Q2

Half-yearly Financial Report

January 1 – June 30, 2017

engineering for
a better world

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Summary

GEA's order intake of EUR 1,241 million set a new high for the second quarter of a financial year. Year-on-year growth of around 1.6 percent was primarily due to an increase in large orders: Between April and June, GEA secured five major orders worth around EUR 136 million in total. The biggest project was an order from the Canadian beverages industry, but GEA managed to secure two major orders from the coffee sector and one project each in the dairy and pharma sectors. With regard to the company's customer industries, the main growth drivers in order intake were the food, dairy farming, and pharma/chemical sectors.

On the revenue side, however, the company registered a slight decline. At EUR 1,138.5 million, second-quarter revenue was 1.6 percent down on the previous year. Despite revenue gains in the areas of dairy processing and food, declining volumes in the pharma/chemical and oil/gas customer industries in particular conspired to weaken the overall revenue picture at GEA. In regional terms, North America and Western Europe, Middle East & Africa all posted growth in revenue.

Thanks to selective optimization measures initiated in the last three months, GEA managed to reduce its working capital significantly by more than EUR 50 million to EUR 706 million.

Operating EBITDA in the second quarter of the year was about EUR 23 million below the previous year's level. This decline was largely due to the Business Area Solutions, where mainly volume and margin mix effects had a negative impact on earnings. By contrast, the Business Area Equipment managed to increase its operating EBITDA and the corresponding margin, thanks largely to gratifying growth in revenue.

"We did not reach all our targets and, as a result, we've had to adjust our earnings forecast for the 2017 financial year," said Jürg Oleas, Chairman of the Executive Board of GEA. "But the good order intake figures and major orders from various customer industries show that our broad-based portfolio is paying off and harbors future growth potential."

IFRS key figures of GEA

(EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
Results of operations						
Order intake	1,241.1	1,222.1	1.6	2,377.1	2,366.4	0.5
Revenue	1,138.5	1,156.9	–1.6	2,142.4	2,098.1	2.1
Operating EBITDA[1]	122.4	145.2	–15.7	218.8	239.1	–8.5
as % of revenue	10.8	12.6	–	10.2	11.4	–
Operating EBIT[1]	101.9	125.2	–18.6	178.2	199.5	–10.7
as % of revenue	8.9	10.8	–	8.3	9.5	–
EBIT	78.7	108.2	–27.3	142.3	167.2	–14.9
Net assets						
Working capital intensity in % (average of the last 12 months)	16.1	13.2	–	16.1	13.2	–
Net liquidity (+)/Net debt (–)	343.7	613.8	–44.0	343.7	613.8	–44.0
Financial position						
Operating cash flow driver margin[2]	7.0	11.1	–	7.0	11.1	–
ROCE in % (goodwill adjusted)[3]	15.1	19.7	–	15.1	19.7	–
Full-time equivalents (reporting date)	17,093	17,153	–0.3	17,093	17,153	–0.3
GEA Shares						
Earnings per share (EUR)	0.29	0.43	–31.7	0.58	0.61	–4.4

1) Before effects of purchase price allocations and adjustments (see page 36)
2) Operating cash flow driver = operating EBITDA – capital expenditure + adjustment of capital expenditure in strategic projects – change in working capital (average of the last 12 months)
3) Capital employed excluding goodwill from the acquisition of the former GEA AG by former Metallgesellschaft AG in 1999 (average of the last 12 months)

Management Report

Disclosure of the Group's course of business including the comparable prior-year figures is presented for the two Business Areas (BA) Equipment and Solutions. The quarterly information contained in this management report is sourced from financial reports that were not audited or reviewed in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). All amounts have been rounded using standard rounding rules. Adding together individual amounts may therefore result in rounding differences in certain cases.

Management

The Supervisory Board of GEA Group Aktiengesellschaft has appointed Martine Snels to the Executive Board, effective October 2017. She will be in charge of GEA's regional and national organizations. Thus, the company will be managed by a team of five Executive Board members in the future.

Share buyback program

In February 2017, the Executive Board of GEA with the approval of the Supervisory Board decided that treasury shares worth up to EUR 450 million would be repurchased on the stock exchange in the 12-month period starting March 2017 in order to retire them. By June 30, 2017, GEA had repurchased 7,273,863 shares with a total value of EUR 274.0 million (see page 33).

Report on Economic Position

Course of business

Order intake

GEA's order intake of EUR 1,241.1 million in the second quarter of 2017 topped the previous year's high for a second quarter by 1.6 percent. Order intake grew by 0.6 percent when adjusted for positive exchange rate effects of 0.9 percent. Acquisitions had no effect on order intake in the quarter under review. Growth in order intake resulted primarily from orders of above EUR 15 million in value.

The reticent approach to investment in the dairy processing and beverages customer industries was more than compensated in the second quarter, especially by double-digit growth in some cases in the food, dairy farming, and pharma/chemical customer industries. In regional terms, GEA saw its strongest growth in the period in North America, as well as in Germany, Austria, Switzerland (DACH) & Eastern Europe.

Between April and June of this year, GEA secured five major orders – two coffee projects and one project each in the beverages, dairy and pharma sectors. These projects have a combined order volume of around EUR 136 million. In the comparable prior-year quarter, GEA posted two major orders with a total volume of around EUR 46 million.

Order intake (EUR million)	Q2 2017	Q2 2016	Change in %	Adjusted growth in %	Q1-Q2 2017	Q1-Q2 2016	Change in %	Adjusted growth in %
BA Equipment	622.0	617.2	0.8	–0.3	1,243.7	1,187.6	4.7	3.1
BA Solutions	671.5	658.6	2.0	1.3	1,235.6	1,280.8	–3.5	–6.7
Total	**1,293.5**	**1,275.9**	**1.4**	**0.5**	**2,479.4**	**2,468.4**	**0.4**	**–2.0**
Consolidation/others	–52.5	–53.8	2.4	–	–102.2	–102.0	–0.2	–
GEA	**1,241.1**	**1,222.1**	**1.6**	**0.6**	**2,377.1**	**2,366.4**	**0.5**	**–2.1**

The order intake of EUR 2,377.1 million for the first six months of 2017 saw GEA slightly surpass the previous year's high for the first half of any financial year. Adjusted for currency translation effects (plus 1.5 percent) and the effect of the Imaforni acquisition (plus 1.0 percent), the change in order intake was –2.1 percent.

The following chart shows trends in order intake and provides a breakdown of orders by application based on the last 12 months:

Order intake by applications GEA*

	Change Q2/2017 to Q2/2016	Share of order intake
Dairy Farming	↗	13%
Dairy Processing	↓	18%
Food	↑	28%
Beverages	↓	11%
Food/Beverages	↘	**70%**
Pharma/Chemical	↑	15%
Other Industries	↑	15%
Others	↑	**30%**
GEA	→	**100%**

↑ > 5 percentage points ↗ 1 to 5 percentage points → 1 to –1 percentage points ↘ –1 to –5 percentage points ↓ > –5 percentage points

*) Based on the last 12 months

Order backlog

GEA increased its order backlog to EUR 2,409.9 million, up by almost EUR 146 million or 6.4 percent compared with December 31, 2016.

Revenue

Group revenue in the second quarter of 2017 amounted to EUR 1,138.5 million, a decline of 1.6 percent compared with the prior-year figure. Acquisitions had no effect on revenue in the quarter under review.

A decline in volumes in the pharma/chemical and oil/gas customer industries had a serious impact on revenue growth in the second quarter, and this could not be fully compensated by growth in the dairy farming and food industries. The regions of North and Central Europe and DACH & Eastern Europe bore the brunt of the decline in the second quarter. In contrast, North America and Western Europe, Middle East & Africa posted marked growth that even reached double figures in some cases.

The book-to-bill ratio, i.e. the ratio of order intake to revenue, was 1.09 in the quarter under review.

Revenue (EUR million)	Q2 2017	Q2 2016	Change in %	Adjusted growth in %	Q1-Q2 2017	Q1-Q2 2016	Change in %	Adjusted growth in %
BA Equipment	585.5	570.9	2.6	1.6	1,117.1	1,061.7	5.2	3.8
BA Solutions	601.7	633.7	–5.0	–5.9	1,122.4	1,129.2	–0.6	–3.0
Total	**1,187.2**	**1,204.6**	**–1.4**	**–2.3**	**2,239.5**	**2,190.9**	**2.2**	**0.3**
Consolidation/others	–48.7	–47.7	–2.3	–	–97.2	–92.7	–4.8	–
GEA	**1,138.5**	**1,156.9**	**–1.6**	**–2.5**	**2,142.4**	**2,098.1**	**2.1**	**0.1**

Exchange rate movements and the Imaforni acquisition gave rise to revenue increases of 1.2 and 0.8 percent respectively in the first half of the year. The adjusted revenue was on a par with the previous year's figure.

