GEA PROCESS ENGINEERING A/S

Gladsaxevej 305, DK-2860 Søborg

Annual Report for 1 January - 31 December 2016

CVR No 10 05 07 15

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5 2017

Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GEA PROCESS ENGINEERING A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company's operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Søborg, 31 May 2017

Executive Board

Ulla Michelsen Executive Officer	Morten Unn Hansen Executive Officer	Tom Niels Wrensted CFO

Board of Directors

Niels Erik Olsen Chairman	Nina Daniela Scherf	Torsten Henning Kunz-Aue
Karin Nordström Dyvelkov Staff Representative	Jan Børge Friis Staff Representative	

Independent Auditor's Report

To the Shareholder of GEA PROCESS ENGINEERING A/S

Opinion

We have audited the financial statements of GEA PROCESS ENGINEERING A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017
KPMG P/S
Statsautoriseret Revisionspartnerselskab
CVR No 25 57 81 98

David Olafsson
State Authorized Public Accountant

Kenn W. Hansen
State Authorized Public Accountant

Company Information

The Company

GEA PROCESS ENGINEERING A/S
Gladsaxevej 305
DK-2860 Søborg

Telephone: + 45 39545454

CVR No: 10 05 07 15
Financial period: 1 January - 31 December
Municipality of reg. office: Gladsaxe

Board of Directors

Niels Erik Olsen, Chairman
Nina Daniela Scherf
Torsten Henning Kunz-Aue
Karin Nordström Dyvelkov
Jan Børge Friis

Executive Board

Ulla Michelsen
Morten Unn Hansen
Tom Niels Wrensted

Auditors

KPMG P/S
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Bankers

Danske Bank
Holmens Kanal 2
1090 København K

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016 Mio. DKK	2015 Mio. DKK	2014 Mio. DKK	2013 Mio. DKK	2012 Mio. DKK
Key figures					
Profit/loss					
Revenue	1.709	1.666	2.101	1.697	1.521
Profit/loss before financial income and expenses	152	147	109	102	109
Net financials	35	-28	51	19	46
Net profit/loss for the year	158	85	125	88	122
Balance sheet					
Balance sheet total	2.551	1.923	1.844	1.944	2.271
Equity	710	603	659	709	821
Investment in property, plant and equipment	6	7	13	4	4
Number of employees	645	671	702	642	581
Ratios					
Profit margin	8,9%	8,8%	5,2%	6,0%	7,2%
Return on assets	6,0%	7,6%	5,9%	5,2%	4,8%
Solvency ratio	27,8%	31,4%	35,7%	36,5%	36,2%
Return on equity	24,1%	13,5%	18,3%	11,5%	29,7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

As in previous years the core activity of the company has been engineering and supply of industrial processing plants.

Development in the year

The net result of the year is a profit of DKK 157.9 million compared to a profit of DKK 84.9 million in 2015.

During the year the company has sold one former associated company. This has had a positive effect of DKK 16.3 million on the result of the year.

Management considers the result of the year satisfactory and in accordance with expectations. During 2016 the company has succeeded in maintaining a strong market position.

Special risks - operating risks and financial risks

Operating risks

The company's principal operational risk is related to the ability of being strongly positioned in the important markets. Furthermore it is important for the company to be at the cutting edge of the development within process engineering, including having the possibility to attract and keep employees with qualifications and experience facilitating this objective.

Financial risks

Because of the financial position of the company and its financial resources, the company is only exposed to changes in the interest level to a limited extent. The company is, however, exposed to currency risks related to the current operation. The company primarily covers its currency risks by forward contracts. The development in cash flow from operation activities has been positive in the financial period and the expectations for the cash flow from operating activities in the near future are also positive.

Credit risks

The credit risks of the company are primarily related to accounts receivable in the balance sheet. The company has no major risks regarding single engagements. The company's policy when accepting credit risks means that all larger customers and partners are subject to current credit rating.

Management's Review

Knowledge resources

The ability of the company to attract and retain highly educated employees is essential to its continuous growth, including engineers with expertise in process development and automation. To ensure continuous competitive products the company is investing in the most modern process tools and research environments. This demands high skills, and substantial resources are thus also invested to develop the competences of the employees.

