2008 General Annual Meeting

Speech of the CEO

Check against delivery

Thank you very much, Dr. Heraeus.

Dear shareholders of GEA Group, dear guests, on behalf of my colleagues on the Executive Board – Hartmut Eberlein, Niels Graugaard and Dr. Helmut Schmale – I am pleased to welcome you to this year's Annual General Meeting here in Bochum. I should take this opportunity to thank Hartmut Eberlein very much for three and a half years of pleasant cooperation. He put his heart and soul in the realignment of our company, and the key financials which I am going to present to you are not least his merit. I am especially pleased that he is prepared to stand for a seat on the Supervisory Board and thus to attend to GEA from a different angle. The Supervisory Board and the Executive Board are happy to see that this year too, numerous shareholders have come here in order to get first-hand information on the situation and progress of our company. The past fiscal year was outstanding in the history of GEA. In the following, I will inform you in detail about the development of your company. I will explain to you the results of 2008 as well as the principal cornerstones of our strategy, the current situation and I will give you an outlook on the company's further progress, although this is difficult to do in the light of the general conditions prevailing today.

No doubt: 2008 was a highly successful year for GEA. We succeeded in boosting revenue to a new record mark of EUR 5.179 billion. This is a 6.7 percent year-on-year improvement, although we already got to feel the massive slowdown of economic activity in the second half of the year. With its continuing operations, the Group achieved EBIT of EUR 504 million. The earnings margin was lifted by 148 basis points to 9.7 percent. In the core segments the EBIT margin even reached 10.4 percent. This means that we exceeded our own targets and attained an EBIT margin of more than 10 percent already one year sooner than announced at the preceding Annual General Meeting. So the Group's focus on margin quality is bearing fruit. Despite substantial cash drains from the reversal of provisions, our net debt at year end was only EUR 60 million, and this corresponds to a gearing, which means in a ratio to equity, of 4.1 percent. Earnings per share from continuing operations were raised to EUR 1.89, corresponding to an increase by around 50 percent. The Executive Board and the Supervisory Board are proposing to you today the distribution of a dividend of 40 euro-cents per share. This means double the amount of 20 cents distributed in the previous fiscal year in which we returned to the payment of a dividend.

Our acquisition projects were also successful. GEA acquired eleven companies which in the past fiscal year already contributed EUR 68 million to the consolidated revenue. The current annual revenue of these newly acquired companies is around EUR 200 million.

Our acquisition strategy was again focused on the food processing sector. In 2009, we have continued to enhance external growth by selective acquisitions; we have appropriate financial leeway to this end. Except for mg Rohstoffhandel, the raw materials trading business with 7 employees, we finalized the streamlining of our portfolio in 2008. The last step was the closure of our zinc smelter, Ruhr-Zink in Datteln.

Ladies and gentlemen, as a matter of fact GEA cannot completely escape the crisis, although most of our customer markets are less vulnerable than many others. In the fourth quarter we already started getting prepared for a decline in our business volume by adjusting the structure costs and we launched a worldwide cost cutting program for GEA which is to lead to full-year cost savings of around EUR 134 million. The divestment of Plant Engineering, which was initiated some years ago, has now been concluded and, according to our present status of knowledge, it will not entail further material charges on our earnings in future. I will of course revert to these two aspects in detail in the further course of my report.

We succeeded in stabilizing order intake compared to the previous year: without considering the extraordinary major projects Medupi and Komati in South Africa worth EUR 340 million which were booked in November 2007, the year-on-year order intake, adjusted to a comparable basis, only decreased by 1.8 percent in 2008. Due to the crisis-prompted slowdown of economic activity, however, we failed to achieve the originally planned increase. Up to the third quarter, the order intake in the core segments was still 6.9 percent above the prior-year mark. We were able to raise revenue by 6.7 percent compared to a year earlier. In terms of earnings before interest and tax, EBIT, the increase was even 25.7 percent. But the most conspicuous increase was registered for the consolidated profit from continuing operations which rose by 47.1 percent to EUR 349 million. This means that with our continuing operations we doubled earnings before tax, EBT, within two years. These are in fact highly gratifying developments.