The following charts show trends in revenue and provide a breakdown of revenue by application and region based on the last 12 months:

Revenue by applications GEA*

	Change Q2/2017 to Q2/2016	Share of revenue
Dairy Farming	↘	13%
Dairy Processing	↓	20%
Food	↑	27%
Beverages	↓	12%
Food/Beverages	→	**71%**
Pharma/Chemical	↗	14%
Other Industries	↓	14%
Others	↘	**29%**
GEA	→	**100%**

↑ > 5 percentage points ↗ 1 to 5 percentage points → 1 to –1 percentage points ↘ –1 to –5 percentage points ↓ > –5 percentage points

*) Based on the last 12 months

Revenue by regions GEA*

	Change Q2/2017 to Q2/2016	Share of revenue
Asia Pacific	↘	23%
DACH & Eastern Europe	⬇	19%
Western Europe, Middle East & Africa	⬆	19%
North- and Central Europe	⬇	14%
Latin America	⬆	6%
North America	↗	19%
GEA	➡	**100%**

⬆ > 5 percentage points ↗ 1 to 5 percentage points ➡ 1 to –1 percentage points ↘ –1 to –5 percentage points ⬇ > –5 percentage points

*) Based on the last 12 months

Business Area Equipment

Revenue in the Business Area Equipment grew by 5.2 percent in the first half of 2017. On a constant exchange rate basis, revenue grew by 3.8 percent. Acquisitions had no effect on revenue in the Business Area Equipment during the first six months of the year in question.

The following charts show trends in revenue and provide a breakdown of revenue by application and region based on the last 12 months:

Revenue by applications Business Area Equipment*

	Change Q2/2017 to Q2/2016	Share of revenue
Dairy Farming	↘	27%
Dairy Processing	⬆	10%
Food	↗	30%
Beverages	⬆	7%
Food/Beverages	↗	**74%**
Pharma/Chemical	⬆	7%
Other Industries	↘	19%
Others	↗	**26%**
GEA	↗	**100%**

⬆ > 5 percentage points ↗ 1 to 5 percentage points ➡ 1 to –1 percentage points ↘ –1 to –5 percentage points ⬇ > –5 percentage points

*) Based on the last 12 months

Revenue by regions Business Area Equipment*

	Change Q2/2017 to Q2/2016	Share of revenue
Asia Pacific	⬆	21%
DACH & Eastern Europe	↗	22%
Western Europe, Middle East & Africa	↘	16%
North- and Central Europe	↘	12%
Latin America	⬆	6%
North America	➡	23%
GEA	↗	**100%**

⬆ > 5 percentage points ↗ 1 to 5 percentage points ➡ 1 to –1 percentage points ↘ –1 to –5 percentage points ⬇ > –5 percentage points

*) Based on the last 12 months

Business Area Solutions

In the first six months of the current fiscal year, revenue in the Business Area Solutions was down 0.6 percent on the previous year. Adjusted for exchange rate and acquisition effects, revenue decreased by 3.0 percent.

The following charts show trends in revenue and provide a breakdown of revenue by application and region based on the last 12 months:

Revenue by applications Business Area Solutions*

	Change Q2/2017 to Q2/2016	Share of revenue
Dairy Farming	–	–
Dairy Processing	↓	28%
Food	↑	23%
Beverages	↓	17%
Food/Beverages	→	**69%**
Pharma/Chemical	→	21%
Other Industries	↓	11%
Others	↘	**31%**
GEA	↘	**100%**

↑ > 5 percentage points ↗ 1 to 5 percentage points → 1 to –1 percentage points ↘ –1 to –5 percentage points ↓ > –5 percentage points

*) Based on the last 12 months

Revenue by regions Business Area Solutions*

	Change Q2/2017 to Q2/2016	Share of revenue
Asia Pacific	↓	25%
DACH & Eastern Europe	↓	17%
Western Europe, Middle East & Africa	↑	21%
North- and Central Europe	↓	16%
Latin America	↑	7%
North America	↑	15%
GEA	↘	**100%**

↑ > 5 percentage points ↗ 1 to 5 percentage points → 1 to –1 percentage points ↘ –1 to –5 percentage points ↓ > –5 percentage points

*) Based on the last 12 months

Results of operations, financial position and net assets

Results of operations

In accordance with the internal management system as described in the 2016 Annual Report, the key indicators for the operating result as used by the management for controlling purposes are operating EBITDA and operating EBIT. Thus, these key indicators were adjusted for items which, in the opinion of the management, do not reflect GEA's financial achievements in the period under review. This relates, on the one hand, to adjustments for purchase price allocation effects that were determined for all significant past acquisitions, and, on the other, to the adjustment of expenses for strategic projects. The indicators were also adjusted for ongoing expenses in respect of the now concluded "Fit for 2020" project, including implementation of the Shared Service Center (see page 36).

In accordance with this definition, operating EBITDA for the first half of 2017 was adjusted for expenses totaling EUR 20.5 million (previous year: EUR 16.0 million).

GEA's operating EBITDA in the second quarter of the year was EUR 22.8 million below the previous year's level. This decline can be attributed largely to the Business Area Solutions, specifically to volume and margin mix effects and additional costs for bottling lines of around EUR 7 million. As already reported in the third quarter of 2016, these additional expenses relate to a model of bottling line that is being discontinued. By contrast, the Business Area Equipment succeeded in increasing operating EBITDA by EUR 10.8 million, largely on the back of gratifying growth in revenue, and improved the corresponding margin by around 150 basis points to 16.5 percent of revenue.

In addition to expenditure of around EUR 7 million already reported in the first half of the year (additional outlay for bottling lines), the potential for further costs of up to EUR 20 million in this context constitutes a risk factor. Impairments on capitalized development costs of around EUR 6.5 million pose an additional risk. As such, the maximum financial impact arising from this issue (including the expenses already recognized) is around EUR 27 million for EBITDA and around EUR 34 million for EBIT.

Due to the weak second quarter, operating EBITDA in the first half of the year was EUR 20.3 million down on the previous year's level. Without the additional outlay for bottling lines, operating EBITDA in the first half of the year would have been EUR 226.2 million and the corresponding margin 10.6 percent.

The following table shows operating EBITDA and the operating EBITDA margin for each business area:

Operating EBITDA/operating EBITDA margin* (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
BA Equipment	96.9	86.0	12.6	166.2	158.3	5.0
as % of revenue	16.5	15.1	–	14.9	14.9	–
BA Solutions	35.1	61.7	–43.1	58.7	88.2	–33.5
as % of revenue	5.8	9.7	–	5.2	7.8	–
Total	**132.0**	**147.8**	**–10.7**	**224.9**	**246.5**	**–8.8**
as % of revenue	**11.1**	**12.3**	**–**	**10.0**	**11.3**	**–**
Consolidation/others	–9.6	–2.5	< -100	–6.0	–7.4	18.7
GEA	**122.4**	**145.2**	**–15.7**	**218.8**	**239.1**	**–8.5**
as % of revenue	**10.8**	**12.6**	**–**	**10.2**	**11.4**	**–**

*) Before effects of purchase price allocations and adjustments (see page 36)

The following table shows the reconciliation of EBITDA before purchase price allocation and adjustments (operating EBITDA) through EBITDA and EBIT to EBIT before purchase price allocation and adjustments (operating EBIT):

Reconciliation of operating EBITDA to operating EBIT (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
Operating EBITDA*	**122.4**	**145.2**	**–15.7**	**218.8**	**239.1**	**–8.5**
Realization of step-up amounts on inventories	–0.4	–0.4	–	–0.9	–0.6	–
Adjustments	–15.3	–7.5	–	–20.5	–16.0	–
EBITDA	**106.6**	**137.3**	**–22.4**	**197.5**	**222.5**	**–11.3**
Depreciation of impairment losses on property, plant, and equipment, and investment property, and amortization of and impairment losses on intangible assets and goodwill, as reported in the statement of changes in non-current assets	–27.9	–29.2	–	–55.2	–55.3	–
EBIT	**78.7**	**108.2**	**–27.3**	**142.3**	**167.2**	**–14.9**
Depreciation and amortization on capitalization of purchase price allocation	7.4	9.1	–	14.6	15.7	–
Realization of step-up amounts on inventories	0.4	0.4	–	0.9	0.6	–
Adjustments	15.3	7.5	–	20.5	16.0	–
Operating EBIT*	**101.9**	**125.2**	**–18.6**	**178.2**	**199.5**	**–10.7**

*) Before effects of purchase price allocations and adjustments (see page 36)

The following table shows operating EBIT and the operating EBIT margin for each business area:

Operating EBIT/operating EBIT margin* (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
BA Equipment	82.4	72.1	14.3	137.7	131.1	5.1
as % of revenue	14.1	12.6	–	12.3	12.3	–
BA Solutions	30.7	57.1	–46.3	49.6	79.0	–37.2
as % of revenue	5.1	9.0	–	4.4	7.0	–
Total	**113.1**	**129.2**	**–12.5**	**187.3**	**210.0**	**–10.8**
as % of revenue	**9.5**	**10.7**	**–**	**8.4**	**9.6**	**–**
Consolidation/others	–11.2	–4.0	< -100	–9.1	–10.6	13.8
GEA	**101.9**	**125.2**	**–18.6**	**178.2**	**199.5**	**–10.7**
as % of revenue	**8.9**	**10.8**	**–**	**8.3**	**9.5**	**–**

*) Before effects of purchase price allocations and adjustments (see page 36)

Key figures: Results of operations (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
Revenue	1,138.5	1,156.9	–1.6	2,142.4	2,098.1	2.1
Operating EBITDA*	122.4	145.2	–15.7	218.8	239.1	–8.5
EBITDA	106.6	137.3	–22.4	197.5	222.5	–11.3
Operating EBIT*	101.9	125.2	–18.6	178.2	199.5	–10.7
EBIT	78.7	108.2	–27.3	142.3	167.2	–14.9
Interest	4.3	6.5	–33.2	7.5	23.2	–67.8
EBT	74.3	101.7	–26.9	134.8	144.0	–6.4
Income taxes	16.4	19.3	–15.3	29.7	27.4	8.4
Profit after tax from continuing operations	58.0	82.4	–29.6	105.1	116.6	–9.9
Profit/loss after tax from discontinued operations	–2.6	0.4	–	5.6	0.5	> 100
Profit for the period	55.4	82.8	–33.0	110.8	117.1	–5.4

*) Before effects of purchase price allocations and adjustments (see page 36)

The EUR 15.7 million decrease in interest burden in the first half of the year was primarily due to the measurement of liabilities arising from share-based payments and to lower interest payments on bank loans.