Targets and expectations for the year ahead

The expectations for 2017 are positive. Although management foresees continued intense competition.

Research and development

The company is continuously engaged in adaptation and improvement of its plants and processes as well as in new developments. The costs of research and development are recognized in the profit and loss statement, unless development cost meet the requirements for recognition in the balance sheet. The research and development costs in the profit and loss amounted to DKK 28.8 million in 2016 (DKK 36.9 million in 2015). Further DKK 25.8 million (DKK 24.9 million in 2015) of development costs related to R&D were capitalized in 2016 (of DKK 50.2 million capitalized in total).

Statement of corporate social responsibility

Climate and environment

The company affects the environment via transportation of products and employees, so does the company's energy consumption on performing pilot plant tests, heating of premises, cooling, lighting etc. An environmental policy has been implemented, "Environment, health and safety conditions", describing the desired conduct in relation to environment. The company has initiated renewal of present office lighting to LED lighting. This project is currently under execution and will reduce the annual CO2 emissions considerably.

At the current stage no official policy has been developed, in regards to impacts on climate. Therefore, the goal for 2017 is to work on a specific policy in this area and also develop systems for capturing the environmental footprint of the Company.

Focus is on reduction of energy consumption in internal processes as well as in development of new energy efficient technologies and plants. Among other things, this has resulted in accelerated rollout of our advanced automatic control system, POWDEREYE(TM) and DRYCONTROL(TM), aimed at operations optimization of the drying process, which has contributed to reduction of the energy consumption. Most dairy and food powder products possess a maximum allowed moisture content, which – if exceeded – will reduce the shell life of the powder. Furthermore, the conditions of the inlet air for a process plant will have considerable influence on the drying of the product. This new automatic control system can continuously keep the water content of the produced powder stable, so that over-drying of powder can be avoided at the same time as saving energy. When performing in-line measurements of moisture content in the drying air, the system is able to optimize the capacity of the industrial plant, whereby the energy content of the drying air will be optimally utilized. In areas with

Management's Review

great variations in air humidity, the automatic control system may yield significant energy savings, when measuring energy consumption per kg powder produced.

Moreover, the company has supplied energy monitoring of a number of process plants commissioned. In general, we experience increased interest from our customers regarding reduced energy consumption and less environmental impact. Consequently, we now upon request conduct so-called PINCH analysis on clients processing plants. A PINCH analysis is a methodology for minimizing energy consumption of processing plants by calculating thermodynamically feasible energy targets (or minimum energy consumption) and achieving them by optimizing heat recovery systems, energy supply methods and process operating conditions.

Further, we have developed in-house engineering software to accurately calculate the energy consumption of a given processing plant configuration. This is done during the sales phase of a new plant and thereby gives the client the possibility to evaluate the effect of adding energy saving technologies before deciding on the final configuration.

Employees

The year 2016 continued the trend from 2015, where the last reorganization based on a global change in our organizational structure was done. The number of employees fell slightly in this period and there has still been demanding work challenges due to change and the handling of the daily working tasks and new colleagues on board. Therefore we continued - in cooperation with our Health and Safety organization - the focus on the psychological work environment. We have together with a supplier offered support to our employees in terms of coaching, whenever they had a need for this. We also continued to train our health and safety organization in how to handle issues concerning the psychological work environment.

Late 2016 we also completed an engagement survey with a participation rate of nearly 90%. This survey will be follow-up by some initiatives in 2017 concentration on our employees. Absenteeism has increased from 1.8% to 2.18%. This is not a satisfactory increase, which means, that we will continue our focus on the psychological work environment in 2017.

Suppliers and human rights

The company has assessed that the biggest exposure regarding human rights is within the supplier area. This area is separately treated in the GEA Compliance Handbook. Local and international regulations on conditions of employment, working hours and health and safety conditions are observed in order to comply with the high standard stated in the internal GEA Compliance Handbook. The Compliance Handbook specifically states that discrimination of employees by virtue of sex, sexual orientation, origin, color of skin, or other personal features are strictly forbidden.