Earnings per share related to our continuing operations were lifted by 50 percent, from EUR 1.26 to EUR 1.89. The operating cash flow per share climbed 39 percent. We are proud to have you, our shareholders, partake in this success proportionately. Therefore we have decided to pay, as planned, a higher dividend despite the currently difficult economic environment: the proposed doubling to 40 euro-cents per share bears evidence to the robust, strong and sound positioning of GEA following further profitable growth in 2008. But our employees, to whom I would like to thank expressly at this point for their contribution to our success, are also to participate, as already in the previous year. We have earmarked an amount of EUR 5.4 million including ancillary labor costs for an extraordinary share in the profits, to be paid to all employees below the top management level, graded according to purchasing power parities in the individual countries.

Ladies and gentlemen, now a few words about the performance potential of your GEA Group!

A gratifying aspect is that revenue growth, marked by very strong demand in both Segments, has led to an above-average rise in earnings. Moreover, thanks to an improvement in the net interest result, pretax earnings, which rose by more than 30 percent, were boosted even more than EBIT. Tax expenses decreased slightly to EUR 110 million, so that our tax rate is now just under 24 percent.

We regret to say that for the discontinued operations we had to recognize losses of EUR 248 million. This corresponds to earnings per share of minus EUR 1.35. The reasons are inherent in the former Plant Engineering activities – specifically the legacy projects of Lentjes – and the closure of Ruhr-Zink. The positive result attained in the previous year, 2007 – and I should emphasize this once again – includes the gain from the divestment of Lurgi, of EUR 207 million.

The net cash position turned around from EUR 61 million as of 31 December 2007 to EUR minus 60 million at 31 December 2008. This change originated from the operating earnings power representing EBITDA of EUR 586 million, an increase in working capital by EUR 131 million, capital expenditure of EUR 166 million, other expenses of EUR 57 million and cost of acquisitions of EUR 115 million, as well as EUR 39 million for dividend payment and share buyback and, finally, payments in connection with the divested and discontinued operations of EUR 200 million. The working capital trend was marked by structural shifts which were also influenced by the product mix – for example the record order intake by Mechanical Separation.

Our balance sheet total increased year on year by 8 percent to more than EUR 5.1 billion. Factors contributing to this trend were the expansion of our business volume, the addition to assets and liabilities through the acquisitions made as well as the precautionary increase in cash and cash equivalents by EUR 160 million to EUR 440 million. Our equity experienced a slight increase by EUR 42 million to EUR 1.455 billion, and the equity ratio fell slightly below the prior year level due to the rise in the balance sheet total. At an equity ratio of 28.4 percent and a gearing of 4.1 percent the Group enjoys a sound financial position as at 31 December 2008.

Ladies and gentlemen, I should say a few words about goodwill. Occasionally, my Board colleagues and I are asked why this item is so big at GEA. Around 75 percent of this goodwill originate from the acquisition of the former GEA AG by mg ten years back. But, are our EBITDA comfortable enough to justify this goodwill? As you can see, the ratio has been improving, year after year. In 2004, goodwill was 7.3 times as high as the operating EBITDA. This factor decreased rapidly in subsequent years. At the end of 2008, the goodwill only accounted for a multiple of about 2.3.

Due to the crisis in the financial markets, securing appropriate liquidity has become increasingly important over the past months. At the reporting date, GEA had drawn on loans in the amount of EUR 500 million, and at a cash position of EUR 440 million it recognized net debt of EUR 60 million. Considering the equity of EUR 1.455 billion and the net debt just mentioned, the debt gearing is 4.1 percent. At the end of 2008, we had cash credit lines at our disposal of EUR 1.16 billion. Of this amount, EUR 500 million related to our credit line with a bank syndicate and EUR 200 million to the borrower's note issued in August. The terms of these lines are very favorable from today's viewpoint. To expand our financial latitude further, we contracted another credit line with five of our core banks for an amount of EUR 230 million. The terms to maturity of the mentioned credit lines and of the note loan extend until the year 2011.