An income tax rate of 22.0 percent is expected for fiscal year 2017 and this figure was also used as the basis for calculating the tax expenditure for the first six months of the year.

At EUR 5.6 million, discontinued operations generated a substantial gain in the first half of 2017. This figure is founded largely on the remeasurement of financial obligations arising from the sale of the former GEA Heat Exchangers segment. However, a further change in the discount rate used to measure the non-current provisions set up for the former mining activities of mg technologies ag had a negative impact on earnings. In the previous year, discontinued operations generated a slight gain of EUR 0.5 million.

Consolidated profit amounted to EUR 55.4 million in the quarter under review. Based on the average number of shares in circulation, which has been reduced to 188,690,273 (previous year: 192,495,476) as a result of the ongoing share buyback program started on March 1, 2017, this corresponds to earnings per share of EUR 0.29 (previous year: EUR 0.43). Earnings per share in the first half of the year stood at EUR 0.58 (average of 190,503,499 shares in circulation) compared with EUR 0.61 in the previous year (average of 192,495,476 shares in circulation).

Financial position

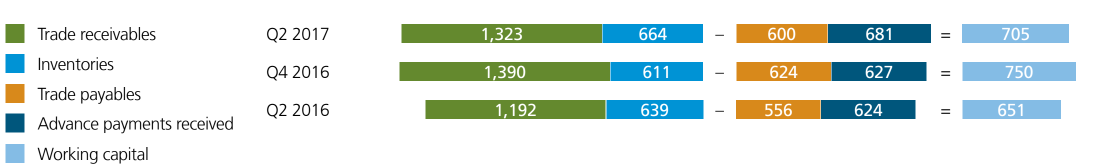
Net liquidity including discontinued operations was reduced from EUR 613.8 million to EUR 343.7 million year on year, largely as a result of cash outflows for the share buyback program.

Overview of net liquidity incl. discontinued operations (EUR million)	06/30/2017	12/31/2016	06/30/2016
Cash and cash equivalents	498.5	929.1	558.0
Fixed deposits with a remaining period ≤ 1 year	–	–	200.0
Securities	0.0	–	1.0
Liabilities to banks	154.8	146.5	145.2
Net liquidity (+)/Net debt (–)	**343.7**	**782.6**	**613.8**

As of the reporting date, guarantee lines – which are mainly for contract performance, advance payments, and warranties – of EUR 1,249.6 million (December 31, 2016: EUR 1,265.5 million) were available to GEA, of which EUR 468.2 million (December 31, 2016: EUR 475.2 million) had been utilized.

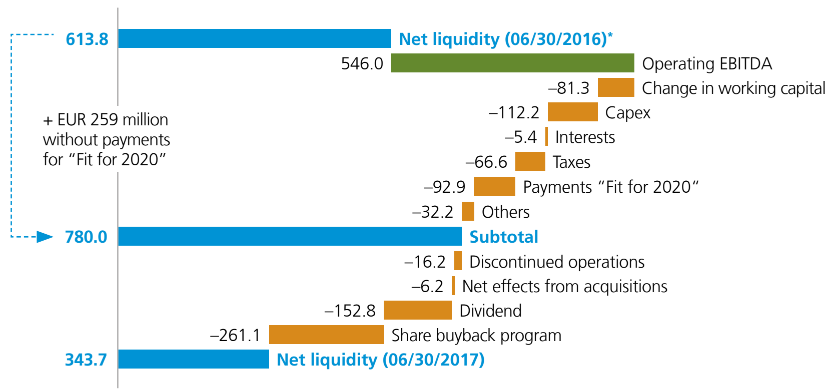
Change in Working Capital (continued operations)

(EUR million)



The key factors responsible for the change in net liquidity (including discontinued operations) are shown for the last 12 months in the following chart:

Change in net liquidity
(EUR million)



*) Including fixed deposits with a remaining period ≤ 1 year (EUR 200 million)

The consolidated cash flow statement can be summarized as follows:

Overview of cash flow statement (EUR million)	Q1-Q2 2017	Q1-Q2 2016	Change absolute
Cash flow from operating activities	43.4	–71.9	115.3
Cash flow from investing activities	–43.7	–91.4	47.7
Free cash flow	**–0.3**	**–163.3**	**163.0**
Cash flow from financing activities	–411.3	–460.6	49.2
Cash flow from disposal group GEA Heat Exchangers	–9.4	2.4	–11.8
Change in unrestricted cash and cash equivalents	–430.6	–623.1	192.5

Cash flow from operating activities attributable to continuing operations amounted to EUR 43.4 million since the start of the year, EUR 115.3 million above the previous year's level. This improvement is primarily due to a significant reduction in working capital.

Cash flow from investment activities was also well above the previous year's level, and this can be explained by outflows for company acquisitions in 2016. Contrasting effects include the sale of an EONIA bond in 2016 and higher payments during the current year for property, plant and equipment and intangible assets.

Cash flow from financing activities attributable to continued operations reflects the dividend payout (EUR 152.8 million) and, in particular, the repurchase of treasury shares (EUR 261.1 million). In the previous year, this item comprised the dividend payout, together with the timely repayment of the non-callable bond (EUR 274.7 million).

Cash flow drivers

The operating cash flow driver margin for the last 12 months was 7.0 percent, compared with 11.1 percent for the same period of the previous year.

Operating Cash flow driver/operating cash flow driver margin (EUR million)	06/30/2017
Operating EBITDA (last 12 months)	546.0
Capital expenditure on property, plant and equipment (last 12 months)	–112.2
Adjustment of capital expenditure in strategic projects	16.6
Change in Working Capital (average of the last 12 months)	–133.7
Operating cash flow driver (operating EBITDA – capex –/+change in working capital)	**316.6**
as % of revenue (last 12 months)	**7.0**

Net assets

Condensed balance sheet (EUR million)	06/30/2017	as % of total assets	12/31/2016	as % of total assets	Change in %
Assets					
Non-current assets	2,926.2	51.6	2,979.8	48.8	–1.8
thereof goodwill	1,495.9	26.4	1,505.6	24.7	–0.6
thereof deferred taxes	470.4	8.3	502.1	8.2	–6.3
Current assets	2,741.2	48.4	3,128.1	51.2	–12.4
thereof cash and cash equivalents	498.5	8.8	929.1	15.2	–46.3
thereof assets held for sale	5.3	0.1	5.4	0.1	–2.8
Total assets	**5,667.4**	**100.0**	**6,107.9**	**100.0**	**–7.2**
Equity and liabilities					
Equity	2,604.9	46.0	2,995.6	49.0	–13.0
Non-current liabilities	1,108.7	19.6	1,149.8	18.8	–3.6
thereof financial liabilities	5.4	0.1	10.2	0.2	–47.2
thereof deferred taxes	143.0	2.5	144.9	2.4	–1.3
Current liabilities	1,953.7	34.5	1,962.6	32.1	–0.5
thereof financial liabilities	171.4	3.0	165.7	2.7	3.4
Total equity and liabilities	**5,667.4**	**100.0**	**6,107.9**	**100.0**	**–7.2**

The marked reduction in total assets compared with December 31, 2016 is due in particular to the cash outflow resulting from the share buyback program. GEA was also able to reduce its trade receivables, whereas inventories increased. Working capital was reduced by more than EUR 40 million in total compared with the value at the end of 2016.

Compared with December 31, 2016, equity fell by EUR 390.7 million to EUR 2,604.9 million. Although the consolidated profit of EUR 110.8 million served to bolster equity, this indicator was reduced by a dividend payout of EUR 152.8 million, the repurchase of treasury shares (EUR 275.0 million), and currency translation effects (EUR 93.2 million). The equity ratio is now 46.0 percent.

GEA succeeded in reducing both its current and non-current liabilities compared with December 31, 2016. The decline in non-current liabilities resulted from lower pension provisions, while the slight fall in current liabilities was due to a reduction in bonus provisions and a decline in trade payables. The volume of advance payments received did, however, rise.

