introduction of short time working to inevitable lay-off of permanent employees. A further round of layoffs is planned in the course of 2009. Overhead costs will also be cut, and we will focus to an even greater extent on operating free cash flow through optimized working capital management for example. Measures will also include adjourning selected investments in property, plant and equipment. This also induced us to prematurely terminate the share repurchase program started on October 6, 2008. As of the year-end, the Group had at its disposal unrestricted cash and overnight deposits of EUR 431.7 million.

Our current order backlog is characterized by good margin quality. In 2009, we will continue to pursue the principle that secure orders and margin quality are more important than accepting orders at any price. Our intention is to grow organically and through acquisitions. In 2008, we acquired companies representing an annual sales volume of around EUR 200 million. On principle our acquisition targets are small and medium-sized companies that complement our existing portfolio from the technological aspect and open new markets. We shall continue to pursue this strategy in 2009.

GEA is currently investing in the modernization and productivity enhancement of its plants around the world in order to emerge strengthened from the economic crisis. A particular project in this respect is the Mechanical Separation Division's multi-year capital expenditure program. Thanks to their varied applications, this division's products have proved to be quite especially resistant to cyclicity in the course of the past 25 years.

People – Our greatest asset

At this point, I would like to take the opportunity to thank our 21,327 committed employees and managers. The drive of their daily input is the key foundation for the success of our company. This is why they will once again receive an extraordinary profit participation bonus of around one percent of earnings before tax as an acknowledgement of their performance this year. Of our senior managers, who are excluded from this profit participation bonus, 81 percent have voluntarily participated in our GEA Performance Share Plan by investing their own capital in GEA Group Aktiengesellschaft shares. This is an impressive demonstration of our management's confidence in the capabilities and growth opportunities of our Group.

One of a company's most important tasks is to identify the potential inherent in its employees and managers, and to promote and reward these strengths. These are decidedly long-term investments. Our standardized Group-wide "i²m" ideas and improvement management system is providing the Group with valuable new stimuli that have already had a notable

impact on earnings. Also as regards up-and-coming managers, we are deliberately focusing on internal resources. Success is visible in a sharp rise in the development ratio of our own managers, across segments and divisions, as well as internationally.

Portfolio management

In the years during which it belonged to the Group, Ruhr-Zink accumulated well over EUR 100 million of loss up to 2005. It was only in the years 2006 and 2007 that the company managed to achieve significantly positive results, mainly as a result of high zinc prices. As a result of a sharp rise in energy costs, the decline in zinc prices and the abrupt collapse of sulfuric acid prices, the continuation of the company's business was no longer economically feasible, so that Ruhr-Zink had to shut down its operations.

Besides charges imposed by the write-downs of Ruhr-Zink's production plants, the social plan, as well as the costs for the transitional employment company, it was mainly further expenditures for uncompleted contracts of Plant Engineering that required recognition in the annual financial statements. Most of these projects are now in the commissioning phase.

Dear shareholders, the rationalization of the portfolio which took five years has now been concluded with the shutdown of Ruhr-Zink. This phase involved the sale or closure of around 20 companies of the chemicals industry, the automotive supply industry, heavy munitions production, as well as plant engineering and zinc smelting. In that same period GEA has acquired 30 companies, of which almost 80 percent address the food and beverages industries, or the energy sector as their main outlets. Consequently, GEA is optimally positioned to grow further in these markets in future.

Outlook

With the exception of the ongoing court and arbitration proceedings, whose result we have reflected in our accounts according to our current status of knowledge, we regard the painful separation from the legacy businesses of Metallgesellschaft or mg technologies respectively as largely concluded. However, significant cash outflows from provisions are still due in 2009.

With a decline of 20 percent, our order intake in January was significantly better than the 42 percent drop in the mechanical engineering sector reported by the German Engineering Federation (VDMA), order intake in the two first months of the new fiscal year was slightly below the level of the fourth quarter of 2008. GEA currently sees no recovery to this situation for 2009 and has therefore launched the measures described above. It remains to be seen if all these measures can fully compensate for the pressure on earnings. But our current order backlog provides valuable support thanks to favorable margins.

Our short-term expectations are as follows, based on our order intake between October 2008 and February 2009:

- a moderate decline in investment activity in the food and beverages industries, which represents around one half of GEA Group's revenue;
- a fairly constant level of investment activity in the energy generation sector as a result of more favorable infrastructure and energy costs; as well as
- a marked downturn in the oil and gas business.

Over the longer term, we expect these markets to grow in real terms by between plus 3 and plus 6 percent on average, significantly above the global real GDP growth rate.

Yours sincerely,



Jürg Oleas
Chairman of the Executive Board



Engineering Excellence.

 GEA Group headquarters in Bochum.

 Qualified employees – the Group's most important asset.

 GEA, a powerful brand with high appeal.

 Progress in focus:
Constant innovation as the foundation for sustained success.

 Always tailored to individual needs, always innovative: the production of sealed plate heat exchangers for the dairy industry.

Background:
The result of perfect teamwork:
Valve batteries in foodstuffs production.

Driven by expertise and considered growth, today's GEA Group Aktiengesellschaft ranks as one of Germany's largest pure mechanical engineering companies. The core business spans a wide spectrum of specialty mechanical engineering and focuses on process technology and components, including related design and consulting services.

According to its motto, "Engineering Excellence," GEA Group's entire business revolves around the two basic process technologies of heat and mass exchange. GEA Group equipment, machinery and processes provide heat, chill and freeze, separate, dry, dispense in required doses and agglomerate the most varied types of materials and material combinations. With almost 50 percent share of total Group revenue, the steadily growing foodstuffs and beverages industries are the main application areas of GEA products. Further applications include the energy sector, the chemicals and petrochemicals industries, building construction, shipbuilding and the pharmaceuticals and cosmetics industries. We are at the leading edge, both in Germany and around the world: GEA Group is positioned as one of the market and technology leaders in 90 percent of its business areas.

At GEA "Engineering Excellence." means:

- Concentration on core competencies and core technologies
- Stability through diversification across regions and a broad portfolio of products and sales areas
- Technology leadership through constant innovation
- Cost leadership through high productivity and global production locations
- Decentralized organization ensuring superior flexibility in responding to customers' requirements.

The GEA Group Stock

The financial crisis played a dominant role in stock markets in 2008. Following a weak start to the year, leading international stock markets proved unable to rally given numerous crises in the later course of the year and were at times subject to dramatic falls, which accelerated from September.

The DAX index relinquished over 40 percent of its value in 2008. This marks 2008 as its second worst year in its 20-year history. Only in 2002 did the DAX report an even more severe decline with a fall of 44 percent. The DAX appreciated by over 100 percent between these two disastrous years.

For German second-line stocks, 2008 was the worst year in their history. All three indices lost almost half their value. The index for medium-sized German joint-stock corporations, the MDAX, lost over 43 percent of its value over the course of 2008 and closed the year at the level of 5,600 points. In 2002, the worst year for the DAX, the MDAX fell by 30 percent and the SDAX declined by 28 percent.

Given this backdrop, GEA Group Aktiengesellschaft's share fell briefly to a low of EUR 18.25 on January 11, 2008, from which it rapidly recovered, however, and then outperformed its comparable index. It reached its high of EUR 26.90 on May 19, 2008 and then initially performed well in a highly volatile equity market.

The global financial crisis resulted in a collapse of equity markets starting in September. Related concerns about future economic growth intensified this trend. Mechanical engineering was perceived as a particularly cyclical sector, whose shares were impacted to a disproportionate extent by price falls. GEA Group Aktiengesellschaft's stock proved unable to dissociate itself from this trend despite the considerably below-average cyclicity of its business. A key factor in this respect is the particularly Anglo-Saxon make-up of the GEA Group's shareholder structure, which means that greater selling pressure was felt from this side. The GEA Group Aktiengesellschaft's stock fell to its low for the year of EUR 9.48 on October 27, 2008. It recovered somewhat by the year end, closing on December 30 at EUR 12.15, representing a 49 percent loss compared with the 2007 year closing price.



The weak trend of equity markets also continued in the first two months of the current year. This in turn has had a hard effect on mid and small-cap mechanical engineering stocks in particular. In this environment, the GEA Group Aktiengesellschaft stock showed a poorer performance than its comparable index and fell to 8.07 EUR on February 25, 2009 – a new three-year low.

At the end of 2008, GEA Group Aktiengesellschaft's market capitalization occupied position number 32 in Deutsche Börse AG's index ranking list, which only takes a share's free float into account (previous year: position number 38). In terms of trading volume, by contrast, GEA Group Aktiengesellschaft's stock fell to position 41 (previous year: position 38).

GEA Group Aktiengesellschaft bought back 175,000 shares and subsequently canceled them as part of the share repurchase program run between October 6, 2008 and November 28, 2008. As a consequence, there were 183,807,845 shares in circulation as of December 31, 2008. GEA Group Aktiengesellschaft held no treasury shares as of December 31, 2008.

According to their most recent announcements as per the German Securities Trading Act (WpHG), Allianz SE and the Kuwait Investment Office held shares of 10.6 percent and 8.2 percent respectively as of December 31, 2008, and are consequently the largest single shareholders. As a result of the sale of Dresdner Bank AG to Commerzbank AG on January 12, 2009, a stake transferred from Allianz SE to Commerzbank AG. Commerzbank AG has been the second largest individual shareholder since that time with a stake of 7.8 percent. This has raised the free float according to Deutsche Börse's calculation from 81.2 to 84.0 percent.

	Q4 2008	Q4 2007	Q1 - Q4 2008	Q1 - Q4 2007
Stocks in issue on December 31 (million)	183.8	184.0	183.8	184.0
Number of stocks outstanding on December 31 (million)	183.8	184.0	183.8	184.0
Average number of stocks outstanding (million)	183.9	185.8	183.9	187.3
Stock price on December 31 (EUR)	12.15	23.80	12.15	23.80
Stock price high (EUR)	13.96	28.10	26.90	28.10
Stock price low (EUR)	9.48	20.29	9.48	16.23
Market capitalization on December 31 (EUR billion) ¹	2.23	4.38	2.23	4.38
Average daily turnover (millions of stocks)	-	-	1.4	1.7
Earnings per stock (EUR)	0.12	0.20	0.54	1.51
of which on continuing operations (EUR)	0.73	0.83	1.89	1.26
of which on discontinued operations (EUR)	-0.61	-0.62	-1.35	0.25
Dividend (EUR) ²	-	-	0.40	0.20

1) on the basis of stocks in issue

2) Dividend proposal

Prices: XETRA closing prices

Participation in 36 roadshows and conferences as well as 391 one-on-one meetings since the start of the year continue to reflect the intensive investor relations activities the GEA Group is performing and the capital market's high degree of interest in the company even during the global financial market crisis.

GEA Performance Share Plan

The long-term remuneration program, which the company set up very successfully in 2006 for the first and second levels of management, was extended to the third management level with the implementation of the third tranche in July 2008. The rate of participation even rose once again and now amounts to 81 percent for the third tranche.



Good taste – brought to you by GEA

Good morning at GEA: no breakfast table without the technology leader's products.

Ensuring shelf-life and ease-of-use for instant products such as milk and coffee powder: GEA spray dryers

From just a few cows through to customers with over 60,000 livestock: milk is produced daily around the world using GEA milking stands.

GEA valve technology: Reliability and security – combined in a high-tech product.

GEA also supplies complete process lines for making the most varied milk products, e.g. curd and cream cheese.

Background:
Surface of a plate heat exchanger – at work in the most varied types of foodstuff production applications.

Food production is one of the most stable growth markets in the world. This is due to the rising standard of living in developing and emerging economies, as well as continued demand for new and innovative products in Western markets. GEA is a significant beneficiary of these trends.

As a technology leader, GEA supplies machinery and components that guarantee reliable process management, a high degree of hygiene and efficiency and embody decades of experience in the food sector. Whether it's instant coffee, wine or beer, fruit juice, chocolate, olive oil or whiskey, but most particularly milk and dairy products such as ice cream, curd cheese, yoghurt, butter and cheese: GEA facilities and systems are at work wherever these items are produced or processed.

For example, a substantial amount of milk produced around the world today is milked or processed by GEA equipment. High-technology has arrived in the cowshed: milking robots allow milk to be produced in a manner that is comfortable for livestock, while saving on time and labor resources. Spray dryers lie at the heart of milk powder manufacturing. Without separators and decanters, evaporators and filling plants there would be no convenience drinks. Juices, both with and without fruit pulp, fruit juice concentrates and soft drinks are preserved for extended periods using GEA plate heat exchangers or filled aseptically in PET bottles using the Group's filling machines. And around the world, GEA decanters are also at the center of process technology for the smoothies that are much in demand today.

Supervisory Board of GEA Group Aktiengesellschaft

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

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

Dieter Ammer
Chairman of the Management Board of Conergy AG

Ahmad M.A. Bastaki
Executive Director, Office of the Managing Director,
Kuwait Investment Authority

Rainer Gröbel
Departmental Head, IG Metall,
Management Board

Klaus Hunger
Works Council Chairman of
GEA Maschinenkühltechnik GmbH

Michael Kämpfert
Head of Human Resources at GEA Group Aktiengesellschaft

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

Kurt-Jürgen Löw
Works Council Chairman of
GEA WestfaliaSeparator Production GmbH

Dr. Helmut Perlet
Member of the Management Board of Allianz SE

Joachim Stöber
Executive Secretary to the Management Board of IG Metall

Louis Graf von Zech
Member of the Supervisory Board of BHF-Bank Aktiengesellschaft

**Supervisory Board Committees of
GEA Group Aktiengesellschaft**

**Mediation Committee pursuant to
§ 27 Section 3 of the German
Codetermination Act (MitbestG)**

Dr. Jürgen Heraeus, Chairman
Dr. Helmut Perlet
Reinhold Siegers
Klaus Hunger

Presiding Committee

Dr. Jürgen Heraeus, Chairman
Dr. Helmut Perlet
Reinhold Siegers
Rainer Gröbel

Audit Committee

Dr. Dietmar Kuhnt, Chairman
Dr. Jürgen Heraeus
Kurt-Jürgen Löw
Joachim Stöber

Nomination Committee

Dr. Jürgen Heraeus, Chairman
Dr. Dietmar Kuhnt
Dr. Helmut Perlet



Hartmut Eberlein

Jürg Oleas

Niels Graugaard

Executive Board of GEA Group Aktiengesellschaft

Jürg Oleas, Chairman of the Executive Board

Jürg Oleas, a Swiss national born on December 8, 1957 in Quito/Ecuador, was appointed Chairman of the Executive Board of GEA Group Aktiengesellschaft with effect from November 1, 2004. His term of office runs until December 31, 2010. Jürg Oleas has been a member of the company's Executive Board since May 1, 2001. He is responsible for the Energy and Farm Technology Segment and he also acts as Industrial Relations Director.

Hartmut Eberlein, Chief Financial Officer

Hartmut Eberlein, born on August 14, 1952 in Wesel/Germany, has been a member of the Executive Board of GEA Group Aktiengesellschaft since December 1, 2005. He was appointed CFO as of January 1, 2006, and his term of office extends up to April 22, 2009. Besides his role as a CFO, he is also responsible for the "Other" Segment.

Niels Graugaard, Executive Board member

Niels Graugaard, born on February 4, 1947 in Copenhagen/Denmark, has been a member of the Executive Board of GEA Group Aktiengesellschaft since August 1, 2007. His period of office runs until July 31, 2010. He is responsible for the Process Technology Segment.

Management Report

Key trends in 2008

GEA Group's mechanical engineering business achieved revenue of over EUR 5 billion for the first time in 2008. The receding order intake reflects the sharp downturn in the volume of major contracts in the bioethanol/biodiesel and brewery markets. In addition, the previous year, 2007, was characterized by two major orders in the powerplant sector with a combined contract value of EUR 340 million. The operating profit (EBIT) earned by the core segments, of EUR 535.2 million, represents a record level. At 10.4 percent, the EBIT margin of the core business significantly exceeds our 10 percent target. In overall terms, the Group generated an operating profit of EUR 504.2 million at an EBIT margin of 9.7 percent.

In operating terms, the withdrawal from the loss-prone businesses of the predecessor companies, Metallgesellschaft AG and mg technologies ag, has largely been concluded. According to today's status of knowledge, GEA Group has made appropriate provisions for both project-related risks and issues still to be clarified through legal and arbitration proceedings.

Cash flow from operating activities reached EUR 388.9 million in 2008. The Group's net debt amounts to minus EUR 60.2 million, which corresponds to a gearing of 4.1 percent. As of the year-end, the Group has at its disposal unrestricted cash and overnight deposits of EUR 431.7 million. Cash credit lines of EUR 1,160.4 million are only utilized at 43 percent.

As a result of the excellent result achieved in fiscal 2008, the Executive and Supervisory Boards propose a doubling of the dividend to EUR 0.40 per share.

Aggregation of Group and Parent Company in the Management Report

As a strategic management holding company, GEA Group Aktiengesellschaft performs a management function within the GEA Group. It maintains profit and loss transfer agreements with key subsidiaries in Germany. GEA Group Aktiengesellschaft also provides centralized financial and liquidity management. Besides this, it provides its subsidiaries with services within the framework of service agreements.

As the business performance, economic situation and the opportunities and risks of the future development of GEA Group Aktiengesellschaft do not deviate from the business performance, economic situation and the opportunities and risks of future development

of the GEA Group, we have aggregated the management report of GEA Group Aktiengesellschaft with that of the GEA Group pursuant to § 315 Section 3 of the German Commercial Code (HGB). Unlike the consolidated financial statements based on IFRS, the annual financial statements of GEA Group Aktiengesellschaft are based on the German Commercial Code, supplemented by the German Stock Corporation Act (AktG).

Organization and structure

Strategic guiding principles and segmentation of the Group

The GEA Group is run according to four strategic guiding principles:

- Market leadership: GEA Group's entities concentrate on their relevant core technologies and are number one or two in their global output markets.
- Technology leadership: GEA Group promotes a distinctive innovation culture, which allows it to constantly renew its technological edge.
- Profit-orientation: GEA Group prioritizes profitability over volume and stands for consistent portfolio management as well as strict cost management.
- Calculated risks: Active risk management, stability through diversification and concentration on stable markets for the future are binding requirements for all GEA business units.

GEA Group has segmented its activities in a new management and reporting structure since 2008. The Group is now split into two core segments, as well as into the "Other" segment. The "Energy and Farm Technology" core segment mainly comprises companies that offer technologies and products concerned with energy generation, air treatment and farm systems. Companies that provide components, machinery and plant units, particularly for food production and processing, form the "Process Technology" core segment. The segmentation also corresponds to the areas of responsibility of the Executive Board members, and consequently according to the sub-units whose results are regularly analyzed by the Executive and Supervisory Boards, and which form the basis for decisions. The prior-year figures have been adjusted to the new segment structure for better comparability.

Energy and Farm Technology Segment

The first segment comprises the Air Treatment, Farm Technologies, Thermal Engineering and Emission Control divisions. These divisions specifically deal with air treatment in industrial and commercial buildings, as well as infrastructure facilities. It also comprises milk production systems including cowshed and animal hygiene, power plant cooling, industrial process cooling, as well as the cleaning of process emissions from basic materials industries. Jürg Oleas, Chairman of the Executive Board, manages this segment.

Process Technology Segment

The second segment includes all GEA Group activities in the process technology area and comprises the Refrigeration, Process Equipment, Mechanical Separation, Process Engineering and Pharma Systems divisions. A typical process line, e.g. in a dairy or other type of foodstuffs operation, is always based on the Process Technology Division's know-how and process-technology machinery and systems. Consequently, this segment serves GEA Group's most important sales markets – the food and beverages industries. Board member Niels Graugaard is responsible for the management of the Process Technology Segment.

“Other” Segment

The third reporting segment, which is referred to as “Other”, includes all the remaining companies engaged in non-core activities. Besides the holding company, the “Other” segment comprises companies reporting on real estate deriving historically from the former mining technologies and essentially held for sale because they are no longer required for operations, as well as pension obligations and legacy mining obligations. CFO Hartmut Eberlein manages this reporting segment.

Holding company

GEA Group is organized as a group of segments under a strategic management holding company, the listed GEA Group Aktiengesellschaft. The holding company performs important general functions for the whole Group. These are the centralized management of strategic, personnel, legal and tax matters, mergers & acquisitions, supply management, centralized financial management, Group controlling, corporate accounting, as well as corporate communications, investor relations and internal audit.

Operating activities

Description of operating activities and competitive position

GEA Group is a globally successful technology group whose engineering companies operate in over 50 countries. The Group concentrates on specialty mechanical engineering, particularly process technology, process equipment and plant engineering. The focus is on the two basic process technology areas of heat and mass exchange. There are no directly comparable competitors at the segmental level. The technology and market-oriented divisions of both core segments are presented in greater detail below:

Energy and Farm Technology Segment

The Air Treatment Division is the European market leader for centralized and decentralized solutions for heating, air conditioning, ventilation and control engineering. This equipment is used, for example, in hotels, public buildings, museums, public swimming baths, leisure facilities, cruise ships, retail and commercial real estate, and production workshops. Complete air-conditioning and clean-room systems are offered for highly sensitive areas of the pharmaceutical, computer and electrical-engineering industries, and for hospitals. The division's tailored solutions aim at the greatest possible reduction of energy consumption over the entire lifespan of the plants, accompanied by the best possible results in terms of comfort, reliability and working productivity. One specialist field is air filtering technology (separators, filters, all the way through to complete filtering plants), which, among other areas, is used in construction engineering, and in various aspects of process engineering.

In the global milk production market, the Farm Technologies Division is one of the two largest manufacturers of milking, cooling, feeding and herd management equipment and of products concerned with milk production. The division's companies are also expert partners for innovative services relating to milking and animal hygiene. Its wide-ranging product program offers system solutions for dairy herd owners to produce milk on a professional basis in combination with the highest degree of economic efficiency. The product range can be customized for all herd sizes and customer requirements and includes, for example, milking carousels and stands, independently operating milking robots, cooling tanks, various cowshed fixtures and cleaning and slurry disposal systems. As a full range product provider, the division also supplies consumables such as disinfectants and teat rubbers to end-customers through dealers. Practical and reliable process management systems combined with high-performance electronics underpin the products. The successful sales strategy is based on a dense network of specialist centers and dealers functioning as sales and service partners in all markets.

The Thermal Engineering Division is one of the world's two market leaders in the area of industrial thermal engineering using air. The division's customers come from the power plant sector, general industry, as well as all process industry areas, e.g. chemicals, petrochemicals and natural gas processing, such as in liquefied natural gas (LNG) plants. The principal product groups are direct and indirect dry cooling systems, as well as wet cooling systems. A particularity of the division is that it is also the only division dealing with major contracts, mainly in the power plant cooling area. Since these orders are mostly received at very irregular intervals, year-on-year comparisons for the division or segment may be sharply distorted.

The Emission Control Division operates successfully around the world in the industrial environmental protection area. The division designs and builds gas cleaning units on the basis of a broad technology range. It offers tailored system solutions for producers or constructors of entire plants from the nonferrous metals, chemicals, iron and steel, cement, and glass industries. The comprehensive technology range includes dust collection, dry and wet removal of gaseous pollutants from process gases, heavy metal separation, abatement of acid gas loads, dioxins and furans, and other emission-relevant exhaust gas components.

Energy and Farm Technology		Process Technology	
	Air Treatment		Refrigeration
	Farm Technologies		Process Equipment
	Thermal Engineering		Mechanical Separation
	Emission Control		Process Engineering
			Pharma Systems

Process Technology Segment

The Refrigeration Division is one of the world's market leaders in industrial cooling of processes and products. The product range is based on the core components of reciprocating compressors and screw compressors, condensers, coolers, freezers and valves. The division's cooling equipment and complete refrigeration systems are required mainly for processing and warehousing according to quality assurance standards, as well as for the transportation of foodstuffs and beverages. There are also numerous marine applications, as well as for the chemical and pharmaceutical industries. Further areas of application include ice cream factories and demanding objects such as indoor skiing facilities and ice sports halls.

The Process Equipment Division is one of the world's leading providers of equipment to the process industries. This division's companies specialize in machinery and equipment for the optimal use of heat, for machine cooling and for various specific technology areas. Compact heat exchangers (e.g. welded, bolted and soldered intercoolers for diesel engines and generator coolers) and tube bundle heat exchangers (e.g. transformer oil coolers for energy technology and heat exchangers for petrochemical applications) are the traditional products. Besides heat-exchangers, valves and pumps are used as liquid-processing equipment by dairies, breweries and the pharmaceutical industry. Dairies are the principal customers for homogenizers. This division ranks either first or second worldwide in the vast majority of its markets.

Process	Heat exchange	Mass exchange
Milk		
Beer		
Juices / wines / spirits		
Fats / sugar / coffee / cocoa		
Starch		
Pharma / cosmetics		
Chemicals / oil / gas		
Power generation		
HVAC*	Heat Cool	Separate Dry / dewater / distill Pump / dose Agglomerate / package
Other	Freeze	

* HVAC: Heating, Ventilation and Air Conditioning

The Mechanical Separation Division is the global market leader in the area of centrifugal separation technology. Separators and decanters are centrifuges used to separate solids from liquids, or to separate liquid mixtures while simultaneously throwing off solids, also under extreme application conditions. In many sectors, mechanical separation features as a key technology today for the clarification of liquids, the separation of liquid mixtures, the concentration and dehydration of solids and the wet classification and extraction of materials. It offers significant potential for the improvement and innovative development of products and processes. For example, this applies to the production of beer, wine, or juices, cooking oils and fats, the manufacturing and processing of dairy products, numerous chemical and pharmaceutical processes, as well as the centrifugal preparation of mineral oils and their derivatives. The broad application range includes the food industry, industrial and environmental technology, and the mineral oil and shipbuilding industries.

The Process Engineering Division plans and builds individual units and complete systems for liquid processing, drying technology and powder processing. Customers are from the demanding dairy, food, brewery and beverages industries, and from the chemical and biotechnology industries. The division consists of a wide range of companies, which are all global leaders in their specialty areas. As far as liquid processing is concerned, the division supplies, among other things, pasteurization plants, membrane filtration systems, complete process lines for milk processing and breweries, as well as process integration and automation systems. The division's companies offer technologies for the crystallization, vaporization, freeze-concentration and extraction of solid and liquid materials for the concentration and pretreatment of the most varied substances. The division is also a leader for contact and convection drying, including spray dryers, steam fluid bed dryers, freeze dryers, flash dryers, ring and rotation dryers and vortex disintegrator dryers. In the powder processing area, the most up-to-date solutions are offered for manufacturing granulates and agglomerates, including agglomerators, coaters, containment handling and dispensing machines, granulators, pelletizers, and powder handling and packing systems.

The Pharma Systems Division concentrates on the requirements of the pharmaceuticals and cosmetics industries. The division ranks among the international market leaders thanks to its combination of strong brands and a pronounced commitment to research and development. The division supplies pharmaceutical manufacturers around the world with the most up-to-date solutions for the processing of pharmacologically active substances, ranging from substance processing all the way through to the production of secure delivery forms and liquid-sterile medicines. The product portfolio also includes granulation and drying systems, closed and integrated system solutions for materials handling, innovative tablet presses, spray drying technology, and freeze drying systems with automatic feeding and discharging.

Internal controlling system

Internal controlling is performed on the basis of key performance indicators identified as value-drivers. As in previous years, the focus is on increasing EBIT and EBIT margin. The EBIT margin is a key indicator in this system for measuring improved profitability at the operating unit level. The working capital to sales ratio is regarded as a further key value-driver.

These key indicators represent the main factors influencing return on invested capital. Return on capital employed (ROCE) is also frequently used to assess the effectiveness of capital invested in the operating business. Return on capital employed is calculated by comparing EBIT to capital employed. Besides working capital, the definition used for capital employed includes operationally-employed fixed assets.

Given the changes in the economic environment and compared to the previous years that were characterized by a high growth rate, the management of capital employed, particularly working capital, is of increasing importance.

In addition to the above-mentioned key performance indicators, the individual assessment and approval of customer and investment projects applying specific thresholds for the different management levels has been formally instituted as a controlling instrument.

The evaluation of customer projects is performed on the basis of expected margins (gross margin and on a full-cost basis), the commercial and contractual risk profile of projects, and particularly considering cash flows and prospective payment terms.

The key assessment criterion when evaluating expansion investment projects is their importance for achieving strategic objectives approved as part of the medium-term planning. Commercial decision criteria for rationalization and replacement investments include, among other things, the expected return on the project relative to the weighted average costs of capital, the payback period as a benchmark for the risks inherent in changes to economic conditions, as well as operating requirements.

So-called "Jours Fixes" are held at least once per quarter at which the Board member responsible for the relevant segment jointly analyzes trends with the divisions. "Extended Management Board Meetings" are also convened regularly, which are attended by both the Executive Board and Division Presidents. These meetings provide an opportunity to systematically examine trends in the business environment in order to identify potentially negative effects on the relevant value-drivers, so that countermeasures can be initiated at an early stage.

The key value-drivers are also reflected in the management remuneration system, which rounds out the Group's internal control system. The EBIT, EBIT margin, and working capital to sales ratio form the basis for variable remuneration components. The remuneration system is consequently optimally oriented to enhancing the value of the company.

Production and investment

The predominantly medium-sized companies of the GEA Group produce equipment, machinery, systems and plant mainly on an order basis for the food and beverages industries, the energy sector, and the chemical and pharmaceutical industries. Flexible production design ensures short throughput times, low cost structures and low capital tie-up.

GEA Group is expanding its production capacities in Europe, the USA and in the world's growth regions through targeted investments and acquisitions that form reasonable additions to the product portfolio or strengthen regional market coverage. This allows it to hedge itself more efficiently against global currency fluctuations, and to exploit more favorable cost structures in terms of production, sourcing and logistics. Its growing regional presence through local companies secures GEA Group's market position in promising markets.

GEA Group's most important project in the production sector is its capital expenditure program for the Mechanical Separation Division involving a total volume of around EUR 160 million and spanning several years. The Mechanical Separation Division is one of the divisions least exposed to economic fluctuations. The division enjoys a very high degree of development potential as a result of new applications, for example in the areas of the food and beverages industries, the environment, wastewater, and in oil production and processing applications. The program mainly concentrates on raising efficiency of the German locations at Oelde and Niederahr through the modernization and focusing of production. The French facility at Château-Thierry is also being restructured into a global service and maintenance center including replacement part production. In China, GEA Group will build up a new production facility for complete separators and decanters, and expand the previous assembly plant in India to become a complete manufacturing plant for decanters and basic separators. The entire project will be completed in the course of 2011. The ground was broken for the construction measures in Oelde in December 2008.

A new plant for the Thermal Engineering Division will be opened in Wuqing in China in spring 2009. This plant, which belongs to the Hungarian GEA subsidiary EGI, will directly supply the Chinese power plant market with components for indirect dry cooling systems. Indirect dry cooling systems combine the sparing use of resources with power plant efficiency gains. The division will commission a further plant in spring 2009 in Celaya in Mexico. In future, this plant will produce components for air-cooled condensers for the American market.

GEA Group further expanded its portfolio of manufacturing technologies and locations through acquisitions made in 2008. One example to mention at this juncture is the International Cooling Group (ICG), which is based at Fareham near Southampton, United Kingdom. This was GEA's largest acquisition in 2008. ICG successfully manufactures vaporizers and condenser units for the industrial refrigeration technology market under the Searle and Raffel brand names in the United Kingdom, France and Germany. GEA Group has not offered this type of technology to date. The company generated revenue of almost EUR 70 million in 2007 with a workforce of around 500 employees. ICG represents an outstanding bolt-on business for the GEA Group, since the acquisition has extended both the technology portfolio and its geographic market presence. It further strengthens the Refrigeration Division's competitiveness and market position in Europe, and achieves further significant synergy effects for the GEA Group.

Research and development

GEA Group's successful innovation culture forms the decisive basis for the future success of our business. The systematic research and development activities of the GEA Group are performed on a decentralized basis within the individual divisions. They are enhanced by various intercompany competitions, a uniform ideas and improvement management system that has now been rolled out across the world and a targeted acquisition strategy. The GEA Group pursues the objective to turn innovations into marketable products as rapidly as possible. The decisive factor in this respect is the efficiency of 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. This is the only way to continue to secure our technological edge compared with global competitors. GEA Group also expands its development potential through targeted acquisitions that further round off the company's portfolio.

For many years all GEA Group divisions have held innovation competitions that allow product ideas or ongoing development projects to be presented. Relevant divisional level winners subsequently compete against each other in a final competition. The three divisions that present the most promising innovations in terms of market opportunities, earnings potential, prospects for realization and level of innovation, together receive total prize money of EUR 1.5 million. This prize money is invested in their development budgets with the aim of giving the innovative solutions a boost that will ready them for their market launch. In 2008, the winner was a new technical continuous granulation process of the Pharma Systems Division that cuts maintenance-related plant downtime. This generates not only higher productivity for customers, but also a significant reduction in the volume of waste generated during production.

GEA Group promotes and harnesses the individual innovative ability of all employees through its Group-wide "i²m" (Ideas & Improvement Management) scheme. i²m was initially launched in Germany in 2007 and melds various operating suggestion scheme tools into a single improvement system. The system was launched globally in September 2008 and has proved its worth across different cultures. Its clear and comprehensible structures, accompanied by a variable incentive scheme, contribute to the achievement of sustainable improvements in the Group's operational efficiency, product and work quality and customer satisfaction. Employees from across the Group submitted a total of 12,747 ideas in 2008 using the i²m scheme. Of these employee ideas, 3,912 were implemented successfully in 2008. They yielded a calculated net benefit of over EUR 7.4 million for the Group within the first year (further information on this topic can be found in the Employees chapter on page 47).

GEA Group companies filed 75 new patents in 2008 (2007: 87). GEA Group employed a total of 442 research and development (R&D) staff members across the Group in 2008, compared with 418 in 2007. Group R&D expenditure amounted to EUR 76.3 million, compared with EUR 72.4 million in the previous year. This equates to an R&D investment by the GEA Group equivalent to 1.5 percent of revenue in 2008 (previous year: 1.5 percent).

Procurement

GEA Group's procurement operations are successfully coordinated across companies and divisions as a matter of principle.

Targeted procurement coordination allows further savings potentials to be realized. This coordination is structured according to regions and strategic product groups. Besides the procurement of components and semifinished products, strategic projects in the logistics and travel management area have also made a very important contribution to the reduction of purchasing and process costs. We are also working intensively on perfecting both existing and new purchasing processes in order to ensure constant improvement in data quality, and to extract sourcing potentials that have not yet been identified. This also includes the consistent monitoring of suppliers with respect to creditworthiness and the hedging of risks.

The qualification and further training of all purchasers, including within divisions and operating units, has been a fixed component of the GEA Group's procurement strategy for many years.

Purchasing volumes have risen to around EUR 2.9 billion as a result of the continued growth of the GEA Group. Until the very end of the year, 2008 was characterized by high capacity utilization at our suppliers accompanied by correspondingly long delivery times. Consequently, cost pressure for most technical goods remained extremely high. However, price increases for key groups of technical materials could be avoided in many cases.

Following a brief easing in the steel products area in the first quarter, the company was confronted with some drastic price increases from the middle of the year. Early price-fixing for copper and aluminum products allowed prices to be held at a calculable level, thereby avoiding the effects of major price fluctuations. Raw materials price trends remain a particular focus of strategic procurement, and are constantly analyzed by a team of experts to allow global trends to be identified at an early stage and optimal action to be taken.

Environment

GEA Group takes its climate policy responsibilities seriously. The technologies which GEA Group customers use are energy-intensive. But with its solutions, the Group has set sustainable benchmarks for a successful symbiosis between economic and technological efficiency and consequently ranks as a global leader with its products, including the areas of energy efficiency and pollution control.

Emission rates and energy consumption are relatively low in the machine building sector. Emission control within GEA Group's own production operations consistently meet, and frequently even exceed, statutory requirements. This is evidenced by the DIN EN ISO 14001 environmental certificates that have been awarded to GEA Group's own production facilities following the implementation of various measures. 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 of the GEA Group engaged in manufacturing activities. Production waste is sorted and recycled wherever possible. Additional environmental burdens are avoided as far as possible by the use of exhaust air filters, collecting containers, or the treatment and recycling of process fluids.

GEA Group is convinced that the current climate debate implies significant potential for innovative technologies that contribute to solving many future challenges. Energy efficiency is a major factor determining total lifespan costs of a machine. It is consequently a central design criterion in much Group plant and equipment. Besides operating performance, reducing energy consumption is one of the most important development objectives for all new GEA Group projects.

GEA Group continued to participate in the Carbon Disclosure Project (CDP) survey in 2008, and provided information on risks and opportunities for the company arising from climate change, as well as on clean air schemes. From the GEA Group's perspective, risks arising from potential demand shifts are at least offset by equally promising opportunities resulting from its innovative product range of energy-efficient solutions for customers' production processes. As far as the GEA Group is concerned, the days when ecology and business were contradictory objectives in the process technology sector have long since passed. CDP is an independent non-profit organization, which currently comprises around 400 institutional investors. The survey included questions about companies' strategies to tackle climate change and company-specific greenhouse gas emissions. It was subsequently made available to current and potential investors.

With every order, GEA Group takes on the responsibility to ensure, in cooperation with its customers, that both aspects receive balanced treatment. Using GEA Group machinery, components, systems and process plants, customers thus make an important contribution to climate protection, for example by deciding to use GEA Group dry cooling systems. The idea of employing air as a coolant, instead of water, conserves groundwater resources and avoids the warming of natural watercourses. This results in a particular demand potential from regions of the world that have poor water resources, such as the Middle East, China or South Africa, where power plant construction is often only made possible by the use of this cooling method. In Europe and North America too, however, interest is growing in this environmentally conservative technology. It allows, for example, the continuing operation of power plants during hot summer months without the return temperature of the cooling water exceeding critical limits. GEA Group is also one of the leading providers of gas cleaning systems. GEA Bischoff equipment allows our customers to significantly reduce their emissions. GEA Westfalia Separator's clarifying decanters are employed very successfully to dewater sludge in drinking water purification plants. GEA Group companies are also important partners to the polymer chemicals, pharmaceuticals, raw materials and food industries. GEA Group is broadly positioned and a global leader in terms of energy efficiency and sustainability in central technologies such as evaporation, crystallization, drying and distillation, as well as mechanical separation technology.