The price trend of the GEA stock in 2008 is not satisfactory. In the second half of the year it began to show that the mechanical engineering sector would be hit hard worldwide by the financial crisis as a result of anticipated financing bottlenecks. As a result, some companies in this sector had to bear the brunt above proportions. The stock of GEA as a mechanical engineering company could not evade this trend and its stock price fell below the MDAX curve. The fact that order intake in 2008 was below the prior-year level made some investors insecure so that the share was again under pressure, particularly in January 2009. Ever since then the stock price has developed synchronously with the MDAX. More than 50 percent of the GEA shares are owned by Anglo-Saxon investors who according to experience adapt their portfolios much faster and more frequently to changing general global trends.

As you can see, ladies and gentlemen, not only you are shareholders of GEA, but also the executive staff holds stakes. In fact, 81 percent of the executives participated in the GEA Performance Share Plan. And this means that they invest their own money in GEA on a long-term basis and may thus earn an additional bonus in the case of a long-term positive trend of the GEA share price. What is especially encouraging is the fact that the participation rate has risen every year – even after in 2008 the group of eligible staff was extended. Our executives hold a total of 78,400 shares under the GEA Performance Share Plan. Currently, Executive Board members own a total of 88,858 shares and they have not sold any of the shares bought during the last three years which I interpret as a long-term commitment to GEA.

Ladies and gentlemen, after this overview of the Group, I am now dealing with the performance potential of our core segments.

At Energy and Farm Technology – comprising the Divisions Air Treatment, Farm Technologies, Process Cooling and Emission Control – the order intake declined by around 17 percent in year-on-year comparison. But as already mentioned: the major contracts received from South Africa at the end of 2007 were above average in size and this had a lasting effect on the year-on-year comparison. Revenue of this Segment climbed more than 10 percent year on year; EBIT were lifted above average, by 18 percent. By contrast, the ratio of working capital to revenue rose, for various reasons. On the one hand, we made acquisitions in three of the Divisions. When GEA buys a company, it has to post the entire current assets in its accounts immediately – but the respective revenue only pro rata. On the other hand, the proportion of engineering business consisting of the power plant and thermal engineering activities was on the decline and thus also the level of advance payments by customers.

This chart illustrates the rolling development of EBIT margin, return on capital employed (ROCE) and the ratio of working capital to revenue, on average. In the course of the past years, we succeeded in continuously lifting the EBIT margin. This is not least the result of our consistent margin strategy according to which margin improvement ranks prior to absolute volume growth. At the same time, we succeeded in distinctly improving the ratio of working capital to revenue, though in the last quarter of the past fiscal year a slight rise was experienced. Logically, the ROCE reached an all-time high which was ultimately 18 percent.

Although we do not report on the detailed figures of our Divisions, I would nevertheless like to inform you on some qualitative appraisals of extraordinary trends. In terms of order intake, the Divisions Thermal Engineering and Emission Control featured a recessionary trend which in the case of Thermal Engineering had to do with the extraordinary order intake in 2007 and in the case of Emission Control with the project selection strategy involving the deliberate withdrawal from the turnkey plant business. The overall pleasant revenue trend applied to all Divisions with the exception of Emission Control where the mentioned selection of order intake has had its corresponding effect. The EBIT contribution by all Divisions has taken an enjoyable development. In terms of EBIT margin, all Divisions except for Farm Technologies reported improved figures. At Farm Technologies the margins were burdened by quality costs for the production launch in connection with the new milking robot technology.

Dear guests, now let's look behind the scenes of the Process Technology Segment.

At GEA's Process Technology Segment, order intake fell slightly compared to the previous year, by 2.5 percent. This is mainly attributable to the deliberate withdrawal from the turnkey plant construction business in the areas of bioethanol and biodiesel. In addition, in the fourth quarter the general economic crisis affected the Segment's order intake. At an increase in revenue by almost 6 percent to EUR 3.33 billion, this Segment also succeeded in boosting the result above average and with it the EBIT margin. The ratio of working capital to revenue increased because the Process Engineering Division with its high percentage of advance payments from customers developed more slowly than the other Divisions. On the other hand, also in this Segment acquisitions contributed to the increase. The biggest acquisition in 2008 – International Cooling Group at the Refrigeration Division – was included in the scope of consolidation for the first time in November, with the side effect that the total current assets were recognized in the accounts, but revenue only pro rata.