Employees

Employees* by region	06/30/2017		12/31/2016		06/30/2016	
DACH & Eastern Europe	6,343	37.1%	6,301	37.2%	6,385	37.2%
North and Central Europe	2,943	17.2%	2,924	17.3%	2,970	17.3%
Asia Pacific	2,898	17.0%	2,867	16.9%	2,926	17.1%
Western Europe, Middle East & Africa	2,752	16.1%	2,727	16.1%	2,769	16.1%
North America	1,738	10.2%	1,709	10.1%	1,744	10.2%
Latin America	420	2.5%	409	2.4%	361	2.1%
Total	**17,093**	**100.0%**	**16,937**	**100.0%**	**17,153**	**100.0%**

*) Full-time equivalents (FTE) excluding vocational trainees and inactive employment contracts

Research and development

Research and development (R&D) expenses* (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
R&D expenses after adjustments	23.4	20.8	12.8	45.7	41.8	9.2
R&D ratio (as % of revenue)	2.1	1.8	–	2.1	2.0	–

*) Incl. refunded expenses (contract costs)

Report on Risks and Opportunities

The overall assessment of risks and opportunities in the reporting period compared with the position presented in the 2016 Annual Report changed with regard to the following point: There is a medium risk of GEA incurring additional costs arising from a model of bottling line that is being discontinued. In addition to the outlay of around EUR 7 million already reported in the first half of the year, there could be therefore potential for further additional costs in this context of up to EUR 26.5 million. This potential for further additional costs includes a sum of around EUR 6.5 million for impairments on capitalized development costs. As such, the maximum financial impact of this issue (including the expenses already recognized) might be about EUR 27 million for EBITDA and approximately EUR 34 million for EBIT.

All in all, from today's perspective, there are no risks to the continued existence of GEA as a going concern. Sufficient provisions have been recognized for identified risks in line with the relevant requirements.

Report on Expected Developments

Economic environment in 2017

In their most recent publications, the main economic research institutions, i.e. the International Monetary Fund (IMF), the World Bank, and the United Nations (UN) reaffirmed the forecasts they submitted at the start of the year. They still predict that global gross domestic product will rise between 2.7 percent (World Bank, UN) and 3.5 percent (IMF) in 2017.

Business outlook

The forecast assumes there will be no slowdown in global economic growth and no significant negative exchange rate effects. Acquisitions made in 2017 are not included in the calculation of the key performance indicators. Further, the outlook presupposes there will be no serious slumps in demand from relevant customer industries and no further shifts between these industries which could negatively impact margins.

The decline in operating EBITDA in the second quarter required GEA to modify its earnings forecast for 2017. As already disclosed on July 15, 2017, the figure for operating EBITDA is expected to be between EUR 600 million and EUR 640 million. Not included in this value range are all the additional costs for the bottling lines mentioned in our report on risks and opportunities (these include expenses of around EUR 7 million already reported in the figures for the first half of 2017).

Reconciliation of expectation operating EBITDA as per ad hoc announcement to forecast operating EBITDA as per HGB* (in EUR millions)	From	To
Expectation operating EBITDA as per the ad hoc announcement (July 15, 2017)	**600**	**640**
Expenses for bottling lines recognized in first half of year	-7	-7
Risk of additional costs for bottling lines	-20	0
Operating EBITDA as per forecast (HGB)	**573**	**633**

*) Handelsgesetzbuch (German Commercial Code)

GEA has therefore modified its forecast for 2017 as follows:

- The expectation of moderate revenue growth is reaffirmed. The Business Area Equipment is expected to make a greater contribution to the expected rise in revenues than the Business Area Solutions.
- Operating EBITDA of between EUR 573 million and EUR 633 million. The expected increase in operating EBITDA compared with the prior year's figure is attributable primarily to the Business Area Equipment.
- An operating cash flow driver margin before investments in strategic projects of between 8.5 and 9.5 percent is reaffirmed.

Düsseldorf, July 25, 2017

The Executive Board

Consolidated Financial Statements

for the 2nd Quarter of 2017

Consolidated Balance Sheet
as of June 30, 2017

Assets (EUR thousand)	06/30/2017	12/31/2016	Change in %
Property, plant and equipment	470,474	485,046	–3.0
Investment property	3,605	3,662	–1.6
Goodwill	1,495,890	1,505,629	–0.6
Other intangible assets	427,643	428,801	–0.3
Equity-accounted investments	14,283	15,929	–10.3
Other non-current financial assets	43,874	38,654	13.5
Deferred taxes	470,398	502,117	–6.3
Non-current assets	**2,926,167**	**2,979,838**	**–1.8**
Inventories	663,865	611,405	8.6
Trade receivables	1,323,045	1,390,397	–4.8
Income tax receivables	28,394	25,832	9.9
Other current financial assets	222,187	165,942	33.9
Cash and cash equivalents	498,479	929,120	–46.3
Assets held for sale	5,251	5,403	–2.8
Current assets	**2,741,221**	**3,128,099**	**–12.4**
Total assets	**5,667,388**	**6,107,937**	**–7.2**

Equity and liabilities (EUR thousand)	06/30/2017	12/31/2016	Change in %
Issued capital	500,712	520,376	–3.8
Capital reserve	1,217,861	1,217,861	–
Retained earnings	789,383	1,067,812	–26.1
Accumulated other comprehensive income	96,412	188,977	–49.0
Non-controlling interests	569	578	–1.6
Equity	**2,604,937**	**2,995,604**	**–13.0**
Non-current provisions	142,664	138,751	2.8
Non-current employee benefit obligations	771,055	807,652	–4.5
Non-current financial liabilities	5,401	10,238	–47.2
Other non-current liabilities	46,629	48,181	–3.2
Deferred taxes	142,981	144,930	–1.3
Non-current liabilities	**1,108,730**	**1,149,752**	**–3.6**
Current provisions	140,283	144,465	–2.9
Current employee benefit obligations	144,031	181,424	–20.6
Current financial liabilities	171,399	165,719	3.4
Trade payables	600,446	624,817	–3.9
Income tax liabilities	20,497	33,317	–38.5
Other current liabilities	877,065	812,839	7.9
Current liabilities	**1,953,721**	**1,962,581**	**–0.5**
Total equity and liabilities	**5,667,388**	**6,107,937**	**–7.2**

Consolidated Income Statement
April 1 – June 30, 2017

(EUR thousand)	Q2 2017	Q2 2016			Change in %
		Excluding restructuring	Restructuring expenses	Total	
Revenue	1,138,464	1,156,936	–	1,156,936	–1.6
Cost of sales	780,133	796,306	–2,659	793,647	–1.7
Gross margin	**358,331**	**360,630**	**2,659**	**363,289**	**–1.4**
Selling expenses	132,130	130,141	–1,648	128,493	2.8
Research and development expenses	17,394	14,200	–295	13,905	25.1
General and administrative expenses	128,272	116,468	33	116,501	10.1
Other income	102,386	88,886	–	88,886	15.2
Other expenses	104,306	85,946	–106	85,840	21.5
Share of profit or loss of equity-accounted investments	73	769	–	769	–90.5
Other financial expenses	–	38	–	38	–
Earnings before interest and tax (EBIT)	**78,688**	**103,492**	**4,675**	**108,167**	**–27.3**
Interest income	1,637			1,569	4.3
Interest expense	5,978			8,066	–25.9
Profit before tax from continuing operations	**74,347**			**101,670**	**–26.9**
Income taxes	16,356			19,317	–15.3
Profit after tax from continuing operations	**57,991**			**82,353**	**–29.6**
Profit or loss after tax from discontinued operations	**–2,553**			**427**	**–**
Profit for the period	**55,438**			**82,780**	**–33.0**
of which attributable to shareholders of GEA Group AG	55,441			82,784	–33.0
of which attributable to non-controlling interests	–3			–4	25.0

(EUR)	Q2 2017	Q2 2016	Change in %
Basic and diluted earnings per share from continuing operations	0.31	0.43	–28.2
Basic and diluted earnings per share from discontinued operations	–0.01	0.00	–
Basic and diluted earnings per share	**0.29**	**0.43**	**–31.7**
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share (million)	**188.7**	**192.5**	**–2.0**

Consolidated Statement of Comprehensive Income
April 1 – June 30, 2017

(EUR thousand)	Q2 2017	Q2 2016	Change in %
Profit for the period	**55,438**	**82,780**	**–33.0**
Items, that will not be reclassified to profit or loss in the future:			
Actuarial gains/losses on pension and other post-employment benefit obligations	17,468	–24,747	–
Items, that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations	–87,007	33,817	–
Result of available-for-sale financial assets	183	81	> 100
Result of cash flow hedges	242	–1,132	–
Other comprehensive income	**–69,114**	**8,019**	**–**
Total comprehensive income	**–13,676**	**90,799**	**–**
of which attributable to GEA Group AG shareholders	–13,673	90,803	–
of which attributable to non-controlling interests	–3	–4	25.0