Our purchase organisation is responsible for vendor management and procures workshop components, third party equipment and services for customer projects and after sales business. Workshop components are manufactured based on our drawings and specifications in external workshops in and outside Denmark. Third party services are purchased in accordance with framework supplier agreements or on a case-by-case basis depending on the characteristics of the supplier or product market. The purchasing

Management's Review

staff are all well-trained in 'good purchasing practice' and the legal aspects of purchasing. Every purchaser has taken an on-line test in anti-corruption and export control organized by GEA Group Compliance Management. The procedures on external workshop audits include evaluation of working conditions, maintenance of production facilities, cleaning, training of workshop staff and safety measures at the workshop. This has positively contributed to no registrered breaches on our internal procedures or any severe non-compliance of our suppliers in 2016. We expect to maintain our focus in this area in the future.

Equal opportunities policy

We have set up a policy to secure a gender composition of more women in our Management. The policy is based on the fact that we first need to secure a larger recruitment of women in new positions and thereby secure that women are appointed for future leading positions. In 2015 a woman joined our Executive Management meaning that 1 of 3 present members is a woman. During 2016 a woman joined our Supervisory Board meaning that 1 of 3 members (if employees' representatives are not taken into account) is a woman, which is deemed satisfactory.

Looking at the total management group below Executive Management and Supervisory Board, the gender composition is 9.3% women and 90.7% men, which is an increase in the percentage of women from last year. As mentioned we are working on the general gender composition and we have a long-term perspective to secure the availability of a group of qualified female employees who later on can take on a management role. The initiatives in our policy focus on this. However, in general only few women choose the traditional engineering educations, which are needed in our business. Among others our policy focus on recruiting candidates from both genders when we have open positions normally dominated by males. We demand that our external recruitment companies must recruit at least one female candidate for a job interview.

On top of this we are continuously making awareness in the management group of this gender issue. At the beginning of the year the gender composition of the company showed 24.5% women and 75.5% men. At the end of the year the level of women has risen to 27.7%. Our goal is to gradually increase the number of female employees which will give us more women to choose from when appointing managers. Our goal is to reach a gender composition in 2017 of 25% women and 75% men, which we have reached now, so in 2017 we will concentrate on setting new targets for this.

Representative offices

The company has a representative office in:
Dubai, United Arab Emirates,
Riydah, Saudi Arabia.

Management's Review

Consolidated annual report

The company is a 100% owned subsidiary of GEA Group Holding GmbH, Germany, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

The annual reports of the company and its subsidiaries are included in the audited consolidated annual report of GEA Group Aktiengesellschaft, Germany, which is the ultimate parent company of GEA Process Engineering A/S.

The above consolidated annual report can be obtained from GEA Process Engineering A/S, or can be downloaded from GEA Aktiengesellschaft's homepage (investor relations):

http://www.gea.com/en/investor-relations/releases-reports/annual-reports/annual-2016.jsp

Income Statement 1 January - 31 December

	Note	2016	2015
		DKK	DKK
Revenue	1	**1.708.531.316**	**1.665.813.362**
Production cost	2,5	-1.198.778.463	-1.136.577.197
Gross profit		**509.752.853**	**529.236.165**
Sales- and distribution costs	3,5	-208.361.718	-200.476.000
Administrative expenses	4,5	-149.463.221	-181.928.015
Profit before financial income and expenses		**151.927.914**	**146.832.150**
Financial income	6	43.444.322	49.999.609
Financial expenses	7	-8.024.016	-78.467.650
Profit before tax		**187.348.220**	**118.364.109**
Tax on profit for the year	8	-29.494.778	-33.502.477
Net profit/loss for the year		**157.853.442**	**84.861.632**
Distribution of profit	9		