As in the case of the Energy and Farm Technology Segment, at Process Technology we also succeeded in lifting our EBIT margin to an all-time high. ROCE, too, was improving continuously, to ultimately more than 20 percent.

As you can see, almost all Divisions of this Segment took a positive course: Refrigeration presents an excellent picture: order intake improved, revenue improved, earnings improved, margin improved. The trend at Process Equipment and at Mechanical Separation is identical. This can hardly be topped. At the Process Engineering Division, the order intake was recessionary. The reasons were to be found in our customers' reticence to award major contracts. Revenue was also receding to a certain degree. But we recognized a vigorous boost in earnings and a very strong increase in margins. And that's what we wanted. I mentioned already before: for us, earnings power definitely ranks prior to volume. Pharma Systems operated in a difficult market environment in the year under review because important pharmaceuticals producers initiated cost cutting projects at the beginning of fiscal 2008 and deferred their spending programs. In the course of the past fiscal year, we already launched a comprehensive restructuring program under which locations are merged and capacities adjusted.

Ladies and gentlemen, this was my report on the continuing operations, and now I would like to inform you about the discontinued operations.

First of all I should mention the closure of Ruhr-Zink in December 2008. We had to make this painful decision after the final talks with potential investors had failed and we concluded our negotiations with the works council on a social compensation and reconciliation of interests plan. In the face of the general economic conditions and gloomy prognostications – especially with a view to the zinc and energy prices – we did not see any longer an alternative to the shutdown of the company.

148 employees, this is most of the workforce of formerly 237, transferred to a temporary employment company with the aim of re-assignment. For 18 of these employees, meanwhile a new job has been found. Independently of the temporary employment company, 7 employees were directly taken over within GEA. At the plant site itself, cleanup work is underway.

Now to Plant Engineering – and the Lurgi and Lentjes issues! You will remember: at the end of 2007 we announced that we remained liable to the acquirers for many current projects at both companies – to Air Liquide for Lurgi and to Austrian Energy & Environment Group for Lentjes. To appreciate the situation, we have outlined for you the typical course of execution of industrial-scale projects: from the construction phase which takes two to four years through to the warranty phase of up to three years. In the graphic we have mapped the projects of Lurgi, identified by the letters "Lu" and Lentjes, "Le", in accordance with their progress over time via the project phases, in each case to the end of the years 2007 and 2008. The highest risk potential is doubtless inherent in the construction phase in which about 80 percent of the risks occurs, as is known by experience. Extra costs are due to marked price increases for steel, copper and construction, delays, insolvencies of construction contractors, construction site accidents – the list of problems is complex, to our regret. At Lentjes, 6 projects were still in the construction phase at the end of 2007 and 4 at Lurgi. But at the end of 2008 only one project of Lentjes was still in the risky construction phase. Of this project, which comprises a total of 4 modules, 2 modules have already been completed successfully.

The charge imposed by Lurgi amounted to EUR 4.5 million and by Lentjes, to EUR 187 million. Ruhr-Zink accounted for almost EUR 84 million, but only about half of this amount will be cash-effective. The total impact on GEA's result is EUR 248 million. It was a fortunate decision to withdraw from these businesses because they are highly cyclical activities with minimal value-added but involving a high degree of overall responsibility which have a strong leverage effect and which are currently also causing substantial problems to many competitors. Except for mg Rohstoffhandel with its 7 employees, GEA has now finalized the disposal of the former mg activities. In 2009, we anticipate a cash drain due to discontinued operations from the release of accruals and provisions already available, of up to EUR 400 million.

Now I would like to give you some explanations concerning the Agenda of today's Annual General Meeting, with the exception of the usual formalities.

I will therefore only refer to items 6 to 8 on the Agenda. The comprehensive written reports of the Executive Board can be read up in the invitation documents. Item 6 on the Agenda relates to the authorization for the acquisition of own shares which has to be renewed every year. In 2008, based on the previous year's authorization, the company launched a share buyback program in order to improve, in particular, the efficiency of the capital employed. In the face of the upcoming financial crisis, however, we stopped the repurchase program shortly after it had started. In total, in October 2008 the company bought back 175,000 own shares for a total amount of around EUR 2.1 million. This corresponded to about 0.1 percent of the nominal capital. Subsequently, these shares were canceled without capital reduction. Agenda item 7a provides for the creation of new Authorized Capital II in an amount of up to EUR 72 million.