Consolidated Income Statement
for the period January 1 – June 30, 2017

(EUR thousand)	Q1-Q2 2017	Q1-Q2 2016			Change in %
		Excluding restructuring	Restructuring expenses	Total	
Revenue	2,142,377	2,098,148	–	2,098,148	2.1
Cost of sales	1,466,646	1,442,406	–7,196	1,435,210	2.2
Gross margin	**675,731**	**655,742**	**7,196**	**662,938**	**1.9**
Selling expenses	267,615	252,460	–3,174	249,286	7.4
Research and development expenses	32,663	29,629	–1,020	28,609	14.2
General and administrative expenses	239,273	228,613	–2,423	226,190	5.8
Other income	180,145	174,430	–	174,430	3.3
Other expenses	174,697	165,883	1,283	167,166	4.5
Share of profit or loss of equity-accounted investments	632	1,152	–	1,152	–45.1
Other financial expenses	–	75	–	75	–
Earnings before interest and tax (EBIT)	**142,260**	**154,664**	**12,530**	**167,194**	**–14.9**
Interest income	4,018			3,255	23.4
Interest expense	11,473			26,439	–56.6
Profit before tax from continuing operations	**134,805**			**144,010**	**–6.4**
Income taxes	29,657			27,362	8.4
Profit after tax from continuing operations	**105,148**			**116,648**	**–9.9**
Profit or loss after tax from discontinued operations	**5,643**			**459**	**> 100**
Profit for the period	**110,791**			**117,107**	**–5.4**
thereof attributable to shareholders of GEA Group AG	110,789			117,112	–5.4
thereof attributable to non-controlling interests	2			–5	–

(EUR)	Q1-Q2 2017	Q1-Q2 2016	Change in %
Basic and diluted earnings per share from continuing operations	0.55	0.61	–8.9
Basic and diluted earnings per share from discontinued operations	0.03	0.00	> 100
Basic and diluted earnings per share	**0.58**	**0.61**	**–4.4**
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share (million)	**190.5**	**192.5**	**–1.0**

Consolidated Statement of Comprehensive Income
for the period January 1 – June 30, 2017

(EUR thousand)	Q1-Q2 2017	Q1-Q2 2016	Change in %
Profit for the period	**110,791**	**117,107**	**–5.4**
Items, that will not be reclassified to profit or loss in the future:			
Actuarial gains/losses on pension and other post-employment benefit obligations	18,970	–45,659	–
Items, that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations	–93,161	–17,008	< -100
Result of available-for-sale financial assets	117	241	–51.5
Result of cash flow hedges	479	–954	–
Other comprehensive income	**–73,595**	**–63,380**	**–16.1**
Total comprehensive income	**37,196**	**53,727**	**–30.8**
thereof attributable to GEA Group AG shareholders	37,194	53,732	–30.8
thereof attributable to non-controlling interests	2	–5	–

Consolidated Cash Flow Statement
April 1 – June 30, 2017

(EUR thousand)	04/01/2017 - 06/30/2017	04/01/2016 - 06/30/2016
Profit for the period	55,438	82,780
plus income taxes	16,356	19,317
minus profit or loss after tax from discontinued operations	2,553	–427
Profit before tax from continuing operations	74,347	101,670
Net interest income	4,341	6,497
Earnings before interest and tax (EBIT)	**78,688**	**108,167**
Depreciation, amortization, impairment losses, and reversal of impairment losses on non-current assets	27,929	29,150
Other non-cash income and expenses	3,679	7,549
Employee benefit obligations from defined benefit pension plans	–10,336	–12,340
Change in provisions and other employee benefit obligations	–1,323	–19,281
Losses and disposal of non-current assets	–403	–471
Change in inventories including unbilled construction contracts*	–4,703	–18,600
Change in trade receivables	–28,854	–66,831
Change in trade payables	46,442	26,207
Change in other operating assets and liabilities	–33,975	–21,023
Tax payments	–16,858	–14,713
Cash flow from operating activities of continued operations	**60,286**	**17,814**
Cash flow from operating activities of discontinued operations	–3,263	–984
Cash flow from operating activities	**57,023**	**16,830**
Proceeds from disposal of non-current assets	1,119	590
Payments to acquire property, plant and equipment, and intangible assets	–31,855	–17,203
Proceeds from current financial assets	–	37,000
Payments from non-current financial assets	–	–629
Interest income	1,632	845
Dividend income	1,545	–
Payments to acquire subsidiaries and other businesses	–	–101,014
Cash flow from investing activities of continued operations	**–27,559**	**–80,411**
Cash flow from investing activities of discontinued operations	–4,706	–202
Cash flow from investing activities	**–32,265**	**–80,613**
Dividend payments	–152,812	–153,996
Payments for acquisition of treasury shares	–228,786	–
Payments from finance leases	–1,062	–1,033
Proceeds from finance loans	2,408	–
Proceeds from bond issue	–	–274,739
Repayments of finance loans	–	–4,904
Interest payments	–2,943	–16,476
Cash flow from financing activities of continued operations	**–383,195**	**–451,148**
Cash flow from financing activities of discontinued operations	–12	–2
Cash flow from financing activities	**–383,207**	**–451,150**
Effect of exchange rate changes on cash and cash equivalents	–10,323	3,571
Change in unrestricted cash and cash equivalents	**–368,772**	**–511,362**
Unrestricted cash and cash equivalents at beginning of period	866,180	1,061,000
Unrestricted cash and cash equivalents at end of period	**497,408**	**549,638**
Restricted cash and cash equivalents	1,071	8,383
Cash and cash equivalents reported in the balance sheet	**498,479**	**558,021**

*) Including advanced payments received

Consolidated Cash Flow Statement
for the period January 1 – June 30, 2017

(EUR thousand)	01/01/2017 - 06/30/2017	01/01/2016 - 06/30/2016
Profit for the period	110,791	117,107
plus income taxes	29,657	27,362
minus profit or loss after tax from discontinued operations	–5,643	–459
Profit before tax from continuing operations	134,805	144,010
Net interest income	7,455	23,184
Earnings before interest and tax (EBIT)	**142,260**	**167,194**
Depreciation, amortization, impairment losses, and reversal of impairment losses on non-current assets	55,214	55,330
Other non-cash income and expenses	5,852	12,436
Employee benefit obligations from defined benefit pension plans	–20,672	–25,054
Change in provisions and other employee benefit obligations	–35,160	–81,018
Losses and disposal of non-current assets	–486	–671
Change in inventories including unbilled construction contracts*	–48,519	–81,635
Change in trade receivables	65,115	30,480
Change in trade payables	–13,563	–61,417
Change in other operating assets and liabilities	–73,908	–54,747
Tax payments	–32,733	–32,824
Cash flow from operating activities of continued operations	**43,400**	**–71,926**
Cash flow from operating activities of discontinued operations	–4,329	3,447
Cash flow from operating activities	**39,071**	**–68,479**
Proceeds from disposal of non-current assets	3,508	1,690
Payments to acquire property, plant and equipment, and intangible assets	–51,440	–30,202
Proceeds from current financial assets	–	37,000
Payments from non-current financial assets	–24	–629
Interest income	2,491	1,792
Dividend income	2,104	–
Payments to acquire subsidiaries and other businesses	–348	–101,014
Cash flow from investing activities of continued operations	**–43,709**	**–91,363**
Cash flow from investing activities of discontinued operations	–5,048	–1,044
Cash flow from investing activities	**–48,757**	**–92,407**
Dividend payments	–152,812	–153,996
Payments for acquisition of treasury shares	–261,054	–
Payments from finance leases	–2,051	–1,783
Proceeds from finance loans	8,310	–
Proceeds from bond issue	–	–274,739
Repayments of finance loans	–	–8,097
Interest payments	–3,666	–21,938
Cash flow from financing activities of continued operations	**–411,273**	**–460,553**
Cash flow from financing activities of discontinued operations	–35	3
Cash flow from financing activities	**–411,308**	**–460,550**
Effect of exchange rate changes on cash and cash equivalents	–9,602	–1,704
Change in unrestricted cash and cash equivalents	**–430,596**	**–623,140**
Unrestricted cash and cash equivalents at beginning of period	928,004	1,172,778
Unrestricted cash and cash equivalents at end of period	**497,408**	**549,638**
Restricted cash and cash equivalents	1,071	8,383
Cash and cash equivalents reported in the balance sheet	**498,479**	**558,021**