Balance Sheet 31 December 2016

Assets

	Note	2016 DKK	2015 DKK
Completed development projects		72.863.422	76.015.675
Acquired intangible assets		33.952.948	13.988.332
Goodwill		32.204.562	19.398.300
Development projects in progress		79.404.693	42.792.756
Intangible assets	10	**218.425.625**	**152.195.063**
Plant and machinery		11.219.872	15.832.933
Other fixtures and fittings, tools and equipment		1.319.775	1.170.312
Leasehold improvements		50.218.732	54.550.075
Property, plant and equipment in progress		3.892.263	403.549
Property, plant and equipment	11	**66.650.642**	**71.956.869**
Investments in subsidiaries	12	846.098.147	846.497.950
Investments in associates	13	0	14.247.350
Other investments	14	8.124.778	8.017.764
Fixed asset investments		**854.222.925**	**868.763.064**
Fixed assets		**1.139.299.192**	**1.092.914.996**
Raw materials and consumables		70.580.644	71.280.579
Inventories		**70.580.644**	**71.280.579**
Trade receivables		170.376.471	145.475.300
Contract work in progress	15	411.546.375	296.093.408
Receivables from group enterprises		700.904.467	251.831.728
Other receivables		6.811.635	4.960.580
Corporation tax		647.021	0
Prepayments		16.229.098	6.512.090
Receivables		**1.306.515.067**	**704.873.106**
Cash at bank and in hand		**34.915.874**	**54.341.541**
Total currents assets		**1.412.011.585**	**830.495.226**
Total assets		**2.551.310.777**	**1.923.410.222**

Balance Sheet 31 December

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		100.000.000	100.000.000
Reserve for development costs		50.165.885	0
Retained earnings		559.812.211	503.263.589
Equity	16	**709.978.096**	**603.263.589**
Provision for deferred tax	17	180.232.529	148.449.116
Warranty	18	13.700.538	16.526.917
Total provisions		**193.933.067**	**164.976.033**
Trade payables		264.073.780	234.524.161
Contract work in progress, liabilities	15	370.732.243	276.069.339
Payables to group enterprises		874.490.541	458.561.220
Corporation tax		0	38.830.363
Other payables		138.103.050	147.185.517
Short-term liabilities other than provisions		**1.647.399.614**	**1.155.170.600**
Total liabilities other than provisions		**1.647.399.614**	**1.155.170.600**
Total liabilities and equity		**2.551.310.777**	**1.923.410.222**
Subsequent events	19		
Contingent liabilities and other financial obligations	20		
Related parties	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January 2016	100.000.000	0	503.263.589	0	603.263.589
Extraordinary dividend paid	0	0	-50.372.550	0	-50.372.550
Fair value adjustment of hedging instruments	0	0	-1.192.017	0	-1.192.017
Tax on adjustment of hedging instruments	0	0	425.632	0	425.632
Development costs for the year	0	50.165.885	-50.165.885	0	0
Net profit/loss for the year	0	0	157.853.442	0	157.853.442
Equity at 31 December 2016	**100.000.000**	**50.165.885**	**559.812.211**	**0**	**709.978.096**
Equity 1. januar 2015	100.000.000	0	419.146.894	140.000.000	659.146.894
Ordinary dividend paid	0	0	0	-140.000.000	-140.000.000
Fair value adjustment of hedging instruments	0	0	-744.937	0	-744.937
Net profit/loss for the year	0	0	84.861.632	0	84.861.632
Equity at 31 December 2015	**100.000.000**	**0**	**503.263.589**	**0**	**603.263.589**

Notes to the Financial Statements

		2016	2015
		DKK	DKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	134.119.265	69.839.153
	Revenue, exports	1.574.412.051	1.595.974.209
		1.708.531.316	**1.665.813.362**
	Business segments		
	Denmark		
	Project	108.050.940	46.990.534
	Component	1.529.242	850.976
	Service	24.539.083	21.997.643
		134.119.265	**69.839.153**
	Export		
	Project	1.342.807.062	1.289.639.910
	Component	11.744.840	22.591.663
	Service	219.860.149	283.742.636
		1.574.412.051	**1.595.974.209**
		1.708.531.316	**1.665.813.362**
2	**Production cost**		
	Cost of goods sold	959.329.711	904.495.891
	Wages and salaries	239.448.752	232.081.306
		1.198.778.463	**1.136.577.197**
3	**Sales- and distribution costs**		
	Wages and salaries	145.393.945	133.553.447
	Depreciation and amortisation	24.088.882	23.933.490
	Other expenses	38.878.891	42.989.063
		208.361.718	**200.476.000**