Furthermore, Item 7b of the Agenda proposes a resolution on new Authorized Capital III of up to EUR 99 million. This is to enable the company to obtain additional capital quickly and flexibly. The authorized capital makes it possible for the Administration to promptly respond to favorable offers and to seize acquisition opportunities in the interests of the company and its shareholders. The new shares from the authorized capital would be used in the process for financing, as acquisition currency. Every decision of the Executive Board to make use of the authorizations requires the consent of the Supervisory Board. When utilizing the authorized capital, shareholders are entitled to a subscription right on principle. For Authorized Capital II the Executive Board, in line with the motion for resolution, is only authorized to exclude the shareholders' subscription price for fractional amounts. This is essential in order to have a technically viable subscription ratio. In addition, the motion for Authorized Capital III envisions that the Executive Board, with the approval of the Supervisory Board, may exclude the subscription right in certain further cases. At present there are not concrete projects which would require a capital increase with the utilization of authorized capital. Under Item 8 on the Agenda, approval of the conclusion of a Domination and Profit & Loss Transfer Agreement with GEA Brewery Systems GmbH is requested. GEA Brewery Systems GmbH deals with the production and sale of machinery and equipment, specifically for the beverage industry. GEA Brewery Systems GmbH was a wholly owned subsidiary of Tuchenhagen Brewery Systems GmbH – an intermediate entity which was in turn held directly by our company. In March of this year, this intermediate entity was merged with GEA Brewery Systems GmbH. As a consequence of this merger, the existing domination and profit & loss transfer agreements with those companies were annulled. For the mentioned reason, GEA Group Aktiengesellschaft concluded a new domination and profit & loss transfer agreement with its present direct subsidiary GEA Brewery Systems GmbH in March 2009. Accordingly, the subsidiary is subject to the instructions passed by GEA Group Aktiengesellschaft and has to surrender its year-end profit to the parent. Inversely, our company has the obligation to compensate for any loss arising at the controlled subsidiary during the term of the agreement. The agreement will take effect with its entry in the commercial registry of GEA Brewery Systems GmbH. As a consequence of the effective conclusion of this agreement, a fiscal unit is constituted under corporate and trade tax law. This involves the possibility to directly set off any losses or profits of GEA Brewery Systems GmbH against profits or losses of the parent company. The tax loss carry forwards of GEA Group Aktiengesellschaft can thus be utilized more effectively. For further details of this agreement, interested shareholders are referred to the Report on the Agreement which is available for inspection as well as the other legal documents on this Item on the Agenda.

I would now like to cast an eye on the future. What course is taking your GEA, ladies and gentlemen? GEA is a fascinating company and has meanwhile developed into one of the biggest genuine mechanical engineering groups in Europe.

But first of all a glance at our portfolio which has undergone quite some changes since 2004!

From 2004, when we disposed of eight companies at a stroke, until 2008 marked by the closure of Ruhr-Zink, we parted with a total of 20 entities of the former portfolio of mg technologies. This streamlining process is now completed.

During this same period, we acquired more than 30 companies which generate annual revenue of EUR 700 million. All companies have been successfully integrated. But there is no rule without an exception: in 2005, we made an acquisition which required subsequent restructuring. You will hardly find any industrial enterprise which has accomplished such a systematic fundamental change in its portfolio in recent years. This demonstrates that active portfolio management is one of our core competencies.

For the Air Treatment Divisions, companies focusing on air filters and air conditioning systems were acquired. At Farm Technologies, the American barn equipment manufacturer Norbco should be mentioned. The Thermal Engineering Division added three companies to its portfolio, among them a condenser specialist for solar thermal systems. For the Refrigeration Division, we acquired the International Cooling Group a company producing heat exchangers for refrigeration processes in the food industry, for example. For the Process Equipment Division, we bought three companies specializing in heat exchangers and valves for food processing and industrial applications. The Process Engineering Division strengthened its portfolio in the food range.