*) Including advanced payments received

Consolidated Statement of Changes in Equity
as of June 30, 2017

				Accumulated other comprehensive income					
(EUR thousand)	Issued capital	Capital reserves	Retained earnings	Translation of foreign operations	Result of available for-sale financial assets	Result of cash flow hedges	**Equity attributable to shareholders of GEA Group AG**	Non-controlling interests	**Total**
Balance at Jan. 1, 2016 (192,495,476 shares)	**520,376**	**1,217,861**	**962,515**	**144,527**	**–234**	**–1,416**	**2,843,629**	**570**	**2,844,199**
Profit for the period	–	–	117,112	–	–	–	**117,112**	–5	**117,107**
Other comprehensive income	–	–	–45,659	–17,008	241	–954	**–63,380**	–	**–63,380**
Total comprehensive income	–	–	71,453	–17,008	241	–954	**53,732**	–5	**53,727**
Purchase of treasury shares	–	–	–	–	–	–	**–**	–	**–**
Dividend payment by GEA Group AG	–	–	–153,996	–	–	–	**–153,996**	–	**–153,996**
Change in other non-controlling interests	–	–	–	–	–	–	**–**	–12	**–12**
Balance at June 30, 2016 (192,495,476 shares)	**520,376**	**1,217,861**	**879,972**	**127,519**	**7**	**–2,370**	**2,743,365**	**553**	**2,743,918**
Balance at Jan. 1, 2017 (192,495,476 shares)	**520,376**	**1,217,861**	**1,067,812**	**189,962**	**–467**	**–518**	**2,995,026**	**578**	**2,995,604**
Profit for the period	–	–	110,789	–	–	–	**110,789**	2	**110,791**
Other comprehensive income	–	–	18,970	–93,161	117	479	**–73,595**	–	**–73,595**
Total comprehensive income	–	–	129,759	–93,161	117	479	**37,194**	2	**37,196**
Purchase of treasury shares	–19,664	–	–255,376	–	–	–	**–275,040**	–	**–275,040**
Dividend payment by GEA Group AG		–	–152,812	–	–	–	**–152,812**	–	**–152,812**
Change in other non-controlling interests	–	–	–	–	–	–	**–**	–11	**–11**
Balance at June 30, 2017 (185,221,613 shares)	**500,712**	**1,217,861**	**789,383**	**96,801**	**–350**	**–39**	**2,604,368**	**569**	**2,604,937**

Notes to the Consolidated Financial Statements

1. Reporting Principles

Basis of presentation

The interim financial statements of GEA Group Aktiengesellschaft and the interim financial statements of the subsidiaries included in the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU for interim financial reporting in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the Council on the application of international accounting standards. In accordance with IAS 34, the interim financial report does not contain all the information and disclosures required by IFRSs for full-year consolidated financial statements.

The accompanying consolidated financial statements and Group management report on the second quarter have not been audited in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code) or reviewed by an auditor. The Executive Board released them for publication on July 25, 2017.

The interim financial statements have been prepared in euros (EUR). All amounts, including the comparative figures, are presented in thousands of euros (EUR thousand), except for the segment information. All amounts have been rounded using standard rounding rules. Adding together individual amounts may therefore result in a difference in the order of EUR 1 thousand in certain cases.

With the exception of the pronouncements applicable for the first time as of January 1, 2017, the accounting policies applied to the accompanying interim financial statements are the same as those applied as of December 31, 2016, and are described in detail on pages 122 to 144 of the Annual Report containing GEA's IFRS consolidated financial statements.

By the time the interim financial statements were released for publication, the IASB had published the following new accounting regulations:

IFRIC 23 "Uncertainty over Income Tax Treatments" – published by the IASB in June 2017

The ultimate tax treatment of circumstances and transactions can depend on whether the relevant tax authorities accept the treatments an entity has adopted or plans to adopt in its income tax filing. IFRIC 23 supplements the provisions set out in IAS 12 "Income Taxes" by clarifying the accounting for uncertainties in income taxes with regard to circumstances and transactions.

GEA is currently analyzing the potential effect of the initial application of IFRIC 23. Subject to its endorsement by the EU, the interpretation will be required to be applied for fiscal years beginning on or after January 1, 2019. Earlier application is permitted.

Interim financial reporting principles

These interim financial statements present a true and fair view of the Company's results of operations, financial position, and net assets in the reporting period.

Preparation of interim financial statements requires management to make certain estimates and assumptions that may affect the Company's assets, liabilities, provisions, and deferred tax assets and liabilities, as well as its income and expenses. Although management makes such estimates and assumptions carefully and in good faith, actual amounts may differ from the estimates used in the interim financial statements.

Factors that may cause amounts to fall below expectations include a deterioration in the global economic situation, movements in exchange rates and interest rates, as well as material litigation and changes in environmental or other legislation. Errors in internal operating processes, the loss of key customers, and rising borrowing costs may also adversely affect the Group's future performance.

2. Basis of consolidation

The consolidated group changed as follows in the first half of 2017:

	Number of companies
Consolidated Group as of December 31, 2016	**219**
German companies (including GEA Group AG)	36
Foreign companies	183
Merger	5
Deconsolidation	1
Consolidated Group as of June 30, 2017	**213**
German companies (including GEA Group AG)	36
Foreign companies	177

A total of 49 subsidiaries (December 31, 2016: 47) were not consolidated since their effect on the Group's net assets, financial position, and results of operations is not material even when viewed in the aggregate.

3. Balance sheet disclosures

Cash credit lines

The cash credit lines were composed of the following items as of June 30, 2017:

(EUR thousand)	Maturity	06/30/2017 approved	06/30/2017 utilized	12/31/2015 approved	12/31/2016 utilized
European Investment Bank	July 2017	50,000	50,000	50,000	50,000
Borrower's note loan (2017)	September 2017	90,000	90,000	90,000	90,000
Syndicated credit line („club deal“)	August 2021	650,000	–	650,000	–
Various (bilateral) credit lines including accured interest	Maximum of 1 year or „until further notice“	67,938	14,806	65,664	6,496
Total		**857,938**	**154,806**	**855,664**	**146,496**

Financial instruments

The following tables provide an overview of the composition of financial instruments as of June 30, 2017, by class within the meaning of IFRS 7 as well as by measurement category. The tables also include financial assets and liabilities, as well as derivatives that are included in recognized hedging relationships but do not belong to any of the IAS 39 measurement categories.

		Measurement in accordance with IAS 39				
(EUR thousand)	Carrying amount 06/30/2017	Amortized cost	Fair value through profit or loss	Fair value recognized in other comprehensive income	Measurement in accordance with other IFRSs	Fair value 06/30/2017
Assets						
Trade receivables	1,323,045	830,431	–	–	492,614	1,323,045
of which PoC receivables	492,614	–	–	–	492,614	492,614
Income tax receivables	28,394	–	–	–	28,394	28,394
Cash and cash equivalents	498,479	498,479	–	–	–	498,479
Other financial assets	266,014	127,797	6,873	9,073	122,271	266,014
By IAS 39 measurement category						
Loans and receivables	1,434,230	1,434,230	–	–	–	1,434,230
of which cash and cash equivalents	498,479	498,479	–	–	–	498,479
of which trade receivables	830,431	830,431	–	–	–	830,431
of which other financial assets	105,320	105,320	–	–	–	105,320
Available-for-sale investments	31,550	22,477	–	9,073	–	31,550
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	6,873	–	6,873	–	–	6,873
Liabilities						
Trade payables	600,446	600,446	–	–	–	600,446
Financial liabilities	176,800	155,521	12,648	335	8,296	177,312
of which liabilities under finance leases	8,296	–	–	–	8,296	8,296
of which derivatives included in hedging relationships	335	–	–	335	–	335
Income tax liabilities	20,497	–	–	–	20,497	20,497
Other liabilities	923,694	139,140	641	–	783,913	923,288
By IAS 39 measurement category						
Financial liabilities at amortized cost	895,107	895,107	–	–	–	895,213
of which trade payables	600,446	600,446	–	–	–	600,446
of which bonds and other securitized liabilities	91,897	91,897	–	–	–	92,475
of which liabilities to banks	62,908	62,908	–	–	–	62,842
of which loan liabilities to unconsolidated subsidiaries	716	716	–	–	–	716
of which other liabilities to affiliated companies	20,275	20,275	–	–	–	20,275
of which other liabilities	118,865	118,865	–	–	–	118,459
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship and contingent consideration)	13,289	–	13,289	–	–	13,289

(EUR thousand)	Carrying amount 12/31/2016	Measurement in accordance with IAS 39			Measurement in accordance with other IFRSs	Fair value 12/31/2016
		Amortized cost	Fair value through profit or loss	Fair value recognized in other comprehensive income		
Assets						
Trade receivables	1,390,397	929,388	–	–	461,009	1,390,397
of which PoC receivables	461,009	–	–	–	461,009	461,009
Income tax receivables	25,832	–	–	–	25,832	25,832
Cash and cash equivalents	929,120	929,120	–	–	–	929,120
Other financial assets	204,596	105,045	3,416	9,098	87,037	204,596
By IAS 39 measurement category						
Loans and receivables	1,940,985	1,940,985	–	–	–	1,940,985
of which cash and cash equivalents	929,120	929,120	–	–	–	929,120
of which trade receivables	929,388	929,388	–	–	–	929,388
of which other financial assets	82,477	82,477	–	–	–	82,477
Available-for-sale investments	31,666	22,568	–	9,098	–	31,666
Financial assets at fair value through profit or loss (derivatives not included in a recognized hedging relationship)	3,416	–	3,416	–	–	3,416
Liabilities						
Trade payables	624,817	624,817	–	–	–	624,817
Financial liabilities	175,957	146,626	18,307	1,042	9,982	177,866
of which liabilities under finance leases	9,982	–	–	–	9,982	9,982
of which derivatives included in hedging relationships	1,042	–	–	1,042	–	1,042
Income tax liabilities	33,317	–	–	–	33,317	33,317
Other liabilities	861,020	141,913	641	–	718,466	860,558
By IAS 39 measurement category						
Financial liabilities at amortized cost	913,062	913,062	–	–	–	914,803
of which trade payables	624,817	624,817	–	–	–	624,817
of which bonds and other securitized liabilities	90,651	90,651	–	–	–	92,456
of which liabilities to banks	55,845	55,845	–	–	–	55,949
of which loan liabilities to unconsolidated subsidiaries	130	130	–	–	–	130
of which other liabilities to affiliated companies	26,582	26,582	–	–	–	26,582
of which other liabilities	115,037	115,037	–	–	–	114,869
Financial liabilities at fair value through profit or loss (derivatives not included in a hedging relationship and contingent consideration)	18,948	–	18,948	–	–	18,948

Financial assets and liabilities that are measured at fair value, or for which a fair value is disclosed in the notes to the consolidated financial statements, are required to be categorized according to the fair value hierarchy described in the following. Categorization within the levels of the fair value hierarchy is based on the measurement of the underlying inputs:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

Level 2 inputs: quoted market prices that are observable as direct (prices) or indirect (derived from prices) inputs used to measure fair value and that are not quoted prices as defined by Level 1.