Notes to the Financial Statements

4 Administrative expenses

	2016 DKK	2015 DKK
Wages and salaries	104.646.932	120.976.665
Depreciation and amortisation	9.732.267	9.798.747
Other expenses	35.084.022	51.152.603
	149.463.221	**181.928.015**

5 Staff

Wages and Salaries	443.988.578	444.165.060
Pensions	38.057.095	36.406.891
Other social security expenses	7.443.956	6.039.467
	489.489.629	**486.611.418**

Wages and Salaries, pensions and other social security expenses are recognised in the following items:

Production cost	239.448.752	232.081.306
Sales- and distribution costs	145.393.945	133.553.447
Administrative expenses	104.646.932	120.976.665
	489.489.629	**486.611.418**

Including remuneration to the Executive and Supervisory Boards of:

Executive Board	11.818.425	18.633.988
Supervisory Board	100.000	100.000
	11.918.425	**18.733.988**
Average number of employees	**645**	**671**

6 Financial income

Gain from sale of subsidiaries and associates	16.285.768	34.241.950
Dividends from subsidiaries and associates	22.309.200	14.900.000
Interest received from group enterprises	245.236	443.021
Exchange adjustments	4.436.149	0
Other financial income	167.969	414.638
	43.444.322	**49.999.609**

Notes to the Financial Statements

	2016	2015
	DKK	DKK

7 Financial expenses

	2016 DKK	2015 DKK
Impairment of investments in subsidiaries	399.803	68.735.731
Interest paid to group enterprises	5.444.359	7.942.301
Other financial expenses	2.179.854	1.789.618
	8.024.016	**78.467.650**

8 Tax on profit for the year

	2016 DKK	2015 DKK
Current tax for the year	-1.626.959	36.686.542
Deferred tax for the year	34.657.745	-3.293.076
Adjustment of tax concerning previous years	0	4.611.045
Adjustment of deferred tax concerning previous years	-2.658.910	-10.346.059
Other taxes	-877.098	5.844.025
	29.494.778	**33.502.477**

9 Distribution of profit

	2016 DKK	2015 DKK
Extraordinary dividend paid	50.372.550	0
Retained earnings	107.480.892	84.861.632
	157.853.442	**84.861.632**
Extraordinary dividend after year end	141.550.000	50.372.550

Notes to the Financial Statements

10 Intangible assets

	Completed development projects	Acquired intangible assets	Goodwill	Development projects in progress
	DKK	DKK	DKK	DKK
Cost at 1 January 2016	128.610.857	17.398.760	65.168.300	42.792.756
Additions for the year	0	22.855.562	16.056.262	50.162.885
Disposals for the year	0	-6.400	0	0
Transfers for the year	13.550.948	0	0	-13.550.948
Cost at 31 December 2016	142.161.805	40.247.922	81.224.562	79.404.693
Impairment losses and amortisation at 1 January 2016	52.595.182	3.410.428	45.770.000	0
Amortisation for the year	16.703.201	2.884.546	3.250.000	0
Impairment losses and amortisation at 31 December 2016	69.298.383	6.294.974	49.020.000	0
Carrying amount at 31 December 2016	**72.863.422**	**33.952.948**	**32.204.562**	**79.404.693**

Notes to the Financial Statements

11 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January 2016	94.292.187	27.769.847	81.762.634	403.549
Additions for the year	180.240	312.271	0	5.184.763
Disposals for the year	-22.826	-542.539	0	0
Transfers for the year	0	609.300	1.086.750	-1.696.049
Cost at 31 December 2016	94.449.601	28.148.879	82.849.384	3.892.263
Impairment losses and depreciation at 1 January 2016	78.459.254	26.599.535	27.212.559	0
Depreciation for the year	4.793.301	772.108	5.418.093	0
Reversal of impairment and depreciation of sold assets	-22.826	-542.539	0	0
Impairment losses and depreciation at 31 December 2016	83.229.729	26.829.104	32.630.652	0
Carrying amount at 31 December 2016	**11.219.872**	**1.319.775**	**50.218.732**	**3.892.263**