In summary: In the course of the last few years we acquired companies offering process technology and equipment for the food industry, the energy sector and the air treatment business. We disposed of two automotive component suppliers. We disposed of structural steel and boiler construction entities which will certainly be operating in a very difficult environment now. We disposed of munitions and plant engineering activities and – finally – we closed down our zinc smelter. Today, GEA is strongly positioned and offers its customers technologies with a leading edge worldwide in the areas of food, energy and air treatment.

Ladies and gentlemen, we will continue to grow through acquisitions. However, we will not buy at random companies from the mechanical engineering sector, but we have clearly defined criteria that should be met by a candidate to be an interesting target for GEA to bid for its acquisition. These criteria relate to market and product prospects, technology complementation, margin expectations, integratability, synergy potential on both the sales and the cost side and, naturally, an attractive purchase price from the aspect of GEA. We are presently observing that the general market conditions for acquisitions have become more favorable for GEA because many specialist companies are in need of financing or they can no longer withstand alone the global challenges imposed by the economic crisis. Competition by financial investors has also decreased so that the target valuations have become more advantageous overall. As you could infer from our press releases of the past months, in 2009 up to now we have again added three companies to our portfolio with aggregate annual revenue of around EUR 50 million, all of them associated with the food sector.

Let me now show, as an example of our systematic acquisition strategy, how we continually developed the Farm Technologies Division from the producer of milking systems to a globally leading supplier of complete equipment for dairy cattle management.

Worldwide, GEA stands for reliable technology for critical production processes in the food industry. It is thanks to the special know how of GEA that characteristics like flavor, aroma, consistency, ingredients, protein content, shelf life, etc. are realized in accordance with the needs of our customers – even in the case of highly sensitive areas like baby food.

How were GEA's global activities distributed on the world map in 2008? Western Europe accounted for 43 percent of our revenue, Central and Eastern Europe for 12 percent, North America and Asia for 14 percent each. Latin America, Middle East and the rest of the world reach about 5 percent each. You see: we are strongly represented in Europe. And this is right so. We define ourselves as a European company with global presence. But our network overlaps the Continents. Products which we sell in Europe may frequently find their way to other parts of the world, for example where coffee processing plants are assembled. As regards our end customer markets, almost half of them are outlets for process machines and equipment for food production and processing, followed by 13 percent for power generation, oil and gas, chemicals and air conditioning and air treatment with 8 percent each, pharmaceuticals 5 and marine 6 percent. On balance, total revenue amounts to almost EUR 5.2 billion, as already mentioned before.

Production processes for the food industry and GEA make a perfect fit. It rests on two strong pillars: technologies and machinery for processing and optimizing solid and liquid food. In the case of solid food, for example meat production is an important activity. But the further processing of these foodstuffs to pizzas, yoghurt or baby food is just as important. Liquid processing caters to soft drinks, coffee or juices, to mention but a few. The growth rates shown relate to real growth, adjusted for inflation. The positive aspect is that in the past there were no major slumps. This is an activity which has been developing constantly over many years – without extreme deviations in either direction. It should be stressed that demand for special machinery and process engineering for the production of refined food – such as offered by GEA – is growing faster than demand for food process engineering in general. This means that GEA is focusing not only on segments with prospects of steady long-term growth but also on segments expanding at an above-average high rate.

The food market benefits from a more robust trend than other markets. Irrespective of the economic situation: people have to eat and drink. This steady demand secures moderate growth for our customers in which GEA can also participate. As I explained to you at last year's Annual General Meeting with the aid of several examples, the growth drivers in the food industry oblige producers to invest permanently in product innovations, product quality, improvements in efficiency and energy consumption as well as compliance with stricter hygiene regulations.

In the same way as just described for the market development for food, in the energy sector we also concentrate on markets bound to grow steadily in line with the population. The average annual growth, until 2015, of the worldwide capacity for power generation is 2.7% for those power plant types for which GEA products are used, among them especially for the areas of coal, gas and oil.