GEA Group regularly participates in the climate change debate in its 'GENERATE' company magazine. The company shows that its entire product portfolio comprises innovative products and processes which can be used around the world to combine operating efficiency with the highest level of ecological compatibility.

Discontinued operations

In 2008, too, discontinued operations (DOP) burdened net income with further charges. The losses from Ruhr-Zink, which closed its operations on December 31, 2008, resulted from asset write-downs and provisions for closure-related expenses. An increase in provisions was also required for remaining project-related risks deriving from the former Plant Engineering Segment.

On December 5, 2008, the Executive Board of GEA Group Aktiengesellschaft passed the resolution to close Ruhr-Zink as of December 31, 2008. This decision was taken after the failure of final talks with potential investors and the conclusion of negotiations with the Works Council concerning a social plan and settlement of interests. In view of the economic situation and related forecasts, particularly with regard to the prices of zinc and energy, the Executive Board saw no alternative to a closure of the company, since significant losses were expected to result over the next few years if operations were continued. A buyer is currently being sought for MG Rohstoffhandel, which is operating profitably.

Despite extremely high production outputs in its operating business in 2008, Ruhr-Zink reported a significantly lower order intake, and consequently also significantly lower revenue. Because of the considerably lower zinc price level, revenues of only EUR 204.4 million were generated during the 2008 fiscal year (previous year: EUR 342.6 million). Earnings after tax amounted to minus EUR 84.5 million (previous year: EUR 17.3 million) when taking closure costs into account.

Operations discontinued in earlier periods contributed losses of EUR 163.5 in the 2008 fiscal year. These are predominantly attributable to the former Lentjes Division. They result from further delays in completion of long-term contracts, which have resulted in costs from acceleration measures, additional costs relating to the extended use of construction sites and contractual liquidated damages for delay. The share in project-related losses incurred by the former Lurgi Division only had a minimal impact on the net result from discontinued operations. All projects where GEA Group continues to share risks, both at Lurgi and Lentjes, will presumably be completed in 2009 and start their warranty phases.

Group business performance

Economic environment

The German economy still remained in a satisfactory general condition throughout the first half of 2008 despite many constrictive factors arising from the world economy. In the spring of 2008, a distinct slackening of economic activity set in, however. The main contributing factors were the difficult situation in the US real estate market, turbulences in financial markets, raw materials prices that saw initial rises and gloomy economic prospects for important exporting countries, particularly in Europe.

The dramatic intensification of the financial crisis in the third quarter and the growing global weakness put economic growth under pressure around the world. Along with the USA, a number of other countries, including important trading partners to Germany such as in the EU and Japan, moved to the brink of, and into, recession. Above and beyond this, hitherto strong growth in important emerging economies declined significantly in some areas.

The weakening of Germany's economic output that started in the course of the first half of 2008 accelerated during the second half of the year. Falling commodity prices resulted in declining revenues in export countries, thereby cutting demand for German products. The weaker pace of global economic growth had a particular impact on highly export-dependent industries. The German Engineering Federation (VDMA), for example, reported a 40 percent year-on-year slump in orders in December 2008. While domestic business fell 39 percent, export demand was down 41 percent. There was a total decline of 29 percent year-on-year for the October to December 2008 quarter with domestic orders down 28 percent and export orders showing a decline of 30 percent.

Order intake

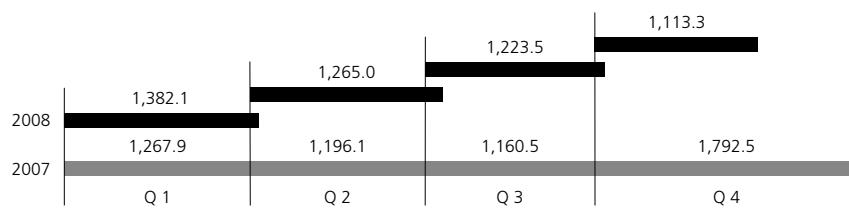
The deteriorating global economic conditions in the fourth quarter also affected the GEA Group. While third-quarter order intake in the core segments continued to be up 6.9 percent in year-on-year comparison, the fourth quarter showed a marked weakening. A few customer orders were even cancelled. Although a recessionary intake growth rate had been anticipated because large contracts totaling about EUR 340 million had been taken in from South Africa in the fourth quarter of 2007, the drop nevertheless exceeded expectations. The decline in the Group's order intake was 13.7 percent, i.e. to EUR 1,113.3 million, compared with the average for the first three quarters of 2008 (EUR 1,290.2 million).

Order intake (EUR million)	2008	2007	Change (absolute)	Change (%)
Energy and Farm Technology	1,645.6	1,991.2	-345.6	-17.4
Process Technology	3,346.6	3,432.1	-85.5	-2.5
Total	4,992.2	5,423.4	-431.2	-8.0
"Other" and consolidation	-8.3	-6.4	-2.0	-30.7
GEA Group	4,983.9	5,417.0	-433.1	-8.0

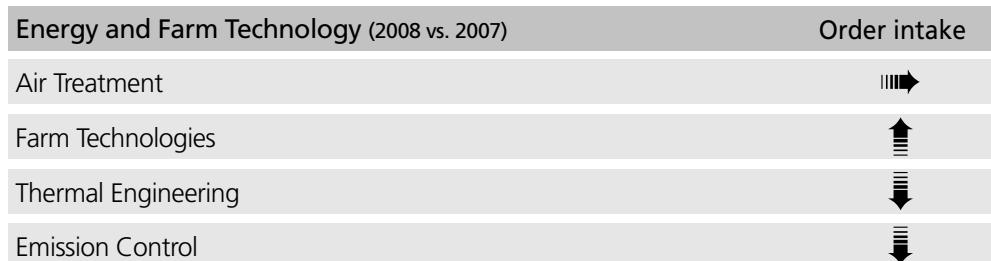
As a consequence in the past fiscal year GEA Group's order intake fell by 1.1 percent year-on-year (excluding the Thermal Engineering Division, which is characterized by large orders to a greater extent than other divisions). There was a decline of 8.0 percent for both the core business and the GEA Group. Acquisitions made in the 2008 fiscal year contributed EUR 74 million to the order intake. Changes in currency exchange rates had a negative impact on order intake, of EUR 112.9 million.

Besides the major orders already mentioned and the almost mutually compensatory effects of acquisitions and currency shifts, this decline of EUR 433.1 million in total is attributable to intentional project selection to achieve the margin targets. Above and beyond this, the biodiesel and bioethanol plant business practically came to a standstill in 2008. Significantly fewer projects than in 2007 were tendered in the brewery sector. Orders from the big pharmaceuticals groups also decreased distinctly due to consolidation and restructuring trends in this industry.

Order intake by quarter (EUR million)



In terms of customer industries, the highest growth rates were registered in the areas of milk production and processing, shipbuilding, and oil and gas treatment and processing. With their components, systems and plants, the Farm Technologies, Process Engineering and Mechanical Separation divisions benefited particularly in the milk production and processing sector, which is experiencing strong growth, particularly in emerging economies. Demand for components and equipment for new oil and gas production plants and refineries had a positive effect on the order intake of the Mechanical Separation and Thermal Engineering divisions in the Middle East, Canada and the USA. With the Process Equipment Division's plate heat exchangers and the Mechanical Separation Division's separators, GEA Group participated in the disproportionately high growth in order volumes in the shipbuilding sector in the first three quarters.



Within the Energy and Farm Technology Segment, the Air Treatment Division is currently operating mainly in the European market, where it has benefited particularly from the cyclical strength of the construction industry in Eastern Europe. The global rise in demand for milk, as well as the 2008 acquisition of Norbco in the USA, further boosted the Farm Technologies Division's order intake. The division won further orders for major installations in CIS states, with promising opportunities for growth in the aftermarket business. During the whole of 2008, the Thermal Engineering Division suffered from the sharp decline in the number of major orders available for tender. While the trend in the power plant sector continued almost unabated, a slowdown was observed in the industrial process cooling area, particularly towards the end of the year. This is

mainly attributable to uncertainty in the chemicals/petrochemicals markets. By contrast there was strong growth in the components business with smaller order volumes. The Emission Control Division deliberately withdrew from the riskier turnkey plant business, thereby significantly undershooting the previous year's figures, while considerably improving the margin quality of its order intake.

Process Technology (2008 vs. 2007)	Order intake
Refrigeration	↗
Process Equipment	↗
Mechanical Separation	↑
Process Engineering	↓
Pharma Systems	↓

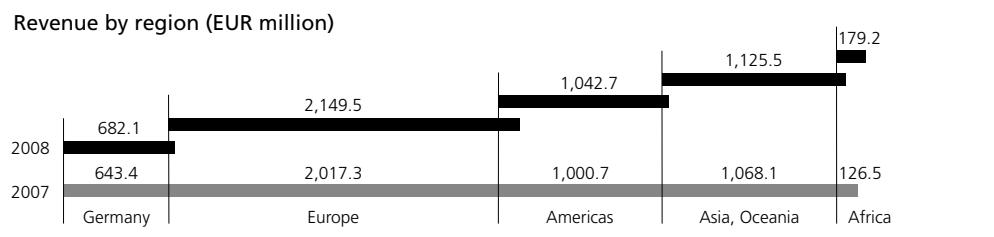
In the Process Technology Segment, the Refrigeration Division further expanded its market position in the equipment and service businesses. Slight rates of growth were achieved in the contracting business, albeit with in part significant regional differences. The Process Equipment Division again achieved a higher level of order intake from the marine industry in the heat exchanger area, particularly for shipbuilding in Asia. But a pronounced weakness was registered in this sector in the fourth quarter. In the area of industrial heat exchangers, good market conditions continued in the energy sector, although the marine business is stagnating. Within the Mechanical Separation Division, it was particularly oil production and energy that reported very strong rates of growth. The beverage industry also signaled strong demand, such as for fruit juice, wine and beer. So the declining business with biodiesel projects could be more than compensated for. By contrast, the food and soft drinks activities in the Process Engineering Division were not able to equal out declines in orders for bioethanol plants and in the brewery sector. The Pharma Systems Division operated in a difficult market environment since major pharmaceuticals manufacturers introduced various cost-reduction programs in early 2008. As a result many investment decisions relating to new plants in Europe and America were adjourned.

Revenue

Group revenue for the full year rose to EUR 5,179.0 million (previous year: EUR 4,856.0 million), representing a year-on-year improvement of 6.7 percent. The growth rate contribution from the core segments amounted to 7.3 percent. Acquisitions contributed revenue of EUR 68.4 million. The effect from changes in forex rates amounted to minus EUR 115.0 million.

Revenue (EUR million)	2008	2007	Change (absolute)	Change (%)
Energy and Farm Technology	1,818.6	1,648.3	170.3	10.3
Process Technology	3,338.1	3,159.0	179.2	5.7
Total	5,156.7	4,807.2	349.5	7.3
"Other" and consolidation	22.3	48.8	-26.5	-54.3
GEA Group	5,179.0	4,856.0	323.0	6.7

Despite the current weakening of the economy, the Group benefited from its increasingly global presence in dynamic long-term growth markets such as Eastern Europe, Asia and South America. While revenue in these markets grew 9.1 percent, contributing 32.0 percent to total revenue, business in Western Europe was up by only 5.9 percent (42.5 percent share of total revenue). Revenue in the USA fell 2.4 percent (14.4 percent share of total revenue). But adjusted for currency effects, US revenue rose by as much as 4.4 percent.



Energy and Farm Technology (2008 vs. 2007)	Revenue
Air Treatment	↗
Farm Technologies	↑
Thermal Engineering	↑
Emission Control	↓

In the Energy and Farm Technology Segment, the Air Treatment Division continued to benefit through to the fourth quarter from the full order books of the construction industry, particularly in Eastern Europe. The Farm Technologies Division again reported a high growth rate. Its market position was further strengthened by the expansion of its sales network and extension of its product range. There is growing customer interest in high-quality milk production and processing systems, particularly in Latin America. The Thermal Engineering Division outstripped the previous year's revenue thanks to a high order backlog. Major orders booked in 2007 will increasingly be realized as revenue from 2009 onwards. The decline in the Emission Control Division is exclusively due to its intentional concentration on higher-margin business.

Process Technology (2008 vs. 2007)	Revenue
Refrigeration	↗
Process Equipment	↑
Mechanical Separation	↗
Process Engineering	↗
Pharma Systems	↓

The Process Technology Segment once again posted high growth rates, particularly in its high-margin components business. The Refrigeration Division reported growing revenue for refrigeration plants for the oil, gas, and chemicals industries. The positive trend in the marine, diesel, and oil and gas markets contributed to revenue growth in the Process Equipment Division. The Mechanical Separation Division reported increased revenue from business with complete process lines. High raw materials prices provided greater incentives for customers to process and recycle used materials with the help of highly efficient GEA technology. The Process Engineering Division did not quite succeed in matching its previous year's level of revenue in the course of the year. The recessionary bioethanol business had a negative impact in this respect. The Pharma Systems Division failed to reach its previous year's revenue level due to the current cutback in investment activity on the part of major pharmaceuticals producers in Europe and the USA.

Revenue reported in the "Other" Segment mainly results from rental income.

Order backlog

Markedly weaker business volumes in the fourth quarter, accompanied by high fourth-quarter revenue, led to a reduction in GEA Group's order backlog as of December 31, 2008. At EUR 2,450.7 million, it was down by EUR 248.1 million, or 9.2 percent, compared with the comparable prior-year reporting date.

Order backlog (EUR million)	12/31/2008	12/31/2007	Change (absolute)	Change (%)
Energy and Farm Technology	1,025.5	1,266.6	-241.1	-19.0
Process Technology	1,431.3	1,439.3	-8.1	-0.6
Total	2,456.8	2,705.9	-249.1	-9.2
"Other" and consolidated	-6.1	-7.2	1.1	14.9
GEA Group	2,450.7	2,698.7	-248.1	-9.2

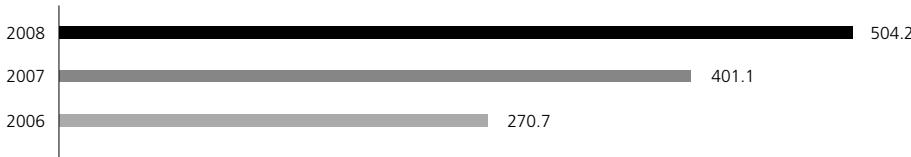
Consequently, the order backlog experienced a similar trend to order intake, and now represents the order intake of 5.9 months (previous year: 6.0 months). The highly profitable Farm Technologies, Process Equipment, and Mechanical Separation divisions boosted their order backlog by 23.4 percent year-on-year.

Results of operations

In overall terms, GEA Group improved earnings before interest and tax (EBIT) by 25.7 percent compared to last year by EUR 504.2 million, and once again significantly raised its EBIT margin, by 148 basis points to 9.7 percent. The Group's focus on margin quality is thus bearing fruit. Company acquisitions generated EBIT of EUR 4.9 million. Changes in currency exchange rates reduced EBIT by EUR 4.7 million compared to the previous year.

Results of operations (EUR million)	EBIT 2008	EBIT-Margin (%)	EBIT 2007	EBIT-Margin (%)	Change in EBIT (%)
Energy and Farm Technology	165.5	9.1	139.8	8.5	18.4
Process Technology	369.7	11.1	301.7	9.6	22.5
Total	535.2	10.4	441.5	9.2	21.2
"Other" and consolidation	0.2	1.1	-2.8	-5.6	108.6
Holding company	-31.2	-	-37.6	-	17.0
GEA Group EBIT	504.2	9.7	401.1	8.3	25.7

EBIT in a period of three years (EUR million)



EBIT in the core segments rose 21.2 percent to EUR 535.2 million. Both segments contributed almost equally to this increase in percentage terms. Consequently, the EBIT margin in the core segments improved by 119 basis points, rising from 9.2 percent to 10.4 percent. This allowed the 10.0 percent target margin to be clearly exceeded.

Energy and Farm Technology (2008 vs. 2007)	EBIT	EBIT-Margin
Air Treatment	↑	↑
Farm Technologies	↑	↖
Thermal Engineering	↑	↑
Emission Control	➡	↑

In the Energy and Farm Technology Segment, all divisions with the exception of the Farm Technologies Division, which had to absorb quality costs in connection with the launch of production of milking robots, advanced their earnings faster than revenue. Earnings in the Air Treatment Division clearly demonstrated that the teething trouble encountered in connection with the large-scale renewal of the product range has been overcome. The Thermal Engineering and Emission Control divisions also vigorously increased their EBIT margins. In overall terms, the segment's divisions improved their EBIT margin in the year under review by 62 basis points to 9.1 percent.

Process Technology (2008 vs. 2007)	EBIT	EBIT-Margin
Refrigeration	↑	↑
Process Equipment	↑	↑
Mechanical Separation	↑	↑
Process Engineering	↑	↑
Pharma Systems	↓	↓

The Process Technology Segment also raised its earnings significantly thanks to the continuing demand for processed food and beverages in growth regions. The Refrigeration Division improved its earnings and EBIT margin, particularly for components. The further significant earnings improvement in the Process Equipment Division reflects excellent growth in nearly all business areas, which was additionally promoted by the expansion of activities in the USA and Asia. The Mechanical Separation Division introduced its "Best-Fit" program, which involves using standardized decanters in various applications. Besides this, a high degree of capacity utilization and the strengthened service business are contributing to higher EBIT. The Process Engineering Division also improved its earnings significantly, despite a decline in revenue. This is due to a much more selective approach to projects and a concentration on higher-margin business. The Pharma Systems Division reported a loss due to a brake on investment volume, imposed on major pharmaceuticals customers. This result also includes extraordinary charges of EUR 5.0 million arising from the complete restructuring of the division including the closure and relocation of entire plants. Overall, the segment reported an EBIT margin of 11.1 percent in 2008 (+ 152 basis points).

Key figures on results of operations (EUR million)	2008	2007	Change (absolute)	Change (%)
Revenue	5,179.0	4,856.0	323.0	6.7
EBITDA	585.9	480.7	105.3	21.9
EBIT	504.2	401.1	103.1	25.7
Earnings before tax	458.8	351.6	107.2	30.5
Income taxes	-109.8	-114.4	4.6	4.0
Net income from continuing operations	349.0	237.2	111.8	47.1
Net income/loss from discontinued operations	-248.0	46.3	-294.3	-
Net income/loss	101.0	283.5	-182.5	-64.4

EBIT for the Group include depreciation and amortization of EUR 81.7 million (previous year: EUR 79.6 million). Consequently, EBITDA rose from EUR 480.7 million to EUR 585.9 million.

Among other items, the net interest result of minus EUR 45.4 million (previous year: minus EUR 49.5 million) contains EUR 28.6 million (previous year: EUR 27.9 million) of interest expenses relating to pension plans and supplementary health care benefits.

The income tax expense of EUR 109.8 million (previous year: EUR 114.4 million) comprises current taxes of EUR 75.2 million (previous year: EUR 64.4 million) and deferred taxes of EUR 34.6 million (previous year: EUR 50.0 million). The previous year's figures include valuation adjustments of EUR 69.0 million due to the reduction in the German rate of taxation.

Consequently, net income on continuing operations amounted to EUR 349.0 million (previous year: EUR 237.2 million). This corresponds to earnings per share of EUR 1.89, which exceed the previous year's figure of EUR 1.26 by 49.9 percent.

Net loss on discontinued operations amounted to EUR 248.0 million. This corresponds to earnings per share of minus EUR 1.35 (previous year: EUR 0.25). This amount includes valuation adjustments and closure costs of EUR 84.5 million for Ruhr-Zink, and further provisions of EUR 187.4 million for Lentjes. The previous year's figure of EUR 46.3 million included income from the disposal of Lurgi of EUR 207.0 million.

Consolidated net income amounted to EUR 101.0 million (previous year: EUR 283.5 million), of which EUR 99.6 million is attributable to GEA Group Aktiengesellschaft shareholders. This corresponds to earnings per share of EUR 0.54 (previous year: EUR 1.51).

Financial position

The importance of securing liquidity and of central financing has risen significantly in recent months as a result of the crisis in the financial markets. GEA Group has also given appropriate consideration to this issue. GEA Group's financial position remains stable. The Group has no short-term refinancing requirements and enjoys sufficient room for maneuver in financing for its future corporate development.

GEA Group's financial strategy pursues the goal of not only being able to satisfy due payment obligations at all times, but also always having at its disposal, besides a strategic cash position, sufficient liquidity reserves including in the form of credit lines. In this respect, GEA Group Aktiengesellschaft as the holding company is essentially responsible for the management of the entire financial position of the GEA Group. Cash inflows from the operating business represent the most important liquidity source. The intercompany liquidity reconciliation of investments and borrowings – in particular the avoidance of external monetary investments and borrowings – serves to optimize our net position. To this end, GEA Group Aktiengesellschaft has set up national and international cash pooling circles that allow the account balances of the participating Group companies to be automatically reconciled on a daily basis to the credit or debit of a GEA Group Aktiengesellschaft target account. The holding company manages liquidity requirements above and beyond this. It is generally responsible for raising new funding and for investing surplus liquidity. The financial crisis and an anticipated potential credit crunch, prompted GEA Group Aktiengesellschaft to issue a EUR 200 million borrower's note loan with a three-year term as early as August 2008. The note loan was placed with more than 30 investors in a challenging and volatile capital market environment. Besides securing liquidity flexibility, the issue proceeds also serve to finance investments and acquisitions.

Summary cash flow statement (EUR million)	2008	2007	Change (absolute)	Change (%)
Cash flow from operating activities	388.9	181.1	207.8	114.8
Cash flow from investing activities	-427.2	-108.8	-318.3	-292.5
Free cash flow	-38.2	72.3	-110.5	-
Cash flow from financing activities	205.8	-50.0	255.8	-
Net position	-60.2	61.3	-121.5	-
Gearing in percent	4.1	-4.3	-	-

Cash flow from operating activities rose again in the year under review, from EUR 181.1 million in the previous year to EUR 388.9 million in 2008. This marked increase by EUR 207.8 million mainly reflects the record earnings achieved in the two core segments. Net cash flow from discontinued operations in 2008 related exclusively to Ruhr-Zink, while the previous year contains the operating cash flows from Lurgi, Lentjes and Ruhr-Zink. Contrary effects resulted from the change in working capital due to the sharp rise in business volume, as well as an increase in taxes paid by EUR 36.8 million to EUR 68.3 million.

The cash flow from investing activities rose by minus EUR 318.3 million in 2008 to minus EUR 427.2 million. The particular reasons for this marked increase were payments made of EUR 215.0 million for guarantees and warranties arising from company disposals in the past and the non-repetition of the net inflow of EUR 86.6 million arising from the disposal of Lurgi in the previous year. Besides this, cash outflows for property, plant and equipment and intangible assets exceeded the previous year's investments significantly, by EUR 36.3 million. These outflows were offset by cash inflows from the disposal of non-current assets, which were up by EUR 19.6 million to EUR 42.9 million and which are mainly attributable to the sale of an investment property. The cash outflow for company acquisitions amounted to EUR 84.9 million in 2008 and results from the purchases of Norbco Inc., Bloksma B.V., Bliss & Co. Ltd. (the owner of International Cooling Group), as well as smaller acquisitions. The remaining payments relate to purchase price payments for acquisitions made in the past and which depend on profit levels.

Cash flow from financing activities amounted to EUR 205.8 million in 2008, compared with minus EUR 50.0 million in 2007. This change is mainly attributable to the cash inflow from the issuance of a borrower's note loan and the EUR 93.7 million reduction in outgoing payments for the repurchase of own shares. Furthermore, GEA Group's improved financing structure had a positive impact, which is mainly reflected in a decline in interest payments of EUR 16.8 million. At the same time, the resumed dividend payment for fiscal 2007 resulted in a cash outflow of EUR 36.8 million.

In total, consequently, cash and cash equivalents increased to EUR 439.6 million as of December 31, 2008, compared with EUR 279.2 million in the previous year.

Unrestricted funds amount to EUR 431.7 million taking into account the restricted funds. This ensures financial independence in periods of financial crisis.

Reconciliation of the net position (EUR million)	
12/31/2007	61.3
EBIT	504,2
Depreciation	81,7
Change in Working Capital	-131,1
Interest, pension and tax payments	-122,7
Capital expenditure in property, plant and equipment and intangible assets	-165,6
Other effects	65,6
Operational effects	232,1
Impact of acquisitions on net position	-114,5
Dividends and share buyback	-38,9
Payments relating to disposed and discontinued operations	-200,2
12/31/2008	-60,2

The net position of GEA Group declined by EUR 121.5 million compared to December 2007. On the basis of an EBIT result of EUR 504.2 million and depreciation and amortization of EUR 81.7 million, EBITDA amounted to EUR 585.9 million. Negative effects for the net position arising from the continuing business operations relate to cash outflows for investments in property, plant and equipment and intangible non-current assets of EUR 165.6 million and working capital changes of EUR 131.1 million. Payments for interest, pension and income tax resulted in a cash outflow of EUR 122.7 million. Other effects had a positive impact of EUR 65.6 million on the net position.

Non-operating cash outflows resulted from the dividend payment for 2007 and the share repurchase program, together totaling EUR 38.9 million. Acquisitions carried out in 2008 resulted in cash outflows of EUR 114.5 million. A total of EUR 215.0 million of cash resources were required for the residual settlement relating to divested operations (Dynamit Nobel, Lurgi and Lentjes). While a conclusive settlement agreement was reached for Dynamit Nobel, further cash outflows will also be required for Lentjes and Lurgi in 2009, for which provisions have already been set up in the balance sheet. The closure of Ruhr-Zink gives rise to cash inflows of EUR 14.8 million resulting from the realization of inventories and the collection of receivables.

Gearing amounted to 4.1 percent as of December 31, 2008 (previous year: minus 4.3 percent).

As of December 31, 2008, banks had granted GEA Group credit lines of EUR 1,160.4 million, from which loans totaling EUR 500.3 million were utilized. The unused portion of the cash credit lines consequently amounted to EUR 660.1 million, or 57 percent. A key component of these cash credit lines is a syndicated loan line with a volume of EUR 500.0 million that was pledged on a fixed basis by 20 well-known international banks as a "confirmed credit line" with a term of five years, as well as the borrower's note loan of EUR 200.0 million that carries a term of three years.

Please refer to the notes to the accounts (pages 109 et seq. and 161 et seq.) for detailed information about the maturity, currency and interest-rate structure of debt.

Furthermore, the GEA Group had bank guarantee lines available for performance bonds, advance payment guarantees and warranty guarantees of EUR 2,464.6 million, EUR 1,088.6 million of which was utilized.

The GEA Group uses factoring and leasing. The obligations arising from leases and rentals are explained on page 182 et seq. of the notes to the consolidated financial statements.

Net assets

Summary balance sheet (EUR million)	12/31/2008	as % of total assets	12/31/2007	as % of total assets	Change (absolute)	Change (%)
Assets						
Non-current assets	2,424.7	47.3	2,349.0	49.5	75.7	3.2
of which goodwill	1,331.8	26.0	1,299.7	27.4	32.2	2.5
of which deferred taxes	314.4	6.1	364.9	7.7	-50.6	-13.9
Current assets	2,684.3	52.3	2,382.3	50.2	302.0	12.7
Assets held for sale	19.4	0.4	16.7	0.4	2.6	15.8
Total assets	5,128.3	100.0	4,748.0	100.0	380.4	8.0
Equity and liabilities						
Equity	1,455.4	28.4	1,413.7	29.8	41.7	3.0
Non-current liabilities	1,037.3	20.2	857.3	18.1	180.0	21.0
of which deferred taxes	88.4	1.7	87.2	1.8	1.2	1.3
Current liabilities	2,630.6	51.3	2,477.0	52.2	153.6	6.2
Liabilities related to assets available for sale	5.0	0.1	-	-	5.0	-
Total equity and liabilities	5,128.3	100.0	4,748.0	100.0	380.4	8.0

The balance sheet total increased by 8 percent as a result of the expansion of the business volume and as a result of assets and liabilities added as a consequence of acquisitions. The rise reflects in particular, among non-current assets, a higher level of intangible assets and EUR 32.2 million of higher goodwill arising from first-time consolidations. Assets including goodwill of EUR 181.2 million were acquired with the acquisitions made in fiscal year 2008. The net amount of deferred tax assets fell by EUR 51.7 million. The carrying value of investment properties fell significantly as a result of the disposal of a major item of real estate. Non-current liabilities rose significantly, in particular, non-current financial liabilities resulting from the drawing down of external financial resources in order to finance acquisitions that have been made, as well as to furnish subsidiaries with liquidity.

The further sharp rise in business volumes in both segments resulted in an increase in current assets and liabilities. This fed through to a rise in the working capital to sales ratio to 15.3 percent from 12.9 percent. Equity rose by EUR 41.7 million in fiscal 2008. The Group equity ratio nevertheless fell to 28.4 percent, following 29.8 percent in the previous year, due to the marked rise in the balance sheet total. Assets of EUR 19.4 million held for sale as of the reporting date concern land and buildings no longer required for operations.

General statement on business performance

On a comparable basis, year-on-year growth in terms of revenue, EBIT, EBT and EBIT margin was once again exceeded in the 2008 fiscal year in the continuing operations. Only with respect to order intake and revenue was GEA Group unable to fully achieve its forecasts due to the deterioration of the economic environment in the fourth quarter.

In the discontinued operations area, Ruhr-Zink was closed as of December 31, 2008. The closure costs had a negative impact on the Group's earnings. Once again, high losses were incurred in 2008 in connection with the execution of uncompleted projects of Lentjes GmbH, which was sold in 2007.

The market position of the GEA Group companies was strengthened further in almost all divisions. The GEA name enjoys global recognition for innovative and high-quality machinery, components and process plants in its relevant markets. The new brand structure along with the successful GEA umbrella brand for all Group companies is already having a positive effect on business development, and will further strengthen the Group in the future.

Employees

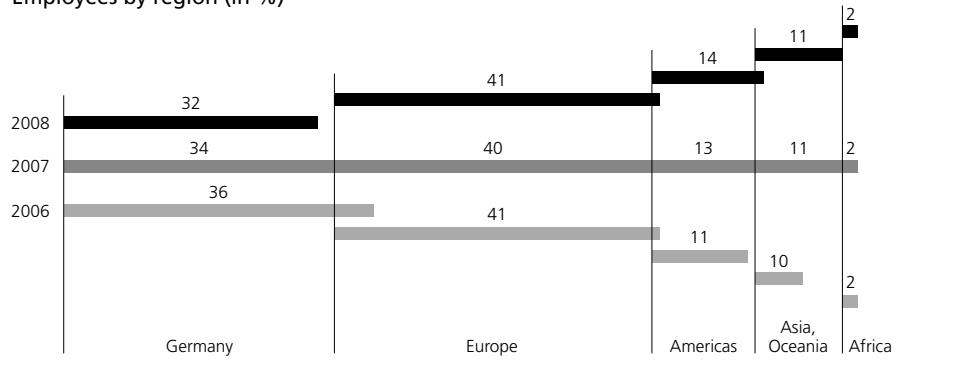
The Executive Board of GEA Group Aktiengesellschaft would like to thank all of the Group's employees for their ongoing commitment and productive cooperation in 2008. We would also like to extend these thanks to employee representatives, both in Germany and abroad, for their responsible and constructive contributions to meeting the challenges we jointly face.

Employees (balance sheet date) *	12/31/2008	12/31/2007
Energy and Farm Technology	7,091	6,230
Process Technology	14,015	12,902
Total	21,106	19,132
Other	221	212
GEA Group	21,327	19,344

* Full-time equivalents (FTEs), excl. apprentices/trainees and inactive employment contracts

The number of employees at GEA Group rose by 745 during the reporting period as a result of organic growth. Acquisitions and other changes in the scope of consolidation increased the number of employees by 1,238. As of December 31, 2008 the GEA Group employed 613 apprentices and trainees compared with 515 at the end of 2007. On this basis, the apprentice and trainee ratio in Germany amounted to 5.7 percent (previous year: 5.4 percent). This figure is once again ahead of our own requirements and underscores GEA Group's long-term social commitment in the area of vocational training.

Employees by region (in %)



Special bonus

In the light of the Group's success in the 2008 fiscal year, the Executive Board – as previously for the 2007 fiscal year – has resolved to make a special payment to all employees below contract levels 1 and 2. The level of the special bonus once again amounts to EUR 80, EUR 160 and EUR 240 per employee depending on the average purchasing power in the relevant country. The total volume of the special bonus amounts to EUR 5.4 million.

“i²m” - Employee-driven ideas and improvement management scheme

With the conclusion of the global introduction of the i²m ideas and improvement management scheme in 2008, employees around the world can now contribute actively with their ideas to an improvement in all Group areas. The large extent of participation in i²m is evidenced by the 12,747 ideas submitted, of which 9,237 ideas were conclusively examined by the end of 2008. Of these, 3,912 ideas have already been implemented. Overall, 34.4 percent of all employees have already submitted improvement suggestions, and many have even submitted several proposals. Along with the targeted commercial benefit, i²m strengthens the corporate culture through the active inclusion of employees and their motivation in the cooperative structuring of all company areas. This commitment was acknowledged in 2008 with a total prize money for ideas that have been realized of EUR 969,361, recognition-prizes totaling EUR 88,670, as well as numerous non-cash prizes.

GEA Performance Share Plan

GEA Group Aktiengesellschaft launched the third tranche of the GEA Performance Share Plan with effect from July 1, 2008, including contract level 3 managers for the first time along with contract levels 1 and 2 managers. The participation rate rose from 73.4 percent in 2007 to 81.0 percent in 2008 despite the significantly larger group of persons entitled to participate. As in the previous year, all participants were required to invest own money equivalent to 20 percent of their allotted “Performance Shares”. Details of this program can be found on page 54 of the Management Report, and in section 7.3.4 of the notes to the financial statements.

Job rotation aids management development

GEA Group filled a good 75 percent of its vacant management positions internally in 2008. In particular, the tool of job rotation, whereby managers assume new management roles according to a plan, proved extremely helpful in this respect. The focus is on making postings to different business areas, both in terms of segments and divisions, as well as internationally.

Management Feedback in Europe

As an addition to the management evaluation scheme that has already been instituted, a Management Feedback scheme was launched across Europe, which entails employees assessing their managers with respect to their management qualities. The assessment criteria comprise communications, trust, job-related management behavior, support, and orientation to performance and results. Individual development measures are agreed and performed following the evaluation of the results. The participation rate in the first round amounted to 85 percent. The Management Feedback scheme will be launched globally in 2009 and will be repeated regularly in subsequent years.

Boosting employer attractiveness

GEA Group is committed to research and training in order to ensure that the company secures a long-term supply of qualified and motivated employees. For example, GEA Group is a member of the Founders' Association for German Science (Stifterverband für die deutsche Wissenschaft), a joint initiative by German business interests to promote science and research. Jürg Oleas, CEO of GEA Group Aktiengesellschaft, is a member of the Executive Board of this association. GEA Group is also involved in schools with the aim of promoting an interesting technology and the engineering profession at as early as the school age. For example, GEA joins forces with the Ruhr Regional Initiative Group (Initiativkreis Ruhrgebiet) and invites over 100 schoolchildren in the 14 to 15 year age range to its Group headquarters every year as part of a "Dialog with Youth" project. Schoolchildren have the opportunity at this event to enter into an afternoon's dialog with trainees, apprentices, engineers and managers from GEA Group in order to gain an insight into the professional and job worlds of these staff members. This may help them to reach a decision concerning their future career and life. Jürg Oleas also regularly takes the opportunity to personally highlight the multifaceted nature of the engineering profession at this event. Besides this, GEA Group cooperates with universities and research institutes around the world, is present at job fairs, and conducts campus recruitment.

Financial position and performance of GEA Group Aktiengesellschaft

As a supplement to the report on the Group's business, the following section covers the performance of the holding company, GEA Group Aktiengesellschaft. The annual financial statements of GEA Group Aktiengesellschaft have been prepared according to the provisions contained in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). They are presented here in summarized form.

Net assets of GEA Group AG (HGB) (EUR million)	12/31/2008	in % of total assets	12/31/2007	in % of total assets
Assets				
Intangible assets	1.7	0.0	0.3	0.0
Property, plant and equipment	5.5	0.2	7.0	0.3
Financial assets	2,664.5	75.2	2,324.3	75.6
Non-current assets	2,671.7	75.4	2,331.6	75.9
Receivables and other assets	609.7	17.2	579.7	18.9
Securities	0.3	0.0	0.4	0.0
Cash and cash equivalents	259.4	7.4	160.7	5.2
Current assets	869.4	24.6	740.8	24.1
Prepaid expenses	0.5	0.0	0.6	0.0
Total	3,541.6	100.0	3,073.0	100.0
Equity and liabilities				
Issued capital	496.9	14.0	496.9	16.2
Additional paid-in capital	250.8	7.1	250.8	8.2
Retained earnings	248.4	7.0	66.2	2.1
Distributable profit	74.0	2.1	36.8	1.2
Equity	1,070.1	30.2	850.7	27.7
Special reserve	0.4	0.0	0.0	0.0
Provisions	299.0	8.5	274.2	8.9
Liabilities to banks	415.7	11.7	162.4	5.3
Liabilities due to subsidiaries	1,740.0	49.1	1,778.8	57.9
Other liabilities	16.3	0.5	6.7	0.2
Liabilities	2,172.0	61.3	1,947.9	63.4
Deferred income	0.1	0.0	0.2	0.0
Total	3,541.6	100.0	3,073.0	100.0

The increase in total assets results from a change to the structure of the company's shareholdings, as well as to the greater extent of Group financing. Among financial assets, four companies in which GEA Group Aktiengesellschaft holds an equity interest were structured in a new way and a share exchange with a sub-holding company was carried out in this

connection. This restructuring also allowed commercially connected activities to be brought together in legal terms. As part of Group financing, a borrower's note loan and further bank loans were raised, which resulted in an increase in liabilities to banks of EUR 253.3 million. The bank loans were also used to issue further long-term loans to subsidiaries. This resulted in an increase in loans extended to EUR 83.8 million.