12 Investments in subsidiaries

	2016 DKK	2015 DKK
Cost at 1 January 2016	1.011.140.366	952.644.018
Disposals for the year	0	-26.309.784
Transfers for the year	0	84.806.132
Cost at 31 December 2016	1.011.140.366	1.011.140.366
Value adjustments at 1 January 2016	-164.642.416	-11.084.624
Disposals for the year	0	-15.929
Impairment for the year	-399.803	-68.735.731
Transfers for the year	0	-84.806.132
Value adjustments at 31 December 2016	-165.042.219	-164.642.416
Carrying amount at 31 December 2016	**846.098.147**	**846.497.950**

The company has calculated the recoverable amount for the individual financial fixed assets and compared these to the carrying amount of these. The recoverable amount derived in connection with the impairment tests is calculated on basis of net cash flow in the individual subsidiary over a period of several years and a growth rate of 2 %. The Weighted Average Cost of Capital (WACC) is based on an factor of 6,8 %, which is the estimated average within the business areas in which the subsidiaries operate. Further, a local risk factor is added based on individual market and geographical risks in the countries where the subsidiaries operate. Based on the above assumptions the impairment test indicates impairment of financial fixed assets totalling to DKK 0.4 million.

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Westfalia Separator A/S	Skanderborg	100%	27.440.702	6.550.029
GEA Scan Vibro A/S	Svendborg	100%	31.440.078	1.548.605
GEA Process Engineering Oy	Finland	100%	1.776.822	230.802
GEA Pharma Systems AG	Schwitzerland	100%	104.750.696	-18.248.222
GEA Process Engineering Australia Pty. Ltd.	Australia	100%	121.663.956	14.734.080
GEA Engenharia e Processos Industrias Ltda.	Brazil	100%	156.732.021	-16.699.617
GEA Process Engineering Ltd.	Japan	100%	46.918.498	-10.661.548
GEA Process Engineering (NZ) Limited	New Zealand	100%	378.864.458	21.643.240
GEA Process Engineering (S.E.A.) Pte Ltd.	Singapore	100%	87.584.666	-12.872.777
GEA Process Engineering (India) Limited	India	100%	191.480.406	9.336.299
GEA Folyamattervezö Kft.	Hungary	100%	31.834.841	-4.136.837
GEA Process Techonology Warsaw Sp.z o.o	Poland	100%	37.573.458	5.375.445
GEA Pharma Systems N.V.	Belgium	100%	319.404.127	18.039.756

Notes to the Financial Statements

12 Investments in subsidiaries (continued)

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
GEA Process Engineering	Chile	99,99%	10.403.662	1.094.283
GEA Tuchenhagen Mak. Mük. Tic. Ltd. Sti.	Turkey	99,975%	483.236	-3.372.682
GEA Process Engineering de México S.A. de C.V.	Mexico	100%	68.991.232	6.998.502
GEA Bischoff Finland Oy	Finland	100%	9.761.367	6.008.288
			1.627.104.226	25.567.646

13 Investments in associates

	2016 DKK	2015 DKK
Cost at 1 January 2016	85.279.000	85.279.000
Disposals for the year	-85.279.000	0
Cost at 31 December 2016	0	85.279.000
Value adjustments at 1 January 2016	-71.031.650	-71.031.650
Disposals for the year	71.031.650	0
Value adjustments at 31 December 2016	0	-71.031.650
Carrying amount at 31 December 2016	**0**	**14.247.350**

During 2016, the company has divested the shares in the associated company, Moscow Coffee House Ltd. Gain on sales of the shares amount to DKK 16.3 million.