In this sector, GEA mainly offers products for waste heat dissipation, from transformer coolers through to the worldwide largest air-cooled condensers. Investment decisions of our customers are now positively influenced by the effects of more favorable costs of materials. So we won a contract worth around 50 million dollars for an air condenser for a gas-fired power plant in the U.S., at the very center of the city of New York. A further contract for an air-cooled condenser for a gas and steam power plant in Trinidad/Tobago worth 20 million euros was booked in April.

For the oil and gas industry and its refineries, steady growth is predicted in the long term. In this sector, we are represented in the market with liquefaction plants, compressor stations and heat exchangers, among other equipment. Compared to the previously described food sector, we judge that currently the energy market is not so robust.

Ladies and gentlemen, sustainable success of an enterprise is the subject of many public discussions. In our society there is general agreement that the long-term success of a company must have priority over the short-term achievement of profit targets. Surprisingly, the question as to what sustainable success of a company actually means or should mean is not given further consideration. Depending on the respective period in the past, this was either level of employment, shareholder value, return on capital employed, volume increases or the conquering of market shares.

You will easily understand that some of the objectives mentioned are absolutely contradictory. If a company is to persist in the long term and make employees as well as shareholders and customers happy, it must now develop products and solutions which satisfy our customers in the future and secure jobs permanently. That is why I should like to address a very important point at GEA: innovation management. Innovation cannot be mandated but has to be lived. It requires a consistently lived innovation culture within the company.

We have decided to make the innovation management process visible for all parties involved by applying measurable indicators. This policy demonstrates that it takes a lot of ideas to generate a few useful ideas or solutions. The starting point is ideas directly arising either from research & development, the worldwide employee suggestion scheme or also within the scope of continuous improvement processes such as Kaizen. After the first evaluation phase only a limited subgroup will move up to the next category where the detailed planning of the potential of the ideas takes place. In this detailed planning phase, again quite some ideas fall through the cracks. Only a few really manage to be selected for capital spending to develop the product to commercial maturity. But even this step is not yet a guarantee for success, because only a successful market launch will ultimately make a positive contribution to earnings. The more ideas our employees have and the more of them we can develop to commercial maturity, the more sustainable will be the effect of our innovations on strengthening our earnings position. We are steering this process on all levels.

In order to attribute to this innovation culture a high rank within our Group, we spend every year about 50 percent of the time at our global manager conferences on the best innovations in order to award those with the best prospects with prizes. As you can see, criteria for decision are degree of innovation, market potential, earnings potential and viability. First, the teams must be the best in their companies and then the best of their division. Only then will they compete for becoming the top-ranking innovation at GEA Group.

As an example, I should proudly present the winner innovation of this year, a novel concept of a cooling fin which in many of our finned-tube heat exchangers leads to increased efficiency and consequently to an improved cost-performance ratio. Just one explanatory remark: The tubes you see here are of course the conventional ones because at this stage we should rather refrain from showing the new ones in public. The winner team will receive EUR 700,000, number two EUR 500,000 and number three, EUR 300,000 for financing their innovation, in addition to their budget. These prize moneys play a certain role, but what is more important is the contest idea and the honor of having passed all hurdles and developed the best innovation – visibly for the whole Group. It goes without saying that most of the projects which did not receive a distinction are also generating future revenue and income.

If dozens of quasi record-breaking ideas are created, we secure the long-term success of GEA. Examples from the past are the PMO valve which allows dairies to apply an online process for production with simultaneous cleaning and sterilizing. Another example is a separator with direct drive. Thanks to the direct drive, gear transmission losses are avoided. The integration of a direct drive also allows reducing the installation space which minimizes the complexity of construction and installation.

Ladies and gentlemen, also for GEA there is no getting around some kind of cost cutting plan. In each of the first three quarters up to the end of September 2008 we succeeded in lifting the order intake compared to the prior-year period. But in the fourth quarter 2008, we also felt the impact of the economic crisis. However, the decline was less dramatic than for the average of our industry. But nonetheless in the fourth quarter 2008 we decided immediately to act. I will revert to the details later.

At GEA the level of order intake in the first quarter of 2009 fell by 22 percent year on year. Compared to that, VDMA reports that the order inflow volumes in the months of January and February 2009 decreased by 42 and 49 percent, respectively. This means that the drop in our order intake is only half the average of the German mechanical engineering sector. We will publish the full report on the course of the first quarter on 5th May.