The equity ratio amounted to 30.2 percent (previous year: 27.7 percent).

Since GEA Group Aktiengesellschaft is a pure management holding company, the following cash flow statement is only meaningful to a limited extent.

Financial position of GEA Group AG (HGB) (EUR million)	2008	2007
Cash flow from operating activities	-18.5	19.4
Cash flow from investing activities	-97.2	-175.7
Cash flow from financing activities	214.4	176.2
Cash	259.4	160.7

The higher granting of short-term loans to subsidiaries, and repayments to subsidiaries as part of cash pooling, resulted in a negative cash flow from operating activities. Compared to the previous year, cash flow from investing activities improved mainly as a result of the lower increase in loans extended. Cash flow from financing activities resulted from the raising of bank loans, minus the dividend payment and the share repurchase. The financial position is mainly determined by the provision of financial resources for the subsidiaries' operating activities, as well as the cash pooling.

GEA Group AG income statement (HGB) (EUR million)	12/31/2008	(%)	12/31/2007	(%)
Other operating income	69.4	21.1	50.1	17.1
Personnel expenses	-24.6	-7.5	-25.8	-8.8
Depreciation and amortization of tangible and intangible fixed assets	-1.1	-0.3	-7.0	-2.4
Other operating expenses	-55.1	-16.8	-64.4	-22.0
Result from shareholdings	327.6	100.0	293.1	100.0
Net interest	-52.5	-16.0	-46.1	-15.7
Profit from ordinary activities	263.7	80.5	199.9	68.2
Income taxes	-5.4	-1.6	-2.2	-0.7
Net income for the year	258.3	78.9	197.7	67.5
Profit carried forward	0.0	0.0	3.7	1.3
Withdrawal from the revenue reserve	2.1	0.6	65.3	22.3
Offset with shares acquired for cancellation	-2.1	-0.6	-163.7	-55.9
Addition to other revenue reserves	-184.3	-56.3	-8.0	-8.0
Distributable profit	74.0	22.6	36.8	12.6

The performance improved across all income and expense items with the exception of the net interest and the higher tax expense. Other operating expenses of EUR 55.1 million mainly contain costs relating to third-party deliveries and supplies, expert opinions and consultancy services, valuation adjustments, travel expenses and other personnel costs. In the prior year other operating expenses contained higher costs for expert opinions and consultancy services due to disposal of operations. The result from shareholdings is composed of income and expenses arising from profit and loss transfer agreements, income from the swap of shareholdings, dividends, income from deeds of release for subsidiaries and write-downs applied to the carrying values of shareholdings. The net interest deteriorated by EUR 6.4 million due to a higher level of borrowing.

Proposed appropriation of profit

GEA Group Aktiengesellschaft reports net income at year end of EUR 258.3 million according to the German Commercial Code method of accounting (HGB). According to § 23 Section 3 of the articles of association, the Supervisory and Executive Boards are permitted when adopting the annual financial statements to transfer either part or the entirety of the net income for the year to retained earnings while taking into account § 58 Section 2 Clause 3 of the German Stock Corporation Act (AktG), and to the extent that the total of other retained earnings does not exceed half of the issued share capital. The Executive and Supervisory Boards have transferred EUR 184.3 million to other retained earnings, and recommend that the Annual General Meeting approves the distribution of a dividend of EUR 0.40 per share to shareholders from the distributable profit of EUR 74.0 million, given a total of 183,807,845 shares, and to carry the remaining profit amount of EUR 0.5 million forward to the new account. The payment of the dividend is made without deducting local withholding tax and the Solidarity Surcharge.

Explanatory notes pursuant to § 289 Section 4 and § 315 Section 4 of the German Commercial Code (HGB)

Composition of issued capital and limitations of rights

The issued capital of GEA Group Aktiengesellschaft remained unchanged at EUR 496,890,368.79 as of December 31, 2008. All of the shares are common stock. They comprise 183,807,845 no-par-value bearer shares. The rights and obligations relating to the shares are derived from the German Stock Corporation Act (AktG). The Executive Board is not aware of any restrictions on voting rights or the transfer of shares. The participation in the GEA Performance Share Program requires that participants make their own investments in GEA shares, which are subject to a mandatory holding period of three years. The right to participate in the program lapses if this holding period is infringed.

Shareholdings exceeding 10 percent of the voting rights

Including voting rights held through subsidiaries, Allianz SE (Munich, Germany) held a total of 10 percent of the share capital of GEA Group Aktiengesellschaft as of December 31, 2008. Subsidiaries of Allianz SE that hold these voting rights either directly or indirectly are Aiolos Vermögensverwaltungsgesellschaft mbH (Munich, Germany), Süddeutsche Industrie-Beteiligungs-GmbH (Frankfurt am Main, Germany), Dresdner Bank Aktiengesellschaft (Frankfurt am Main, Germany) and Allianz Finanzbeteiligungs GmbH (Munich, Germany).

Regulations regarding the nomination and recall from office of members of the Executive Board, and regarding modifications to the Articles of Association

Members of the Executive Board are appointed and removed pursuant to §§ 84, 85 of the German Stock Corporation Act (AktG) in combination with § 31 of the Codetermination Act (MitbestG).

According to § 20 Section 1 of the Articles of Association of GEA Group Aktiengesellschaft, amendments to the Articles, where legally permissible, may be adopted by a simple majority of the voting rights present at the vote. According to § 21 of the Articles of Association, the Supervisory Board is authorized to adopt amendments and additions to the Articles of Association that affect solely their wording. Amendments to the Articles of Association are also governed by § 179 of the German Stock Corporation Act (AktG).

Executive Board's authorization to issue and repurchase shares

Information on conditional capital and authorized capital can be found in the section on equity (Section 7.1, page 144 et seq.) in the notes to the consolidated financial statements.

GEA Group Aktiengesellschaft was authorized by a resolution adopted by the Annual General Meeting on April 23, 2008 to repurchase its own shares amounting to up to a total of 10 percent of its share capital pursuant to § 71 Section 1 Number 8 of the German Stock Corporation Act (AktG). The authorization is valid until October 22, 2009. The shares may be purchased either through the stock market or by means of a public purchase offer to all shareholders. The shares may then be recalled, used to service option bonds or convertible bonds, transferred to third parties as part of corporate mergers or the acquisition of companies, or disposed of in another manner.

Further details of the resolution adopted by the 2008 Annual General Meeting can be found in the invitation to the meeting, which was published in the electronic Federal Gazette on March 14, 2008.

Material agreements conditional on a change of control following a takeover bid

In the event of a change of control, individual lenders of the syndicated loan facility of EUR 500 million are entitled to decline any new drawings (except rollover loan facilities). The syndicate banks may call in any amounts already being borrowed and terminate the respective credit line by providing 20 days' notice.

In the instance of a change of control, the lenders of a EUR 200 million borrower's note loan are entitled to demand early payment of their loan receivable including interest accrued as of the due date of the early repayment. The borrower determines the due date. The due date may be neither fewer than 60 days nor more than 90 days following the time at which the borrower was informed of the change of control and informed the lenders accordingly through the paying agent.

The lender of a guarantee facility of USD 100 million provided to subsidiaries in the US may demand negotiations on new agreements within 30 days of a change of control. If no agreement is reached, the lender may with immediate effect demand collateral security for all outstanding credits by way of bank guarantee.

All Performance Shares arising from the GEA Performance Share Plan expire in the instance of a change of control. Managers who have participated in the program receive compensatory payment for the expired Performance Shares. In all cases this corresponds to the allocated target value.

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

Compensation agreements with Executive Board members or employees
Executive Board employment contracts contain regulations concerning the calculation of bonuses in the event of a change of control. Related details can be found in the Remuneration Report to be found on page 74 et seq. Further compensation agreements with employees exist with respect to the Performance Shares arising from the GEA Performance Share Plan, as presented in the paragraph above.

Report on opportunities and risks

Risks and risk management system

The risk management system used by the GEA Group covers all Group companies. Quarterly risk reports and a very timely internal reporting system throughout the Group ensure that decision-makers at both divisional and holding company levels are promptly informed about any risks pertaining to future development. Risk management tools such as the Risk Assessment and Advisory Committees (RAAC), a reporting system with consolidated budget financial statements, monthly consolidated financial statements, and regular meetings of the Executive Board together with divisional managers, are used to identify and analyze the various risks.

So-called "Risk Boards" formed at both the divisional and the holding level cover the specific requirements inherent in the project business. Before any binding offer is submitted or agreement is concluded, specialists from various departments carefully examine the commercial and contractual terms of potential orders to ensure that uncontrollable risks are avoided. By critically investigating the opportunity and risk profile of offers, the risk management system comes into play before risks arise. No contracts are signed where there is an inappropriate relationship between opportunities and risks. The GEA Group's risk management system 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), but also covers all risks that could have a significant negative impact on the earnings of either a division or the Group. The internal audit department regularly reviews the application of the risk management system at all levels.

To the extent that the criteria for recognizing a liability were met, all risks identified in day-to-day business were adequately provided for in the annual financial statements. The following section provides details of risks currently identified.

General statement on the risk position and changes compared with 2007

GEA Group continued to report excellent growth in 2008, achieving record levels in terms of revenue and operating earnings (EBIT). Depending on their extent, the divisions' high order backlogs predominantly secure a high level of utilization until the spring or summer of 2009, and in part also beyond. Given the changes in the economic environment, stepped action plans have been prepared that also entail reduction in the company's own workforce, should this prove necessary.

GEA Group's discontinued operations gave rise to a number of risks in the course of the year that have been included in its net results.

Overall, no risks have been identified that would give rise to concerns about the ongoing existence of GEA Group and GEA Group Aktiengesellschaft.

External risks

Risks arising from the economic environment

On the procurement side, raw materials prices, particularly for titanium and copper, as well as for stainless steel, remained at high levels in 2008, although price declines have been experienced since the fourth quarter of 2008. They were largely passed on to customers thanks to continued strong demand. A declining price level in procurement markets is anticipated for 2009 due to falling demand, whereby raw materials prices might be affected to a greater extent.

It must nevertheless be assumed that pressure on prices on the sales side will also intensify. On balance, both effects are expected to have a slightly negative impact on pricing quality and on earnings.

In order to limit potential negative effects on profitability from the change in the economic climate, a start has been made with the development of action plans, which are further referred to below. These measures might result in a one-off charge, particularly in the next fiscal year, if they are implemented.

The company's risk management system constantly observes country-specific conflict situations that might give rise to risks for the Group. It is nevertheless difficult to quantify the risks arising from such situations. But we are not expecting risks with any significant impact on the Group's earnings.

Sector risks

GEA Group and its divisions serve a large number of markets, many of them subject to differing investment and innovation cycles. Although risks specific to certain sectors and regions may have an adverse effect on the earnings of individual divisions, we expect them to have only a limited impact on the results of the Group as a whole. The company's strategic planning, which is reviewed every year, supports the early identification of such risks. Considering the decline in demand in the fourth quarter of 2008, various development scenarios were formulated before the end of the past fiscal year for the individual divisions for the years 2009 to 2011. The related potential commercial effects were then calculated employing simulations. Depending on the individual results of this exercise, the divisions have developed stepped action plans in order to be prepared for all eventualities relating to future economic trends.

This stepped approach takes account of the fact that the current uncertainty in key GEA Group customer sectors is resulting in delays of orders, but not in a fundamental weakness of expected long-term growth in demand.

Legal risks

The lawsuit brought by the insolvency administrator of Polyamid 2000 AG relating to the repayment of an amount of EUR 164.6 million, including VAT, for the construction of a carpet recycling plant was the subject of a judgment made by the Federal High Court of Justice (BGH) on July 9, 2007. The plaintiff was deemed to have no entitlement to the repayment of the full compensation for work performed. A potential claim exists only to the extent that the remuneration received is deemed to have been above the usual or appropriate level of remuneration according to legislation governing unjustified enrichment. The case was referred to the Higher Regional Court (OLG) of Frankfurt am Main. The Higher Regional Court rejected the lawsuit, and has not permitted an appeal to the Federal High Court of Justice. The plaintiff has submitted a complaint relating to non-admission to the Federal High Court of Justice.

In connection with the conclusion of the domination and profit and loss transfer agreement between Metallgesellschaft AG and the former GEA AG in 1999, an appeal is still pending before the District Court in Dortmund regarding the appropriateness of the exchange offer made to shareholders of the former GEA AG.

The appeal launched at the District Court in Dortmund after the squeeze-out resolution of the Annual General Meeting of the former GEA AG was concluded with the court-recorded settlement on July 2, 2008. The settlement entails a rise in the cash settlement from EUR 43.33 (per preference share) and EUR 48.15 (ordinary share) to a uniform EUR 53.00 plus interest.

There are sector-specific legal cases relating to the former subsidiaries of the Plant Engineering business in connection with the acceptance and execution of orders, whose disputed sums partly reach several millions of euros. As part of the disposal of the Lentjes Group, GEA Group effected a wide-ranging release of the purchaser from various risks arising from existing orders and legal disputes. There is currently a discordance between the parties concerning foreign currency matters relating to the level of loss compensation to be granted. There are contractual arrangements for arbitration proceedings to be launched should consensus fail to be achieved with respect to these matters.

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. As part of the disposal of the Lurgi Group to the Air Liquide Group of France, an arbitrator's expert opinion process and arbitration proceedings have been started relating to a potential price adaptation reflecting differing opinions relating to various items in the reference balance sheets.

Appropriate provisions have been formed for risks arising from the legal disputes described above, as well as for others. It is nevertheless impossible to predict the outcome of individual cases with any degree of certainty. Consequently, it cannot be excluded that the conclusion of these lawsuits may in some cases incur expenses that exceed the provisions potentially formed for such purposes.

Internal risks

Business-performance risks

In 2008, further risks materialized relating to discontinued operations. These risks are discussed in this year's management report or in the previous years' management reports. Defined risks related to selected long-term contracts have remained with the Group after the disposal of the Lurgi and Lentjes divisions. In both cases, Lurgi and Lentjes, the projects concerned are expected to be completed in the course of 2009.

There is an extensive risk management system at both the holding company and divisional levels to precisely monitor risks related to orders. Appropriate provision for all foreseeable risks has been made in our accounts.

The decline in order intake registered in the fourth quarter of 2008 reflects to a large extent a comparatively small number of high-volume orders, but also partially the components business. While the reduced number of complex projects reduces risks arising from project execution, the continuation of weak order intake may have a negative impact on medium-term earnings as a result of the underutilization of capacities. Stepped action plans have been developed, some of which have already been implemented, in order to mitigate such effects.

Besides more intense competition, the deterioration of the economic situation is also resulting in a rise in credit default risk. Such risk is countered using credit insurance, as well as a critical examination of customers' and suppliers' creditworthiness and, on a general basis, payment terms before orders are accepted.

Financial risks

Basic principles of financial risk management

The Executive Board has created an effective set of rules in the form of guidelines to control financial risks across the Group and thereby hedge, or largely limit, the risks involved. These rules clearly define the objectives for the protection of assets, the elimination of security gaps, and efficiency improvements in the identification and analysis of risks, together with the relevant organizational structures, responsibilities, and areas of expertise. The rules follow the principles of function separation, transparency, prompt documentation and system security.

As a group that operates globally, GEA Group is exposed to currency risk, interest rate risks, risks relating to the prices of goods, credit risks and liquidity risks as part of its normal activity. Financial risk management aims to reduce these risks through the appropriate use of derivative and non-derivative hedging instruments.

Foreign currency risks

Because of the international nature of GEA Group's business, its cash flows are denominated not only in euros but also in a number of other currencies, particularly the US dollar. Hedging the resultant exchange-rate risk forms a major part of our risk management operations.

A standardized Group-wide policy forms the basis of the GEA Group's centrally steered currency management strategies. This states that all Group companies must hedge their foreign-exchange exposures at the time they arise in order to fix prices on the basis of hedging rates. The hedging periods are determined by the term to maturity of the hedged items. The term of currency derivatives used is usually no more than twelve months, but may go well beyond this period in exceptional cases. Although currency risk on individual contracts is usually excluded by means of hedging, significant medium- and long-term movements in exchange rates may influence sales opportunities outside the Eurozone.

Subsidiaries based in the Eurozone are obliged to tender to the finance department at the GEA Group head office all outstanding exposures relating to transactions in goods or services in major transaction currencies. Most of these tendered exposures are passed on directly to banks, depending on the derivatives' hedging purpose and the related nature of their accounting treatment, and provided their maturities are matched; otherwise they may be hedged as part of a portfolio. The hedging of financial transactions and transactions conducted by our subsidiaries outside the Eurozone is also closely coordinated with the finance department at the Group head office. Contracts in emerging markets are usually invoiced in US dollars or euros.

Interest rate risks

Because of the international nature of our business, GEA Group raises liquidity and invests funds in the international financial and capital markets in various currencies – mainly euros and US dollars – and with varying maturities. The resultant investments and financial liabilities are in general exposed to interest rate risk, which our centralized interest rate management operations evaluate and manage. In order to hedge this risk, GEA Group may use derivative financial instruments on a case-by-case basis to minimize the interest rate volatility and financing costs of the hedged items. Only the finance department at the Group head office is permitted to enter into such interest rate instruments.

Risks relating to the prices of goods

GEA Group requires various metals such as titanium, copper, aluminum and steel. Depending on the market situation, commodity purchase prices may fluctuate significantly. Long-term supply agreements are concluded with various suppliers in order to hedge risk arising from changes in the prices of goods. Ruhr-Zink has concluded commodity futures transactions in order to hedge its obligations arising from long-term supply agreements following the closure of its production. Copper options also relate to an acquired company, that predate its acquisition by GEA Group. Besides this, there are no commodity derivatives within the GEA Group.

Credit risks

Financial instruments are generally exposed to default risk arising from potential non-satisfaction on the part of the other contractual party. Default risk on customer receivables is countered using a standardized internal risk board procedure. Besides this, active receivables management including the use of non-recourse factoring and credit insurance is used. In the export business, confirmed and unconfirmed letters of credit, as well as warranties, guarantees, and covenants are implemented, including from export credit agencies such as Hermes. Besides local monitoring by the relevant subsidiary, GEA Group also supervises the most important customer relationships at the holding company level in order to better manage the potential accumulation of risks.

Trade receivables exist as of December 31, 2008 with respect to a large number of customers from various sectors and regions, thereby avoiding significant risk concentration. Where specific default risks exist, they are reflected through valuation adjustments.

In the financial area, financial instrument transactions are agreed solely with well-known financial institutions in order to minimize default risks. Maximum default risk is limited to fair value.

Liquidity risks

Liquidity risk for the GEA Group exists with respect to non-compliance with payment obligations due to insufficient availability of liquid funds. The management of this risk is the responsibility of GEA Group Aktiengesellschaft. Arrangements are made for liquid funds, and credit lines are managed, on the basis of multi-year financial planning, as well as of rolling liquidity planning. GEA Group Aktiengesellschaft makes the funds available internally to Group companies according to their requirements. Cash pools have been set up in various countries in order to optimize the use of the liquid funds and the drawing down of loans within the GEA Group.

Taxation risks

Applicable national tax legislations may affect the usability of loss carryforwards and consequently both the value of deferred taxes capitalized in the consolidated financial statements and current taxation. Besides this, future changes in the share ownership structure may significantly reduce or render impossible the future utilization of German loss carryforwards (§ 8c German Corporation Tax Act [KStG]). The usability of US loss carryforwards could also be restricted by changes in GEA Group Aktiengesellschaft's shareholder structure, since the provision of Section 382 of the IRC (Change of Ownership) applies to GEA Group Aktiengesellschaft in the US.

Opportunities

GEA Group is Germany's largest listed mechanical engineering group and is starting the 2009 fiscal year on a solid basis. The changes made in recent years are bearing sustainable fruit for the GEA Group. Today the Group is focused on the basic process technologies of heat and mass exchange. The core business comprises high quality machinery, components and systems for the most varied types of process technologies. GEA Group with its innovative technologies is a leader in its sound markets. GEA Group companies are represented in the international markets. Its customer industries are largely resistant to the effects of the international financial crisis since the trend towards processed food will continue, energy will always be needed and pharmaceuticals will remain in demand. The Group's healthy liquidity structure also ensures that a high degree of trust is put in the reliability of the GEA Group. On this basis GEA Group is a strong and capable partner for all customers, even in times of a strained global economic situation.

Around 50 percent of the Group's products are supplied to the stable food and beverages industries. Further key outlets include the energy sector, the pharmaceuticals, chemicals and petrochemicals industries as well as the air treatment sector. Particularly where the production of high-quality and non-perishable food is concerned, GEA Group benefits from continued global population growth in many areas of its business. The persistent economic expansion in populous countries such as Brazil, India, China and Mexico continues to boost

purchasing power there. This is benefiting the food and pharmaceutical industries in particular. GEA Group is represented in these countries and sectors through various companies and through a broad range of products and system solutions. Besides these economies, the markets of Western European industrial countries, as well as the Middle East and Eastern Europe, are among the main areas of the Group's activities. In these regions too, GEA Group's marketing outlets are largely experiencing stability despite the financial crisis.

Besides the food industry and the pharmaceuticals sector, the energy sector will also report steady growth over the next few years. Energy-producing and energy-processing industries must continue their expansion in order to satisfy future demand due to rising standards of living. This can be seen most impressively in the regions of India, China and South Africa. At the same time, however, industrial countries are required to renew and replace the large inventory of 30 to 40 year-old power plants. The medium-term recovery of oil prices will also promote investments in the petrochemical sector (oil shale). Groundbreaking technologies from GEA Group will open up new market opportunities in this field.

The court ruled in favor of GEA Group Aktiengesellschaft in the arbitration proceedings against US-based Flex-N-Gate Corp., Urbana, Illinois, on September 15, 2006. This ruling means Flex-N-Gate is obligated to compensate GEA Group Aktiengesellschaft for the losses it incurred in connection with the failure of the sale of the Dynamit Nobel Plastics business to Flex-N-Gate in the autumn of 2004. The second part of the case, when the level of damages to be paid to GEA Group Aktiengesellschaft is to be determined, is still pending. The final judgment regarding the level of compensation in this matter is expected to be passed the course of the 2009 fiscal year.

Arbitration proceedings launched by GEA Group against the Ukraine at the World Bank arbitration court (International Centre for the Settlement of Investment Disputes - ICSID) was registered on November 21, 2008. Proceedings will start in spring 2009. This matter relates to the enforcement of an International Chamber of Commerce (ICC) arbitration award from 2002 relating to a low double-digit amount in millions that is due from a state affiliated Ukrainian company. The background to the ICC's arbitration award, which fully vindicated GEA Group Aktiengesellschaft, was the disappearance of large diesel oil supplies that a former GEA Group Aktiengesellschaft subsidiary had delivered to the Ukraine. GEA Group Aktiengesellschaft accuses the Ukraine of having hindered the enforcement of the ICC arbitration award in a way that is tantamount to illegal expropriation, and in breach of the investment convention existing between the Federal Republic of Germany and the Ukraine.

Events after the balance sheet date

The distribution of voting rights among GEA Group Aktiengesellschaft's major shareholders has changed as a result of the sale of Dresdner Bank AG to Commerzbank AG. Allianz SE, Munich, Germany, has held a voting right share of only 2.47 percent since January 12, 2009. The voting rights share of Commerzbank AG, Frankfurt am Main, Germany, rose to 7.83 percent. Details concerning changes to the distribution of voting rights can be found in the notes to the annual financial statements of GEA Group Aktiengesellschaft on page 28.

GEA Group acquired the company Eurotek Engineering Ltd., Norwich, United Kingdom, as of January 16, 2009. Eurotek operates in the field of refrigeration and freezing technology for food production, and generated revenue of around EUR 8 million in the 2007 fiscal year with a workforce of 21 employees. Eurotek's main activities comprise the development, installation and servicing of industrial refrigeration plants such as spiral, tunnel or carton freezing systems.

GEA Group acquired the company Intec USA which is based at Durham, North Carolina, USA, as of January 30, 2009. Intec produces carton freezing systems, and generated revenue of EUR 8 million in the 2008 fiscal year with a workforce of around 20 employees.

Outlook

Economy

Weaker economic prospects in Western industrial countries are being accompanied by a slowdown in production growth in emerging economies. The Kiel Institute for the World Economy (ifw) has cut its 2009 forecast for real growth in global GDP to 0.4 percent. A decline of prospectively 1.8 percent is anticipated for all industrial countries taken together and a drop of even as much as 2.7 percent is expected for the Eurozone. The negative effects on the global economy might gradually abate in the course of the year, to make way for new expansive forces from 2010. Year-average real global GDP growth of 1.9 percent is then expected and of 0.6 percent for industrial countries. Leading research institutes cut their 2009 forecast for real GDP growth in Germany from the 0.2 percent published in their joint autumn survey, to a level of between minus 2.0 and minus 2.5 percent in December. In its annual economic report, the Federal Government also cut its corresponding forecast to minus 2.2 percent.

GEA Group's markets in the world's growth regions will nevertheless continue to grow, even if only at a slight rate in 2009. More favorable climate conditions and the prospective improvement in the political situation will allow South and Central America, in particular, to become the world's leading suppliers of food. Over the long term, Africa could emerge as a more important outlet market for GEA.

As a result of the growing uncertainty among many customers both in Germany and abroad, the German Engineering Federation (VDMA) expects a real decline averaging 7 percent in the production of machinery and plant, despite high order backlogs. There will nevertheless be extreme discrepancies between industries and regions. The Federation assumes demand in other parts of the world will compensate to some extent for the weakness in North America and Europe.

Business outlook

Irrespective of the economic environment, global population growth, rising household incomes in emerging economies and the related growing demand for food, medicines and energy, will continue to secure for the Group a less cyclical orders position in the medium term.

As far as market areas are concerned, we anticipate significant economic weakness in North America and Western Europe and we also expect a fall in the rate of economic growth in emerging markets. This leads us to assume a decline in our revenue, which will have the corresponding impact on EBIT. Uncertainties relating to global economic growth make it impossible to make quantifiable predictions at the present time.

GEA's current order backlog continues to reflect good margin quality. Our focus in 2009 will continue to be on order security and good margins rather than the acceptance of orders at any price. Based on order intake levels between October 2008 and February 2009, we anticipate the following trends in individual outlet markets:

- a moderate decline in investment activity in the food and beverages industries, which represent around one half of GEA Group's revenue;
- an approximately constant level of investment activity in energy generation as a result of more favorable infrastructure and energy costs; as well as
- a marked downturn in the oil and gas business.

Revenue in both segments will be below the level of 2008 due to decline in order intake. In the Energy and Farm Technology Segment, the high order backlog equivalent to around 56 percent of the 2008 revenue will have a compensatory effect due to the fact that some orders have long lead times. The order book in the Process Technology Segment is equivalent to around 43 percent of the 2008 revenue. Although lead times in this segment are shorter, from today's perspective revenue will decrease to a similar extent as in the Energy and Farm Technology Segment due to acquisitions made in the second half of the year. For both segments, we plan to pursue also in 2009 our strategy of acquiring small and medium-sized companies that supplement GEA's portfolio either technologically or regionally.

As early as November 2008, the Executive Board started to implement a package of measures to counter the declining earnings that are anticipated to result from this trend. These include a cutback in overtime, hired agency workers and workforce with limited employment contracts, extension of flexitime and short-time working. Some locations have already been closed or amalgamated in order to boost productivity.

Short-time working will be introduced at additional locations in 2009 and there will be significant layoffs among both temporary agency workers and permanent employees. Administration expenses are also being adjusted to the reduced business volumes. The aim is to secure the Group's free cash flow through a reduction of working capital. This has already been considered by means of a higher weighting of this component in the variable remuneration part for managers for 2009. Selected investments in property, plant and equipment will be postponed in order to preserve liquidity. In overall terms, the Executive Board anticipates restructuring expenses of up to EUR 40 million in 2009.

As of December 31, 2008, GEA Group had access to unrestricted cash and overnight deposits of EUR 431.7 million and as still unutilized credit lines of EUR 660.1 million. We nevertheless anticipate cash outflows from provisions for discontinued operations of between EUR 350 million and EUR 400 million in 2009.

In the longer term, we expect our markets to grow in real terms at between 3 and 6 percent on average, significantly above the real rate of growth of global GDP. We plan to pursue also in 2009 our strategy of acquiring small and medium-sized companies that supplement GEA's portfolio either technologically or regionally. It should be considered however, that the aforementioned measures geared to countering the slowdown in economic activity may not suffice to fully compensate for the pressure on earnings imposed by this situation.

It is impossible to issue a qualified forecast today as to whether and to what extent the global economy will recover in 2010. In view of the robustness of GEA Group's end markets, we are nevertheless anticipating a relative overall improvement compared to the general trend in the mechanical engineering sector.

The Executive and Supervisory Boards are proposing that the Annual General Meeting approves a dividend of EUR 0.40 per share for 2008. As far as 2009 is concerned, we are aiming for a dividend adjusted to the trend in the Group's earnings. In the longer term, particularly after a normalization of the economic situation, our intention is to raise the total Group EBIT margin from today's 9.7 percent to above 10 percent, and to distribute a dividend equivalent to about one third of Group earnings.

Bochum, March 3, 2009



Jürg Oleas



Hartmut Eberlein



Niels Graugnard



For people and materials. Pleasant ambient conditions. Thanks to GEA.

Complex infrastructures require complex solutions: GEA air treatment and refrigeration systems in public use.

In global demand and in local use: GEA refrigeration compressors.

High-tech control functions: GEA air treatment systems made for comfortable environments.

GEA is a strong service partner in the after sales business too.

GEA's Clarifair ensures smoking zones are free of pollutants and smoke. Entirely without building insulation.

Background:
Front ends of evaporators:
the core of many air treatment solutions.

Not too warm, not too cold, and neither too damp nor too dry. Fresh air without unpleasant draughts. Individually adjusted refrigeration for different kinds of food. Highly purified air for medical applications or the IT industry. Demanding ambient conditions for preserving valuable works of art in museums.

The demands man and materials make on air treatment technology vary widely. GEA air treatment and refrigeration technology solutions ensure that air is cleaned, humidified or de-humidified, heated or cooled, and delivered to its destination in an energy saving way. And along with further options, through the use of heat recycling, or of water as cooling agent.

Tailored GEA systems are at work in every conceivable area to ensure that people feel comfortable: whether in hotels, office and industrial buildings, department stores and shopping malls, sports centers, public swimming pools, hospitals, museums and many other public facilities. Complete systems deliver the highest degree of comfort and air quality, while tailored to each and every customer's specific wish. Intelligent control engineering and innovative solutions – such as online monitoring – guarantee operations that are both energy optimized as well as economically efficient. A key strength in food supply is the fact that our extremely varied range of refrigeration systems secures food refrigeration on a global scale. The same systems are also at work where leisure activities are concerned. Indoor ski facilities and ice sports halls would be inconceivable without GEA systems.

Equipment made by technology and market leader GEA embodies decades of engineering experience. A sure guarantee, in other words, for maximum efficiency, quality and economic total cost of ownership.

Corporate Governance Report

Transparent, responsible corporate management and controlling aimed at long-term value enhancement have high priority at GEA Group Aktiengesellschaft. The management of the Group follows recognized principles of corporate governance, and to a very large degree ensures compliance with the proposals and recommendations of the German Corporate Governance Code in the version of June 6, 2008. The recommendation contained in Section 5.4.6 Paragraph 2 Clause 1 of the Code concerning performance-based remuneration of Supervisory Board members represents the Group's sole divergence from the Code, an approach that the Group continues to adopt. The company regards an appropriate fixed remuneration as more appropriate for the Supervisory Board's controlling function, which is performed independently of the company's profitability.

Corporate management and controlling: Executive and Supervisory Boards

The Executive Board of GEA Group Aktiengesellschaft, comprising three members, is the body responsible for the management of the Group. The Supervisory Board, which consists of 12 members, half of which are shareholders and the remaining half are employee representatives, advises and monitors the Executive Board. The Executive and Supervisory boards work closely together to the benefit of the company. Their common objective is to achieve a sustained increase in the value of the company.

The Executive Board reports regularly, promptly and extensively to the Supervisory Board concerning all planning, business progress, risk position, risk management and compliance questions relevant to the company. The company's Articles of Association and internal rules of procedure require that important transactions be submitted to the Supervisory Board for its approval. The Supervisory Board's work is supported by committees. These are the Presiding Committee and the Audit Committee. A Nomination Committee has also been set up, pursuant to the recommendation contained in Section 5.3.3 of the German Corporate Governance Code. The report of the Supervisory Board on pages 199 et seq. of this annual report provides further details of the Supervisory Board's activities.

Responsible handling of risks

GEA Group Aktiengesellschaft has experienced extremely strong growth in recent years. Sustainable growth can only be achieved, however, if not only the opportunities but also the risks of entrepreneurial activity are identified, and taken into appropriate account. Effective risk management is consequently one of the core elements of corporate governance at GEA Group Aktiengesellschaft. Further information on risk management can be found on pages 55 et seq. and 109 et seq. of this annual report.

Transparency of accounting and auditing

GEA Group Aktiengesellschaft is committed to providing transparent financial reporting. The consolidated financial statements are published according to the International Financial Reporting Standards (IFRS). The annual financial statements of the parent company, GEA Group Aktiengesellschaft, are prepared according to the German Commercial Code (HGB). The Supervisory Board engages the external auditor elected by the Annual General Meeting and, under the auspices of the Audit Committee, sets the auditor's schedule and fee. In doing so, it ensures the auditor's work is not compromised by conflicts of interest. Along with the consolidated financial statements and annual financial statements of the parent company, the Audit Committee also discusses the interim reports with the Executive Board, as recommended in Section 7.1.2 of the German Corporate Governance Code.

Extensive reporting

GEA Group Aktiengesellschaft communicates openly, actively, and comprehensively. GEA Group Aktiengesellschaft regularly and promptly informs shareholders, shareholder organizations, analysts, and interested members of the public on equal terms about the company's position and material changes to the business. The company website is an important medium for this purpose. It contains annual and interim reports, press releases, ad hoc statements, and other disclosures required by the German Securities Trading Act, as well as its financial calendar and other relevant information, published in both German and English. The Group also organizes regular analysts' meetings, press conferences and events for investors. All presentations made at these events can also be downloaded from the website of GEA Group Aktiengesellschaft under Investor Relations / Presentations.

Directors' dealings and shareholdings

Pursuant to § 15 a of the German Securities Trading Act (WpHG), executive and supervisory board members as well as their related parties are obligated to communicate the purchase and disposal of GEA Group Aktiengesellschaft shares or related financial instruments to both the Federal Financial Supervisory Authority (BaFin) and the company, if such transactions exceed the threshold of EUR 5,000 within a given calendar year. GEA Group Aktiengesellschaft reported various directors' dealings (the buying of the company's shares by directors or other persons subject to reporting requirements) in the 2008 fiscal year pursuant to § 15 a of the German Securities Trading Act (WpHG). Sales of GEA Group Aktiengesellschaft shares by directors or other persons subject to reporting requirements did not occur in the 2008 fiscal year. The company also published all such transactions on its website.

As of March 10, 2009, the Executive Board holds a total of 77,000 GEA Group Aktiengesellschaft shares (57,050 as of December 31, 2008). The total of 110,136 GEA Group Aktiengesellschaft shares held by all Executive and Supervisory Board members as of March 10 amounts to less than 1 percent of the shares in issue.

Securities-based remuneration program for company executives

GEA Group Aktiengesellschaft launched a new long-term, share-price-based remuneration program on July 1, 2006 entitled "GEA Performance Share Plan", for all executives of the first and second management levels. This program was also extended to the third management level in the 2008 fiscal year. Details of this program can be found on page 47 of the management report, and in section 7.3.4 of the notes to the financial statements.

Code of conduct

The Executive and Supervisory Boards have established a code of conduct that requires that the Group's business activities comply with high ethical standards and all legislative requirements. It is binding to all members of staff. It is published at the website of GEA Group Aktiengesellschaft under Investor Relations/Corporate Governance. Besides this, there are also various guidelines relating to specific topics. A Chief Compliance Officer has been appointed to monitor the principles laid down in both the code of conduct and the guidelines, and this officer reports regularly to both the Supervisory Board and the Audit Committee. A Compliance Officer has also been appointed for each division, and for each operating company in the "Other" segment. The compliance officers hold regular meetings to discuss GEA Group's Compliance Program, and develop it further. Training sessions for the relevant group employees in the regulations contained in the code of conduct and in the supplementary GEA compliance guidelines supplement GEA's Compliance Program.

Declaration of conformity

The Executive and Supervisory Board of GEA Group Aktiengesellschaft issued the following declaration of compliance on November 25, 2008, which has been made permanently available to shareholders on the company's website at www.geagroup.com:

GEA Group Aktiengesellschaft complies with the recommendations of the German Corporate Governance Code in the version of June 6, 2008, with the following listed exception:

- Supervisory Board remuneration contains no performance-based remuneration components (Code Section 5.4.6 Paragraph 2 Clause 1).

GEA Group Aktiengesellschaft has complied with the recommendations of the German Corporate Governance Code since the declaration of conformity of November 27, 2007 in its relevant valid version with the following listed exception:

- Supervisory Board remuneration contained no performance-based remuneration components (Code Section 5.4.7 Paragraph 2 Clause 1; old version).

Bochum, November 25, 2008

For the Supervisory Board

Dr. Jürgen Heraeus

For the Executive Board

Jürg Oleas

Hartmut Eberlein

Remuneration Report

(Part of the Corporate Governance Report and Management Report)

Executive Board remuneration

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

The non-performance-related basic remuneration is a fixed amount paid as a monthly salary. Executive Board members also receive pension subsidies, and non-monetary compensation, consisting mainly of the fiscal value of company car use, reimbursement of the costs of running two households, and accident insurance contributions. As a rule, pension subsidies are granted up to a maximum of half of the substantiated maximum amount of statutory pension insurance. In the case of Mr Niels Graugaard, this amount is equivalent to 12.5 percent of his fixed salary, in line with his contractual arrangements. Mr Graugaard has not received a pension commitment from the company.