Notes to the Financial Statements

14 Other fixed asset investments

	Other investments
	DKK
Cost at 1 January 2016	8.017.764
Additions for the year	107.014
Cost at 31 December 2016	8.124.778
Carrying amount at 31 December 2016	**8.124.778**

15 Contract work in progress

	2016	2015
	DKK	DKK
Selling price of work in progress	3.402.018.254	2.730.023.005
Payments received on account	-3.361.204.123	-2.709.998.936
	40.814.131	**20.024.069**
Recognised in the balance sheet as follows:		
Contract work in progress for affiliated companies	165.264.339	131.434.405
Contract work in progress for third parties	246.282.036	164.659.003
Total work in progress	**411.546.375**	**296.093.408**
Advance payments from affiliated companies	-138.867.496	-92.462.162
Advance payments from third parties	-231.864.748	-183.607.177
Total advance payments	**-370.732.244**	**-276.069.339**
Total	**40.814.131**	**20.024.069**

16 Equity

The share capital consists of 2 shares of a nominal value of DKK 50,000,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

17 Provision for deferred tax

	2016 DKK	2015 DKK
Provision for deferred tax at 1 January	148.449.116	157.477.206
Amounts recognised in the income statement for the year	34.657.745	-3.293.076
Adjustment of deferred tax (concerning previous years, equity adj. etc.)	-2.874.332	-5.735.014
Provision for deferred tax at 31 December	**180.232.529**	**148.449.116**
Intangible assets	43.475.037	25.261.271
Tangible assets	1.024.548	7.719.732
Contract work in progress	141.002.328	121.675.410
Provisions	-5.269.385	-6.207.297
Tax loss carry-forward	1	0
	180.232.529	**148.449.116**

Deferred tax has been provided at 22% corresponding to the current tax rate.

18 Warranty

Warranty	13.700.538	16.526.917
	13.700.538	**16.526.917**

19 Subsequent events

On 24 February an extraordinary dividend of kr. 141.6 million was decided on a shareholder meeting. There are no other subsequent events which could materially affect the financial position of the company.

Notes to the Financial Statements

20 Contingent liabilities and other financial obligations

	2016 DKK	2015 DKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments: The company has signed leasing contracts covering the period up to 2026. The obligation relates to leasing of premises, equipment and fixtures.	196.437.593	209.314.618
	196.437.593	**209.314.618**
Guarantee obligations		
Warranties and guarantee obligations issued by GEA concerning execution of contractual work etc. for third party.	419.735.201	389.255.280
Bank guarantees have been given to third parties concerning execution of contractual work etc. for third party.	219.125.716	254.435.849

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the GEA Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

21 Related parties

	Basis
Controlling interest	
GEA Group Holding GmbH, Germany	100%

Transactions

GEA Process Engineering A/S is a 100% owned subsidiary of GEA Group Holding GmbH, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

GEA Process Engineering A/S' closely related parties with material influence include GEA Group Aktiengesellschaft and enterprises, including GEA Group Holding GmbH and its subsidiaries and associates, as well as the subsidiaries and associates listed in note 11.

GEA Process Engineering A/S sells and purchases goods and services to/from subsidiaries and associates. All trade is based on market terms, as the trade is based on the same terms as with the external partners.

As the transactions are carried out on an arm's length basis the company has not disclosed further details in accordance with section 98c(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

Name	Place of registered office
GEA Group Aktiengesellschaft	Germany

The Group Annual Report of GEA Group Aktiengesellschaft may be obtained at the following address:

GEA Group Aktiengesellschaft, Peter Müller Strasse 12, D-40468 Düsseldorf, Germany
Or at:
http://www.gea.com/en/investor-relations/releases-reports/annual-reports/annual-2016.jsp

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of GEA PROCESS ENGINEERING A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

As from 1 January 2016, the company has implemented Act no. 738 of 1 june 2015.

The accounting policies applied have changed the following way from last year:

A reserve for development projects is now specified in equity. The change has no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Further, the split between production cost, sales – and distribution cost, and administrative expenses has been aligned with the business reporting, as this gives a more fair view of the Company's financial performance. The comparative figures have been updated.

The Financial Statements for 2016 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of GEA Group Aktiengesellschaft, Germany, the Company has not prepared consolidated financial statements.

Further pursuant to the Danish financial statements act § 96, paragraph 3, the company has not disclosed fee for auditors appointed at the general meeting.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of GEA Group Aktiengesellschaft, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, write-down and provisions as well as write-backs as a result of changed accounting estimates of amounts that earlier have been included in the profit and loss statement are included.