In response to the decline in order intake we launched a cost cutting program. In concrete terms, we anticipate three different effects of the crisis. The excess of supply leads to overcapacities, substantial cost pressure is building up and a struggle for financing sources has set in. In order to counter this trend, GEA has initiated three groups of action. Firstly: we adjust our capacities. Secondly: we curb costs. And thirdly: we apply an even stricter cash management than in the past. We have launched savings measures which will yield a full-year cost relief by more than EUR 130 million. Unfortunately, this cannot be achieved without slimming our workforce.

Jointly with the employee representatives we have developed a toolbox allowing us to respond flexibly and promptly to fluctuations in demand: first, we are working off overtime and vacation credits, corresponding to up to 500 full-time equivalents; then we reduce the number of temporary employees – probably up to 600 full-time equivalents, and we make use of the short-time working model. But unfortunately we will not get around a layoff of some permanent employees – according to the present situation 700 to 800 will be affected.

As regards short-time work, I should mention that around 1,300 employees are on short time this month. This corresponds to about 19% of the total headcount of the German companies. Ladies and gentlemen, the effects of these measures can be seen on the right side. In addition, we will boost efficiency in order to make economies. We will also cut costs at the holding company and we will constrain general administrative expenses. As a matter of fact, these restructuring actions also cost money. We anticipate a charge of EUR 32 to 40 million until all measures have been implemented. We will submit all planned capex programs to the acid test and manage the working capital even more strictly. Should the worldwide economy continue its negative trend, we will launch further action plans.

Now, what course is your GEA to take in 2009 and beyond? Let me give you an outlook, ladies and gentlemen.

We anticipate that the demand for our equipment and products will shrink. This is our appraisal of 2009 for the food and beverage industries. The world economy is certainly not yet on the route of recovery. It is more than doubtful if it can recover already in 2010. I tend not to believe in it. In the power generation sector, the trend will remain more or less at the same level. We anticipate a steep decline in the chemicals, shipbuilding, oil and gas markets and, in general, in major projects. What does that mean for your GEA? Consolidated revenue in 2009 will be below the mark for 2008. In spite of our restructuring measures, we will not be able to fully absorb the pressure on our margins. In view of the overall trend of the world economy, quantifiable forecasts are impossible to make at present.

Ladies and gentlemen, in consideration of the prevailing economic environment, today nobody is able to give a precise forecast of the further development. But what I explained to you in the course of my report is that GEA stands on a sound base. In the last few years we have set the course to a robust portfolio. No doubt, our innovation management is exemplary. The action plans launched will help us cushion the impact of the economic environment as far as foreseeable so far. We are confident that GEA will emerge strengthened from the crisis and that our specific markets will offer great opportunities also in future. In order to implement our measures and seize the opportunities the future has in store, it takes above-average management qualities.

Nowadays much is discussed about the capabilities of managers which are disputed. As you may perhaps remember, already in the past I spoke to you about the core competencies of GEA managers. Already then we emphasized that management skills alone and the will to be Number 1, without simultaneous personal integrity may take a dangerous development. In reality, this should be a matter of course, but apparently this aspect was given too little consideration in the past. Unfortunately, a manager cannot be made a person of integrity by a host of laws and limitations. Rather, it is essential to see to such traits already on selecting the right personality. Managers must not be obsessed either by their title or position, because otherwise they will exploit the company as an ego booster instead of committing themselves to its benefit. That is why at GEA we attribute so much attention to having managers who possess all these essential characteristics.

Now to the long-term outlook: Steady demand for our equipment and products will persist. In the long term, we anticipate organic growth of, depending on the sector, between 3 and 6 percent per year and an EBIT margin for GEA Group of more than 10 percent. Only for comparison: in the previous year, the margin was 9.7 percent. And, dear shareholders, as far as your dividend is concerned, it should correspond to about one third of the Group's earnings in future. We will pursue our acquisition strategy further: in the areas in which we implemented it successfully – and with circumspection – over the last five years. Now the Supervisory Board and Executive Board will be pleased to answer your questions.

Ladies and gentlemen, I thank you for your attention.