Level 3 inputs: inputs that are not based on observable market data.

The following table shows the categorization of financial assets and financial liabilities into the three-level fair value hierarchy:

Recurring fair value measurements	06/30/2017				12/31/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
(EUR thousand)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets measured at fair value								
Derivatives not included in hedging relationships	6,873	–	6,873	–	3,416	–	3,416	–
Available-for-sale financial assets valued at fair value	9,073	–	–	9,073	9,098	–	–	9,098
Financial liabilities measured at fair value								
Derivatives included in hedging relationships	335	–	335	–	1,042	–	1,042	–
Derivatives not included in hedging relationships	12,648	–	12,648	–	18,307	–	18,307	–
Contingent consideration	641	–	–	641	641	–	–	641
Financial liabilities not measured at fair value								
Promissory note bonds	91,897	–	92,475	–	90,651	–	92,456	–
Liabilities to banks	62,908	–	62,842	–	55,845	–	55,949	–
Other financial liabilities	61,196	–	5,413	55,377	76,106	–	6,091	69,847

There were no transfers between the levels of the fair value hierarchy in the first six months of fiscal year 2017.

The fair value of derivatives is calculated using quoted exchange rates and yield curves observable in the market. Accordingly, these are categorized within Level 2 of the fair value hierarchy.

The fair value of borrower's note loans and liabilities to banks is measured on the basis of the yield curve, taking into account credit spreads. They are therefore categorized within Level 2 of the fair value hierarchy. The interest deferred as of the reporting date is included in the fair values.

The fair values of trade receivables, cash and cash equivalents, and other financial receivables essentially correspond to the carrying amounts; this is due to the predominantly short remaining maturities.

Included in other financial liabilities are shares of limited partners transferred in the course of a company acquisition that qualify as borrowed capital under the IFRS. The fair value of this instrument is measured using contractual cash flows on the basis of the yield curve, taking into account credit spreads. Accordingly, these are categorized within Level 2 of the fair value hierarchy.

Certain other financial liabilities resulting from the sale of GEA's former Heat Exchangers Segment, which was completed in 2014, are categorized within Level 3 of the fair value hierarchy, since their fair value is measured on the basis of the present value of future cash outflows expected on the basis of contractual obligations associated with the sale.

A receivable relating to the former raw material activities of Metallgesellschaft AG that had previously been written off was allocated to Level 3 financial instruments; its fair value is determined by means of a present value calculation on the basis of the debtor's payment plan.

Financial liabilities resulting from contingent purchase price considerations are also assigned to Level 3 of the fair value hierarchy. The fair value of these liabilities is determined by means of present value calculations, taking into account various inputs that are not observable in the market, and that are based in particular on corporate planning, as specified in the respective purchase price clauses.

4. Consolidated income statement disclosures

Restructuring expenses relating to the "Fit for 2020" project

The "Fit for 2020" project is a constituent part of the company's strategic reorientation effort. It aims to bring about substantial savings and promote further growth by optimizing the company's organizational structure. For example, the development and manufacturing of products and the provision of process solutions have been bundled in two new Business Areas – Equipment and Solutions. This new structure with business areas of roughly equal size and strength promises greater operational synergies across technologies and applications, and helps achieve functional excellence by standardizing processes. For GEA's customers this means one country organization per country as a central point of contact offering the entire product portfolio and all services on a local basis. The new structure was implemented in June 2015 and has now been completed on schedule.

In the first half of 2017, restructuring expenses of EUR 0.6 million (previous year: negative restructuring expenses of EUR 12.5 million) were recorded in respect of the "Fit for 2020" project. The income carried in the first half of 2016 was primarily due to lower-than-expected expenses for contractual redundancy payments. The restructuring provisions recognized as of June 30, 2017 amounted to EUR 19.3 million (previous year: EUR 49.1 million).

Income tax expense

The income taxes disclosed for continuing operations in the interim reporting period were calculated using an estimated tax rate of 22.0 percent (previous year: 19.0 percent).

5. Statement of comprehensive income and consolidated statement of changes in equity disclosures

Share buyback program/treasury shares

On February 6, 2017, the Executive Board of GEA Group Aktiengesellschaft with the approval of the Supervisory Board, in applying powers granted to it by the Annual General Meeting of April 16, 2015 to acquire and appropriate treasury shares, decided that the company should purchase treasury shares with a total value of up to EUR 450 million (net of incidental purchase costs) on the stock exchange during the period from March 1, 2017 to February 28, 2018. The shares are to be repurchased so that they can be retired.

During the first six months of 2017, GEA purchased 7,273,863 shares or 3.78 percent of its share capital for EUR 273,980 thousand at an average price of EUR 37.67 per share. As of June 30, 2017, these were registered as treasury shares. The notional capital of EUR 19,664 thousand attributable to these shares was deducted from the issued capital and the retained earnings reduced by EUR 254,316 thousand.

In addition, transaction costs for the share buyback scheme amounting to EUR 1,061 thousand were deducted from the retained earnings after income tax.

Translation of foreign operations

The change in exchange differences on translating foreign operations amounted to EUR –93,161 thousand in the first half of 2017 (previous year: EUR –17,008 thousand) and, as in the prior-year period, resulted primarily from the fall in the value of the U.S. dollar and the Chinese renminbi against the euro.

6. Segment reporting

GEA's business activities are divided into the following two business areas:

Business Area Equipment

The Business Area Equipment brings together all activities ranging from largely standardized to customer-specific equipment offerings. The products are mainly manufactured as part of series production on a standardized and modular basis. Typical products of the business area include separators, valves, pumps, homogenizers, and refrigeration equipment such as compressors. The portfolio of equipment also includes process technology for food processing and packaging. The product range also extends to dairy equipment, feeding systems, and slurry engineering.

(EUR million)	BA Equipment	BA Solutions	Others	Consolidation	GEA
Q2 2017					
Order Intake	622.0	671.5	–	–52.5	**1,241.1**
External revenue	543.7	594.8	–	–	**1,138.5**
Intersegment revenue	41.8	6.9	–	–48.7	**–**
Total revenue	585.5	601.7	–	–48.7	**1,138.5**
Operating EBITDA*	96.9	35.1	–9.6	–	**122.4**
as % of revenue	16.5	5.8	–	–	**10.8**
EBITDA	93.1	32.5	–19.0	–	**106.6**
Operating EBIT*	82.4	30.7	–11.2	–	**101.9**
as % of revenue	14.1	5.1	–	–	**8.9**
EBIT	73.8	25.5	–20.6	–	**78.7**
as % of revenue	12.6	4.2	–	–	**6.9**
Additions to property, plant and equipment and intangible assets	10.6	6.2	15.3	–	**32.1**
Depreciation and amortization	19.3	7.0	1.7	–	**27.9**
Q2 2016					
Order Intake	617.2	658.6	–	–53.8	**1,222.1**
External revenue	528.1	628.8	–	–	**1,156.9**
Intersegment revenue	42.8	4.9	–	–47.7	**–**
Total revenue	570.9	633.7	–	–47.7	**1,156.9**
Operating EBITDA*	86.0	61.7	–3.0	0.5	**145.2**
as % of revenue	15.1	9.7	–	–	**12.6**
EBITDA	88.5	62.5	–14.2	0.5	**137.3**
Operating EBIT*	72.1	57.1	–4.5	0.5	**125.2**
as % of revenue	12.6	9.0	–	–	**10.8**
EBIT	69.6	53.8	–15.7	0.5	**108.2**
as % of revenue	12.2	8.5	–	–	**9.3**
Additions to property, plant and equipment and intangible assets	12.6	134.9	1.7	–	**149.3**
Depreciation and amortization	19.0	8.6	1.5	–	**29.2**

*) Before effects of purchase price allocations and adjustments (see page 36)

Business Area Solutions

The Business Area Solutions brings together all Group activities that largely consist of marketing customer-specific and modular solutions, and projects. This business area tailors its products and services to the specific application or customer requirements. The offering mainly comprises the design and development of process solutions for the dairy processing, baking, brewing, food, beverages, pharma, and chemical industries.