The performance-related remuneration (bonus) is generally determined by the achievement of profit-related and personal targets specified in individual agreements. The performance targets basically depend on earnings before tax in combination with the EBIT margin (EBIT = earnings before interest and tax), and on the performance of the company's share relative to the MDAX stock index.

Executive Board members may be granted an additional discretionary bonus if their individual performance adds exceptional value for the company's shareholders. The company's Supervisory Board decides whether such a discretionary bonus should be granted and, if so, its level. No additional discretionary bonuses were awarded for the 2008 fiscal year.

The Chairman of the Executive Board, Mr Jürg Oleas, enjoys a contractual pension commitment with an individually agreed fixed amount. This pension is paid if his Executive Board contract ends on or after his 62nd birthday, or if he becomes unable to work. Mr Oleas receives his pension if his employment contract has run for at least 15 years and ends before the above preconditions are met. In this case, or if he becomes permanently unable to work, his pension is paid as a transitional measure until he reaches his 62nd birthday; this amount is reduced by the full amount of any severance payment and – up to his 62nd birthday – any other income from activities commenced after he left the company, but by no more than half of the transitional pension payment for the year in question.

If Mr Oleas' contract as an Executive Board member ends before one of the above-mentioned preconditions is met, he is entitled to a pro-rata annual pension that is calculated based on a maximum possible service period of 180 months. A pension that is being paid is adjusted every year in line with the consumer price index.

All members of the Executive Board are entitled to make their own contributions to a pension scheme in the form of deferred compensation. There is no employer subsidy.

The company has set aside pension reserves to cover the future entitlements of Executive Board members. The amounts allocated to these pension reserves in accordance with IFRS for current members of the Executive Board who are active at the end of the reporting year are listed individually in the table below. The relevant amounts consist of the service cost and the interest cost.

The Chairman of the Executive Board is entitled to give unilateral notice in the instance that the Supervisory Board wishes to revoke his appointment as Chairman of the Executive Board. If he chooses to exercise this option to give unilateral notice and to step down from the Executive Board, he is entitled to continue to receive his fixed salary for the remaining months of his contractual period of office, to a maximum of eight months, however.

With respect to a change of control, the following rule applies for all members of the Executive Board: if Executive Board members are removed as Executive Board members of the company, or their contracts as Executive Board members are terminated by mutual consent within six months of the change of control: the bonuses paid for the respective fiscal year – where legally permissible, especially pursuant to § 87 Section 1 of the German Stock Corporation Act (AktG) – will amount to at least K EUR 850 gross for Mr Oleas, at least K EUR 510 gross for Mr Eberlein, and to at least K EUR 467.5 gross for Mr Graugaard. A change of control within this meaning is deemed to have occurred as soon as the company is notified that an investor holds 50 percent or 75 percent or more of the company's voting capital as per § 21 of the German Securities Trading Act (WpHG), or an affiliation agreement is concluded with the company as a controlled enterprise as per §§ 291 et seq. of the German Stock Corporation Act (AktG), or either a subordination of a dependent entity as per § 319 of the German Stock Corporation Act (AktG), or a change in the company's legal form as per the Conversion Act, becomes legally effective.

The total remuneration paid to the current Executive Board members of GEA Group Aktiengesellschaft amounted to K EUR 5,635 in the reporting year (previous year: K EUR 7,535) and, in addition to a fixed payment of K EUR 2,460 (previous year: K EUR 2,828), contained a variable bonus of K EUR 3,175 (previous year: K EUR 4,707).

The tables below provide details of the base salary, bonus, other forms of remuneration, and the pension entitlements for each member of the Executive Board.

The table below shows the remuneration paid to each member of the Executive Board in 2008, and the previous year's comparison:

(EUR)	Fixed salary	Bonus	Payment-in-kind	Pension subsidies	Total
Jürg Oleas	1,071,000.00	1,500,000.00	59,461.44	-	2,630,461.44
prior year	1,020,000.00	1,500,000.00	94,223.11	-	2,614,223.11
Hartmut Eberlein	600,000.00	900,000.00	15,461.11	6,328.20	1,521,789.31
prior year	500,000.04	800,000.00	14,806.56	6,268.56	1,321,075.16
Niels Graugaard ¹	550,000.08	775,000.00	88,572.40	68,750.04	1,482,322.52
prior year	229,166.70	322,916.67	38,329.15	28,645.85	619,058.37
Klaus Moll ²	-	-	-	-	-
prior year	376,559.16	1,334,041.10	34,970.76	3,471.30	1,749,042.32
Peter Schenk ²	-	-	-	-	-
prior year	450,000.00	750,000.00	26,639.37	4,701.42	1,231,340.79
Total	2,221,000.08	3,175,000.00	163,494.95	75,078.24	5,634,573.27
prior year	2,575,725.90	4,706,957.77	208,968.95	43,087.13	7,534,739.75

1) Mr Graugaard's prior-year remuneration relates to the August 1 to December 31, 2007 period.

2) Mr Moll and Mr Schenk stepped down from the Executive Board in the 2007 fiscal year.

Executive Board's individual loan stock rights and pension entitlements in 2008

(EUR)	Pension entitlement p.a. (Status: 12/31/2008) (Annual entitlement at the start of pension)	Pension entitlements earned as of 12/31/2008 p.a.	Addition to pension provisions (IFRS) in FY 2008
Jürg Oleas	220,000.00	112,444.44	167,358.00
Hartmut Eberlein ¹	36,577.82	36,577.82	32,189.00
Niels Graugaard ²	-	-	-
Total	256,577.82	149,022.26	199,547.00

1) Mr Eberlein's pension entitlement is based solely on the contributions he pays into a pension scheme in the form of deferred compensation.

2) No pension commitment was granted to Mr Graugaard.

Remuneration paid to former members of the Executive Board and their surviving dependants

Former members of the Executive Board and their surviving dependants received remuneration of K EUR 1,666 (prior year: K EUR 2,126) from GEA Group Aktiengesellschaft, and payments of K EUR 5,238 (prior year: K EUR 5,717) from the GEA Group. GEA Group Aktiengesellschaft accrued IFRS pension reserves of K EUR 27,548 (prior year: K EUR 27,136) for former members of the Executive Board and their surviving dependants; the GEA Group accrued pension reserves of K EUR 56,616 (prior year: K EUR 57,384) for these persons.

Remuneration paid to the Supervisory Board

Expenses incurred for the Supervisory Board amounted to K EUR 738 in 2008 (prior year: K EUR 670). According to § 15 Section 1 of the Articles of Association, each member of the Supervisory Board receives a fixed annual payment of EUR 30,000, payable after the end of each year, in addition to reimbursement of 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. According to § 15 Section 2 of the Articles of Association, each member of the Presiding Committee and the Audit Committee receives K EUR 25. The chairman of each of these committees receives twice this amount. No separate remuneration is, or was, paid to members of either the Mediation Committee or the Nomination 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. Pursuant to § 15 Section 3 of the Articles of Association, Supervisory Board members also receive remuneration per meeting of EUR 750 after the end of the fiscal year for each Supervisory Board meeting and for each meeting of the above-mentioned committees in which they have participated.

The individual details of remuneration, including its relevant components, for members of the Supervisory Board, the Presiding Committee, and the Audit Committee are listed below in the following table, including both 2008 and previous year's figures:

(EUR)	Supervisory Board remuneration	Presiding Committee remuneration	Audit Committee remuneration	Remuneration for meetings	Totals 2008
Dr. Heraeus	75,000.00	50,000.00	25,000.00	10,500.00	160,500.00
prior year	75,000.00	50,000.00	25,000.00	-	150,000.00
Siegers	45,000.00	25,000.00	-	6,750.00	76,750.00
prior year	45,000.00	25,000.00	-	-	70,000.00
Ammer	30,000.00	-	-	2,250.00	32,250.00
prior year	30,000.00	-	-	-	30,000.00
Bastaki	30,000.00	-	-	3,750.00	33,750.00
prior year	30,000.00	-	-	-	30,000.00
Gröbel	30,000.00	25,000.00	-	8,250.00	63,250.00
prior year	30,000.00	25,000.00	-	-	55,000.00
Hunger	30,000.00	-	-	3,750.00	33,750.00
prior year	30,000.00	-	-	-	30,000.00
Kämpfert	30,000.00	-	-	3,750.00	33,750.00
prior year	30,000.00	-	-	-	30,000.00
Dr. Kuhnt	30,000.00	-	50,000.00	6,750.00	86,750.00
prior year	30,000.00	-	50,000.00	-	80,000.00
Löw	30,000.00	-	25,000.00	6,750.00	61,750.00
prior year	30,000.00	-	25,000.00	-	55,000.00
Dr. Perlet	30,000.00	25,000.00	-	5,250.00	60,250.00
prior year	30,000.00	25,000.00	-	-	55,000.00
Stöber	30,000.00	-	25,000.00	6,000.00	61,000.00
prior year	30,000.00	-	25,000.00	-	55,000.00
Graf von Zech	30,000.00	-	-	3,750.00	33,750.00
prior year	30,000.00	-	-	-	30,000.00
Total	420,000.00	125,000.00	125,000.00	67,500.00	737,500.00
prior year	420,000.00	125,000.00	125,000.00	-	670,000.00

Board members of GEA Group Aktiengesellschaft were granted no advances, loans, or guarantees. No remuneration or benefits were paid to members of the Supervisory Board for personal services rendered, such as consultancy, mediation or agency services. Employee representatives from the GEA Group Aktiengesellschaft received their normal salaries for their activities.



Components: always a part of the whole.

With its dough, and particularly its massive requirements for cheese, pizza production around the world is one of the main consumers of milk produced globally.

Plate heat exchangers heat or cool products to the temperatures required in production processes.

The milk processing industry is inconceivable without separators.

Valves reliably and safely manage production and cleaning processes.

Microorganisms are killed during pasteurization, thereby ensuring the shelf-life of dairy products.

Background:
Different separator plates rotate in separators – with extremely high rotation speeds.
Centrifugal forces separate materials.

Dairies, breweries, high-sea trawlers, pharmaceuticals production – all are entirely different areas. But, nevertheless, the same in one respect: They all represent highly complex systems that function only if all of the individual components are working reliably. GEA supplies the core components for many industrial processes, integrates them and tailors them to individual customer requirements.

Take a dairy, for example. Milk is a valuable product but it deteriorates very rapidly. An absolute prerequisite for first-class end-products for the well-being of customers: the most stringent benchmarks in food safety, reliability and efficiency. As a leading process technology company, GEA meets these demands to an outstanding degree. Separators disinfect the raw milk, and separate its components into the desired intermediary products. GEA's protein-plus process enables a significantly enhanced protein yield while at the same time allowing a very high acuity of separation. It also reduces a dairy's consumption of fresh water. A patented valve for the mix-proof separation of two media or products ensures a maximum degree of hygiene, and is consequently the only double-seat valve approved by the US dairy authorities. GEA heat exchangers offer the greatest possible flexibility with regard to processing volumes and temperatures. Extensive plant technology from GEA is used for skimming, cooling, pasteurizing and homogenizing among other applications. Perfect servicing guarantees smooth, interruption free production. And the more compact the individual aggregates are, the lower the level of infrastructure investment customers will be required to make.

Always safe, reliable and efficient – the key core components are our core expertise.

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Consolidated Balance Sheet

At December 31, 2008

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

Assets (K EUR)	Section	12/31/2008	12/31/2007
Property, plant and equipment	6.1	547,722	486,037
Investment property	6.2	14,433	44,666
Goodwill	6.3	1,331,833	1,299,650
Other intangible assets	6.3	144,349	95,869
Investments in enterprises reported at equity	6.4	11,983	14,585
Other non-current financial assets	6.5	60,011	43,237
Deferred taxes	8.7	314,356	364,910
Non-current assets		2,424,687	2,348,954
Inventories	6.6	717,798	674,691
Trade receivables	6.7	1,350,248	1,241,541
Income tax receivables	6.8	10,672	11,186
Other current financial assets	6.5	166,005	175,706
Cash and cash equivalents	6.9	439,554	279,162
Current assets		2,684,277	2,382,286
Assets held for sale	6.10	19,361	16,713
Total assets		5,128,325	4,747,953

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

Equity and liabilities (K EUR)	Section	12/31/2008	12/31/2007
Issued capital		496,890	496,890
Additional paid-in capital		1,079,610	1,079,610
Retained earnings		-69,689	-130,398
Accumulated other comprehensive income		-54,725	-35,932
Minority interest		3,319	3,508
Equity	7.1	1,455,405	1,413,678
Non-current provisions	7.2	181,115	231,568
Non-current obligations to employees	7.3	505,961	513,370
Non-current financial liabilities	7.4	255,078	20,874
Other non-current liabilities	7.7	6,771	4,284
Deferred taxes	8.7	88,395	87,219
Non-current liabilities		1,037,320	857,315
Current provisions	7.2	645,733	606,770
Current obligations to employees	7.3	199,035	168,006
Current financial liabilities	7.4	305,410	218,898
Trade payables	7.5	723,650	767,505
Income tax liabilities	7.6	55,680	54,653
Other current liabilities	7.7	701,104	661,128
Current liabilities		2,630,612	2,476,960
Liabilities related to assets held for sale	6.10	4,988	-
Total equity and liabilities		5,128,325	4,747,953

Consolidated Income Statement

From January 1 to December 31, 2008

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

(K EUR)	Section	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Revenue	8.1	5,178,968	4,855,970
Cost of sales		-3,722,398	-3,556,590
Gross profit		1,456,570	1,299,380
Selling expenses		-481,427	-439,608
Administrative expenses		-478,897	-444,036
Other income	8.2	155,321	96,739
Other expenses	8.3	-152,214	-113,060
Net income/loss on enterprises reported at equity		2,199	1,206
Other financial income	8.5	3,626	2,573
Other financial expenses	8.6	-968	-2,081
Earnings before interest and tax (EBIT)		504,210	401,113
Interest and similar income	8.5	34,044	21,509
Interest expense and similar charges	8.6	-79,449	-71,031
Earnings before tax on continuing operations		458,805	351,591
Income taxes	8.7	-109,830	-114,421
of which current taxes		-75,233	-64,418
of which deferred taxes		-34,597	-50,003
Net income on continuing operations		348,975	237,170
Net income/loss on discontinued operations	4.	-247,998	46,343
Net income/loss		100,977	283,513
of which minority interest		1,347	1,113
thereof attributable to shareholders of GEA Group Aktiengesellschaft		99,630	282,400

(EUR)

Earnings per share on continuing operations	1.89	1.26
Earnings per share on discontinued operations	-1.35	0.25
Earnings per share	0.54	1.51
Weighted average number of shares outstanding (million)	183.9	187.3

Consolidated Cash Flow Statement

From January 1 to December 31, 2008

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

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Net income/loss	100,977	283,513
Plus income taxes	109,830	114,421
Plus net income/loss on discontinued operations	247,998	-46,343
Earnings before tax on continuing operations	458,805	351,591
Net interest expense	45,405	49,522
Earnings before interest and tax (EBIT)	504,210	401,113
Depreciation, amortization, impairment and reversal of impairment on non-current assets	81,707	79,554
Other non-cash income and expenses	-4,105	6,851
Obligations to employees	-37,381	-36,576
Change in provisions	17,552	21,612
Gains/losses on disposal of non-current assets	-1,843	-3,957
Change in inventories, including unbilled PoC receivables ¹	3,616	-71,616
Change in trade receivables	-89,932	-75,544
Change in trade payables	-44,066	16,383
Change in other operating assets and liabilities	12,150	-33,131
Tax payments	-68,323	-31,526
Net cash flow from operating activities of discontinued operations	15,361	-92,058
Cash flow from operating activities	388,946	181,105
Proceeds from disposal of non-current assets	42,935	23,362
Cash payments for the purchase of property, plant and equipment and intangible assets	-165,610	-129,282
Cash payments for the purchase of non-current financial assets	-15,058	-10,047
Interest and dividend income	13,770	9,735
Cash payments for acquisitions	-84,882	-78,123
Cash flow from disposal of discontinued operations	-215,007	571,513
Repayments of non-trade receivables relating to discontinued operations	-	-484,925
Net cash flow from investing activity relating to discontinued operations	-3,311	-11,068
Cash flow from investing activities	-427,163	-108,835
Dividend paid by GEA Group AG for previous year	-36,797	-
Cash payments for the purchase of treasury shares	-2,124	-95,853
Change in finance lease liabilities	-1,245	-3,244
Cash receipts from raising of finance facilities	75,835	129,320
Cash receipts from borrower's note loan	199,500	-
Cash payments for redemption of finance facilities	-9,071	-31,580
Interest payments	-18,435	-35,211
Net cash flow from financing activities of discontinued operations	-1,913	-13,439
Cash flow from financing activities	205,750	-50,007
Exchange-rate-related and other changes in cash and cash equivalents	-9,144	-1,786
Change in unrestricted cash and cash equivalents	158,389	20,477
Unrestricted cash and cash equivalents at beginning of the year	272,717	252,240
Unrestricted cash and cash equivalents at end of the year	431,106	272,717
Restricted cash and cash equivalents	8,448	6,445
Cash and cash equivalents reported on the face of the balance sheet	439,554	279,162

1) Including advances received

Consolidated Statements of Changes in Equity

At December 31, 2008

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

(K EUR)	Number of shares	Issued capital	Additional paid-in capital	Retained earnings
Balance at 12/31/2006	187,945,616	496,890	1,077,076	-249,149
Net income/loss				283,513
Minority interest				-1,113
Accumulated other comprehensive income/loss				
Total income and expense for the year				
of which minority interest				
of which attributable to GEA Group shareholders				
Withdrawal of treasury shares	-4,152,771			-163,650
Sale of treasury shares	190,000		2,534	
Change in other minority interest				
Balance at 12/31/2007	183,982,845	496,890	1,079,610	-130,398
Net income				100,977
Minority interest				-1,347
Accumulated other comprehensive income/loss				
Total income and expense for the year				
of which minority interest				
of which attributable to GEA Group shareholders				
Withdrawal of treasury shares	-175,000			-2,124
Dividend				-36,797
Change in other minority interest				
Balance at 12/31/2008	183,807,845	496,890	1,079,610	-69,689

Accumulated other comprehensive income/loss						
Cumulative translation adjustment	Available-for-sale securities	Hedge accounting	Accumulated other comprehensive income/loss	Treasury shares	Minority interest	Total
-5,657	205	5,779	327	-65,263	1,582	1,261,463
						283,513
					1,113	-
-36,139	-178	58	-36,259		-30	-36,289
						247,224
						1,083
						246,141
				63,331		-100,319
				1,932		4,466
					843	843
-41,796	27	5,837	-35,932	-	3,508	1,413,687
						100,977
					1,347	-
-920	-52	-17,821	-18,793		77	-18,716
						82,261
						1,424
						80,837
						-2,124
						-36,797
					-1,613	-1,613
-42,716	-25	-11,984	-54,725	-	3,319	1,455,405

Notes to the Consolidated Financial Statements

1. Reporting principles

Basis of presentation

These consolidated financial statements of GEA Group Aktiengesellschaft have been prepared pursuant to § 315a of the German Commercial Code ("consolidated financial statements according to International Accounting Standards") in accordance with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB), and in accordance with Regulation No. 1606/2002 of the European Parliament and Council regarding the adoption of International Accounting Standards in the EU. The supplementary regulations of § 315a of the German Commercial Code (HGB) were also considered.

GEA Group applied the following accounting standards and interpretations for the first time in 2008:

IFRS 8	Operating Segments,
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements,
IFRIC 13	Customer Loyalty Programs,
IFRIC 14	The Limit on a Defined Benefit Asset
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

GEA Group is applying IFRS 8 voluntarily for the first time in accordance with the regulations concerning first-time application. IFRS 8 stipulates the financial information that a company is required to report concerning its operating segments. IFRS 8 replaces IAS 14 "Segment Reporting", and follows the so-called management approach in terms of segmental demarcation and reporting. Consequently, segmental information is now disclosed on the basis of internal reporting. On this basis, the group is split into three business segments. In accordance with IAS 14 the business activities were broken down into four segments.

With respect to the other standards requiring first-time application, there are no significant circumstances to which they might apply.

Although the following accounting standards and interpretations, as well as amendments to existing standards, had already been published, they were not yet mandatory for the preparation of IFRS consolidated financial statements as of December 31, 2008:

IAS 1 "Presentation of Financial Statements"

Amendment relating to the requirement to list comprehensive income

The amended presentation is intended to make it easier to analyze and compare financial statements.

IAS 23 “Borrowing costs”

Amendment relating to the option of immediate recognition through profit and loss
The amended standard requires that borrowing costs that can be directly allocated to the purchase, construction or production of a qualified asset must be capitalized. The current option to immediately recognize borrowing costs as expense is being abolished.

IAS 32 “Financial Instruments: Disclosure and Presentation”

Amendment relating to disclosures of callable financial instruments and obligations arising on liquidation
The amendments mainly concern the classification of particular types of financial instruments as equity or debt. Additional disclosures in the notes to the financial statements are also required for financial instruments affected by the regulation.

IAS 39 “Financial Instruments: Recognition and Measurement”

Amendment relating to risk exposures that qualify for hedge accounting
The amendment clarifies hedge accounting in two special situations: the designation of inflation risks as a hedged item and the designation of a one-sided risk in a hedged item.

IFRS 2 “Share-based Payment”

Amendment relating to vesting conditions and cancellations
This amendment clarifies that only service conditions and performance conditions represent vesting conditions. It also specifies that accounting rules relating to early plan cancellation apply irrespective of whether the company itself or a another party cancelled the plan.

IFRS 3 “Business Combinations”

Amendment relating to the application of the purchase method
The revised standard firstly replaces various rules that have applied to date, and, secondly, fills gaps within existing regulations. The most important change relates to the presentation of business combinations where less than 100 percent of a company’s shares are acquired. This amendment introduces the option of fully recognizing goodwill arising from the purchase using the “full goodwill method”, in other words, including the portion attributable to minorities. In addition, step acquisitions, following the attainment of control, or partial disposals of shares without loss of control, are to be recognized through equity as a transaction between shareholders. Besides this, the full extent of the purchase transaction costs should be expensed. The requirements of IAS 27 “Consolidated Financial Statements”, IAS 28 “Investments in Associates” and IAS 31 “Interests in Joint Ventures” were adapted correspondingly.

Improvements to IFRSs

Amendments arising from the IASB's annual improvement process

This collection of amendments contained a total of 35 amendments to various current International Financial Reporting Standards (IFRS). The amendments are split into two parts.

The first part contains amendments relating to accounting, in other words, questions concerning presentation, recognition, and measurement. The second part contains amendments to terminology, or editorial modifications that have minimal impact on accounting.

IFRIC 15 "Agreements for the Construction of Real Estate"

This interpretation specifies how real estate developers recognize income from the sale of real estate.

IFRIC 17 "Distributions of Non-Cash Assets to Owners"

This standard regulates how companies should measure distributions of non-cash assets to owners.

With the exception of the amendment to IFRS 3, and the amendments of IAS 39 and IFRIC 17, all amended and revised standards, as well as new interpretations are to be applied for financial years starting on or after January 1, 2009. The other newly instituted regulations must be applied to fiscal years beginning on or after July 1, 2009. Earlier application is permitted. GEA Group currently assumes that the application of the revised and amended versions, to the extent that the EU confirms them in this form, will not have a significant 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 (K EUR). All amounts have been rounded. Differences between the sum of individual values and the total value could consequently be in the order of one K EUR.

For the purposes of clarity, various items in the consolidated balance sheet and income statement have been summarized 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 using the cost-of-sales format.

The cash flow statement is prepared according to the indirect method with respect to cash flow from operating activities and according to the direct method with respect to cash flow from investing and financing activities.

The Executive Board of GEA Group Aktiengesellschaft approved these consolidated financial statements for publication on March 3, 2009.

2. Accounting principles

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 is able to directly or indirectly exert a controlling influence over financial and business policy, are consolidated. Subsidiaries are fully consolidated from the time at which the possibility of a controlling influence has transferred to the GEA Group. They are deconsolidated from the time at which the controlling influence ends.

Acquired subsidiaries are entered in the accounts using the purchase method. The cost of the acquisition is measured using the transferred cash and cash equivalents, the fair value of transferred assets, 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 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 net assets measured at fair value is recognized as goodwill. If the cost of the purchase is lower than the acquired subsidiary's net assets measured at fair value, even after re-measurement, the difference is reported through the income statement.

Intercompany receivables, liabilities, and gains and losses on transactions between Group enterprises are eliminated with the exception of income and expenses arising between continuing and discontinued operations.

Consolidated subsidiaries with balance sheet dates that differ from that of the parent company have been consolidated on the basis of interim financial statements as of December 31.

In addition to GEA Group Aktiengesellschaft, 64 German (previous year: 67) and 264 foreign subsidiaries (previous year: 254) have been consolidated as of December 31, 2008. During the course of 2008, 25 subsidiaries were consolidated for the first time and 8 were deconsolidated. Mergers reduced the number of consolidated companies by a further 10. Overall, the number of consolidated companies therefore increased year on year by 7 to 328.

A total of 110 subsidiaries are not consolidated (previous year: 108) because their influence is not material when considering the Group's overall assets, finances, and earnings.

Investments in Associates

Investments in enterprises over which a significant influence can be exerted are measured using the equity method of accounting. The investment is initially recorded at cost. Associates are companies over which a Group company can exert a significant influence through its involvement in the associate's decision-making processes with respect to financial or business policy. This affects companies 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 in the income statement. The Group's share of expenses and income recognized directly in equity is reported directly in the consolidated equity. 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 required, associates' accounting policies are modified to ensure consistent accounting policies throughout the Group.

A total of three investments in associates (previous year: 13) have been consolidated at equity at the balance sheet date.

Joint Ventures

The option was taken to measure investments in joint ventures using the equity method.

A total of 13 investments in joint ventures (previous year: 6) have been recognized as of the balance sheet date.

A list of some key subsidiaries can be found in the Notes at 12.4.4. A full list of shareholdings is published in the electronic Federal Gazette pursuant to § 325 of the German Commercial Code (HGB).

Currency translation

The Group companies 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 at the balance sheet date. These companies' income statements are translated at moving-average rates for the year. If the average rate does not represent a reasonable approximation of actual transaction rates, the amounts are translated at the relevant transaction rates. Any exchange differences are allocated to a separate item in equity and amortized. These differences totaled K EUR -42,716 as of December 31, 2008 (previous year: K EUR -41,796).

Goodwill arising on the acquisition of foreign subsidiaries is translated, as these companies' assets, at the rate prevailing on the balance sheet date.

Property, plant and equipment

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

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

Assets arising from 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 payment. Leases under which the lessee bears all material opportunities and risks arising from the use of the leased asset, and where the lessee is consequently deemed to be the beneficial owner, are recognized as finance leases. The leased asset is recognized in the lessee's balance sheet at the lower of its fair value and the present value of the minimum lease payments. The corresponding lease liability is reported as a finance lease obligation. The leased asset is depreciated in subsequent periods over the shorter of the term of the lease and its useful life. 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 companies included in these financial statements have sold and leased back property, plant and equipment. The sale-and-leaseback transactions resulted in either finance or operating leases depending on the distribution of risk. 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, an impairment loss is recognized. To assess impairment, assets are grouped at the lowest level for which separate cash flows can be identified. If the reason for the impairment subsequently ceases to apply, the impairment loss is reversed up to an amount not exceeding the amortized historical cost.

Investment property

Real estate that is held to earn rental income or generate capital growth is classified as investment property. Where real estate 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 to be for the investor's own use to any material extent. This is deemed to be the case if the investor uses it to an extent less than 10 percent.

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

Goodwill

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

The recoverability of goodwill is reviewed at divisional level at least every fiscal year-end, or when there is an indication that impairment has occurred. 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 and fair value less disposal costs. Where business units classified as discontinued operations are concerned, the measure of recoverability is fair value less disposal costs. If the carrying amount of the division's assets exceeds its recoverable amount, an impairment loss equivalent to the difference is recognized in income.

An impairment loss reduces the carrying value of 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. Estimating a disposal price is required only if the value in use is less than the carrying amount.

Other intangible assets

Other intangible assets include both internally generated and purchased assets. Internally generated intangible assets include capitalized development costs. Besides contractually based rights, acquired intangible assets comprise mainly technologies, brand names, and customer relationships. Technologies, brand names, and customer relationships are regularly acquired in connection with corporate takeovers. Both internally generated and purchased intangible assets are capitalized at cost.

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

An intangible asset's carrying amount is reviewed if it is likely to have been impaired as a result of events or changing circumstances. Intangible assets whose useful life cannot be determined are tested for impairment annually. 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 an amount not exceeding the amortized historical cost.

Other financial assets

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

Shares held in non-consolidated subsidiaries and other equity investments are allocated to the "financial investments available for sale" category. They are measured at cost because the shares in these corporations are not traded in an active market and their estimated fair value is subject to fluctuations without the probabilities of the fair values being able to be reliably determined within a certain range. Only disposal negotiations can allow their fair value to be determined reliably. We have no intention to sell these instruments.

Securitized debt instruments that are intended to be held until maturity are allocated to the "financial instruments held to maturity" category and correspondingly measured using the effective interest rate method applying amortized historical costs. All other securities are measured at fair value and any fluctuations in value are reported through equity with no impact on the income statement. These instruments are only allocated to the "financial instruments held for sale" measurement category if no other category applies.

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

Derivative financial instruments are used purely for hedging purposes, particularly in order to hedge against risks arising from currency and price movements, and to mitigate the risk of interest rate fluctuations resulting from financing transactions. They are always recognized at fair value. If derivative financial instruments are not connected with a documented balance sheet hedging relationship, they are allocated to the “financial assets at fair value through profit and loss” measurement category, and their fluctuations in fair value booked through the income statement. If the derivative financial instruments are used to hedge future cash flows, the fluctuations in fair value are booked to equity.

The settlement date is relevant for both initial recognition and subsequent derecognition of primary financial assets. The assets are recognized as soon as the financial instrument is delivered to the GEA Group. They are derecognized as soon as the right to receive cash payments or other financial assets expires as a result of payment, waiver of right to performance of contract, statutory limitation, offset, or any other factor, or the right is transferred to another person, with the related risks transferring totally to the purchaser.

Impairment tests are performed on financial assets or groups of financial assets at each balance sheet date. Impairments are recognized through the income statement. Financial assets are impaired if, following one or several events occurring after initial recognition of the asset, there is an objective indication that the expected future cash flows have undergone a negative change. Objective indications of impairments may include, for example, significant financial difficulties on the part of the debtor, or payment default. In the case of financial assets measured at amortized cost, the impairment expense corresponds to the difference between the carrying amount of the financial instrument and the present value of the future cash flows discounted using the original effective interest rate.

With the exception of equity instruments, impairment losses on financial assets are reversed and recognized in income up to the level of amortized cost excluding impairment if the reasons for the impairment cease to apply.

Hedging

Derivative financial instruments are designated at the time they are entered into either as a hedge relating to the fluctuation in the fair value of assets, liabilities, or binding agreements (fair value hedges), or as a hedge relating to future cash flows in connection with assets and liabilities (cash flow hedges).

In order to effectively hedge risks relating to a change in fair value, not only the change in the value of the derivative, but also that of the hedged item, is reported through the income statement. Fluctuations in fair value are offset in the case of a perfect hedge.

If derivatives are used as cash flow hedges, the hedge-effective portion of the change in the derivative's fair value is reported in equity. The non-effective portion of the change in fair value is recognized in the income statement. The item recognized in equity arising from the hedge-effective portion of the change in fair value is recognized in the income statement as soon as the hedged item is settled. If settlement of the underlying transaction leads to the recognition of a non-financial asset, the deferred value impairments previously booked through equity are offset against the cost of purchasing the non-financial asset. If, contrary to previous assumptions, the hedged item is not executed, the value impairments previously booked through equity are reported through the income statement.

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

The Group predominantly uses cash flow hedges to hedge foreign currency and interest rate risks. GEA Group also uses hedging in accordance with its risk management principles, which contribute to hedging existing risks in economic terms, but do not satisfy the stringent requirements for balance sheet hedging relationships of IAS 39. Currency futures used to hedge currency risks arising from monetary balance sheet items are not aggregated to form a balance sheet hedging relationship. Effects arising from the translation of balance sheet items that are booked through the income statement are largely compensated by fluctuations in the fair values of futures transactions that are also booked through the income statement.

GEA Group does not currently apply regulations relating to the hedging of fluctuations in fair value through the use of a fair value hedge.

Deferred taxes

Deferred tax assets and liabilities are formed 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, as long as reversal of temporary differences is unlikely.

Inventories

Inventories are recognized at the lower of cost and net realizable value. The cost of purchase is calculated at average cost or using the first-in, first-out (FIFO) method. The cost of sales includes direct costs, attributable materials and manufacturing overheads, depreciation charges and production-related administrative expenses. The net realizable value is calculated as the estimated sales proceeds minus costs incurred until completion, plus selling expenses. Impairments already recognized must be reversed if the reasons for the impairment cease to apply. The impairment is then reversed up to an amount not exceeding the amortized historical cost.

Trade receivables

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

Trade receivables due from financial services enterprises, and sold under factoring agreements, are derecognized once the related opportunities and risks have mainly transferred to the financial services 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 sales plus a profit in proportion to the percentage of completion. Discounts are applied to reflect 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 contract costs incurred, and the gains or losses recognized, exceed the discounts made, the excess amount is capitalized. This item 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 among "trade payables". Advances received for construction contracts are reported separately as liabilities.

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

Payments for divergent amounts in the overall contract, claims and premiums are included among revenue from the contract to the extent agreed with the customer.

Cash and cash equivalents

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

Non-current assets "held for sale" and corresponding liabilities

Non-current assets or groups of assets classified as "held for sale" as per IFRS 5 are recognized at the lower of the carrying amount and fair value less disposal costs. 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 disposal rather than use, they are no longer depreciated when 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.

Pension obligations

The obligations arising from pension plans include post-employment benefits. Obligations arising from pension plans are calculated using the projected unit credit method. In order to ensure that it can render 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 performed by independent actuaries. Where actuarial gains and losses exceed 10 percent of the higher of either 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. The interest included in pension costs is reported under financing costs. The anticipated return on plan assets is shown as part of financing income. The service cost for the period is recognized under the relevant functional costs.

The pension plan obligation reported in the balance sheet represents the net present value of the obligation at the balance sheet date plus as yet unrecognized actuarial gains (less unrecognized actuarial losses), minus as yet unrecognized past service cost. The fair value of plan assets, where present, 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 following the performance of the relevant service or work. They 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 age-related 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 estimated reliably.

The cost of accruing provisions for warranties is included in the cost of sales at the time the revenue is recognized. In all other cases, provisions are set aside 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 formed 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, liabilities to banks and liabilities under finance leases. They are initially recognized at fair value less transaction costs incurred. They are subsequently measured at amortized cost using the effective interest rate method. Liabilities under finance leases are initially measured at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Other liabilities

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

Trade payables

Trade payables include liabilities for goods received, or services already performed, which have not yet been invoiced since there is only a slight uncertainty as to the extent of the liability.

Revenue recognition

Revenue generated by products is recognized when delivery occurs, and the price risk related to the goods passes to the customer. Revenues from service agreements are recognized when the service is performed. Sales revenues 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 income reduce the amount of revenue recognized. Revenue from construction contracts is generally recognized using the percentage-of-completion method.

Interest and similar income is recognized among financial income pro rata temporis over the residual term based on the effective interest rate and the amount of the residual receivable.

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 expenditures on material development projects for a product or process are capitalized if the product or process is technically and commercially viable and marketable, the cost can be determined reliably and sufficient resources are available to complete the development project. All other development costs are expensed as incurred. Capitalized development expenses for completed projects are reported at cost of sales less cumulative amortization.

Development costs incurred as a matter of necessity under construction contracts are capitalized as cost of sales.

Government grants

Government grants are recognized at fair value provided the Group meets the conditions necessary to receive the grant. Government grants to meet 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 consolidated 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, it cannot be excluded that the actual amounts that arise may differ from these estimates.

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

The recognition and measurement of the following assets and liabilities are partly based on the management's assumptions. All assumptions are made conscientiously, and according to the best state of our knowledge, in order to convey a true and fair picture of the company's assets and liabilities, financial and earnings positions. If actual circumstances later diverge from those assumed, this has an impact on the recognition and measurement of assets and liabilities.

Acquisitions

Goodwill is reported in the balance sheet as the result of corporate acquisitions. When an acquired company is first consolidated, all its identifiable assets, liabilities and contingent liabilities are recognized at fair value as of the acquisition date. The main problem in this respect is estimating these fair values. As a rule, land and buildings are measured on the basis of independent valuations. If intangible assets are identified, their fair values are calculated internally using an appropriate valuation method. These measurements are performed on the basis of assumptions that the management has made with respect to the future value of the relevant assets, as well as the imputed discount rate.

Goodwill

The Group tests goodwill for impairment once a year. The recoverable amount of cash-generating units (divisions) has been calculated based on value in use. Calculations of the value in use are based on managerial assumptions (see Section 6.3).

Taxes

GEA group operates in many countries and is consequently subject to different tax jurisdictions. Determining tax liabilities requires a number of management estimates. The management assumes that it has made reasonable estimates of the incalculable aspects of its tax matters. No assurance can be given, however, that the actual outcome of such incalculable aspects does not diverge from the estimates that have been made. Any deviations may have an impact on the level of tax liabilities or deferred taxes in the year of the decision.

When assessing the recoverability of deferred tax assets, the company's management appraises to what extent the deferred tax assets are likely to be realized. Whether the deferred tax assets can be realized in actuality depends on whether sufficient future tax income can be generated against which the temporary differences and loss carryforwards can be offset. To this end, the company's management considers the time at which the deferred tax liabilities are reversed, as well as expected future tax income. The company's management expects these deferred tax assets to be realized on the basis of projections of future tax income. Deferred tax assets may diminish if the estimate of planned tax income decreases, tax advantages available as a result of tax strategies are reduced, or the scope of future tax advantages resulting from amendments to laws is restricted in terms of level or timeframe.