Assets are included in the balance sheet when it is likely as a result of a prior event that future financial advantages will accrue to the company and when the value of the asset can be measured in a reliable way.

Notes to the Financial Statements

22 Accounting Policies (continued)

Liabilities are included in the balance sheet when the company has a legal or actual obligation as a result of a prior event and if it is likely that future financial advantages will no longer be of benefit to the company, and the value can be measured in a reliable way.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Gains, losses and risks that result before the annual report is submitted and which confirm or deny conditions present at the balance sheet date must be considered in connection with recognition and measurement.

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life.
Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.
Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up

Translation policies

Transactions in foreign currencies are recorded at initial recognition at the exchange rate on the transaction date. Exchange rate differences appearing between the exchange rate on the transaction day and the exchange rate on the date of the payment are recognised as a financial gain/loss in the profit and loss statement.

Notes to the Financial Statements

22 Accounting Policies (continued)

Receivables and debt in foreign currencies are recorded in Danish Kroner according to the exchange rate on the balance sheet date or the exchange rate in forward contracts, if the outstanding is secured. Exchange rate differences appearing between the exchange rate on the balance sheet date and the exchange rate on the date of the original recognition of the receivable or the debt are recognised as a financial gain/loss in the profit and loss statement.

Hedge accounting

The company is on a continuous basis entering into financial contracts in order to hedge receivables, liabilities and expected cashflow.

For financial contracts, which are classified as and meet the requirements of full hedging assets, liabilities and expected cashflow, changes in fair value are recognised in accounts receivable, debts and equity. Gains and losses from such financial contracts are transferred from equity by realisation of the secured item and are recognised in the annual report in the same place as the secured.

Income Statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contracts are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

Production costs

Production cost comprise costs, including salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases.

Sales- and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exihibitions and depreciation are recognized as distribution costs.

Notes to the Financial Statements

22 Accounting Policies (continued)

Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Financial income and expenses

Financial income and expenses include interest income and expenses as well as realised and unrealised exchange gains and losses related to transactions in foreign currency together with dividends distributed from subsidiaries and the associated companies.

Tax on profit for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The Company is administrative company for the joint taxation and consequently settles all payments of corporation tax to the Danish Tax authorities. The tax effect of the joint taxation with other Danish group enterprises is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at maximum 20 years.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life, which is 3-5 years.

Notes to the Financial Statements

22 Accounting Policies (continued)

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income/other operating costs.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use assets of own production comprises direct and indirect expenses for labour and materials.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant, other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	10-30 years

Depreciation period and residual value are reassessed annually.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are included in the income statement under other operating income/other operating costs.

Tangible fixed assets are written down to the recoverable amount, if this is lower than the book value.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment as well as equity investments in group entities and associates are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the

Notes to the Financial Statements

22 Accounting Policies (continued)

smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables consist of purchase price plus landing cost.

Goods of own production are measured at the lower of direct material and wages with addition of indirect production cost or net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The percent of completion is determined as the ratio between direct allocated costs, including materials, wages etc. with the addition of indirect production costs related to the contract work and latest estimated total cost.

Contract work in progress and invoicing on account in foreign currency have been translated at the rates of exchange in effect on the date of contract.

In cases where invoicing on account exceeds the recognised sales value of a contract, the exceeding amount has been included in current liabilities as part of advance payment from customers.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years. Prepayments are measured at cost.

Notes to the Financial Statements

22 Accounting Policies (continued)

Total equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Total provisions

Other provisions, which contain expected costs for warranty provisions, losses on contract work in progress, restructuring etc. are recognized if the obligation is present at the date of the balance sheet.

Warranty obligations contain the commitments to repair works within the warranty period. Based upon experience, a provision for warranty expenses has been established to cover such obligations.

When there is a probability that the total costs will exceed the total income of contract work in progress for third parties, a provision of the total loss expected is established under cost of manufactured goods.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Current tax payable and receivable is recognised in the balance sheet as amounts owed by or to affiliates.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$