(EUR million)	BA Equipment	BA Solutions	Others	Consolidation	GEA
Q1-Q2 2017					
Order Intake	1,243.7	1,235.6	–	–102.2	**2,377.1**
External revenue	1,032.7	1,109.7	–	–	**2,142.4**
Intersegment revenue	84.5	12.7	–	–97.2	**–**
Total revenue	1,117.1	1,122.4	–	–97.2	**2,142.4**
Operating EBITDA[1]	166.2	58.7	–6.5	0.5	**218.8**
as % of revenue	14.9	5.2	–	–	**10.2**
EBITDA	160.5	54.8	–18.4	0.5	**197.5**
Operating EBIT[1]	137.7	49.6	–9.6	0.5	**178.2**
as % of revenue	12.3	4.4	–	–	**8.3**
EBIT	122.6	40.6	–21.4	0.5	**142.3**
as % of revenue	11.0	3.6	–	–	**6.6**
ROCE in %[2]	18.6	14.0	–	–	**15.1**
Segment assets	3,822.1	2,915.3	3,487.4	–4,557.4	**5,667.4**
Segment liabilities	1,753.1	1,647.0	2,359.5	–2,697.3	**3,062.5**
Working Capital (reporting date)[3]	606.3	121.5	–16.1	–6.1	**705.6**
Additions to property, plant and equipment and intangible assets	24.3	11.5	17.6	–	**53.4**
Depreciation and amortization	38.0	14.2	3.1	–	**55.2**
Q1-Q2 2016					
Order Intake	1,187.6	1,280.8	–	–102.0	**2,366.4**
External revenue	977.4	1,120.7	–	–	**2,098.1**
Intersegment revenue	84.3	8.4	–	–92.7	**–**
Total revenue	1,061.7	1,129.2	–	–92.7	**2,098.1**
Operating EBITDA[1]	158.3	88.2	–8.9	1.5	**239.1**
as % of revenue	14.9	7.8	–	–	**11.4**
EBITDA	161.0	85.0	–25.0	1.5	**222.5**
Operating EBIT[1]	131.1	79.0	–12.0	1.5	**199.5**
as % of revenue	12.3	7.0	–	–	**9.5**
EBIT	123.7	70.1	–28.1	1.5	**167.2**
as % of revenue	11.6	6.2	–	–	**8.0**
ROCE in %[2]	19.3	31.9	–	–	**19.7**
Segment assets	3,569.9	2,958.4	3,568.1	–4,291.5	**5,804.9**
Segment liabilities	1,660.8	1,640.0	2,225.1	–2,465.0	**3,060.9**
Working Capital (reporting date)[3]	557.9	98.8	1.6	–6.9	**651.4**
Additions to property, plant and equipment and intangible assets	22.6	138.4	6.7	–4.0	**163.6**
Depreciation and amortization	37.3	14.9	3.1	–	**55.3**

1) Before effects of purchase price allocations and adjustments (see page 36)
2) ROCE = EBIT/capital employed; EBIT and capital employed both calculated as the average for the last 12 months and before effects relating to goodwill from the acquisition of the former GEA AG by the former Metallgesellschaft AG in 1999; capital employed = non-current assets + working capital
3) Working capital = inventories + trade receivables – trade payables – advance payments received

Order intake is recognized on the basis of legally valid contracts. Intersegment revenue is calculated using standard market prices.

In accordance with the internal management system as described in the 2016 Annual Report, the key indicators for the operating result as used by the management for controlling purposes are operating EBITDA and operating EBIT. Thus, these key indicators were adjusted for items which, in the opinion of the management, do not reflect GEA's financial achievements in the period under review. This relates, on the one hand, to adjustments for purchase price allocation effects that were determined for all significant past acquisitions, and, on the other, to the adjustment of expenses for strategy projects. These include restructuring costs, expenses for external consultants, outlay on scheduled and completed company acquisitions, together with other material expenses and internal costs directly attributable to the projects. The following strategic projects were underway in the period under review:

- "OneGEA Finance", which aims to align the financial information and management systems to the new functional OneGEA organization
- "Operational Excellence" to optimize engineering, production and procurement
- "IT Excellence" to standardize and outsource the IT platform as the basis for digital transformation
- "Digitalization" to develop GEA's digital product portfolio
- Projects to effect acquisitions

The indicators were also adjusted for follow-up expenses in respect of the now concluded "Fit for 2020" project.

In accordance with this definition, operating EBIT for the first half of 2017 was adjusted for expenses for strategy projects totaling EUR 20.5 million (previous year: EUR 16.0 million). EUR 11.2 million (previous year EUR 15.0 million) of this total was attributable to follow-up expenses in respect of the concluded "Fit for 2020" project, including implementation of the Shared Service Center. These expenses include restructuring expenses totaling EUR 0.6 million (previous year: EUR –12.5 million). The figures were also adjusted for expenses totaling EUR 5.0 million and EUR 1.9 million for the "OneGEA Finance" and "IT Excellence" projects respectively.

In accordance with the internal management system, the profitability of the two business areas is measured using earnings before interest, tax, depreciation and impairment losses/reversals of impairment (EBITDA), along with earnings before interest and tax (EBIT). These indicators correspond to the values shown in the income statement.

Impairment losses include all impairment losses on property, plant, and equipment, intangible assets, and investment property.

Reconciliation of operating EBITDA to EBIT (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
Operating EBITDA	**122.4**	**145.2**	**–15.7**	**218.8**	**239.1**	**–8.5**
Depreciation of property, plant and equipment, investment property, and amortization of intangible assets	–20.6	–20.1	–	–40.7	–39.6	–
Operating EBIT	**101.9**	**125.2**	**–18.6**	**178.2**	**199.5**	**–10.7**
Depreciation and amortization on capitalization of purchase price allocation	–7.4	–9.1	–	–14.6	–15.7	–
Realization of step-up amounts on inventories	–0.4	–0.4	–	–0.9	–0.6	–
Adjustments	–15.3	–7.5	–	–20.5	–16.0	–
EBIT	**78.7**	**108.2**	**–27.3**	**142.3**	**167.2**	**–14.9**

Reconciliation EBITDA to EBIT (EUR million)	Q2 2017	Q2 2016	Change in %	Q1-Q2 2017	Q1-Q2 2016	Change in %
EBITDA	**106.6**	**137.3**	**–22.4**	**197.5**	**222.5**	**–11.3**
Depreciation of property, plant and equipment, investment property, and amortization of intangible assets	–27.9	–29.2	4.2	–55.2	–55.3	0.2
EBIT	**78.7**	**108.2**	**–27.3**	**142.3**	**167.2**	**–14.9**

A reconciliation of EBIT to profit or loss before income tax is contained in the income statement.

ROCE is regularly used to assess how effectively the capital invested in business operations is being used.

The recognition and measurement policies for assets and liabilities of the business areas, and hence also for working capital, are the same as those used in the group and described in the accounting policies section of the 2016 Annual Report.

The following table shows the reconciliation of working capital to total assets:

Reconciliation of working capital to total assets (EUR million)	06/30/2017	06/30/2016
Working capital (reporting date)	**705.6**	**651.4**
Working capital (reporting date) of Ruhr-Zink	–0.3	–0.2
Non-current assets	2,926.2	2,992.0
Income tax receivables	28.4	29.1
Other current financial assets	222.2	389.2
Cash and cash equivalents	498.5	558.0
Assets held for sale	5.3	5.6
plus trade payables	600.4	556.0
plus advance payments in respect of orders and construction contracts	325.1	301.2
plus gross amount due to customers for contract work	356.1	322.5
Total assets	**5,667.4**	**5,804.9**

7. Related party transactions

There were no material related party transactions with an effect on the results of operations, financial position, and net assets.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

Düsseldorf, July 25, 2017

The Executive Board

Jürg Oleas | Dr. Helmut Schmale | Steffen Bersch | Niels Erik Olsen

Financial Calendar

November 3, 2017 .... Quarterly Statement for the period to September 30, 2017

The GEA Stock: Key data

WKN	660 200
ISIN	DE0006602006
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Bloomberg code	G1A.GR
Xetra	G1A.DE

American Depository Receipts (ADR)

CUSIP	361592108
Symbol	GEAGY
Sponsor	Deutsche Bank Trust Company Americas
ADR-Level	1
Ratio	1:1

Communication, Marketing & Branding

Phone +49 (0)211 9136-1492
Fax +49 (0)211 9136-31492
Mail pr@gea.com

Investor Relations

Phone +49 (0)211 9136-1082
Fax +49 (0)211 9136-31082
Mail ir@gea.com

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This 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 GEA. 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.

Note regarding the rounding of figures
Due to the commercial rounding of figures and percentages, small deviations may occur.

Note to the Half-yearly Financial Report
This Half-yearly Financial Report statement is the English translation of the original German version; in case of deviations between these two, the German version prevails.

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Excellence • Passion • Integrity • Responsibility • GEA-versity

GEA is a global technology company with multi-billion euro sales and operations in more than 50 countries. Founded in 1881 the company is one of the largest providers of innovative equipment and process technology. GEA is listed in the STOXX® Europe 600 Index.

GEA Group Aktiengesellschaft
Peter-Müller-Straße 12
40468 Düsseldorf
Germany
Phone: +49 211 9136-0