Provisions and contingent liabilities

Changes in estimates of the probability of a present obligation or of a cash outflow may mean that items previously classified as contingent liabilities must be reported as provisions, or that the level of provisioning requires adjustment (see Section 7.2). This particularly also applies to obligations in the environmental area.

Obligations under pension plans

The present value of pension obligations depends on factors based on actuarial assumptions. These assumptions include the discount rate, expected increases in salary, expected returns on plan assets, mortality rates and cost rises for medical care. These actuarial assumptions may divert significantly from actual future outcomes as a result of changes in market and economic conditions, and may consequently have a key impact on the level of the obligation and its related expenses.

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

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

A law was passed in France in 2008 that sets the minimum level of settlement payments. At present it is still uncertain what circumstances the law is to apply to. If it were to be applied in all cases when employees leave the company irrespective of the reason for their leaving, the present value of the defined benefit pension obligations would be around 1 percent higher as of December 31, 2008.

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

Construction contracts

The recognition of construction contracts under the percentage-of-completion method is based on managerial estimates of the cost of 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. The operating units continuously review the estimates, and adjust them as required. As in the previous year, the negative earnings effects from changes in estimates amount to a low triple-digit million figure in euros. These revised estimates affected exclusively order-related indemnities for projects executed by Lentjes.

Litigation

In some cases, GEA Group companies are parties involved in litigation. The outcome of this litigation could have a significant effect on the Group's asset and liabilities, financial and earnings positions. The management regularly analyzes current information about this litigation and forms provisions for probable obligations, including estimated legal costs. Both internal and external lawyers are used to make this assessment. When deciding on the necessity for the set-up of a provision, the management takes into account the probability of an unfavorable outcome, as well as the ability to estimate the level of the obligation with sufficient reliability. The bringing of a charge, or the formal assertion of a claim against a GEA Group company, does not necessarily require the formation of a provision for the related risk.

3. Financial risk management

The Executive Board has created an effective set of rules in the form of guidelines to control financial risks across the Group and thereby hedge, or largely limit, the risks involved. These rules clearly define the objectives for the protection of assets, the elimination of security loopholes, and efficiency improvements in the identification and analysis of risks, together with the relevant organizational structures, responsibilities and areas of expertise. The rules follow the principles of function separation, transparency, prompt documentation and system security.

As a group that operates globally, as part of its normal activity GEA Group is exposed to currency risk, interest rate risks, risks relating to the prices of goods, credit risks and liquidity risks. Financial risk management aims to reduce these risks through the appropriate use of derivative and non-derivative hedging instruments.

Foreign currency risks

Because of the international nature of GEA Group's business, its cash flows are denominated not only in euros but also in a number of other currencies, particularly the US dollar. Hedging the resultant exchange rate risk forms a major part of the risk management operations.

A standardized Group-wide policy forms the basis of the GEA Group's centrally steered currency management. This states that all Group companies must hedge their foreign-exchange exposures at the time they arise. The aim of such hedging is to lock in prices as a form of protection against adverse future exchange rate movements. The hedging periods are determined by the term to maturity of the hedged items. The term of currency derivatives used is usually no more than twelve months, but may go well beyond this period in exceptional cases. Although currency risk on individual contracts is usually excluded by means of hedging, significant medium- and long-term movements in exchange rates may influence marketing opportunities.

Subsidiaries based in the Eurozone are obliged to tender all outstanding exposures relating to transactions in goods or services in transaction currencies to the Corporate Finance Department of GEA Group. Most of these tendered exposures are passed on directly to banks, provided their maturities are matched, and depending on the derivatives' hedging purpose and the related nature of their accounting treatment. They may also be hedged as part of a portfolio hedge approach. The hedging of financial transactions and transactions conducted by our subsidiaries outside the Eurozone is also closely coordinated with the Corporate Finance Department. Contracts in emerging markets are usually invoiced in US dollars or euros.

Interest rate risks

Because of the international nature of its business, GEA Group raises liquidity and invests funds in the international money and capital markets in various currencies – mainly euros and US dollars – and with varying maturities. The resultant financial liabilities and investments are in general exposed to interest rate risk. The aim of our centralized interest rate management operations is to evaluate and manage this interest rate risk. In order to hedge this risk, GEA Group may use derivative financial instruments on a case-by-case basis to minimize the interest rate volatility and financing costs of the hedged items. Only the Corporate Finance Department is permitted to enter into such interest rate instruments.

With one minor exception, all interest rate derivatives are directly allocated to individual loans. The hedging relationships are documented and entered in the balance sheet as cash flow hedges. The interest expense from the loans and from the allocated derivatives reported in the income statement represents the fixed interest rate of the hedging relationship.

Interest/currency swaps were used in connection with the financing of corporate acquisitions in Canada and the UK. They are also recognized in the balance sheet at fair value. They have no documented hedging relationship with Group-internal hedged items, however. The effects on earnings arising from changes in currency parities that have occurred since the inception of the interest/currency swaps, and the effect on the results arising from the related Group-internal receivables, are not of the same amount due to differing valuation bases (forward rate relative to cash rate). The valuation difference amounted to K EUR -4,708 in fiscal 2008 (previous year: K EUR 350).

Risks related to the prices of goods

GEA Group requires various metals such as aluminum, copper, steel, and titanium. Purchase prices for raw materials may fluctuate significantly depending on the market situation. Long-term supply agreements are concluded with various suppliers in order to hedge risk arising from changes in the prices of goods. Ruhr-Zink GmbH has concluded commodity futures transactions in order to hedge its obligations arising from long-term supply contracts following the closure of production. Copper options exist at an acquired company that predate its acquisition by GEA Group. Besides this, there are no commodity derivatives at the GEA Group.

Credit risks

Financial instruments are typically exposed to default risk arising from potential non-compliance on the part of the counter party. A standardized internal risk board procedure serves to protect from default risk in the case of receivables from customers. In addition, active receivables management is practiced, which includes non-recourse factoring as well as credit insurance. In the export business, confirmed and unconfirmed letters of credit are used, as well as bonds, guarantees, and cover notes, from export credit agencies such as Hermes. Besides local monitoring by the relevant subsidiary, GEA Group also supervises the most important customer relationships at holding company level in order to facilitate the control of a potential accumulation of risks.

Trade receivables exist as of December 31, 2008 with respect to a large number of customers from various sectors and various regions, so that a risk concentration is avoided. Where specific default risks exist, they have been accounted for by valuation adjustments.

In the financial area, financial instrument transactions are only made with renowned financial institutions in order to minimize default risks. The maximum counterparty risk is limited to the fair value.

Liquidity risks

Liquidity risk for the GEA Group consists in non-compliance with payment obligations due to insufficient availability of liquid funds or credit lines. GEA Group Aktiengesellschaft is responsible for managing this risk. On the basis of multi-year financial planning and rolling liquidity planning, liquidity is ensured and credit lines are controlled. GEA Group Aktiengesellschaft makes the funds available internally to the operating companies according to their requirements. Cash pools have been set up in various countries in order to optimize the use of the liquid funds and raising of loans within the GEA Group.

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

(K EUR)	Carrying amount	Cash flows					
		<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
2008							
Trade payables	723,650	721,470	2,180	-	-	-	-
Borrower's note loan	199,549	8,879	7,027	206,773	-	-	-
Liabilities to banks	300,743	284,487	6,053	1,963	1,805	11,584	3,721
Liabilities under finance leases	14,447	1,570	1,744	1,037	1,172	1,612	14,683
Liabilities to equity investments	-	-	-	-	-	-	-
Foreign exchange derivatives not designated for hedge accounting	11,884	283,315	14,592	1,368	-	-	-
Foreign exchange derivatives embedded in cash flow hedges	17,095	163,133	28,702	14,064	881	-	-
Interest and interest/currency derivatives not designated for hedge accounting	2,153	3,858	3,736	3,638	3,209	2,856	8,356
Interest and interest/currency derivatives embedded in cash flow hedges	13,332	8,248	8,269	8,335	225	-	-
Commodity derivatives not designated for hedge accounting	1,285	986	299	-	-	-	-
Other liabilities	707,875	701,111	6,771	-	-	-	-
2007							
Trade payables	767,505	765,525	1,980	-	-	-	-
Borrower's note loan	-	-	-	-	-	-	-
Liabilities to banks	218,395	216,014	7,234	941	914	650	1,184
Liabilities under finance leases	10,996	1,603	1,302	2,064	999	799	8,084
Liabilities to equity investments	914	914	-	-	-	-	-
Foreign exchange derivatives not designated for hedge accounting	3,467	122,705	1,433	-	-	1,779	-
Foreign exchange derivatives embedded in cash flow hedges	3,111	82,446	9,367	1,665	-	-	-
Interest and interest/currency derivatives not designated for hedge accounting	2,699	4,319	4,190	4,076	3,942	3,824	36,655
Interest and interest/currency derivatives embedded in cash flow hedges	190	4	82	78	65	30	-
Commodity derivatives not designated for hedge accounting	-	-	-	-	-	-	-
Other liabilities	665,412	661,599	4,468	-	-	-	-

Payments made for derivative financial instruments totaling K EUR 558,070 (previous year: K EUR 276,660) contrast with payments received of K EUR 508,914 (previous year: K EUR 266,644).

As of December 31, 2008, there were cash credit lines including the borrower's note loan of K EUR 200,000 of K EUR 1,160,447 (previous year: K EUR 1,162,037). Of this amount, cash credit lines of K EUR 660,155 (previous year: K EUR 943,619) had not been utilized. In addition, bank guarantee lines of K EUR 2,464,611 (previous year: K EUR 2,479,515)

were available for performance of contracts, advances and warranty obligations, of which K EUR 1,088,596 (previous year: K EUR 1,165,819) were used. Of this amount, bank guarantees of K EUR 531,457 (previous year: K EUR 678,767) are "payable on first demand". As is usual for this type of contract security and financing instrument, bank guarantees were drawn down only in very rare and exceptional cases at GEA Group in recent years.

As of the year-end, K EUR 144,903 (previous year: K EUR 197,300) of bank guarantees from GEA Group Aktiengesellschaft credit lines, and K EUR 262,585 (previous year: K EUR 276,315) of Group guarantees, were granted to collateralize contractual obligations on the part of Lurgi AG to its customers. Of the bank guarantees, K EUR 127,286 (previous year: K EUR 172,651) are "payable on first demand". The purchaser of Lurgi granted guarantees with a total volume of K EUR 333,000 (previous year: K EUR 333,000) as collateral in favor of GEA Group Aktiengesellschaft for the unlikely event of default of both Lurgi AG and Air Liquide S.A. As of the year-end, K EUR 133,916 (previous year: K EUR 170,604) of bank guarantees from GEA Group Aktiengesellschaft credit lines, and K EUR 146,759 (previous year: K EUR 171,887) of Group guarantees, were granted to collateralize contractual obligations on the part of Lentjes GmbH to its customers. Of the bank guarantees, K EUR 71,037 (previous year: K EUR 102,673) are "payable on first demand". The purchaser of Lentjes has also granted a Group guarantee of K EUR 20,000 (previous year: K EUR 20,000) and a bank guarantee of K EUR 10,000 (previous year: K EUR 10,000) in favor of GEA Group Aktiengesellschaft.

The future lease payments from operating leases are reported separately under other financial liabilities (please refer to Section 9.2).

All financial liabilities outstanding as of December 31, 2008 are included, to the extent that payments have already been contractually agreed. Budgeted figures for future new liabilities have not been taken into account. Foreign currency amounts were translated using the exchange rates prevailing on the balance sheet date. In the case of financial liabilities that can be repaid at any time, it is assumed that they will be repaid within one year.

Foreign currency sensitivity analysis

GEA Group companies are invariably exposed to foreign currency risk when their cash flows are denominated in a currency other than their relevant functional currency.

Since foreign currency risks are generally hedged using appropriate hedging instruments, the effects arising from the hedged item and the hedging transaction are neutralized over their term. The foreign currency risk presented in the sensitivity analysis results firstly from hedging relationships with hedged items that have not been recognized in the balance sheet as of that juncture, in other words, hedges relating to contractually fixed as well as expected transactions. Since such hedging relationships are regularly documented as such and mapped as cash flow hedges, only equity is affected by exchange rate fluctuation risks. Secondly, interest/currency swaps involve a foreign currency risk affecting earnings. Although swaps mirror Group-internal receivables as hedged items, they do not form a documented hedging relationship. While receivables are measured using the cash rate, the measurement of the currency components of swaps is based on forward rates. Both rates may be diverge significantly depending on the interest-rate difference between the two currencies.

The currency parities in which most foreign currency cash flows are processed are taken into account as relevant risk variables for the foreign currency sensitivity analysis. The following table shows the sensitivity, from the group perspective, of an increase or decrease of the relevant foreign currency of 10 percent with respect to the relevant basis currency.

(K EUR)		Nominal volume	Net income for the year		Equity	
Basis currency	Foreign currency		2008		2008	
			+10 %	- 10 %	+10 %	-10 %
EUR	USD	261,853	-653	798	10,726	-13,109
EUR	GBP	87,847	633	-774	-819	1,001
EUR	CNY	40,540	-33	40	3,366	-4,115
EUR	CAD	38,897	3,637	-4,446	-7	8
EUR	INR	12,149	-953	1,165	-	-
USD	MXN	10,185	-925	1,131	-	-

The nominal volumes relate to contractually fixed foreign currency cash flows as of the balance sheet date translated into euros on the balance sheet date.

If the euro had been 7 percent stronger (weaker) relative to the US dollar on December 31, 2007, Group equity would have been K EUR 6,305 higher (lower), and net income K EUR 287 lower (higher). If the euro had been a 9 percent stronger (weaker) relative to the Canadian dollar on December 31, 2007, Group equity would have been K EUR 1,877 higher (lower), and net income K EUR 2,751 higher (lower).

The potential fluctuations in the net income at year end result primarily from derivatives that are not used for accounting hedging purposes, but are used instead as part of the general hedging strategy to avoid currency risks.

Interest rate sensitivity analysis

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

- Primary fixed-income financial instruments are only subject to balance-sheet-related interest rate risk if they are measured at fair value. Such financial instruments are measured at amortized cost in the GEA Group.
- Primary variable-rate financial instruments, whose interest payments are not included as hedged items in a hedging relationship that has been recognized in the balance sheet as a cash flow hedge, are subject to interest rate risk both in terms of recognition in the income statement and in terms of cash flow (cash-effective and earnings-effective interest rate risks).
- Interest rate derivatives included in a hedging relationship that has been recognized in the balance sheet as a cash flow hedge are subject to equity-effective interest rate risk to the level of the effective portion of the hedging relationship (balance-sheet-effective interest rate risks).
- Interest rate derivatives that have been recognized in the balance sheet as cash flow hedges are subject to interest rate risk both in terms of recognition in the income statement and in terms of cash flow (cash-effective and earnings-effective interest rate risks).
- Currency derivatives are not subject to major interest rate risks, and consequently have no effect on the interest rate sensitivities.

The sensitivity analysis imputes a linear shift in the yield curve for all currencies of +100/-100 basis points as of the balance sheet date. This would give rise to the following effects:

	12/31/2008		12/31/2007	
(K EUR)	+100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Cash-effective interest rate risks	-5,968	6,071	2,584	-2,584
Balance-sheet-effective interest rate risks	4,332	-4,475	297	-297
Earnings-effective interest rate risks	-6,468	6,304	1,803	-1,803

The calculation is based on a net volume of K EUR 693,718 (previous year: K EUR 16,274).

Capital management

The most important financial objectives of GEA Group Aktiengesellschaft include the sustained enhancement of corporate value in the interests of investors, employees, customers, and suppliers while at the same time safeguarding and securing the ability to make payments at all times.

This objective is to be enhanced by focusing on margin quality, which does not exclude external growth through acquisitions. Improving profitability by boosting returns on capital employed has priority in all business decisions. In order to achieve this, further share repurchases may also be considered as part of the reduction of capital costs and optimization of the capital structure.

With this type of capital management, the provision of sufficient liquidity reserves including comfortable levels of free credit lines is of great importance for the GEA Group. Besides this, the retention of solid equity capital endowment is also an important prerequisite for securing the continued existence of the company, and to pursuing its growth strategy.

Liquidity reserves and free credit lines are controlled constantly on the basis of short- and medium-term forecasts of future liquidity and borrowing requirements. Capital is monitored regularly on the basis of various key indicators. The most important key indicators in this respect are the net debt to equity ratio (gearing) and the equity ratio. Net debt in this case represents liabilities to banks including the borrower's note loan minus cash and cash equivalents, as well as short-term securities.

(K EUR)	12/31/2008	12/31/2007
Liabilities to banks	300,743	218,395
Borrower's note loan	199,549	-
Cash and cash equivalents	-439,554	-279,162
Short-term securities	-513	-503
Net financial liabilities	60,225	-61,270
Equity	1,455,405	1,413,678
Equity ratio	28.4 %	29.8 %
Gearing	4.1 %	-4.3 %

The equity ratio amounted to 28.4 percent as of December 31, 2008 (previous year: 29.8 percent). Gearing amounted to 4.1 percent following -4.3 percent in the previous year. Consequently, the capital financing structure provides a very healthy basis, and enables the GEA Group to continue its planned fixed asset investments as well as its acquisition strategy.

The rating agencies have allocated the following external assessment of GEA Group's financial risks:

Agency	Rating	Outlook
Moody's	Baa3	stable
Fitch	BBB-	positive

Given an investment grade rating in the "BBB" categories, GEA Group enjoys comfortable opportunities to finance itself not only using bank borrowings but also through direct capital procurement in the capital markets. Among other aspects, the current ratings reflect the company's good solvency and they generally secure access to a broad investor base. For example, a K EUR 200,000 borrower's note loan with a three-year term was issued in August 2008 within a financing syndicate composed of 34 banks.

4. Disposals and Discontinued Operations

4.1 Ruhr-Zink

With the approval of the Supervisory Board, the Executive Board of GEA Group Aktiengesellschaft decided in the third quarter to divest Ruhr-Zink GmbH and its subsidiary MG Rohstoffhandel GmbH. The long-held intention to sell was based on the change the Group structure has undergone. In recent years GEA Group has developed into a pure mechanical engineering group with a focus on equipment manufacturing and engineering. After speculation had driven the zinc price to record levels in 2006 and 2007, it has fallen significantly since mid-2007. Energy costs have also risen significantly in recent years. The combination of these negative factors for Ruhr-Zink GmbH have made it necessary to find a sustainable solution.

GEA Group conducted disposal negotiations with potential buyers for the Ruhr-Zink until mid-October. After the last promising investors withdrew from negotiations, and the economic survival of the company was no longer viable in the face of the economic climate, the Executive Board, with the approval of the Supervisory Board, decided to discontinue the business operations of Ruhr-Zink GmbH. Following the successful conclusion of negotiations with the works council regarding a social plan and settlement of interests, the Executive Board decided to close Ruhr-Zink GmbH as of December 31, 2008.

MG Rohstoffhandel GmbH, which is operating profitably, will be continued as a separate company. A buyer is being sought for this business.

The table below provides a breakdown of the result after tax of the discontinued Ruhr-Zink operations:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Revenue	204,397	342,605
Other income	5,356	1,200
Expenses	-289,972	-322,715
Net interest result	-2,248	-2,181
Loss/income on discontinued operations before taxes	-82,467	18,909
Taxes	-2,006	-1,635
Net loss/income on discontinued operations	-84,473	17,274

The write-down on fixed assets, the social plan and settlement of interest, as well as the other closure costs, including the risk provision for soil cleanup, are included in expenses.

4.2 Plant Engineering

With the consent of the Supervisory Board, the Executive Board of GEA Group Aktiengesellschaft decided in August 2006 to sell the Plant Engineering segment together with the divisions Zimmer, Lentjes and Lurgi. The Emission Control Division has remained with the GEA Group and is now allocated to the Energy and Farm Technology Segment.

- The Zimmer Division was already dissolved in 2006. One part of the activities was sold to Trützschler Group, Mönchengladbach/Germany, and the other part internally divested to Lurgi.
- The Lurgi Division was sold to Air Liquide Group, Paris/France. The sale was closed on July 20, 2007.
- The Lentjes Division was sold to a subsidiary of A-Tec Industries AG, Vienna/Austria. The agreement was executed on December 21, 2007.

The table below provides a breakdown of the net result of the discontinued operations:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Revenue	-	714,087
Other income	-	79,921
Expenses	-	-924,894
Net interest result	-	32,455
Income/loss before taxes	-	-98,431
Taxes	-	-42,025
Income/loss after taxes	-	-140,456
Net gain/loss on disposal	-168,579	167,614
Taxes	-7,235	-3,460
Net loss/income on discontinued operations	-175,814	23,698

The loss on disposal of K EUR -168,579, results almost exclusively from project-related indemnities for contracts and legacy orders from the Lentjes Division. These led to charges of K EUR 187,350. They result from further delays in completion of long term contracts, which have resulted in costs incurred by acceleration measures, additional costs relating to the extended construction site activities and contractual liquidated damages for delay. Reversals of provisions had a counter effect. The tax effect of K EUR -7,235 is also attributable to this release of provisions.

The net disposal gain of K EUR 167,614 in the previous year also includes the transaction costs and the expenses arising from the set-up of balance sheet provisions for the reps and warranties agreed in the share purchase agreements, as well as for the risk arising from the purchase price adjustment mechanism included in the Lurgi share purchase agreement.

On the one hand, the reps and warranties relate to the customary assurances that the assets sold are free from defects in title or to exemptions from environmental and tax risks and, on the other, the execution of risks inherent in defined projects. The reps and warranties comprise not only minimum thresholds, but also staggered maximum limits. With the exception of the project-related exclusions, the payments to be made under reps and warranties capped.

The previous year's current earnings also include income of K EUR 91,202 from the release of the provision formed to cover the risk of having to return the payment received for the construction of a carpet recycling plant. This income includes cancelled interest of K EUR 17,602. A tax expense of K EUR 35,478 is attributable to this income.

4.3 Operations discontinued in prior periods

Before 2007 GEA Group sold the business units Dynamit Nobel Group, the Dynamit Nobel Plastics Group, Solvadis and the boiler plant business. These were treated in the accounts as discontinued operations. In fiscal 2008 these operations generated total income before tax of K EUR 15,654 (previous year: K EUR 11,952). This income mainly results from the release of provisions. A tax effect of K EUR -3,365 (previous year: K EUR -6,581) is attributable to this income.

4.4 Effects of disposals

GEA Group sold its 51 percent stake in Procme GmbH, Bad Kreuznach, in 2008. The table below shows the net assets of the company at the time it was sold:

(K EUR)	2008	2007
Non-current assets	470	25,420
Current assets	1,811	1,176,025
Liabilities	1,826	978,081
Net assets including minority interest and accumulated other comprehensive income	455	223,364
Minus minority interest	-223	-919
Minus accumulated other comprehensive income	-	-2,260
Net assets excluding minority interest and accumulated other comprehensive income	232	220,185
Sale price	100	571,859
Gains on disposals	-132	351,674
Cash received from the disposal	100	571,859
Outflow of cash and cash equivalents	-354	-660,834
Net cash flow from the disposal	-254	-88,975

The previous year's figures refer to the companies of the Lentjes and Lurgi divisions, as well as Lesatec s.r.l., Opera/Italy.

5. Acquisitions

5.1 Norbco Inc.

The Farm Technologies Division acquired all shares in Norbco Inc., Westmoreland (NY)/USA, as well as its two minor sister companies on July 11, 2008, thereby strategically expanding its product range. In addition to parlor stalls, Norbco manufactures and distributes farm equipment including ventilation equipment, cow mattresses, barn curtains, barn cleaners and free stalls, all of which place a distinct value on cow comfort. The company has a workforce of around 100 employees. Since the acquisition, Norbco has generated revenue of K EUR 15,753 and earnings before tax of K EUR 1,128.

The following assets and liabilities were acquired as a result of the purchase of Norbco:

(K EUR)	Carrying amount	Fair value
Property, plant and equipment	795	795
Intangible assets	66	6,276
Non-current assets	861	7,071
Inventories	6,629	7,016
Trade receivables	1,032	1,032
Other financial assets	53	53
Cash and cash equivalents	3,237	3,237
Current assets	10,951	11,338
Total assets	11,812	18,409
Provisions	1,580	1,580
Trade payables	2,192	2,192
Financial liabilities	1,998	1,998
Current liabilities	5,770	5,770
Total liabilities	5,770	5,770
Net assets acquired	6,042	12,639
Cost of purchase, including incidental costs		16,914
Goodwill		4,275

As part of the breakdown of the purchase price, the customer base and dealer network, in particular, were identified and capitalized as separate intangible assets. To the acquired technology and product know-how only a comparatively low value was ascribed. The remaining excess of K EUR 4,275 of purchase costs including incidental costs above the fair value of the net assets recognized is justified mainly by the workforce's know-how, as well as the resultant strategic advantage of now being able to offer cowshed installation along with milking facilities, which plays a critical role in the selection of milking systems.

5.2 Bloksma B.V.

The purchase of all shares in Bloksma B.V., Almere/Netherlands, was concluded on August 19, 2008, following approval by the regulatory authorities. Bloksma's business strengthens the activities of the Process Equipment Division in the areas of charge air coolers for shipbuilding and industrial heat exchangers. The company along with its affiliates employs around 160 people. Bloksma has generated a loss of K EUR 2,323 on revenue of K EUR 10,728 since its acquisition.

The following assets and liabilities were acquired as a result of the purchase of Bloksma:

(K EUR)	Carrying amount	Fair value
Property, plant and equipment	5,881	6,286
Intangible assets	138	11,214
Investments in at-equity accounted companies	453	453
Other financial assets	-	41
Non-current assets	6,472	17,994
Inventories	5,655	5,926
Trade receivables	6,734	6,734
Other financial assets	552	552
Cash and cash equivalents	103	103
Current assets	13,044	13,315
Total assets	19,516	31,309
Obligations to employees	56	56
Other financial liabilities	2,848	2,848
Deferred taxes	881	3,815
Non-current liabilities	3,785	6,719
Provisions	421	421
Obligations to employees	391	391
Financial liabilities	1,256	1,256
Trade payables	4,239	4,239
Other financial liabilities	2,260	2,260
Current liabilities	8,567	8,567
Total liabilities	12,352	15,286
Net assets acquired	7,164	16,023
Cost of purchase, including incidental costs		27,065
Goodwill		11,042

As part of the breakdown of the purchase price, primarily the technology portfolio, the customer relationships and the Bloksma brand-name were identified and capitalized as

separate intangible assets. The remaining differential amount of K EUR 11,042 between the purchase price including incidental costs and the fair value of the net assets recognized contains the workforce's know-how and the synergy potential inherent in the strengthened market position in the shipbuilding and industrial heat exchange areas.

5.3 Bliss & Co. Ltd. (International Cooling Group)

The Refrigeration Division acquired all shares in Bliss & Co. Ltd., Fareham/United Kingdom, the holding company of the International Cooling Group (ICG), on September 26, 2008. ICG manufactures evaporators and condensers for industrial refrigeration technology mainly under the brand names Searle and Raffel. The group, with its companies in the United Kingdom, France and Germany, has around 500 employees. The acquisition allows the division to augment both its product range and its geographic presence. ICG generated earnings before tax of K EUR 733 on revenue of K EUR 15,518 in the fourth quarter of 2008.

The following assets and liabilities were acquired as a result of the purchase of ICG:

(K EUR)	Carrying amount	Fair value
Property, plant and equipment	9,644	9,644
Intangible assets	-	22,413
Deferred taxes	38	38
Non-current assets	9,682	32,095
Inventories	10,828	11,164
Trade receivables	14,787	14,787
Other financial assets	956	956
Cash and cash equivalents	5,231	5,231
Current assets	31,802	32,138
Total assets	41,484	64,233
Provisions	2,521	2,521
Financial liabilities	9,048	9,048
Other financial liabilities	1,519	1,519
Deferred taxes	-	6,712
Non-current liabilities	13,088	19,800
Provisions and obligations to employees	216	216
Trade payables	11,385	11,385
Other financial liabilities	11,357	11,357
Current liabilities	22,958	22,958
Total liabilities	36,046	42,758
Net assets acquired	5,438	21,475
Cost of purchase, including incidental costs		37,542
Goodwill		16,067

As part of the breakdown of the purchase price, particularly the Searle and Raffel brand names, the customer base and the condenser and evaporator technologies were identified and capitalized as separate intangible assets. The remaining excess relative to acquisition costs, including incidental costs of purchase, over and above the fair value of the reported net assets represents goodwill of K EUR 16,067. The goodwill mainly reflects technological and geographic synergies arising from the merger. ICG is particularly strongly represented in France and Germany, two countries where the Refrigeration Division still has a weaker market presence. It is particularly the evaporator product group that augments the division's technological product portfolio.

5.4 Other acquisitions

In addition, various GEA Group divisions made four further acquisitions in fiscal 2008, which were not material on an individual basis. Taken together, they had the following effect on the consolidated financial statements based on the figures relevant at the time of acquisition.

(K EUR)	Carrying amount	Fair value
Property, plant and equipment	2,603	2,603
Intangible assets	31	9,734
Non-current assets	2,634	12,337
Inventories	7,234	7,558
Trade receivables	9,329	9,329
Other financial assets	327	327
Cash and cash equivalents	1,058	1,058
Current assets	17,948	18,272
Total assets	20,582	30,609
Financial liabilities	648	648
Deferred taxes	220	2,764
Non-current liabilities	868	3,412
Provisions	2,133	2,375
Obligations to employees	502	502
Financial liabilities	269	269
Trade payables	4,215	4,215
Income tax liabilities	451	451
Other financial liabilities	4,910	4,910
Current liabilities	12,480	12,722
Total liabilities	13,348	16,134
Net assets acquired	7,234	14,475
Cost of purchase, including incidental costs		17,000
Differential amount		2,525

In the case of the acquisition of one company, the net assets recognized at fair value exceeded acquisition costs, including incidental costs, by K EUR 2,260. This differential amount was booked with an effect on income and reported under other income. This gain reflects the favorable terms of acquisition. Consequently, at the Other Acquisitions a good-will of K EUR 4,785 was generated.

In the case of one company merger, the purchase price allocation could only be made provisionally because it may be subject to changes as soon as all information is available.

These companies have generated revenue of K EUR 26,441 since their acquisition. Their earnings before tax contribution amounts to K EUR 3,988. This amount includes income from the realization of the differential amount between acquired net assets and the lower purchase costs.

The 7 (previous year: 3) corporate acquisitions during 2008 resulted in the following aggregated outflow of cash:

(K EUR)	2008	2007
Cost of purchase	94,833	96,309
Incidental costs	3,688	2,693
minus non-cash purchase price components	-9,095	-1,186
Purchase price payments including incidental costs	89,426	97,816
minus cash acquired	-9,629	-21,265
Cash outflow on acquisitions	79,797	76,551

The incidental costs contain fees for legal consultants, auditors and other experts. The non-cash purchase price components mainly relate to the acquisition of ICG.

If the acquisitions had been acquired with effect from January 1, 2008, these enterprises would have contributed additional consolidated revenue of K EUR 184,346 and consolidated income before tax of K EUR 9,376.

6. Notes to the Consolidated Balance Sheet: Assets

6.1 Property, plant and equipment

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

(K EUR)	Land and buildings (used by GEA Group)	Plant and equipment	Office and plant equipment	Assets under construction	Total
1/1/2007					
Cost	408,998	529,932	252,237	34,329	1,225,496
Cumulative depreciation and impairment	-214,204	-407,372	-198,840	-149	-820,565
Net carrying amount	194,794	122,560	53,397	34,180	404,931
Changes in 2007					
Additions	31,325	37,607	27,102	36,593	132,627
Disposals	-4,635	-1,908	-1,255	-620	-8,418
Depreciation	-14,976	-29,201	-18,807	-14	-62,998
Revaluation	-	438	139	-	577
Impairment	-	-	-	-	-
Changes in group of consolidated companies	28,542	6,039	1,990	-	36,571
Currency translation	-1,930	-1,566	-519	-814	-4,829
Other changes	-3,258	16,230	2,950	-28,346	-12,424
Net carrying value 12/31/2007	229,862	150,199	64,997	40,979	486,037
1/1/2008					
Cost	445,020	578,790	273,316	41,141	1,338,267
Cumulative depreciation and impairment	-215,158	-428,591	-208,319	-162	-852,230
Net carrying amount	229,862	150,199	64,997	40,979	486,037
Changes in 2008					
Additions	25,674	35,186	43,175	52,520	156,555
Disposals	-954	-2,393	-1,660	-1,095	-6,102
Depreciation	-14,253	-33,752	-21,428	-8	-69,441
Revaluation	-	-	-	-	-
Impairment	-4,885	-19,093	-3,186	-1,989	-29,153
Changes in group of consolidated companies	11,087	6,017	2,578	32	19,714
Currency translation	-3,428	-499	-2,104	-52	-6,083
Other changes	5,285	28,764	3,283	-41,137	-3,805
Net carrying amount 12/31/2008	248,388	164,429	85,655	49,250	547,722
12/31/2008					
Cost	485,303	641,434	301,354	51,389	1,479,480
Cumulative depreciation and impairment	-236,915	-477,005	-215,699	-2,139	-931,758
Net carrying amount	248,388	164,429	85,655	49,250	547,722

The impairments of K EUR 29,153 relate to property, plant and equipment of Ruhr-Zink GmbH. This amount was written down to its estimated net disposal value as a result of the decision to close its operations.

The revaluations in the previous year relate primarily to a production facility in South Africa, which had been written down in several steps in the past due to its underutilization. The reason for these write-downs ceased to apply due to the higher level of order intake.

The other changes mainly relate to the reclassification of items from plant under construction to property, plant and equipment and intangible assets.

Property, plant and equipment are depreciated on a straight-line basis using the relevant residual values and the following useful lives:

	Useful life in years
Buildings and parts of buildings	2 to 50
Plant and equipment	2 to 30
Office and plant equipment	3 to 40

The residual values and useful lives are reviewed at each balance sheet date and adjusted as required.

Property, plant and equipment contains land and buildings, plant and equipment, and office furniture and equipment from finance leases:

(K EUR)	2008	2007
Historical costs: capitalized items (finance leases)	31,033	29,419
Cumulative depreciation and impairment	12,608	8,753
Net carrying amount	18,425	20,666

The rise in historical costs compared with the previous year mainly results from the acquisition of leases in connection with one corporate acquisition. Of the net carrying amount for leased property, plant, and equipment, K EUR 17,475 relates to buildings (previous year: K EUR 18,856). The lease contracts for the buildings extend beyond 2020 for the greater part of the carrying amount. None of the leases includes either lease extension options or lease price adjustment clauses. However, the option to acquire the leased asset exists in all cases.

The corresponding lease liabilities are explained in the section on finance liabilities (please refer to Section 7.4).

The carrying amount of property, plant and equipment used to serve as collateral for credit lines amounted to K EUR 1,721 as of the balance sheet date (previous year: K EUR 990). Most of these assets consist of land.

In 2008, K EUR 2,174 (previous year: K EUR 1,578) was recognized as own work capitalized under property, plant and equipment.

6.2 Investment property

The following table displays the changes in investment property:

(K EUR)	Land	Buildings	Total
1/1/2007			
Cost	27,989	59,530	87,519
Cumulative depreciation and impairment	-3,853	-26,797	-30,650
Net carrying amount	24,136	32,733	56,869
Changes in 2007			
Additions	960	789	1,749
Disposals	-3,060	-4,090	-7,150
Depreciation	-	-2,909	-2,909
Impairment	-1,758	-5,491	-7,249
Other changes	-	3,356	3,356
Net carrying value 12/31/2007	20,278	24,388	44,666
1/1/2008			
Cost	25,889	55,688	81,577
Cumulative depreciation and impairment	-5,611	-31,300	-36,911
Net carrying amount	20,278	24,388	44,666
Changes in 2008			
Disposals	-14,275	-12,898	-27,173
Depreciation	-	-2,705	-2,705
Impairment	-	-355	-355
Net carrying amount 12/31/2008	6,003	8,430	14,433
12/31/2008			
Cost	9,856	23,697	33,553
Cumulative depreciation and impairment	-3,853	-15,267	-19,120
Net carrying amount	6,003	8,430	14,433

The reason for the decline in investment property is the disposal of an item of real estate of GEA Real Estate GmbH in Frankfurt am Main.

The impairment of K EUR 7,249 in the previous year relates to various buildings and land, and arose from the rental condition of the buildings and the general trend of rental prices at these locations. The impairment was reported in the cost of sales.

The other changes of K EUR 3,356 in the previous year related to reclassifications of assets under construction, which were reported under property, plant and equipment.

The fair value of investment property amounts to K EUR 15,050 (previous year: K EUR 55,458). Fair values were calculated on the basis of comparable prices based on internal surveys.

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

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Rental income	23,156	28,977
Operating expenses	27,381	31,583
of which property used to generate rental income	27,381	31,583
Total	-4,225	-2,606

The rental income from GEA Real Estate GmbH is reported under revenue.

6.3 Intangible assets and goodwill

The table below shows the changes in the carrying amounts of intangible assets:

(K EUR)	Goodwill	Market related intangible assets	Customer related intangible assets	Contractbased intangible assets	Technology based intangible assets	Total
1/1/2007						
Cost	1,250,763	10,672	2,442	16,817	75,024	1,355,718
Cumulative amortization and impairment	-	-113	-174	-14,776	-48,612	-63,675
Net carrying amount	1,250,763	10,559	2,268	2,041	26,412	1,292,043
Changes in 2007						
Additions	10,139	-	-	11,024	10,979	32,142
Disposals	-224	-	-	-94	-342	-660
Amortization	-	-1,092	-1,081	-1,618	-8,992	-12,783
Changes in group of consolidated companies	44,581	14,230	12,945	2,730	13,793	88,279
Currency translation	-5,609	-101	-657	150	69	-6,148
Other changes	-	-	-	2,646	-	2,646
Net carrying amount 12/31/2007	1,299,650	23,596	13,475	16,879	41,919	1,395,519
1/1/2008						
Cost	1,299,650	24,801	14,730	33,217	-89,290	1,461,688
Cumulative amortization and impairment	-	-1,205	-1,255	-16,338	-47,371	-66,169
Net carrying amount	1,299,650	23,596	13,475	16,879	41,919	1,395,519
Changes in 2008						
Additions	3,243	54	102	4,992	11,869	20,260
Disposals	-1,631	-	-	-37	-240	-1,908
Amortization	-	-392	-2,311	-2,874	-11,801	-17,378
Impairment	-	-	-	-	-607	-607
Changes in group of consolidated companies	36,169	22,294	13,004	-82	16,458	87,843
Currency translation	-5,598	-3,841	-560	-826	-1,249	-12,074
Other changes	-	-	-	1,579	2,949	4,528
Net carrying amount 12/31/2008	1,331,833	41,711	23,710	19,631	59,298	1,476,183
12/31/2008						
Cost	1,331,833	42,936	27,761	38,107	118,250	1,558,887
Cumulative amortization and impairment	-	-1,225	-4,051	-18,476	-58,952	-82,704
Net carrying amount	1,331,833	41,711	23,710	19,631	59,298	1,476,183

Goodwill

Goodwill is allocated to the divisions that constitute cash-generating units. The recoverable amount of a division is determined by calculating the value in use by the "discounted cash flow" method. The cash flows used in prior years were the pre-tax operating cash flows from the consolidated mid-term (three-year) planning prepared on a bottom up basis and approved by the Executive Board. Since the mid-term planning was largely prepared in the summer and consequently before the outbreak of the global financial and economic crises, various trend scenarios for the individual divisions were formulated in the fourth quarter of 2008 for the years 2009 to 2011. The related potential economic effects were then calculated on the basis of simulations. The cash flows derived from the original mid-term planning were adjusted in conformance with these simulations, and depending on the probabilities of occurrence of the scenarios. As in previous years, cash flows equivalent to the average of the three planning years considered were used for the subsequent period, and extrapolated assuming a uniform growth rate of one percent.

A uniform interest rate is used to discount the cash flows. The calculation of this rate is based on the assumption of a debt-free enterprise. The interest rate takes account of the GEA Group's beta factor and the anticipated rate of taxation, allowing for existing tax loss carryforwards. The cash flows have been discounted using a pre-tax interest rate of 11.57 percent (previous year: 14.52 percent).

The 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 rate used is a pre-tax rate, and reflects the specific risks of the divisions.

All of the GEA Group's divisions reported goodwill. The carrying amount of goodwill at December 31, 2008 amounted to K EUR 1,331,833 (previous year: K EUR 1,299,650). The impairment test conducted in the fourth quarter confirmed the recoverability of the present goodwill.

Goodwill is allocated as follows to the divisions:

Division	12/31/2008		12/31/2007	
	Carrying amount of allocated goodwill	Share of total goodwill	Carrying amount of allocated goodwill	Share of total goodwill
Process Engineering	317.278 K EUR	23,8 %	335.843 K EUR	25,8 %
Mechanical Separation	214.961 K EUR	16,1 %	215.020 K EUR	16,5 %
Process Equipment	193.376 K EUR	14,5 %	181.818 K EUR	14,0 %
Refrigeration	189.886 K EUR	14,3 %	176.254 K EUR	13,6 %
Thermal Engineering	147.338 K EUR	11,1 %	144.122 K EUR	11,1 %
Other	268.994 K EUR	20,2 %	246.593 K EUR	19,0 %
Total	1.331.833 K EUR	100,0 %	1.299.650 K EUR	100,0 %

In the case of one division (previous year: two divisions), the recoverable amount is less than 10 percent above the carrying amount of the division. If the discount rate used were increased by 10 percent, a total goodwill impairment of K EUR 14,539 (previous year: K EUR 15,917) would be required for this division (previous year: these divisions). If the discount rate used were increased by 20 percent, a total goodwill impairment of K EUR 34,382 would be required (previous year: K EUR 84,293). In the case of this division (previous year: these divisions), impairment of K EUR 8,738 (previous year: K EUR 2,737) would result if the cash flows expected for the period according to the three-year detailed planning horizon were 10 percent lower. Given cash flows 20 percent lower the impairment would amount to K EUR 27,178 (previous year: K EUR 41,843).

The new Pharma Systems Division was split off from the Process Technology Division as of January 1, 2008. The goodwill was allocated according to the fair values of the divisions.

The carrying amount of the goodwill has changed as follows:

(K EUR)	Energy and Farm Technology	Process Technology	Total
Carrying amount at 12/31/2006	379,871	870,892	1,250,763
Additions	11,589	43,131	54,720
Disposals	-	-224	-224
Exchange differences	-745	-4,864	-5,609
Carrying amount at 12/31/2007	390,715	908,935	1,299,650
Additions	10,782	28,630	39,412
Disposals	-175	-1,456	-1,631
Exchange differences	-725	-4,873	-5,598
Carrying amount at 12/31/2006	400,597	931,236	1,331,833

The reasons for the additions of K EUR 39,412 include, besides the seven corporate acquisitions made during the reporting year, purchase price adaptations for corporate acquisitions made in prior years, as well as the purchase of outstanding minority interest.

The main reason for the goodwill disposal of K EUR 1,631 is a purchase price reimbursement of K EUR 1,100.

Purchased intangible assets

The increase in purchased intangible assets is largely attributable to the capitalization of intangible assets in connection with acquisitions. These assets essentially comprise technologies, brand names and customer bases. Because their useful life cannot be determined, assets amounting to K EUR 36,210 (previous year: K EUR 19,464) are tested for impairment at least once a year instead of being amortized. These assets are brand and product names of acquired companies. These company and product names are established brands in their respective industrial sectors, and will continue to be used indefinitely after the company has been acquired. The impairment tests confirmed that the brand names have retained their value.

The carrying amounts of intangible assets with unlimited useful lives is split as follows:

Division	12/31/2008		12/31/2007	
	Carrying amount	Share of total carrying amount	Carrying amount	Share of total carrying amount
Refrigeration	16,200 K EUR	44.7 %	5,272 K EUR	27.1 %
Process Engineering	8,268 K EUR	22.8 %	8,059 K EUR	41.4 %
Air Treatment	6,433 K EUR	17.8 %	6,133 K EUR	31.5 %
Thermal Engineering	2,963 K EUR	8.2 %	-	-
Farm Systems	2,346 K EUR	6.5 %	-	-
Total	36,210 K EUR	100.0 %	19,464 K EUR	100.0 %

The intangible assets with limited useful lives are amortized on a straight-line basis using the following useful lives:

	Useful life in years
Market-related intangible assets	3 to 20
Customer-related intangible assets	1 to 10
Contract-based intangible assets	1 to 18
Technology-based intangible assets	1 to 25

The amortization of intangible assets of K EUR 17,378 in 2008 (previous year: K EUR 12,783) is shown under cost of sales.

6.4 Investments in enterprises reported at equity

Investments in enterprises reported at equity are shown at a carrying amount of EUR 11,983 million (previous year: EUR 14,585 million) at December 31, 2008.

The following list summarizes the key figures for investment reported at equity as of December 31, 2008. The relevant figures are stated at 100 percent and are based on the most recently available annual financial statements in each case.

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Revenue	80,107	61,528
Net income/loss	2,454	-157

(K EUR)	12/31/2008	12/31/2007
Assets	115,767	112,426
Liabilities	91,138	88,236

The attributable assets and net income are immaterial compared to GEA Group's total assets and net income.

As of December 31, 2008, the attributable assets, liabilities, revenue and net income of joint ventures were as follows:

(K EUR)	2008	2007
Assets:		
Non-current assets	5,608	5,074
Current assets	18,324	12,286
Liabilities:		
Non-current liabilities	1,592	458
Current liabilities	15,679	11,996
Revenue	23,474	11,718
Net income	1,058	385

6.5 Other financial assets

Other financial assets are composed as follows:

(K EUR)	12/31/2008	12/31/2007
Investments in non-consolidated subsidiaries and other equity investments	46,862	31,451
Other securities	138	481
Financial derivatives	3,617	2,404
Sundry financial assets	9,394	8,901
Other non-current financial assets	60,011	43,237
Other securities	513	503
Derivative financial instruments	12,770	14,092
Sundry financial assets	152,722	161,111
Other current financial assets	166,005	175,706
Total	226,016	218,943

Other securities

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

(K EUR)	12/31/2008	12/31/2007
Carried on the balance sheet at fair value	138	481
Other non-current securities	138	481
Carried on the balance sheet at fair value	381	447
Carried at amortized cost under the effective interest method	132	56
Other current securities	513	503
Total	651	984

The current and non-current securities carried at fair value with no impact on income are categorized as follows as equity and debt instruments:

(K EUR)	12/31/2008	12/31/2007
Equity instruments	138	115
Debt instruments	381	813
Total securities carried on the balance sheet at fair value	519	928

The equity instruments listed in the above table 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 3.1 percent (previous year: 3.0 percent).

Derivative financial instruments

Derivative financial instruments are presented under Notes 7.8

Sundry financial assets

Sundry financial assets with a nominal value of K EUR 162,116 were recognized as of the balance sheet date (previous year: K EUR 170,012). Assets are classified as current or non-current as follows:

(K EUR)	12/31/2008	12/31/2007
Other receivables from non-consolidated subsidiaries	373	315
Other receivables from equity investments	970	998
Receivables from tax authorities	201	194
Other sundry financial assets	7,850	7,394
Other non-current financial assets	9,394	8,901
Other receivables from non-consolidated subsidiaries	19,948	20,018
Other receivables from equity investments	4,236	223
Receivables from tax authorities	64,625	59,649
Other sundry financial assets	63,913	81,221
Other current financial assets	152,722	161,111
Total	162,116	170,012

The receivables from tax authorities consist primarily of VAT receivables.

Other sundry financial assets include prepaid expenses and accrued income totaling K EUR 38,939 (previous year: K EUR 38,345).

The maturity structure of other sundry financial assets is as follows:

(K EUR)	12/31/2008	12/31/2007
Carrying amount before impairment	75,336	93,046
Impairment	3,573	4,431
Carrying amount	71,763	88,615
of which neither impaired nor overdue at balance sheet date	71,031	87,588
of which not impaired but overdue at balance sheet date	732	1,027
Overdue periods in time ranges:		
less than 30 days	203	275
between 31 and 60 days	-	-
between 61 and 90 days	4	-
between 91 and 180 days	-	43
between 181 and 360 days	35	-
over 360 days	490	709

6.6 Inventories

The inventories break down as follows:

(K EUR)	12/31/2008	12/31/2007
Materials and supplies	228,843	213,145
Work in progress	167,210	158,575
Assets under construction for third parties	28,136	42,640
Finished goods and merchandise	256,912	206,689
Advances paid	36,697	53,642
Total	717,798	674,691

In the year under review, impairments of K EUR 11,232 (previous year: K EUR 10,250) were applied to inventories. Owing to price rises in the market, impairments applied to inventories in the previous year of K EUR 2,006 were reversed (previous year: K EUR 202).

6.7 Trade receivables

Trade receivables are composed as follows:

(K EUR)	12/31/2008	12/31/2007
Trade receivables	1,019,287	923,874
of which from non-consolidated companies	29,842	33,078
of which from equity investments	3,005	886
Gross amount due from customers for contract work	330,961	317,667
Total	1,350,248	1,241,541

Trade receivables include receivables of K EUR 16,412 (previous year: K EUR 21,629) that will not be realized until one year after the balance sheet date. Total discount on trade receivables amounted to K EUR 59,920 (previous year: K EUR 61,964).

A total of K EUR 5,249 (previous year: K EUR 1,761) of the trade receivables were assigned in global form as security for bank loans.

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

The maturity structure of trade receivables – with the exception from non-consolidated subsidiaries and equity investment – is presented in the following table:

(K EUR)	12/31/2008	12/31/2007
Carrying amount before impairment	1,046,360	951,874
Impairment	59,920	61,964
Carrying amount	986,440	889,910
of which neither impaired nor overdue at balance sheet date	758,851	673,921
of which not impaired but overdue at balance sheet date	227,589	215,989
Overdue periods in time ranges:		
less than 30 days	89,744	88,652
between 31 and 60 days	50,123	34,383
between 61 and 90 days	17,881	17,923
between 91 and 180 days	27,885	19,774
between 181 and 360 days	19,321	20,112
over 360 days	22,635	35,145

Construction contracts

Construction contracts with asset- and liability-side balances due from customers are composed as follows:

(K EUR)	12/31/2008	12/31/2007
Capitalized cost of sales arising from construction contracts	2,204,371	2,172,651
Plus PoC gains or losses	388,536	312,852
Minus anticipated losses	6,541	13,051
Minus progress-billing amounts	2,255,405	2,154,785
Construction contracts with asset-side balance due from customers (included in trade receivables)	330,961	317,667
Construction contracts with liability-side balance due from customers (included in other liabilities)	-302,612	-279,296
Total	28,349	38,371

The liability-side balance on construction contracts is almost exclusively attributable to progress-billing amounts in excess of the capitalized cost of sales.

As of December 31, 2008, advances of K EUR 46,938 had been received from construction contracts (previous year: K EUR 48,413). Revenue of K EUR 2,762,952 was generated from construction contracts in 2008 (previous year: K EUR 2,787,251).

6.8 Income tax receivables

Income tax receivables at the balance sheet date amounted to K EUR 10,672 (previous year: K EUR 11,186). All income tax receivables fall due within one year.

6.9 Cash and cash equivalents

Holdings of cash and cash equivalents are as follows as of the balance sheet date:

(K EUR)	12/31/2008	12/31/2007
Unrestricted cash and cash equivalents	431,734	275,825
Restricted cash and cash equivalents	7,820	3,337
Total	439,554	279,162

Cash and cash equivalents comprise cash funds and overnight deposits. The restricted cash and cash equivalents are fixed-term deposits and bank balances.

The interest rate of current bank deposits in the Eurozone ranged between 1.6 and 4.3 percent (previous year: between 3.5 and 4.3 percent), as is usual for the market. The average rate of interest at year end amounted to 1.9 percent.

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

Other assets held for sale relate mainly to various pieces of land and buildings no longer used for operating purposes. They are due to be sold within one year. Following write-downs applied to the anticipated net disposal prices of land and buildings in the previous year of K EUR 4,032, no write-downs were applied in 2008. This write-down was included in the net income from continuing operations. Furthermore, assets of MG Rohstoffhandel GmbH are reported as "held for sale". The company's liabilities are correspondingly reported as "liabilities related to assets held for sale".

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

7.1 Equity

Issued capital

The issued capital of GEA Group Aktiengesellschaft remained unchanged at EUR 496,890,369 as of December 31, 2008. The issued stock consists of 183,807,845 no-par value individual share certificates (previous year: 183,982,845). The shares are fully paid in.

GEA Group Aktiengesellschaft was authorized by a resolution adopted by the Annual General Meeting on April 23, 2008 to repurchase its own shares corresponding to up to 10 percent of its nominal capital until October 22, 2009 for specific purposes, pursuant to § 71 Section 1 No. 8 of the German Stock Corporation Act (AktG). Following approval by the Supervisory Board, the company acquired 175,000 of its own shares in October 2008 for cancellation, reflecting issued capital of K EUR 473 (0.1 percent). Treasury shares acquired during the year under review at purchase costs of K EUR 2,124 were withdrawn in November 2008 without reduction of the capital stock.

Authorized capital

	Resolution of Annual General Meeting	Expiring on	Amount (K EUR)
Authorized capital I	April 30, 2007	April 29, 2012	up to 77,000
Authorized capital II	June 21, 2004	June 20, 2009	up to 48,000
Authorized capital III	June 21, 2004	June 20, 2009	up to 123,000
Total	up to 248,000		

Authorized Capital I allows the Executive Board, with Supervisory Board approval, to increase the issued capital by issuing, on one or more occasions, new no-par value shares against cash contributions and, pursuant to § 5 Section 4 of the company's Articles of Association, 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' subscription rights for residual amounts. The Executive Board is also authorized, with the approval of the Supervisory Board, to determine further details relating to the capital increase from Authorized Capital I, as well as the terms of the share issue.

Authorized capital II allows the Executive Board, with Supervisory Board approval, to increase the issued capital by issuing, on one or more occasions, new no-par value shares against cash contributions and, pursuant to § 5 Section 4 of the company's Articles of Association, in doing so 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' subscription rights for residual amounts. Furthermore, the Executive Board is authorized, with Supervisory Board approval, to exclude subscription rights 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. This exclusion of subscription rights pursuant to §§ 203 Section 1, 186 Section 3 Clause 4 of the German Stock Corporation Act (AktG) is limited, however, to a total of 10 percent of the share capital of the company registered in the commercial register when Authorized Capital II is utilized for the first time, taking into account treasury shares that have been acquired on the basis of a corresponding authorization by the Annual General Meeting up to the time of the issue of the new shares, and which have been sold during the duration of Authorized capital II pursuant to §§ 71 Section 1 No. 8, 186 Section 3 Clause 4 of the German Stock Corporation Act (AktG).

Authorized capital III allows the Executive Board, with Supervisory Board approval, to increase the issued capital by issuing, on one or more occasions, new no-par value shares against contribution in kind and, pursuant to § 5 Section 4 of the company's Articles of Association, in doing so 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 subscription rights and to determine the further details of the capital increase and the conditions governing the issuance of shares.

Conditional capital

(K EUR)	12/31/2008	12/31/2007
Option and convertible bonds	48,573	48,573
Right to compensation of shareholders of the former GEA Aktiengesellschaft pursuant to § 305 of the German Stock Corporation Act (AktG)	3,211	3,211
Convertible participatory capital	1	1
Total	51,785	51,785

By resolution of the Annual General Meeting of April 30, 2007, the nominal capital was conditionally increased by a total of K EUR 48,573, subdivided into up to 19,000,000 bearer shares. The conditional capital increase will be performed only to the extent that the owners of option or conversion rights arising from option or convertible bonds, which the company or a subordinated Group company issued or guaranteed on the basis of the authorization of the Executive Board by the Annual General Meeting resolution of April 30, 2007, utilize these option or conversion rights. As in the previous year, no option or convertible bonds were issued in fiscal 2008.

The nominal capital is conditionally increased by a further K EUR 3,211, subdivided into 1,188,791 bearer shares. The conditional capital increase is to service a settlement in the company's shares to minority shareholders of the former GEA Aktiengesellschaft, Bochum, pursuant to § 5 of the domination and profit and loss transfer agreement of the former Metallgesellschaft AG with the former GEA Aktiengesellschaft of June 29, 1999. 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. An appeal still pending before the district court in Dortmund is to rule on the appropriateness of the cash payment and compensation specified in the domination and profit and loss transfer agreement.

Additional paid-in capital

The additional paid-in capital has not changed since the previous year. It amounts to K EUR 1,079,610

Retained earnings

The changes in retained earnings are reported in the statement of changes in equity.

The annual financial statements of GEA Group Aktiengesellschaft prepared according to the German Commercial Code (HGB) provide the basis for the distribution of earnings.

Accumulated other comprehensive income/loss

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 of foreign subsidiaries.

The following table presents the changes in accumulated other comprehensive income/loss in 2008:

(K EUR)	12/31/2008	12/31/2007
Accumulated other comprehensive income/loss at the beginning of the year	-35,932	327
Change in unrealized gains/losses arising from securities recognized at fair value with no impact on income	-43	-5
Realized gains from securities recognized at fair value with no impact on income	-	-264
Tax effect arising from securities recognized at fair value with no impact on income	-9	91
Total changes from securities recognized at fair value with no impact on income	-52	-178
Change in unrealized gains on derivative instruments ("cash flow hedges")	-14,311	15,085
Realized gains from derivative instruments	-9,897	-15,826
Tax effect on derivative instruments	6,387	799
Total change arising from hedging transactions	-17,821	58
Total change arising from currency translation	-920	-36,139
Accumulated other comprehensive income/loss at the end of the financial year	-54,725	-35,932

Minority interest

The minority interests in GEA Group companies amount to K EUR 3,319 (previous year: K EUR 3,508).

7.2 Provisions

The composition of and changes in provisions in 2008 are presented in the following table:

(K EUR)	Guarantees, warranties	Litigation risks	Follow-up costs	Environmental protection, mining	Other provisions	Total
Balance at 1/1/2008	537,334	63,337	48,929	47,428	141,310	838,338
of which non-current	85,784	54,355	2,397	45,070	43,962	231,568
of which current	451,550	8,982	46,532	2,358	97,348	606,770
Additions	235,658	3,539	39,048	10,595	91,904	380,744
of which reported in result from discontinued operations	187,680	-	-	8,262	23,149	219,091
Used	-217,227	-9,268	-24,525	-3,394	-59,420	-313,834
Reversed	-35,657	-24,852	-9,155	-842	-16,944	-87,450
of which reported in result from discontinued operations	-17,700	-23,400	-	-	-1,126	-42,226
Changes in the scope of consolidation	3,362	313	433	-	1,436	5,544
Accrued interest	740	708	-	1,247	2,688	5,383
of which reported in result from discontinued operations	-	-	-	-	1,722	1,722
Exchange differences	-750	-153	1,335	1	-2,310	-1,877
Balance at 12/31/2008	523,460	33,624	56,065	55,035	158,664	826,848
of which non-current	59,597	24,815	7,016	44,121	45,566	181,115
of which current	463,863	8,809	49,049	10,914	113,098	645,733

Provisions for guarantees and warranties

The provisions for guarantees contain, firstly, provisions for indemnities and warranties/guarantees connected with the sale of corporate activities. The provisions for guarantees also comprise warranties relating to products and plant. 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 volume 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 the management's best estimate.

Litigation risks

Provisions for risks arising from impending or pending litigation against GEA Group companies were accrued if the assessment is made that there is likely to be an unfavorable outcome to the case. 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 as a liability.

Follow-up costs

This item comprises the cost of residual work (e.g. repairs) that is incurred 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, mining

This item essentially comprises provisions for the clean-up of pit water from past mining activities, the clean-up of other instances of groundwater contamination, and the clean-up of contamination resulting from zinc production. 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. The same applies to the cleanup of contamination related to zinc production.

Other provisions

Other provisions contain, among other items, provisions for impending losses of K EUR 29,577 (previous year: K EUR 31,055), restructuring provisions of K EUR 5,016 (previous year: K EUR 4,659), provisions for repayments of investment subsidies of K EUR 27,193 (previous year: K EUR 25,107), and provisions for non-consolidated companies of K EUR 10,425 (previous year: K EUR 11,693). The provisions for impending losses of K EUR 29,577 mainly relate to leases (previous year: K EUR 31,055).

7.3 Obligations to employees

The table below provides a breakdown of obligations to employees:

(K EUR)	12/31/2008	12/31/2007
Obligations under pension plans	441,579	450,162
of which defined benefit pension plans	440,642	449,427
of which defined contribution pension plans	937	735
Liabilities from supplementary healthcare benefits	16,038	16,648
Other pension-related obligations	14,128	11,411
Pre-retirement part-time employment	24,875	25,953
Cost of long-service awards	7,134	5,512
Sundry obligations to employees	2,207	3,684
Non-current obligations to employees	505,961	513,370
Redundancy and severance pay	14,227	7,872
Outstanding vacation, flexitime/overtime credits	50,355	47,876
Bonuses	76,855	61,753
Sundry obligations to employees	57,598	50,505
Current obligations to employees	199,035	168,006
Total obligations to employees	704,996	681,376

7.3.1 Defined benefit pension plans

Pension obligations and funded status

Pension benefits are granted to a large number of employees at GEA. The benefits in Germany usually consist of pension entitlements. Employees generally receive fixed pension amounts per year of service. Several subsidiaries outside Germany operate country-specific pension plans, part of which is funded by pension funds. Benefit obligations in Germany are primarily unfunded.

As in the previous year, Prof. Dr. Klaus Heubeck's 2005G mortality tables have been used as the basis for the measurement of all German pension plans as of December 31, 2008.

All German pension plans have been valued as of December 31, 2008. Most foreign pension plans were also measured as of December 31, 2008.

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

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Present value of the defined benefit obligation at the start of the financial year				
444,360	106,614	484,931	101,790	
Reclassified as "held for sale"	-1,486	-	-	-
Service cost	3,684	1,891	5,426	2,684
Interest cost	22,967	5,158	21,645	5,818
Employee contributions	-	653	-	724
Curtailments / settlements	-	-702	-	-118
Actuarial gain	-32,282	-3,703	-38,659	-12,338
Past service cost	-	2,300	-	-
Transfer of assets	1,223	-	426	-
Changes in scope of consolidation	-	-6,766	-409	20,276
Exchange rate differences	-	-69	-	-6,168
Benefits paid	-29,219	-5,717	-29,000	-6,054
Present value of defined benefit obligation at the end of the fiscal year				
409,247	99,659	444,360	106,614	
Fair value of plan assets at the start of the fiscal year				
15,594	84,707	14,734	72,745	
Expected return on plan assets	749	4,854	690	5,708
Actuarial loss	-18	-21,233	-164	-5,328
Employer contributions	647	5,342	1,390	5,107
Employee contributions	-	653	-	724
Curtailments / settlements	-	-	-	-74
Changes in scope of consolidation	-	-8,192	-	15,731
Exchange rate differences	-	150	-	-5,058
Benefits paid	-820	-4,642	-1,056	-4,848
Fair value of plan assets at the end of the fiscal year				
16,152	61,642	15,594	84,707	
Reconciliation of funded status:				
Funded status	393,095	38,017	428,766	21,907
Unrecognized actuarial gain (+) / loss (-)	27,510	-17,752	-1,892	-125
Reclassified as "held for sale"	148	-	-	-
Unrecognized past service cost	-	-2,245	-	-
Net amount recognized	420,753	18,020	426,874	21,782

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

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Present value of the defined benefit obligation for funded plans	107,531	90,868	108,449	101,658
Fair value of plan assets	16,152	61,642	15,594	84,707
Funded status	91,379	29,226	92,855	16,951
Unrecognized actuarial loss	-2,252	-17,021	-5,619	-244
Unrecognized past service cost	-	-1,290	-	-
Net amount recognized for funded plans	89,127	10,915	87,236	16,707
Present value of the defined benefit obligation for unfunded plans	301,716	8,791	335,911	4,956
Unrecognized actuarial gain (+) / loss (-)	29,910	-731	3,727	119
Unrecognized past service cost	-	-955	-	-
Net amount recognized for unfunded plans	331,626	7,105	339,638	5,075
Net amount recognized	420,753	18,020	426,874	21,782

Empirical adjustments made to take account of discrepancies between actuarial assumptions and actual trends have the following effects:

(K EUR)	12/31/2008		12/31/2007		12/31/2006	
	German	Foreign	German	Foreign	German	Foreign
Present value of the defined benefit obligation	409,247	99,659	444,360	106,614	484,931	101,790
of which effect of empirical adjustments in fiscal year (loss (+) / gain (-))	1,286	1,100	4,124	-548	793	-552
Fair value of plan assets	16,152	61,642	15,594	84,707	14,734	72,745
of which effect of empirical adjustments in the fiscal year (gain (+) / loss (-))	-18	-21,233	-164	-5,328	243	239
Funded status	393,095	38,017	428,766	21,907	470,197	29,045

The table below shows the changes in the net amount recognized for defined-benefit pension plans in 2008 and 2007:

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Net amount recognized at the start of the financial year	426,874	21,782	429,715	22,528
Reclassified as "held for sale"	-1,338	-	-	-
Net periodic pension cost	23,040	2,155	26,476	2,132
of which reported in net income/loss on discontinued operations	318	-	459	-
Employer contributions	-647	-5,342	-1,390	-5,107
Benefits paid	-28,399	-1,075	-27,944	-1,206
Curtailments / settlements	-	-702	-	-
Consolidation / transfer of assets / exchange differences	1,223	1,202	17	3,435
Net amount recognized	420,753	18,020	426,874	21,782

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

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Obligations to employees	420,753	19,889	426,874	22,553
Prepaid expenses	-	-1,869	-	-771
Net amount recognized	420,753	18,020	426,874	21,782

Of the pension provisions reported as of December 31, 2008, K EUR 35,672 (previous year: K EUR 35,091) 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)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Discount rate	5.85	5.50	5.60	5.30
Rate of salary increase	2.80	2.30	2.80	2.70
Rate of pension increase	2.00	0.70	2.00	1.20

The actuarial assumptions for German pension plans were coordinated with actuarial experts Watson Wyatt 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

The table below shows the weighted composition of plan assets used to cover the defined benefit obligation at the respective balance sheet date:

(Percent)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Equity instruments	0.9	32.8	1.1	42.6
Debt instruments	30.2	30.2	32.5	24.0
Real estate	-	1.8	-	5.3
Insurance	68.8	24.4	66.0	21.7
Other	0.1	10.8	0.4	6.4
	100.0	100.0	100.0	100.0

As in the previous year, 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. Plan assets held outside Germany are invested country-specifically as shown in the table above. In addition, some of the German and foreign plan assets are managed by insurance companies in accordance with their specific investment guidelines. The basic objective is that these investments ensure consistent returns and 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.

In 2009, K EUR 82 is expected to be allocated to the plan assets of German pension plans and K EUR 3,603 to foreign plans.

The actual return on plan assets in 2008 was K EUR -15,648 (previous year: K EUR 906).

Pension expenses

The pension expenses included in the income statement are composed as follows:

(K EUR)	1/1/2008 - 12/31/2008		1/1/2007 - 12/31/2007	
	German	Foreign	German	Foreign
Service cost: present value of entitlements acquired during the year	3,684	1,891	5,426	2,684
minus service cost included in net income/loss from discontinued operations	-70	-	-112	-
Interest cost	22,967	5,158	21,645	5,818
minus interest cost included in net income/loss from discontinued operations	-296	-	-339	-
Expected return on plan assets	-749	-4,857	-690	-5,708
minus income included in net income/loss on discontinued operations	3	-	3	-
Effects of plan settlements	-	-594	-	-44
Amortization of actuarial gain (-) / loss (+)	-2,861	-96	95	-618
minus amortization cost included in net income/loss from discontinued operations	45	-	-11	-
Amortization of past service cost	-	56	-	-
Net periodic pension cost	22,723	1,558	26,017	2,132

The service cost, the effect of plan settlements, amortized actuarial gains and losses, and service cost assigned subsequently on continuing operations are recognized as personnel expenses under functional costs (cost of sales, selling expenses and administrative expenses). The interest cost of anticipated pension obligations and the expected return on plan assets are reported under net interest income/expense.

Actuarial parameters

The weighted actuarial assumptions to calculate the net periodic pension costs are as follows:

(Percent)	2008		2007	
	German	Foreign	German	Foreign
Discount rate	5.60	5.30	4.60	5.20
Rate of salary increase	2.80	2.70	2.50	3.00
Rate of pension increase	2.00	1.20	1.80	2.40
Expected long-term return on plan assets	4.70	6.70	4.50	7.20

Benefits to be paid in the future

The following payments are anticipated for the next few years from the German and foreign pension plans:

(K EUR)	2009	2010	2011	2012	2013	2014- 2018
German pension plans	30,404	30,681	31,027	31,151	31,316	157,757
Foreign pension plans	5,268	5,289	5,524	5,811	5,981	30,829

7.3.2 Liabilities from supplementary healthcare benefits

Liabilities and funded status

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

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Change in present value of defined benefit obligation:				
Present value of the defined benefit obligation at the start of the fiscal year	15,493	345	17,972	438
Reclassified as "held for sale"	-522	-	-	-
Service cost: present value of entitlements acquired during the year	31	2	48	3
Interest cost	807	14	799	18
Actuarial gain (-) / loss (+)	259	-66	-2,165	34
Changes in scope of consolidation	539	-	-	-
Exchange rate differences	-	28	-	-62
Benefits paid	-1,242	-71	-1,161	-86
Present value of defined benefit obligation at the end of the fiscal year				
	15,365	252	15,493	345
Reconciliation of funded status:				
Funded status	15,365	252	15,493	345
Unrecognized actuarial gains	230	159	713	97
Reclassified as "held for sale"	32	-	-	-
Net amount recognized	15,627	411	16,206	442

Empirical adjustments made to take account of discrepancies between actuarial assumptions and actual trends had the following effects:

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Present value of the defined benefit obligation				
	15,365	252	15,493	345
of which effect of empirical adjustments in the current year (loss (+) / gain (-))	669	-9	-527	7

The table below shows the changes in the net amount of obligations recognized for supplementary healthcare benefits in 2008 and 2007:

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Net amount recognized at the start of the fiscal year	16,206	442	16,497	575
Reclassified as "held for sale"	-490	-	-	-
Net periodic pension cost	614	12	870	15
of which included in net income/loss on discontinued operations	27	-	68	-
Benefits paid	-1,242	-71	-1,161	-86
Changes in scope of consolidation / exchange rate differences	539	28	-	-62
Net amount recognized	15,627	411	16,206	442

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)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Discount rate	5.85	5.25	5.60	5.00
Healthcare inflation rate	4.00	10.00	4.00	11.00

The inflation rate relating to the cost of supplementary healthcare benefits in Germany is estimated to be 4 percent for 2009. Based on past experience, this inflation rate is not expected to change in the future.

Estimates of the rising cost of medical and dental treatment benefits are taken into account for foreign supplementary healthcare benefits. The rise in the cost of medical healthcare benefits amounts to 11 percent (previous year: 12.0 percent). They will decrease by 1.0 percentage points every year until 2013. The rise in the cost of dental healthcare benefits amounts to 6.5 percent (previous year: 7.0 percent). It will decrease by 0.5 percentage points every year until 2012.

The balance sheet date used to report obligations arising from supplementary healthcare benefits in Germany and abroad is December 31, 2008.

Cost of supplementary healthcare benefits

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

(K EUR)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Service cost: present value of entitlements acquired during the year	31	2	48	3
minus service cost included in net income/loss from discontinued operations	-6	-	-14	-
Interest cost	807	14	799	18
minus interest cost included in net income/loss on discontinued operations	-21	-	-48	-
Amortization of actuarial gain (-) / loss (+)	-224	-4	24	-6
minus amortization cost included in net income/loss on discontinued operations	-	-	-6	-
Net periodic cost	587	12	803	15

Service cost and amortized actuarial gains and losses on continuing operations are reported as personnel expenses under functional costs; the interest cost of pension obligations is shown under interest expense and similar charges.

Actuarial parameters

The weighted actuarial assumptions used to calculate the net periodic cost of supplementary healthcare benefits in Germany were as follows:

(Percent)	12/31/2008		12/31/2007	
	German	Foreign	German	Foreign
Discount rate	5.60	5.00	4.60	5.25
Healthcare inflation rate	4.00	11.00	4.00	12.00

Benefits to be paid in the future

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

(K EUR)	2009	2010	2011	2012	2013	2014 -
						2018
German pension plans	1,248	1,260	1,258	1,257	1,256	6,098
Foreign pension plans	76	68	56	37	14	-

The following schedule presents the effect of a one percentage point change in the rate of increase of healthcare and life insurance benefits, both in Germany and abroad, on the sum total of service cost plus interest cost, and on the present value of the defined benefit obligation at December 31, 2008:

(K EUR)	1% increase		1% decrease	
	German	Foreign	German	Foreign
Impact on the sum total of service costs and interest cost	88	1	-74	-1
Effect on the present value of the defined benefit obligation	1,428	8	-1,245	-5

7.3.3 Defined contribution pension plans

Individual companies of the GEA Group's continuing operations – especially in the USA and Scandinavia – offer various contribution-oriented 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 K EUR 11,545 (previous year: K EUR 10,289) were paid in 2008. These contributions are recognized under personnel expenses at the time when the relevant work is performed.

A multi-employer plan for several employers in the Netherlands was recognized as a defined contribution pension plan, since the manager of this plan does not provide sufficient information to the participating companies regarding the level of the obligation and of the plan assets to recognize it as a defined performance-related benefit pension plan. Contributions of K EUR 202 (previous year: K EUR 188) were made to the joint pension plan in 2008. Neither overfunding nor underfunding of the plan has any effect on the level of future contribution payments.

7.3.4 Performance Share Plan

On July 1, 2006, and on July 1, 2007, GEA Group Aktiengesellschaft launched a new long-term remuneration program entitled GEA Performance Share Plan for executives of the first and second management levels. Executives of the third management level were entitled to participate when the program was reissued on August 1, 2008. The aim of this program is to link remuneration to the company's long-term performance and to align executives' interests with those of shareholders.

Participants in the plan are allotted a defined number of "Performance Shares" at the beginning of the performance period. The number of allotted "Performance Shares" is determined by the participants' management level. The performance shares must then be held for three years (performance period). To be eligible to participate in the plan, executives must first invest 20 percent of the amount of the allotted "Performance Shares" in shares of GEA Group Aktiengesellschaft.

The performance of GEA Group Aktiengesellschaft shares relative to all other companies in the MDAX index over the three-year performance period is measured in terms of their total shareholder return (TSR). The TSR provides investors with a useful indicator for comparing the performance and appeal of various companies. It measures the total percentage return that an investor earns from a share over a given period. The calculation of the TSR considers the performance of the share as well as dividends and any adjustments, such as stock splits. Because it compares performance in relative terms, it eliminates returns that derive from general market volatility, and enables the effects of various profit-retention strategies to be compared. The relative performance of GEA Group Aktiengesellschaft shares determines the number of "Performance Shares" ultimately paid out (between 0 percent and 300 percent).

The "Performance Shares" are paid out once the three-year performance period has elapsed. The performance of GEA Group Aktiengesellschaft shares relative to the MDAX determines how many "Performance Shares" are paid out: If the performance of the GEA Group Aktiengesellschaft share equals the median in the TSR comparison, 50 percent of the allotted "Performance Shares" are paid out; if it reaches the third quartile, 100 percent of the allotted "Performance Shares" are allotted. If GEA Group Aktiengesellschaft is the best performer compared to all other MDAX companies, 300 percent of the "Performance Shares" are allocated. Other performance figures are interpolated between these values. The total amount paid out to participants corresponds to their allocated number of "Performance Shares" multiplied by the closing share price at the end of the three-year performance period. Once the three-year performance period has elapsed, participants may do as they wish with their GEA Group Aktiengesellschaft shares.

The number of "Performance Shares" changed as follows in 2008:

Number of shares	12/31/2007	Additions	Expired	Paid out	12/31/2008
				proportionally	
2006 tranche	114,580	-	8,500	-	106,080
2007 tranche	80,510	-	9,080	-	71,430
2008 tranche	-	192,660	1,170	-	191,490
Total	195,090	192,660	18,750	-	369,000

The total expense for fiscal 2008 amounts to K EUR 97 (previous year: K EUR 1,531) taking into account the fair value as of December 31, 2008, of EUR 13.50 (previous year: EUR 24.26) for the first tranche, EUR 10.68 (previous year: EUR 21.38) for the second tranche and EUR 7.49 for the third tranche. The fair value of the "Performance Shares" was calculated using a multidimensional Monte Carlo simulation. The obligation arising from the plan amounts to K EUR 1,774 as of December 31, 2008 (previous year: K EUR 1,677).

7.3.5 Sundry obligations to employees

Sundry obligations to employees mainly contain contributions to employer liability insurance associations, early retirement provisions, and provisions for framework compensation agreements.

The provisions explained in section 7.3.4 are also recognized under sundry obligations to employees.

7.4 Financial liabilities

The table below provides a breakdown of financial liabilities as of December 31, 2008:

(K EUR)	12/31/2008	12/31/2007
Borrower's note loan	199,549	-
of which maturing in 5 years or later	-	-
Liabilities to banks	21,280	8,267
of which maturing in 5 years or later	3,217	485
Liabilities under finance leases	13,399	9,542
of which maturing in 5 years or later	10,047	6,300
Liabilities from derivatives	20,850	3,065
of which maturing in 5 years or later	1,977	2,699
Non-current financial liabilities	255,078	20,874
Liabilities to banks	279,463	210,128
Liabilities under finance leases	1,048	1,454
Liabilities from derivatives	24,899	6,402
Liabilities to equity investments	-	914
Current financial liabilities	305,410	218,898
Total financial liabilities	560,488	239,772

In August 2008, GEA Group Aktiengesellschaft placed a borrower's note loan with a nominal amount of K EUR 200,000. The borrower's note loan pays interest at 110 basis points over the relevant three-month Euribor. The effective rate of interest for the borrower's note loan amounted to 5.323 percent as of December 31, 2008. The unhedged borrower's note loan falls due at the end of its term. The term is three years. The difference between the carrying amount and the nominal value of K EUR 451 arises from the transaction costs which were distributed over the term of the note using the effective interest rate method.

Security totaling K EUR 4,859 (previous year: K EUR 1,224) has been provided liabilities to banks.

Liabilities to banks

Corporate acquisitions are the main reason for the rise in liabilities to banks. The table below provides a breakdown of the maturities of the bank borrowings:

(K EUR)	2008	2007
< 1 year	279,463	210,128
1 - 2 years	4,955	6,590
2 - 3 years	1,134	367
3 - 4 years	1,111	365
4 - 5 years	10,863	460
> 5 years	3,217	485
Total	300,743	218,395

The current liabilities mainly relate to the utilization of the syndicated multi-currency revolving credit facility of K EUR 500,000. The line was extended until July 2011 in July 2006. The rate of interest on the drawings is based on the money market fixed interest rate at the time of drawing. This interest rate corresponds to Euribor for the possible periods of one month to 12 months plus a margin of 40 basis points. The margin rises to 45 basis points when the total drawing amount to K EUR 250,000. As of the balance sheet date, K EUR 200,000 of the syndicated credit facility was utilized; its interest payments were fixed for a total period of three years in 2008 using four interest-rate swaps. The weighted average rate of interest of these swaps amounts to 3.93 percent. This allowed an interest rate of 4.33 percent including the margin to be secured for this drawing for a period of three years. The credit line is not collateralized, as is the case with the borrower's note loan. Adherence to a particular key indicator relating to the gearing level must be reported after the expiry of each quarter.

The interest rate on bank borrowings in the Eurozone varied between 3.2 percent and 6.0 percent p.a., depending on their maturity and financing purpose (previous year: between 3.5 percent and 5.5 percent p.a.). There were also materially relevant foreign-currency liabilities denominated in Indian rupees and Chinese renminbi, on which the GEA Group paid these countries' normal market interest rates of approximately 16.7 percent p.a. (previous year: 12.5 percent) and 6.2 percent p.a. (previous year: 5.8 percent) respectively.

As of December 31, 2008, there were cash credit lines including the borrower's note loan of K EUR 200,000 of K EUR 1,160,447 (previous year: K EUR 1,162,037). Of this amount, cash credit lines of K EUR 660,155 (previous year: K EUR 943,619) had not been utilized. In addition, there were bank guarantee lines of K EUR 2,464,611 (previous year: K EUR 2,479,515) available for performance of contracts, advances and warranty obligations, of which K EUR 1,088,596 (previous year: K EUR 1,165,819) was used.

Lease liabilities

The table below provides a breakdown of future payments under finance leases:

(K EUR)	Minimum lease payment		Present value of	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
< 1 year	1,570	1,603	1,483	1,533
1 - 2 years	1,744	1,302	1,555	1,189
2 - 3 years	1,037	2,064	850	1,825
3 - 4 years	1,172	999	894	852
4 - 5 years	1,612	799	1,163	628
> 5 years	14,683	8,084	8,502	4,969
Total future payments under finance lease	21,818	14,851	14,447	10,996

Most leases relate to land and buildings. The present value of minimum lease payments as of December 31, 2008 amounted to K EUR 13,450 (previous year: K EUR 9,670) for leases of land and buildings.

The weighted average incremental borrowing rate of interest used in the calculation of the present value of the minimum lease payment was 7 percent (previous year: 5 percent).

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

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

Derivative financial instruments

Derivative financial instruments are presented among the notes to the financial statements in Section 7.8.

7.5 Trade payables

Trade payables as of December 31, 2008 were as follows:

(K EUR)	12/31/2008	12/31/2007
Trade payables	723,650	767,505
of which owed to non-consolidated subsidiaries	4,207	4,062
of which owed to equity investments	790	735

Trade payables of K EUR 721,470 (previous year: K EUR 765,525) fall due within one year. As in the previous year, no liabilities in 2008 fell due after more than five years.

Security of K EUR 159,370 (previous year: K EUR 5,185) has been provided for trade payables.

7.6 Income tax liabilities

The income tax liabilities relate to current taxes and amounted to K EUR 55,680 at the balance sheet date (previous year: K EUR 54,653).

7.7 Other liabilities

The table below provides a breakdown of other liabilities as of December 31, 2008:

(K EUR)	12/31/2008	12/31/2007
Other non-current liabilities	6,771	4,284
Advances received for orders and construction contracts	250,661	227,642
Gross amount due to customers for contract work	302,612	279,296
Other liabilities to non-consolidated subsidiaries	24,273	25,203
Other tax (excluding income taxes)	36,885	35,145
Other liabilities	86,673	93,842
of which relating to social security	16,228	18,077
of which relating to employees	10,620	7,094
Other current liabilities	701,104	661,128
Total other liabilities	707,875	665,412

Security of K EUR 93,290 (previous year: K EUR 20,152) has been provided for advances for orders, and of K EUR 22,193 (previous year: K EUR 506) for other liabilities.

The gross amount due to customers for contract work amounts to the sum total of contracts whose progress-billing amounts exceed the capitalized cost of sales plus the contract gains and losses recognized. This balance includes an amount of K EUR 11,488 (previous year: K EUR 6,014) that functions like a provision.

7.8 Financial instruments

The following tables provide an overview of the composition of financial instruments as of December 31, 2008 according to balance sheet classification and valuation categories. The tables also include financial assets and liabilities, as well as derivatives, which are part of hedging relationships that belong to none of the IAS 39 measurement categories.

(K EUR)	Measurement as per IAS 39					
	Carrying amount at 12/31/2008		Fair value through P&L	Fair value through equity	Measurement as per other IFRS	Fair value at 12/31/2008
	Amortized cost					
Assets						
Trade receivables	1,350,248	1,019,287			330,961	1,350,248
Income tax receivables	10,672				10,672	10,672
Cash and cash equivalents	439,554				439,554	439,554
Other financial assets	226,016	105,345	8,269	8,637	103,765	226,016
Derivatives embedded in hedging relationships	8,118				8,118	8,118
By IAS 39 measurement categories						
Loans and receivables	1,077,638	1,077,638				1,077,638
Investments held to maturity	132	132				132
Investments available for sale	47,381	46,862		519		47,356
Financial assets measured at fair value through P&L (derivatives without balance sheet hedging relationship)	8,269		8,269			8,269
Equity and liabilities						
Trade payables	723,650	723,650				723,650
Financial liabilities	560,488	500,292	15,322	30,427	14,447	556,766
Derivatives embedded in hedging operations	30,427				30,427	30,427
Income tax liabilities	55,680				55,680	55,680
Other financial liabilities	707,875	86,631			621,244	707,875
By IAS 39 measurement categories						
Financial liabilities measured at cost	1,310,573	1,310,573				1,306,851
Financial liabilities measured at fair value through P&L (derivatives without balance sheet hedging relationship)	15,322		15,322			15,322

(K EUR)	Measurement as per IAS 39				Measurement	
	Carrying amount at 12/31/2007	Amortized cost	Fair value through P&L	Fair value through equity	as per other IFRS	Fair value at 12/31/2007
Assets						
Trade receivables	1,241,541	923,874			317,667	1,241,541
Income tax receivables	11,186				11,186	11,186
Cash and cash equivalents	279,162				279,162	279,162
Other financial assets	218,943	103,331	4,716	12,708	98,188	218,943
Derivatives embedded in hedging operations	11,780			11,780		11,780
By IAS 39 measurement categories						
Loans and receivables	995,698	995,698				995,698
Investments held to maturity	56	56				56
Investments available for sale	32,379	31,451		928		32,406
Financial assets measured at fair value through P&L (derivatives without balance sheet hedging relationship)	4,716		4,716			4,716
Equity and liabilities						
Trade payables	767,505	767,505				767,505
Financial liabilities	239,772	219,309	6,166	3,301	10,996	235,926
Derivatives embedded in hedging operations	3,301			3,301		3,301
Income tax liabilities	54,653				54,653	54,653
Other financial liabilities	665,412	97,297			568,115	665,412
By IAS 39 measurement categories						
Financial liabilities measured at cost	1,084,111	1,084,111				1,080,265
Financial liabilities measured at fair value through P&L (derivatives without balance sheet hedging relationship)	6,166		6,166			6,166

Primary financial assets

The carrying amount corresponds to fair value in the case of trade receivables and other current financial assets subject to the measurement regulations of IAS 39. Assets allocated to the “financial assets available for sale” measurement category are predominantly measured at amortized cost since their fair values cannot be determined reliably.

Primary financial liabilities

The carrying amount corresponds to fair value in the case of trade payables and other current receivables subject to the measurement regulations of IAS 39. The fair value of fixed interest liabilities represents the present value of expected future cash flows. Discounting is based on the interest rates prevailing at the balance sheet date. The carrying amount of variable interest-rate liabilities corresponds to fair value.

Derivative financial instruments

The fair value of currency forwards at the balance sheet date is calculated on the basis of the cash currency exchange rate taking into account forward premiums and discounts corresponding to the relevant residual terms to maturity. Forward premiums and discounts are derived from yield curves observable as of the balance sheet date. The calculation of the fair value of currency options is based on recognized valuation models. The fair value is affected by the remaining term of the option, the current exchange rate, the volatility of the exchange rate and the underlying yield curves.

The fair value of interest rate swaps and options is determined using discounted anticipated future cash flows based on the market interest rates applicable to the residual terms to maturity of these financial instruments. Prevailing market rates of interest are used for the residual maturities of the financial instruments. Interest/currency swaps also include the exchange rates of the relevant foreign currencies in which the cash flows occur.

The fair value of commodity futures and options 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. Both GEA Group Aktiengesellschaft and external financial institutions perform the valuations on the balance sheet date.

GEA Group uses derivative financial instruments, such as currency forwards, currency options, interest rate swaps, interest/ currency swaps and commodity futures. The derivative financial instruments are used to hedge foreign currency risks, interest rate risks and risks relating to the price of goods for existing or planned underlying transactions.

The following table provides an overview of the nominal values and fair values of derivative financial instruments in use as of the balance sheet date. The nominal volume in a foreign currency is translated at the rate prevailing at the balance sheet date.

(K EUR)	12/31/2008		12/31/2007	
	Nominal volume	Fair value	Nominal volume	Fair value
Assets				
Currency derivatives without hedging relationship	178,884	5,255	287,732	4,716
Currency derivatives part of cash flow hedges	114,235	8,118	241,991	11,780
Interest and interest/currency derivatives without hedging relationship	47,663	2,741	-	-
Interest and interests/currency derivatives embedded in cash flow hedges	-	-	-	-
Commodity derivatives without hedging relationship	9,920	273	-	-
Total	350,702	16,387	529,723	16,496
Equity and liabilities				
Currency derivatives without hedging relationship	292,174	11,884	125,065	3,467
Currency derivatives embedded in cash flow hedges	200,558	17,095	93,374	3,111
Interest and interest/currency derivatives without hedging relationship	21,174	2,153	38,038	2,699
Interest and interests/currency derivatives embedded in cash flow hedges	207,874	13,332	10,227	190
Commodity derivatives without hedging relationship	10,923	1,285	-	-
Total	732,703	45,749	266,704	9,467

Derivative financial instruments with hedging relationships

Derivative financial instruments used as part of hedging relationships serve exclusively to hedge future cash flows with respect to foreign currency risks arising from future sales and procurement transactions, as well as interest rate risks arising from long-term financing ("cash flow hedges"). Hedging relationships ("fair value hedges") are formed to hedge fluctuations in the fair values of assets, liabilities or binding agreements.

The derivatives are measured at fair value, which is split into effective and non-effective portions. The effective portion and its change is reported directly in equity under the accumulated other comprehensive loss/income until the hedged item becomes balance-sheet-effective. The non-effective portion is booked through the income statement. At the time when the hedged item becomes balance-sheet-effective, the effect reported in equity is realized and the hedging relationship is dissolved. In the case of a sales transaction, realization of the effective portion is made under revenue. In the case of a procurement transaction, purchase costs are adjusted accordingly. With respect to interest rate derivatives, the effects reported in equity are released against interest expenses.

As of December 31, 2008, gains of K EUR 8,118 (previous year: K EUR 11,780) and losses of K EUR 23,909 (previous year: K EUR 3,363) arising from currency and interest rate derivatives were reported in equity.

In the course of the fiscal year, K EUR 9,897 (previous year: K EUR 15,826) was realized through the income statement due to the hedged items becoming balance-sheet-effective. Of this amount, K EUR 9,624 (previously: K EUR 19,356) was attributable to revenue and K EUR 273 (previous year: K EUR -3,530) to cost of revenue.

As in the previous year, there were no significant ineffectivities resulting from the hedges.

For the subsequent year, 75 percent (previous year: 75 percent) of the hedged cash flows arising from the underlying transactions designated as of the balance sheet date are likely to fall due. The remaining 25 percent (previous year: 25 percent) will fall due by 2012. As most underlying transactions are used to hedge financial assets, they are booked through the income statement as soon as the addition arises.

Derivative financial instruments without hedging relationships

If the preconditions for the formation of a hedging relationship do not exist, the change in fair value is booked through the income statement.

8. Notes to the Consolidated Income Statement

8.1 Revenue

The following table provides a breakdown of GEA Group's revenue:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
from the sale of goods and services	2,416,016	2,068,719
from construction contracts	2,762,952	2,787,251
Total	5,178,968	4,855,970

8.2 Other income

Other income consisted of the following components:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Income from the disposal of assets	7,201	11,586
Income from damage compensation and cost reimbursement	7,299	5,107
Income from payments relating to impaired receivables	6,918	3,577
Gains on exchange differences	61,557	31,286
Income from reversal of provisions	30,222	14,821
Income from rental and lease agreements	6,789	7,986
Realization of differential amount between acquired assets and lower acquisition costs	2,260	-
Sundry income	33,075	22,376
Total	155,321	96,739

The increase in sundry income mainly results from a debtor warrant with a Canadian mining company.

8.3 Other expenses

Other expenses consisted of the following components:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Non-reimbursed research and development costs	59,097	50,206
Losses on exchange differences	62,781	31,308
Impairment of trade receivables	9,229	4,063
Cost of money transmission and payments	912	859
Losses on disposal of non-current assets	1,845	946
Sundry expenses	18,350	25,678
Total	152,214	113,060

Sundry expenses

Sundry expenses mainly include additions to provisions.

Research and development costs

Total research and development costs were as follows in 2008:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Customer-funded (reimbursed)	17,173	22,179
Group-funded (non-reimbursed)	59,097	50,206
Total	76,270	72,385

Reimbursed expenses relate to research and development costs which, as part of construction contracts, are billed to customers and are included in cost of sales.

Non-reimbursed research and development expenses are not related directly to construction contracts, and are booked directly through the income statement.

8.4 Presentation of selected expenses and income according to origin

Cost of materials

The cost of materials rose by K EUR 17,281 in the reporting year, and consequently amounted to K EUR 2,884,394 (previous year: K EUR 2,867,113). The cost of materials is reported under the cost of sales.

Personnel Expenses

Personnel expenses rose by K EUR 105,641 to K EUR 1,174,170 in 2008 (previous year: K EUR 1,068,529). Amounts resulting from the interest cost of expected pension obligations are not reported as personnel expense, but instead as a component of interest expense under financial and interest expenses. Personnel expenses include wages and salaries of K EUR 974,610 (previous year: K EUR 880,933) and social security contributions and post-employment benefits of K EUR 199,560 (previous year: K EUR 187,596).

Depreciation, amortization, and impairment

Depreciation, amortization and impairment of property, plant, and equipment, investment properties and intangible assets in the year under review amounted to K EUR 81,375 (previous year: K EUR 78,074). Impairment of investments in non-consolidated subsidiaries, other equity investments and securities amounted to K EUR 742 (previous year: K EUR 2,059). Adjustments of K EUR 11,232 (previous year: K EUR 10,250) were recognized as inventories. Depreciation, amortization and impairment are reported under the cost of sales. Impairment of equity investments and securities is reported under financial expenses.

8.5 Financial and interest income

Financial income

Financial income comprises income from profit transfer agreements and net investment income from sundry equity investments:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Income from profit transfer agreements	302	386
Income from equity investments	3,324	2,187
of which from non-consolidated subsidiaries	3,238	1,670
Total	3,626	2,573

Interest income

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

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Interest income from receivables, investments and securities	20,831	11,001
of which from non-consolidated subsidiaries	1,178	930
Interest income from plan assets	5,603	6,395
Other interest income	7,610	4,113
Total	34,044	21,509

The following table shows interest income from financial instruments according to IAS 39 measurement categories and interest income from assets measured according to other guidelines:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Loans and receivables	17,817	13,893
Investments held to maturity	7	3
Investments held for sale	29	51
Investments measured at fair value through profit or loss	10,588	1,147
Measurement according to other standards than IAS 39	5,603	6,415
Total	34,044	21,509

8.6 Financial and interest expenses

Financial expenses

The financial expenses for 2008 of K EUR 968 (previous year: K EUR 2,081) contain impairment of K EUR 815 (previous year: K EUR 2,059) on financial assets (excluding trade receivables) and expenses of K EUR 153 (previous year: K EUR 22) from the assumption of losses.

Interest expenses

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

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Interest expense arising from liabilities to banks	24,839	24,563
Interest cost of pension obligations	28,629	27,893
Interest cost of provisions and other obligations to employees	3,967	2,337
Other interest expense	22,014	16,238
of which owed to non-consolidated subsidiaries	1,433	912
Total interest expense	79,449	71,031

The following table shows interest expense from financial instruments according to IAS 39 measurement categories and interest expense from liabilities measured according to other guidelines:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Financial liabilities measured at cost	34,048	39,154
Financial liabilities measured at fair value through profit or loss	12,043	1,330
Measured according to other standards than IAS 39	33,358	30,547
Total	79,449	71,031

A total of K EUR 912 was expense for fees during 2007 (previous year: K EUR 859), which was not included in the calculation of the effective interest rate.

The following table shows the net result from financial instruments according to IAS 39 measurement categories:

(K EUR)	1/1/2008 - 12/31/2008			1/1/2007 - 12/31/2007		
	Net result	Of which		Net result	Of which	
		Of which	from		from	impaired/
Loans and receivables	14,228	17,817	-2,311	4,748	13,893	-486
Investments held to maturity	530	7	-2	352	3	-
Investments available for sale	4,463	29	-604	4,186	51	-2,059
Investments measured at fair value through profit or loss	-9,346	-1,455	-136	6,324	-183	-
Financial liabilities measured at cost	-33,842	-34,048	-	-35,871	-39,154	-
Total	-23,967	-17,650	-3,053	-20,261	-25,390	-2,545

The net value impairments relating to assets in the “loans and receivables” measurement category concern trade receivables.

8.7 Income taxes

Income taxes on continuing operations consist of the following components:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Current taxes	75,233	64,418
German	5,963	4,616
Foreign	69,270	59,802
Deferred taxes	34,597	50,003
Total	109,830	114,421

The following reconciliation of income tax for the 2008 is based on an overall tax rate of 29.5 percent and reconciles figures with the effective tax rate of 23.9 percent:

	1/1/2008 - 12/31/2008 K EUR	1/1/2008 - 12/31/2008 Percent	1/1/2007 - 12/31/2007 K EUR	1/1/2007 - 12/31/2007 Percent
Earnings before tax	458,805	-	351,591	-
Anticipated tax expense	135,348	29,5	136,769	38,9
Non-tax-deductible expense	4,722	1,0	903	0,3
Tax-exempt income	-1,297	-0,3	-13,819	-3,9
Change in valuation allowance	-12,104	-2,6	-52,441	-15,0
Change in tax rates	-1,178	-0,3	68,156	19,3
Foreign tax rate differential	790	0,2	-15,951	-4,5
Other	-16,451	-3,6	-9,196	-2,6
Income tax and effective tax rate	109,830	23,9	114,421	32,5

Changes in valuation allowance

The change in valuation allowance mainly reflects the use of loss carryforwards and prior-year corrections in Germany and the USA. The change in valuation allowance in the previous year arises primarily as a result of revised estimates in Germany (increase by K EUR 50,000) and the USA (reduction by K EUR 53,366).

Changes to tax rates

The effects of changes to tax rates result from various tax rate changes abroad. The effects in the previous year are mainly based on the reform of German corporation tax in 2008. The tax reform reduced the tax rate for the Group companies in Germany from 38.9 percent to 29.5 percent. An expense of K EUR 73,768 arose from the revaluation of deferred tax necessitated by the reform. This was reported to an amount of K EUR 68,964 in the tax expense relating to continuing operations. The other effects in the previous year amounting to K EUR -808 arise from changes in foreign taxation rates.

Foreign taxation differences

The decline in taxation differences compared with the previous year results from the changed tax rate in Germany. This now amounts to 29.5 percent, following 38.9 percent.

Other

The rise in other effects mainly results from tax reimbursements for prior years.

Deferred taxes

The table below provides a breakdown of deferred tax assets and liabilities by maturity:

(K EUR)	12/31/2008	12/31/2007
Current deferred tax assets	62,306	52,393
Non-current deferred tax assets	252,050	312,517
Total deferred tax assets	314,356	364,910
Current deferred tax liabilities	42,675	35,704
Non-current deferred tax liabilities	45,720	51,515
Total deferred tax liabilities	88,395	87,219
Net deferred tax assets	225,961	277,691

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

The table below shows the stock of deferred taxes, without netting:

(K EUR)	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
Property, plant and equipment	5,767	4,226	23,917	25,863
Intangible assets	1,265	1,835	26,942	16,451
Goodwill	75,782	85,112	41,347	39,489
Investments in enterprises reported at equity	19	-	213	116
Other financial assets	10,741	10,088	3,648	5,496
Non-current assets	93,574	101,261	96,067	87,415
Inventories	22,810	22,156	3,314	5,046
Trade receivables	11,680	16,525	26,522	25,461
Other financial assets	9,394	12,717	6,132	7,497
Cash and cash equivalents	113	13	96	11
Current assets	43,997	51,411	36,064	38,015
Assets held for sale	107	585	793	156
Total assets	137,678	153,257	132,924	125,586
Provisions	17,079	28,646	1,149	515
Obligations to employees	38,600	46,030	901	222
Financial liabilities	3,317	1,393	732	-
Other financial liabilities	917	1,082	10,002	15,430
Non-current liabilities	59,913	77,151	12,784	16,167
Provisions	27,804	25,619	5,954	4,250
Obligations to employees	7,840	7,958	213	1,300
Financial liabilities	6,727	2,087	1,565	987
Trade payables	2,329	1,453	492	7,037
Other financial liabilities	7,844	294	33,538	24,806
Current liabilities	52,544	37,411	41,762	38,380
Total equity and liabilities	112,457	114,562	54,546	54,547
Valuation allowances applied to temporary differences	-4,266	-968	-	-
Deferred taxes relating to temporary differences	245,869	266,851	187,470	180,133
Tax loss carryforwards	992,011	1,113,034	-	-
Valuation allowances applied to tax loss carryforwards	-824,449	-922,061	-	-
Deferred tax balance	-99,075	-92,914	-99,075	-92,914
Recognized deferred taxes	314,356	364,910	88,395	87,219

As of December 31, 2008, GEA Group recognized deferred tax assets of K EUR 167,562 on tax loss carryforwards:

(K EUR)	12/31/2008	12/31/2007
Deferred taxes on domestic loss carryforwards		
- Corporation income tax	41,198	42,296
- Trade taxes	35,106	36,109
Deferred taxes on loss carryforwards outside Germany	91,258	112,568
Total	167,562	190,973

The reduction of deferred tax assets relating to foreign loss carryforwards is based mainly on the utilization of loss carryforwards in the USA. Deferred tax assets relating to German tax loss carryforwards are almost unchanged since the utilization of tax loss carryforwards in the past year is offset by a revaluation by almost the same amount.

A tax rate of 29.5 percent is applied to Group companies in Germany. This includes the standard rate of corporate tax, the Solidarity Surcharge and the average rate of trade tax.

As in the previous year, the tax rates applicable to companies outside Germany vary from 12.5 percent (Ireland) to 41.7 percent (Japan).

No deferred tax assets were accrued on corporate tax loss carryforwards of K EUR 2,233,060 (previous year: K EUR 2,354,155) and on trade tax loss carryforwards of K EUR 1,761,522 (previous year: K EUR 2,001,537) because their utilization was not sufficiently certain. The German companies' losses can be carried forward indefinitely. The foreign companies' losses can usually only be carried forward for a limited period. The majority of the foreign companies' loss carryforwards will probably expire in 2011.

8.8 Earnings per share

Earnings per share are calculated as follows:

(K EUR)	1/1/2008 - 12/31/2008	1/1/2007 - 12/31/2007
Net income after minority interest	99,630	282,400
of which on continuing operations	348,975	237,170
of which on discontinued operations	-247,998	46,343
Weighted average number of shares in outstanding (thousands)	183,942	187,285
Earnings per share (EUR)		
On net income	0.54	1.51
of which on continuing operations	1.89	1.26
of which on discontinued operations	-1.35	0.25

There were no dilutive effects in either 2008 or 2007.

8.9 Appropriation of earnings

The annual financial statements of GEA Group Aktiengesellschaft, prepared according to the German Commercial Code, report annual net profit of K EUR 258,368. According to § 23 Section 3 of the Articles of Association, the Supervisory and Executive Boards, on adopting the annual financial statements, are authorized to transfer either part or the entirety of the net income for the year to retained earnings in consideration of § 58 Section 2 Clause 3 of the German Stock Corporation Act (AktG), and to the extent that the total of other retained earnings do not exceed half of the issued share capital. The Supervisory and Executive Boards have transferred K EUR 184,367 to retained earnings.

The Executive and Supervisory Boards propose that the Annual General Meeting appropriate the net earnings of K EUR 74,001 as follows:

	K EUR
Appropriation	
Dividend payment to shareholders	73,523
Profit carried forward	478
Total	74,001

The dividend payment corresponds to a dividend payment of 40 cents per share, given a total of 183,807,845 shares. The payment of the dividend is made without deducting local withholding tax and the Solidarity Surcharge.

9. Contingent Liabilities, Other Financial Obligations, Contingent Assets and Litigation

9.1 Contingent liabilities

GEA Group Aktiengesellschaft has issued or has mandated the issue of bank and Group guarantees in favor of customers or lenders. The obligations presented in the table below relate to contingencies where the primary creditor is not a consolidated company.

(K EUR)	Bank guarantees		Group guarantees	
	2008	2007	2008	2007
Guarantees for advances	15,316	16,892	312	15,994
Warranty guarantees	20,453	44,057	402	407
Contract performance guarantees	280,759	344,761	398,753	412,953
Other warranty declarations	11,344	10,255	30,698	41,204
Total	327,872	415,965	430,165	470,558
of which relating to Lurgi / Lentjes	278,819	367,904	409,344	448,202

Most of the bank and Group guarantees relate to Lurgi and Lentjes. As back-to-back collateral, GEA Group Aktiengesellschaft received from the purchasers bank guarantees at a total volume of K EUR 343,000 (previous year: K EUR 343,000) and group guarantees of K EUR 20,000 (previous year: K EUR 20,000) (please refer to Section 3).

The other guarantees mainly relate to customers of non-consolidated companies, banks and employees of former subsidiaries. The beneficiaries are entitled to use the guarantees if the primary debtor fails to satisfy contractual obligations e.g. delayed or improper delivery, the failure to comply with performance guarantee parameters, or the improper repayment of loans.

Durations vary depending on the type of guarantee. The weighted average duration of the Group guarantees amounts to 3.5 years (previous year: 1.7 years).

All guarantees are mandated or issued by GEA Group Aktiengesellschaft by order of or under counter-liability of the primary debtor.

Besides liability risks arising from bank and Group guarantees, there are also risks mainly arising from judicial, arbitration or out-of-court disputes (please refer to the Section 9.4), which may result in cash outflows.

9.2 Other financial liabilities

The table below provides a breakdown of other financial liabilities as of December 31, 2008:

(K EUR)	12/31/2008	12/31/2007
Rental and lease agreements	317,375	307,931
Order commitments	274,135	184,342

Rental and lease agreements

The liabilities of K EUR 317,375 (previous year: K EUR 307,931) under rental and lease agreements relate mainly to land and buildings and, to a lesser extent, plant and equipment. The leases run until no later than 2031. Payments are spread over future years as follows:

(K EUR)	12/31/2008
2009	77,067
2010	67,879
2011	52,521
2012	38,584
2013	25,276
Thereafter	56,048
Total payments	317,375

In 2008, the cost of rental and lease agreements amounted to K EUR 104,210 (previous year: K EUR 74,064), of which K EUR 13,496 (previous year: K EUR 12,983) related to variable payments. Sub-leases in the reporting year generated income of K EUR 20,261 (previous year: K EUR 19,877). These sub-leases give rise to claims to rental income of K EUR 76,947 (previous years: K EUR 92,041) over the next few years.

Sale-and-leaseback agreements on buildings lead to future cash payments of K EUR 120,414 (previous year: K EUR 123,681) as of the balance sheet date.

Order commitments

Of the total order commitments of K EUR 274,135 (previous year: K EUR 184,342), 91 percent relates to inventories (previous year: 95 percent), and the remaining 9 percent to property, plant and equipment (previous year: 5 percent).

9.3 Contingent assets

The court ruled in favor of GEA Group Aktiengesellschaft in the arbitration proceedings against US-based Flex-N-Gate Corp., Urbana, Illinois/USA, on September 15, 2006. This ruling means Flex-N-Gate is obligated to compensate GEA Group Aktiengesellschaft for the losses it incurred in connection with the failure of the sale of the Dynamit Nobel Plastics business to Flex-N-Gate in the autumn of 2004. The second part of the case, when the level of damages to be paid to GEA Group Aktiengesellschaft is to be determined, is still pending. The final judgment regarding the level of compensation in this matter is expected to be passed in the course of the 2009 fiscal year.

Arbitration proceedings launched by GEA Group against the Ukraine at the World Bank arbitration court (International Centre for the Settlement of Investment Disputes - ICSID) was registered on November 21, 2008. Proceedings will start in spring 2009. This matter relates to the enforcement of an International Chamber of Commerce (ICC) arbitration award from 2002 relating to a low double-digit amount in millions that are due from a state affiliated Ukrainian company. The background to the ICC's arbitration award, which fully vindicated GEA Group Aktiengesellschaft, was the disappearance of large volumes of diesel oil supplies that a former GEA Group Aktiengesellschaft subsidiary had delivered to the Ukraine. GEA Group Aktiengesellschaft accuses the Ukraine of having hindered the enforcement of the ICC arbitration award in a way that is tantamount to illegal expropriation, and in breach of the investment convention existing between the Federal Republic of Germany and the Ukraine.

9.4 Litigation

The lawsuit brought by the insolvency administrator of Polyamid 2000 AG relating to the repayment of an amount of EUR 164.6 million, including VAT, for the construction of a carpet recycling plant was the subject of a judgment made by the Federal High Court of Justice (BGH) on July 9, 2007. The plaintiff was deemed to have no entitlement to the repayment of the full compensation for work performed. A potential claim exists only to the extent that the remuneration received is deemed to have been above the usual or appropriate level of remuneration according to legislation governing unjustified enrichment. The case was referred to the Higher Regional Court (OLG) of Frankfurt am Main. The Higher Regional Court (OLG) rejected the lawsuit, and has not permitted an appeal to the Federal High Court of Justice (BGH). The plaintiff has submitted a complaint relating to non-admission to the Federal High Court of Justice (BGH).

In connection with the conclusion of the domination and profit and loss transfer agreement between Metallgesellschaft AG and the former GEA AG in 1999, an appeal is still pending before the District Court in Dortmund regarding the appropriateness of the exchange offer made to shareholders of the former GEA AG.

The appeal launched at the District Court in Dortmund after the squeeze-out resolution of the Annual General Meeting of the former GEA AG was concluded with the court-recorded settlement on July 2, 2008. The settlement entails a rise in the cash settlement from EUR 43.33 (per preference share) and EUR 48.15 (per ordinary share) to a uniform EUR 53.00 plus interest.

There are sector-specific legal cases relating to the former subsidiaries of the Plant Engineering business in connection with the acceptance and execution of orders, whose disputed sums partly reach several millions of euros. As part of the disposal of the Lentjes Group, GEA Group granted a wide-ranging release of the purchaser from various risks arising from existing orders and legal disputes. There is currently a lack of unanimity between the parties concerning foreign currency matters relating to the level of loss compensation to be granted. There are contractual arrangements for arbitration proceedings to be launched should unanimity fail to be achieved with respect to these matters.

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. As part of the disposal of the Lurgi Group to the Air Liquide Group of France, an arbitrator's expert opinion process and arbitration proceedings have been started relating to a potential price adaptation reflecting differing opinions relating to various items in the reference balance sheets.

Appropriate provisions have been set up for risks arising from the legal disputes described above, as well as for others. It is nevertheless impossible to predict the outcome of individual cases with any degree of certainty. Consequently, it cannot be excluded that the conclusion of these lawsuits may in some cases incur expenses that exceed the provisions potentially formed for such purposes.

10. Segment Reporting

10.1 Business segments

The Group's global operations were organized into three business segments as of December 31, 2008. Its main operations are structured as follows:

- Energy and Farm Technology
- Process Technology
- Other

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

(EUR million)	Energy and Farm Technology	Process Technology	Other	Consolidation	GEA Group
1/1/2008 - 12/31/2008					
Revenue	1,816.3	3,330.6	32.1	-	5,179.0
Intersegment revenue	2.2	7.5	-	-9.8	-
Total revenue	1,818.6	3,338.1	32.1	-9.8	5,179.0
Net income on equity measurement	0.7	1.3	0.2	-	2.2
EBIT	165.5	369.7	-30.8	-0.2	504.2
Interest income	11.3	23.9	46.9	-48.1	34.0
Interest expense	18.1	36.2	73.3	-48.1	79.4
Segment earnings before tax	158.7	357.5	-57.4	-	458.8
Income taxes	27.6	49.8	32.4	-	109.8
Net income/loss discontinued operations	-	-	-248.0	-	-248.0
Segment assets	1,657.0	3,315.1	2,135.8	-1,979.6	5,128.3
Segment liabilities	883.4	1,770.0	2,001.4	-981.8	3,672.9
Carrying amount of shares recognized at equity	3.6	6.8	1.6	-	12.0
Investments in tangible, intangible fixed assets and goodwill	97.8	204.1	11.1	-	312.9
Depreciation/amortization	25.2	45.4	19.0	-	89.5
Impairment	-	0.1	30.0	-	30.1
Addition to provisions	88.5	181.5	275.4	-	545.5
1/1/2007 - 12/31/2007					
Revenue	1,643.5	3,142.9	69.5	-	4,856.0
Intersegment revenue	4.7	16.1	6.6	-27.4	-
Total revenue	1,648.3	3,159.0	76.2	-27.4	4,856.0
Net income on equity measurement	0.3	0.9	-	-	1.2
EBIT	139.8	301.7	-40.8	0.4	401.1
Interest income	7.4	22.7	30.7	-39.3	21.5
Interest expense	16.6	29.4	64.4	-39.3	71.0
Segment earnings before tax	130.6	295.0	-74.2	0.2	351.6
Income taxes	45.4	71.2	-2.1	-	114.4
Net income/loss discontinued operations	-	-	46.3	-	46.3
Segment assets	1,452.0	3,113.6	1,968.4	-1,786.0	4,748.0
Segment liabilities	726.3	1,691.6	1,829.9	-913.5	3,334.3
Carrying amount of shares recognized at equity	4.7	6.2	3.6	-	14.6
Investments in tangible, intangible fixed assets and goodwill	81.5	212.1	22.4	-	316.0
Depreciation/amortization	21.1	39.5	18.1	-	78.7
Impairment	-	-	7.2	-	7.2
Additions to provisions	70.7	131.3	429.3	-	631.4

The consolidation mainly comprises the elimination of Group-internal revenue, as well as interest expense and income. Intra-segment sales are based on market prices.

The accounting principles used for the recognition and measurement of segmental assets are the same as those applying for the Group, and are described in the accounting principles section of the annual report. The benchmark of profitability for both the Group and its segments is EBIT (earnings before interest and tax) and EBT (earnings before tax), as presented in the income statement.

Impairments contain all impairments relating to tangible fixed assets, intangible assets and investment property.

10.2 Geographical segments

When presenting information according to geographic regions, the allocation of revenue is according to the domicile of the customer. Assets are allocated according to the relevant location.

With the exception of Germany, the “Other Europe” region comprises all European Community countries, EFTA and the Commonwealth of Independent States (CIS). The “Americas” region contains the states of North, Central and South America.

(EUR million)	Germany	Other Europe	Americas	Asia / Oceania	Africa	Total
1/1/2008 - 12/31/2008						
External revenue	682.1	2,149.5	1,042.7	1,125.6	179.2	5,179.0
Non-current assets (property, plant and equipment, intangible assets and investment properties)	1,013.4	736.2	213.3	71.5	3.8	2,038.3
1/1/2007 - 12/31/2007						
External revenue	643.4	2,017.3	1,000.7	1,068.1	126.5	4,856.0
Non-current assets (property, plant and equipment, intangible assets and investment properties)	1,046.4	652.0	179.2	46.2	2.5	1,926.2

There are no relationships with individual customers whose revenue is deemed material compared to total Group revenue.

11. Events after the balance sheet date

The Refrigeration Division acquired all shares in Eurotek Engineering Ltd., Norwich/United Kingdom, on January 16, 2009. The company operates in the area of refrigeration and freezing technology for food production and generated revenue of around EUR 8 million in the 2007 fiscal year with a workforce of 21 employees. Eurotek's main activities comprise the development, installation and servicing of industrial refrigeration plants such as spiral, tunnel or carton freezing systems.

In addition, the Refrigeration Division acquired all of the key assets of Intec USA, LLC, Durham (NC)/USA, and of its two sister companies in New Zealand on January 29, 2009. Intec produces carton freezing systems, and generated revenue of EUR 8 million in the 2008 fiscal year with a workforce of around 20 employees.

Provisional purchase costs for these companies total K EUR 7,171. These are offset by provisionally measured net assets of K EUR 6,843. Uncertainties exist mainly with respect to the measurement of the intangible assets. A calculated goodwill addition of K EUR 328 results from this provisional valuation.

12. Other notes

12.1 Notes to the Cash Flow Statement

Cash flow from investing activities recognizes cash outflows of K EUR 215,007 arising from the disposal of discontinued operations. These cash outflows relate to payments made in connection with the disposal of business areas in prior periods. Of this amount, the largest portion of K EUR 192,944 is attributable to the former Lurgi and Lentjes divisions and results entirely from project-related indemnities. The remaining outgoing payments of K EUR 22,063 are almost exclusively connected with the disposal of Dynamit Nobel, and result from the agreement concluded with the purchaser relating to the settlement of claims arising from representations and warranties contained in the purchase agreement. The K EUR 571,513 cash inflow reported in the previous year reflects Air Liquide's purchase price payment for Lurgi.

12.2 Government grants

Government grants of K EUR 637 million related to income were received in 2008 (previous year: K EUR 2,120). These grants were deducted from the corresponding expenses. Grants of K EUR 3,227 related to assets were deducted from the carrying amount of the respective asset (previous year: K EUR 134). Expenses of K EUR 158 were incurred in 2008 for the potential repayment of grants received (previous year: K EUR 2,564).

12.3 Related-party disclosures

12.3.1 Transactions with related companies

Transactions between GEA Group Aktiengesellschaft and its consolidated subsidiaries have been eliminated as part of consolidation, with the exception of income and expenses arising between continuing and discontinued operations.

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

(K EUR)	Revenue	Other income	Other expenses
1/1/2008 - 12/31/2008			
Non-consolidated subsidiaries	48,047	2,253	3,819
Associates and joint-ventures	9,262	189	71
Total	57,309	2,442	3,890
1/1/2007 - 12/31/2007			
Non-consolidated subsidiaries	65,707	1,802	2,001
Associates and joint-ventures	4,958	109	8
Total	70,665	1,911	2,009

The table below provides a breakdown of outstanding items from transactions with related companies as of December 31, 2008:

(K EUR)	Trade receivables	Trade payables	Other receivables	Other liabilities
12/31/2008				
Non-consolidated subsidiaries	27,313	3,662	20,141	23,653
Associates and joint-ventures	4,638	1,052	125	1,173
Total	31,951	4,714	20,266	24,826
of which current	31,951	4,714	20,266	24,826
12/31/2007				
Non-consolidated subsidiaries	33,078	4,062	20,333	25,203
Associates and joint-ventures	743	598	845	70
Total	33,821	4,660	21,178	25,273
of which current	33,821	4,660	20,863	25,273

The changes to revenues and trade receivables with non-consolidated subsidiaries mainly result from the first-time consolidation of subsidiaries in fiscal 2008.

Other income and expenses contain interest income and expenses for the first time this year. Previous years' figures were adjusted correspondingly.

Outstanding items are settled in bank transfer, and are unsecured.

12.3.2 Remuneration paid to the Executive Board and the Supervisory Board

The Executive Board of GEA Group Aktiengesellschaft received total remuneration of K EUR 5,635 in fiscal 2008. The table below provides a breakdown of this remuneration:

(K EUR)	2008	2007
Base salary	2,221	2,576
Bonus	3,175	4,707
Non-cash remuneration	164	209
Pension allowance	75	43
Total	5,635	7,535

Former members of the Executive Board and their surviving dependants received remuneration of K EUR 1,666 (previous year: K EUR 2,126) from GEA Group Aktiengesellschaft and payments of K EUR 5,238 (previous year: K EUR 5,717) from the GEA Group. GEA

Group Aktiengesellschaft accrued IFRS pension reserves of K EUR 27,548 (previous year: K EUR 27,136) for former members of the Executive Board and their surviving dependants; the GEA Group accrued pension reserves of K EUR 56,616 (previous year: K EUR 57,384) for these persons.

Expenses incurred for the Supervisory Board amounted to K EUR 738 in 2008 (previous year: K EUR 670).

Further information about the remuneration paid to the Executive Board and the Supervisory Board can be found on page 74 et seq. of the management report.

There were no other transactions conducted by management or supervisory board members, or related parties or companies, during the reporting period or the previous period.

12.4 Further disclosures pursuant to § 315a a of the German Commercial Code (HGB)

12.4.1 Declaration on the German Corporate Governance Code

On November 25, 2008 the Executive and Supervisory Boards issued an updated declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG), and posted it at the company's website, where it can be accessed permanently by shareholders.

12.4.2 Number of employees

The average number of employees (excluding trainees and apprentices) during the year was as follows:

	2008	2007
Employees at balance sheet day *		
Wage earners	8,224	7,493
Salaried employees	12,388	11,216
Continuing operations	20,612	18,709
Wage earners	155	134
Salaried employees	77	1,020
Discontinued operations	232	1,154
Total	20,844	19,863

* Full-time equivalents (FTEs), excl. apprentices /trainees and inactive employment contracts

Employees of Ruhr-Zink GmbH and MG Rohstoffhandel GmbH have been allocated retrospectively to previous year's figures for discontinued operations. The previous year's figures for discontinued operations also contain employees of the Lurgi Division, which was sold on July 20, 2007.

The number of employees (excluding trainees and apprentices) at the balance sheet date was as follows:

	12/31/2008	12/31/2007
Employees at balance sheet day *		
Wage earners	8,614	7,724
Salaried employees	12,713	11,620
Continuing operations	21,327	19,344
Wage earners	157	138
Salaried employees	74	78
Discontinued operations	231	216
Total	21,558	19,560

* Full-time equivalents (FTEs), excl. apprentices /trainees and inactive employment contracts

12.4.3 Auditing and consultancy fees

The table below provides a breakdown of the fees and expenses paid to the auditors of the 2008 consolidated financial statements:

(K EUR)	2008	2007
Auditing	1,911	1,921
Tax advice	244	280
Other services	70	104
Total	2,225	2,305

12.4.4 Major shareholdings

The complete list of shareholdings is published in the electronic Federal Gazette. A list of shareholdings can also be found on the internet at www.geagroup.com. The following list contains only major shareholdings, measured in terms of revenue and total assets:

Segment	Company	Head Office	Country
Energy and Farm Technology	GEA Air Treatment GmbH	Herne	Germany
	GEA WestfaliaSurge Deutschland GmbH	Bönen	Germany
	GEA WestfaliaSurge, Inc.	Delaware	USA
	GEA Energietechnik GmbH	Bochum	Germany
	GEA Batignolles Technologies Thermiques S.A.S.	Nantes	France
	GEA Bischoff GmbH	Essen	Germany
Process Technology	Royal GEA Grasso Holding N.V.	's-Hertogenbosch	Netherlands
	GEA Process Equipment GmbH	Duisburg	Germany
	GEA Ecoflex GmbH	Sarstedt	Germany
	GEA Westfalia Separator GmbH	Oelde	Germany
	GEA Westfalia Separator Process GmbH	Oelde	Germany
	GEA Westfalia Separator Production GmbH	Oelde	Germany
	GEA Process Engineering A/S	Søborg	Denmark
	GEA Procomac S.p.A.	Sala Baganza	Italy
	GEA Pharma Systems Limited	Eastleigh Hampshire	United Kingdom
	GEA Group Aktiengesellschaft	Bochum	Germany
Other	GEA North America, Inc.	Delaware	USA
	GEA Real Estate GmbH	Frankfurt am Main	Germany
	GEA PT Holding GmbH	Bochum	Germany
	GEA PT France SAS	Saint-Quentin en Yvelines	France
	LL Plant Engineering AG	Ratingen	Germany
	Ruhr-Zink GmbH	Datteln	Germany
	ZiAG Plant Engineering GmbH	Frankfurt am Main	Germany

12.4.5 Companies exempted under § 264 Section 3 of the German Commercial Code (HGB)

GEA 2H Water Technologies GmbH, Wettringen
GEA Air Treatment GmbH, Herne
GEA Air Treatment Marketing Services International GmbH, Herne
GEA AWP GmbH, Prenzlau
GEA Bischoff GmbH, Essen
GEA Delbag Lufttechnik GmbH, Herne
GEA Diessel GmbH, Hildesheim
GEA Ecoflex GmbH, Sarstedt
GEA Energietechnik GmbH, Bochum
GEA Energy Technology GmbH, Bochum
GEA Grasso GmbH, Berlin
GEA Grasso International GmbH, Berlin
GEA Happel Klimatechnik GmbH, Herne
GEA Happel Klimatechnik Produktions- und Servicegesellschaft mbH; Herne
GEA Happel Service GmbH, Willich
GEA Happel Wieland GmbH, Sprockhövel-Haßlinghausen
GEA Industrial Products, Bochum
GEA Industriebeteiligungen GmbH, Bochum
GEA IT Services GmbH, Oelde
GEA Jet Pumps GmbH, Ettlingen
GEA Klima- und Filtertechnik Wurzen GmbH, Wurzen
GEA Küba GmbH, Baierbrunn
GEA Luftkühler GmbH, Bochum
GEA Lyophil GmbH, Hürth
GEA Management Gesellschaft für Wärme- u. Energietechnik mbH, Bochum
GEA Maschinenkühltechnik GmbH, Bochum
GEA Messo GmbH, Duisburg
GEA NEMA Wärmetauscher GmbH, Netzschkau
GEA NIRO GmbH, Müllheim
GEA Process Equipment GmbH, Duisburg
GEA Procomac Deutschland GmbH, Hildesheim
GEA PT Holding GmbH, Bochum
GEA Real Estate GmbH, Frankfurt am Main
GEA Renzmann & Grünwald GmbH, Monzingen
GEA TDS GmbH, Sarstedt
GEA Tuchenhagen GmbH, Büchen
GEA Westfalia Separator Deutschland GmbH, Oelde
GEA Westfalia Separator GmbH, Oelde
GEA Westfalia Separator Process GmbH, Oelde
GEA Westfalia Separator Production GmbH, Oelde

GEA Westfalia Separator Systems GmbH, Oelde
GEA WestfaliaSurge Deutschland GmbH, Bönen
GEA WestfaliaSurge GmbH, Bönen
GEA Wiegand GmbH, Ettlingen
GEA WTT GmbH, Nobitz-Wilchwitz
Huppmann GmbH, Kitzingen
LL Plant Engineering AG, Ratingen
mg Altersversorgung GmbH, Bochum
mg capital gmbh, Bochum
Paul Pollrich GmbH, Mönchengladbach
Tuchenhagen Brewery Systems GmbH, Büchen
ZiAG Plant Engineering GmbH, Frankfurt am Main

Bochum, March 3, 2009

The Executive Board



Jürg Oleas



Hartmut Eberlein



Niels Graugård

Assurance of the legal representatives

We assure that, to the best of our knowledge, these consolidated financial statements convey a true and fair view of the Group's assets and liabilities, financial and earnings positions in accordance with the applicable accounting principles, that the Group's business performance, including its earnings and position, are represented in such a way in the Group management report, as aggregated with the parent company's management report that a true and fair view is conveyed and that the key opportunities and risks pertaining to the Group's future development are described.

Bochum, March 3, 2009

The Executive Board



Jürg Oleas



Hartmut Eberlein



Niels Graugaard

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 (aggregated with the management report of the parent company) prepared by GEA Group Aktiengesellschaft, Bochum, for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the aggregated 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 aggregated 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, which has been aggregated with the management report of the parent company, 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 3, 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Kompenhans)
Wirtschaftsprüfer (German Public Auditor)

(Dr. Buhleier)
Wirtschaftsprüfer (German Public Auditor)

Report of the Supervisory Board

In the year under review, the Supervisory Board comprehensively performed the duties incumbent on it by virtue of the law, the Articles of Association and the internal Rules of Procedure, dealing in depth with the Company's position and its business prospects and some special issues. The Supervisory Board provided ongoing advice to the Executive Board on the management of the Company and monitored its conduct of business, based on regular written and oral reports provided by the Executive Board in addition to the consultations at the meetings. Furthermore, the Supervisory Board chairman maintained continuous contact with the Executive Board and with the Executive Board's chairman in particular who provided him with regular and prompt information on all important developments and imminent decisions. Besides the Supervisory Board chairman, other Supervisory Board members held regular contact with the Executive Board outside meetings to obtain information on the current course of business in order to support the Executive Board with advice.

The Supervisory Board was directly involved in all decisions of fundamental and/or material importance for the Company and was comprehensively informed on all relevant aspects of the Company, on the course of business and the position of the Group.

The Supervisory Board obtained continuous and thorough information on the order intake, sales, earnings and capacity utilization trends at the Group and its Segments/Divisions and on discontinued operations as well as the financial situation. Any variances of the course of business from the plans and targets were explained to the Supervisory Board in detail on the basis of supporting documents and made plausible to the Supervisory Board. The prospects and strategic development of the Company and its business units, including corporate planning, were extensively discussed and agreed with the Supervisory Board. Special attention was attributed to the risk exposure and the risk management of the Company, specifically against the backdrop of the emerging economic crisis.

After thorough examination and comprehensive debates, the Supervisory Board approved and voted on the reports and motions submitted by the Executive Board to the extent that this was required under the law and the provisions of the Articles of Association as well as the Rules of Procedure. Before and in between the meeting dates, the Executive Board provided written reports on material events. The Supervisory Board and/or its committees were informed extensively about projects and plans which called for urgent decision. As far as required, resolutions were adopted by correspondence.

None of the Supervisory Board members attended less than half of the meetings.

Focal Points of the Supervisory Board's Deliberations

Five Supervisory Board meetings took place during 2008.

The main issues discussed at the Supervisory Board meeting held on March 11, 2008 were, besides matters relating to Executive Board members, the treatment of the annual financial statements and of the consolidated financial statements for fiscal 2007, the determination of the proposals to be submitted for approval to the Annual General Meeting on April 23, 2008, the status of the divestment projects of Plant Engineering and Ruhr-Zink GmbH as well as pending acquisition projects. The Executive Board reported on initiatives for closer cooperation between the individual business segments of the Group. Moreover, after thorough preparation, at that meeting the Supervisory Board dealt with the efficiency check of its own performance in the absence of the Executive Board. The Supervisory Board took approving note of a voluntary bonus for the employees to pay tribute to their performance in fiscal 2007.

The Supervisory Board meeting held directly before the Annual General Meeting on April 23, 2008 served in particular to prepare the Annual General Meeting. In addition, it dealt with Executive Board matters and the Executive Board reported on the business situation and the targets for the Company's performance in 2008.

The Supervisory Board used the meeting held on June 18, 2008 to deliberate extensively on the future strategy and investment policy, especially with regard to the Division "Mechanical Separation", based on a comprehensive report provided by the Executive Board. At that meeting, the Supervisory Board was also informed on the status of the divestment projects and approved the issuance of a note loan in the amount of EUR 200 million.

The Supervisory Board meeting on September 17, 2008 took place in Berlin where a works inspection at the Refrigeration Division provided an opportunity for the Supervisory Board to familiarize itself on the spot with the production operations and the related issues. At that meeting, the Supervisory Board again consulted with the Executive Board on focal aspects of the strategic alignment and the deriving long-term corporate targets. The restructuring plans for the Pharma Systems Division were presented to the Supervisory Board which approved the capital expenditure plan of the Mechanical Separation Division. Further important items dealt with at the September meeting related to management staff development, the status of the remaining risks inherent in the divested Plant Engineering business as well as the future of Ruhr-Zink GmbH.

Main topics at the meeting on November 25, 2008 were, besides the divestment projects Lurgi and Lentjes as well as the options for Ruhr-Zink (sale or closure), the earnings trends at the Divisions as well as the mid-term planning of the Group. In this context, the Executive Board also reported on the potential impact of the economic crisis, suitable initiatives for counteraction as well as the current financial situation. The Supervisory Board approved

the budget for fiscal 2009 and the Declaration of Compliance with the German Corporate Governance Code. The Supervisory Board also approved the termination of the share buyback program. The Chief Compliance Officer provided a comprehensive report on his area of responsibility and the further extension of compliance activities.

Work of the Committees

The Chairman's Presiding Committee met on six occasions. Besides the preparation of Supervisory Board meetings, the key topics covered by the Committee were debates on amendments of service contracts for individual members of the Executive Board, current legal disputes of the Group as well as available options for Ruhr-Zink GmbH and, eventually, the consent to that company's closure. The Presiding Committee approved the plans for restructuring the Pharma Systems Division. Moreover, it also dealt with the Internal Audit's report on the findings of audits performed in 2007 and the audit plan for 2008. Furthermore, the Presiding Committee approved the extension of the retirement benefit plan to executives of domestic subsidiaries. Further items on the agenda were the reports of the Chief Compliance Officer and the annual renewal of the D&O insurance policy. In between the meetings, the Presiding Committee members discussed projects of significance for the Group with the Executive Board.

The Audit Committee met four times. In the presence of the accounts auditor as well as the Executive Board chairman and the CFO, the Audit Committee focused on the annual financial statements and the consolidated financial statements for the 2007 fiscal year as well as the quarterly reports in fiscal 2008. The remaining risks emanating from the divested Plant Engineering business were discussed comprehensively. The Audit Committee also dealt with the internal risk control system and the risk exposure situation of the Company. The accounts auditors explained their auditing activities in depth. The Audit Committee also deliberated on the order award to the auditors as well as the definition and monitoring of the audit process including agreement on the auditors' fees. In addition, the Audit Committee was concerned with the reports of the Internal Audit function and of the Chief Compliance Officer.

The respective committee chairmen reported to the Supervisory Board on the committee work at the subsequent plenary Supervisory Board meetings. The Mediation Committee and the Nomination Committee did not have to be convened.

Corporate Governance

The Supervisory Board constantly followed up on the further development of the German Corporate Governance standards. In accordance with the new recommendation in item 4.2.2 of the Code, following a proposal of the Presiding Committee, the remuneration system for the Executive Board members including the main contract elements are now determined by the Supervisory Board in its entirety and reviewed regularly. On November 25, 2008, the Executive Board and the Supervisory Board issued an updated Declaration of Compliance pursuant to § 161 AktG [German Stock Corporation Act] and posted it at the Company's website, where it can be permanently accessed by the shareholders. GEA Group Aktiengesellschaft complies with all requirements set forth 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). Further information on corporate governance can be found in the Corporate Governance Report (p. 70 et seq.).

Annual Financial Statements and Consolidated Financial Statements for 2008

The 2008 annual financial statements of GEA Group Aktiengesellschaft, the consolidated financial statements prepared in accordance with IFRS and the combined management report have been audited by Deloitte & Touche GmbH and have been given their unqualified opinion.

The combined management report, the annual financial statements of GEA Group Aktiengesellschaft, the proposal for the appropriation of the net earnings as well as the consolidated financial statements and the audit reports for 2008 were discussed and examined in detail at the meeting of the Audit Committee held on March 3, 2009 and at the meeting of the Supervisory Board held on March 10, 2009 for adopting the annual accounts. The auditors attended both meetings and reported on the procedures applied and the material findings of their audit. They were also available to answer any questions.

On the basis of the final results of the examination performed by the Audit Committee and having conducted its own audit, the Supervisory Board agreed with the auditors' findings at its meeting on March 10, 2009 and found that it had no reservations to make. The Supervisory Board approved the 2008 consolidated financial statements and the annual financial statements of GEA Group Aktiengesellschaft as well as the combined management report. The annual financial statements of GEA Group Aktiengesellschaft have been adopted therewith. The Supervisory Board regards the proposal for the appropriation of the net earnings as reasonable.

Composition of the Supervisory Board and Executive Board

In the year under review there were no personnel changes to the Supervisory Board and its committees.

At the meeting held on March 11, 2008 the Supervisory Board renewed the appointment of Mr. Hartmut Eberlein as Executive Board member with effect from December 1, 2008 up until the close of the Annual General Meeting on April 22, 2009. At the meeting on April 23, 2008, the Supervisory Board approved the appointment of Dr. Helmut Schmale as a regular Executive Board member with effect from April 1, 2009 until March 31, 2012 as well as his taking over as CFO from April 22, 2009 in succession to Mr. Eberlein.

The Supervisory Board would like to thank the managements, employee representatives and, especially, all employees of the companies of the GEA Group for their considerable personal dedication and performance in fiscal 2008. Together, they all have yielded an excellent result again in the 2008 fiscal year.

Bochum, March 10, 2009

Dr. Jürgen Heraeus
Chairman of the Supervisory Board

Directorships

held by members of the Executive Board

Jürg Oleas, Düsseldorf / Hausen b. Brugg (Switzerland),
CEO – Chairman of the Executive Board
COO – Energy and Farm Technology

a) LL Plant Engineering AG, Ratingen,
Chairman of the Supervisory Board

GEA Westfalia Separator GmbH (former Westfalia Separator AG), Oelde,
Member of the Supervisory Board (until February 13, 2008)

b) Allianz Global Corporate & Specialty AG, Munich,
Member of the Advisory Board

Deutsche Bank AG, Frankfurt am Main,
Member of the Central Regional Advisory Board

Hartmut Eberlein, Bochum,
CFO – Chief Financial Officer

a) GEA Beteiligungsgesellschaft AG, Bochum,
Chairman of the Supervisory Board

GEA Westfalia Separator GmbH (former Westfalia Separator AG), Oelde,
Member of the Supervisory Board (until February 13, 2008)

b) GEA North America, Inc., Delaware, USA,
Chairman of the Board of Directors (since February 1, 2008)

Niels Graugaard, Düsseldorf,
COO – Process Engineering

a) GEA Westfalia Separator GmbH (former Westfalia Separator AG), Oelde,
Chairman of the Supervisory Board (until February 13, 2008)

b) GEA North America, Inc., Delaware, USA,
Member of the Board of Directors

Royal GEA Grasso Holding N.V., 's-Hertogenbosch, Netherlands,
Member of the Supervisory Board

GEA Process Engineering A/S, Søborg, Denmark,
Chairman of the Supervisory Board

Niro-Bola A/S, Søborg, Denmark,
Chairman of the Board of Directors (until October 29, 2008)

GEA Process Engineering China Ltd., Shanghai, China,
Member of the Board of Directors (until December 15, 2008)

GEA Process Engineering Asia Ltd., Hong Kong, China,
Member of the Board of Directors (until January 1, 2009)

GEA Liquid Processing Scandinavia A/S, Skanderborg, Denmark,
Member of the Board of Directors (until June 23, 2008)

GEA Process Engineering (India) Private Limited, Vadodara, India,
Member of the Board of Directors (until August 21, 2008)

GEA Process Engineering S.p.a., Milano, Italy,
Chairman of the Board of Directors (until April 23, 2008)

Procomac S.p.A., Sala Baganza, Italy,
Member of the Board of Directors (until October 20, 2008)

Niro Japan Co. Ltd., Tokyo, Japan,
Chairman of the Board of Directors (until December 18, 2008)

Tuchenhagen Japan Ltd., Osaka, Japan,
Member of the Board of Directors (until December 15, 2008)

GEA Process Engineering (S.E.A) Pte. Ltd., Singapore,
Member of the Board of Directors (until October 1, 2008)

GEA Process Engineering Ltd., Eastleigh, United Kingdom,
Member of the Board of Directors (until February 28, 2008)

GEA Process Engineering Inc., Columbia, USA,
Member of the Board of Directors (until October 1, 2008)

a) Membership of statutory German supervisory boards

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

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) Heidelberger Druckmaschinen AG, Heidelberg,
 Member of the Supervisory Board (until July 18, 2008)

Heraeus Holding GmbH, Hanau,
 Chairman of the Supervisory Board

Lafarge Roofing GmbH, Oberursel,
 Member of the Supervisory Board (until May 15, 2008)

Messer Group GmbH, Sulzbach,
 Chairman of the Supervisory Board

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 Works Council of GEA Group Aktiengesellschaft

Dieter Ammer, Hamburg,
Chairman of the Management Board of Conergy AG

a) Beiersdorf AG, Hamburg,
 Chairman of the Supervisory Board (until April 30, 2008)
 Member of the Supervisory Board (since April 30, 2008)

Conergy AG, Hamburg,
 Member of the Supervisory Board (until July 31, 2008)

Heraeus Holding GmbH, Hanau,
 Member of the Supervisory Board

IKB Deutsche Industriebank AG, Düsseldorf,
 Member of the Supervisory Board (until November 30, 2008)

Tesa AG, Hamburg,
 Member of the Supervisory Board (until April 24, 2008)

Ahmad M.A. Bastaki, Safat, Kuwait,
Executive Director, Office of the Managing Director, Kuwait Investment Authority

Rainer Gröbel, Sulzbach/Taunus,
Departmental Head, IG Metall, Management Board

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

Klaus Hunger, Herne,
Works Council of GEA Maschinenkühltechnik GmbH
 (since August 27, 2008)

Michael Kämpfert, Duisburg,
Head of Human Resources at GEA Group Aktiengesellschaft

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

a) Allianz Versicherungs AG, Munich,
 Member of the Supervisory Board (until April 24, 2008)

BDO Deutsche Warentreuhand AG, Hamburg,
 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 (until September 9, 2008)

TUI AG, Hanover,
 Member of the Supervisory Board

b) COMSTAR-United Telesystems, Moscow, Russia,
 Member of the Board of Directors (until June 30, 2008)

Kurt-Jürgen Löw, Ebernhahn
Works Council Chairman of GEA Westfalia Separator Production GmbH

a) GEA Westfalia Separator GmbH (former Westfalia Separator AG), Oelde,
 Member of the Supervisory Board (until February 13, 2008)

Directorships

held by members of the Supervisory Board

Dr. Helmut Perlet, München, Member of the Management Board of Allianz SE

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

Allianz Global Corporate & Specialty AG, Munich,
Deputy Chairman of the Supervisory Board

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

Allianz Investment Management SE, Munich,
Deputy Chairman of the Supervisory Board

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

b) Allianz Life Insurance Company of North America, Minneapolis, USA,
Member of the Board of Directors

Fireman's Fund Ins. Co., Novato, USA,
Member of the Board of Directors

Allianz of America Inc., Novato, USA,
Member of the Board of Directors

Lloyd Adriatico S.p.A., Trieste, Italy,
Member of the Board of Directors (until January 31, 2008)

Allianz S.p.A., Milan, Italy,
Member of the Board of Directors

Joachim Stöber, Biebergemünd, Executive Secretary to the Executive Board of IG Metall

a) Pierburg GmbH, Neuss,
Deputy Chairman of the Supervisory Board (until August 11, 2008)

Rheinmetall AG, Düsseldorf,
Deputy Chairman of the Supervisory Board

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

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

ZRT/Zertus GmbH, Hamburg,
Deputy Chairman of the Supervisory Board

b) BHF-BANK International S.A., Luxembourg,
Chairman of the Administrative Board (until June 30, 2008)

BHF-BANK Jersey Ltd., United Kingdom,
Member of the Board of Directors (until June 30, 2008)

Frankfurt-Trust Investment-Gesellschaft mbH, Frankfurt am Main,
Deputy Chairman of the Supervisory Board (until May 31, 2008)

Supervisory Board committees of GEA Group Aktiengesellschaft

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

Dr. Jürgen Heraeus, Chairman
Dr. Helmut Perlet
Reinhold Siegers
Klaus Hunger

Presiding Committee

Dr. Jürgen Heraeus, Chairman
Dr. Helmut Perlet
Reinhold Siegers
Rainer Gröbel

Audit Committee

Dr. Dietmar Kuhnt, Chairman
Dr. Jürgen Heraeus
Kurt-Jürgen Löw
Joachim Stöber

Nomination Committee

Dr. Jürgen Heraeus, Chairman
Dr. Dietmar Kuhnt
Dr. Helmut Perlet

a) Membership of statutory German supervisory boards

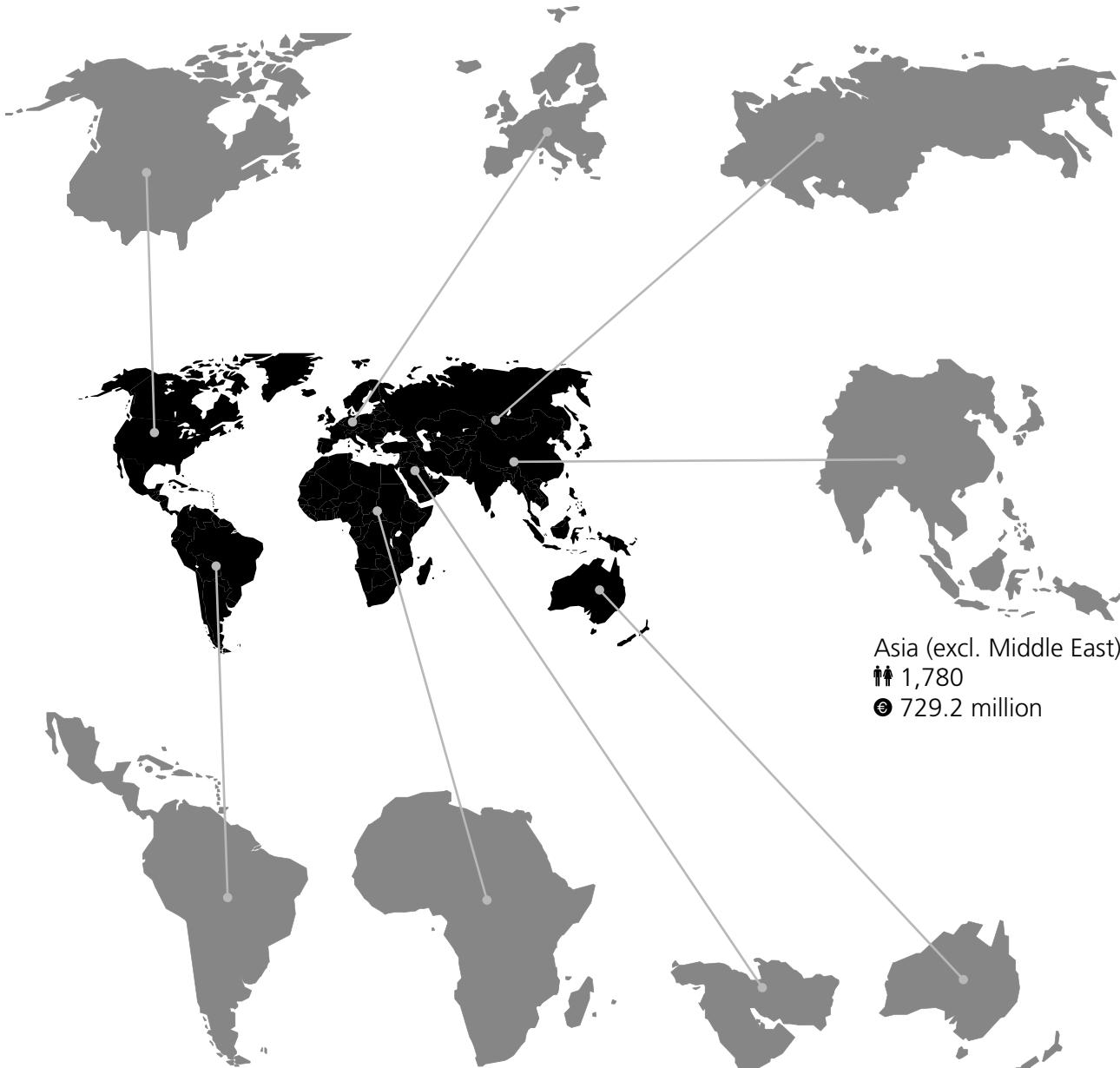
b) Membership of comparable German and foreign bodies of business enterprises

The GEA Group worldwide

North America
1,236
€ 746.1 million

Europe (excl. CIS)
1,5374
€ 2,535.9 million

CIS
244
€ 295.7 million



Latin America
1,236
€ 746.1 million

Africa
1,410
€ 179.2 million

Middle East
247
€ 262.4 million

Oceania
250
€ 133.9 million

Quarterly key figures

	Q1 2008	Q1 2007	Q2 2008	Q2 2007	Q3 2008	Q3 2007	Q4 2008	Q4 2007	2008	2007
Order intake (EUR million)										
Energy and Farm Technology	451.8	424.3	385.9	373.2	397.1	364.0	410.8	829.6	1,645.6	1,991.2
Process Technology	924.9	845.9	889.4	801.6	828.9	819.9	703.4	964.8	3,346.6	3,432.1
Core segments	1,376.7	1,270.3	1,275.3	1,174.8	1,226.0	1,183.9	1,114.2	1,794.4	4,992.2	5,423.4
GEA Group	1,382.1	1,267.9	1,265.0	1,196.1	1,223.5	1,160.5	1,113.3	1,792.5	4,983.9	5,417.0
Revenue (EUR million)										
Energy and Farm Technology	363.2	339.2	447.1	409.0	478.7	403.5	529.6	496.6	1,818.6	1,648.3
Process Technology	757.4	596.7	844.6	745.6	831.9	854.8	904.2	961.9	3,338.1	3,159.0
Core segments	1,120.6	935.9	1,291.6	1,154.5	1,310.6	1,258.3	1,433.8	1,458.5	5,156.7	4,807.2
GEA Group	1,127.2	957.5	1,295.8	1,166.7	1,318.0	1,264.3	1,438.0	1,467.5	5,179.0	4,856.0
EBIT (EUR million)										
Energy and Farm Technology	20.1	17.4	37.6	30.0	48.9	37.1	59.0	55.4	165.5	139.8
Process Technology	62.5	43.8	85.7	68.4	91.9	70.7	129.5	118.8	369.7	301.7
Core segments	82.6	61.1	123.3	98.4	140.8	107.8	188.5	174.2	535.2	441.5
GEA Group	76.1	59.3	119.3	90.2	131.8	98.5	177.1	153.1	504.2	401.1
EBIT Margin (%)										
Energy and Farm Technology	5.5	5.1	8.4	7.3	10.2	9.2	11.1	11.2	9.1	8.5
Process Technology	8.3	7.3	10.2	9.2	11.1	8.3	14.3	12.3	11.1	9.6
Core segments	7.4	6.5	9.5	8.5	10.7	8.6	13.1	11.9	10.4	9.2
GEA Group	6.5	6.2	8.2	7.7	10.0	7.8	12.3	10.4	9.7	8.3

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This annual report is a translation of the German original; in the event of variances, the German version shall take precedence over the English translation.

Title

Air cooling of power plants saves resources

The title page shows the surface structure of an Alex finned tube.

Alex finned tubes form the core components of the GEA air-cooled condensers, which are used around the world for condensing and recirculating steam from power plant and process applications.

Tougher requirements concerning the careful management of scarce water resources result in the increased use of air-cooled condensers in the power plant and process industries.

With almost 90 years of experience in industrial air-cooling, GEA is well positioned to master the challenges this industry presents. GEA manufactures ALEX air-cooled condensers in China, Germany and also in Mexico, beginning in spring of 2009.

This Annual Report includes forward-looking statements on GEA Group Aktiengesellschaft, its subsidiaries and associates, and on the economic and political conditions that may influence the business performance of the GEA Group. All these statements are based on assumptions made by the Executive Board using information available to it at the time. Should these assumptions prove to be wholly or partly incorrect, or should further risks arise, actual business performance may differ from that expected. The Executive Board therefore cannot assume any liability for the statements made.

Financial Calendar

April 22, 2009 Annual Shareholders' Meeting for 2008

May 5, 2009 Quarterly Financial Report for the period to March 31, 2009

July 30, 2009 Half-yearly Financial Report for the period to June 30, 2009

October 29, 2009 Quarterly Financial Report for the period to September 30, 2009

The GEA Group Stock: Key data

SIN	660 200
ISIN	DE0006602006
Reuters code	G1AG.DE
Bloomberg code	G1A.GR
Xetra	G1A.DE

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