PRESSE INFORMATION

PRESS RELEASE

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Sales growth and return to profit

- **Marked improvement in holding-company and financing costs in Q1 2005**
- **Forecast for 2005 unchanged**

Bochum, May 11, 2005: Following its successful turnaround in 2004, mg technologies once again reported a profit in the first quarter of 2005. Its earnings before tax (EBT) - reported for the first time in accordance with International Financial Reporting Standards (IFRS) - came to €2.2 million. In the corresponding quarter of last year it had reported a loss of €21.1 million. The main reasons for this turnaround in what is traditionally the weakest quarter of the year were the solid operating performance of the four segments as well as a marked improvement in holding-company and financing costs. "The restructuring of the mg Group is increasingly yielding results. Given our solid operating performance in the first quarter, our targets for the mg Group for 2005 continue to be sales of €4.5 billion and a return on sales of around 4 percent", announced Peter Steiner, mg's CFO, on the occasion of a conference call.

Comments on financial reporting

1. **Transition to IFRS:** EU Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards (IAS) was adopted on July 19, 2002. This regulation requires that the consolidated financial statements of publicly listed companies be prepared in accordance with International Financial Reporting Standards (IFRS) for fiscal years starting on or after January 1, 2005. The mg Group has decided to adopt the recommendations of the Committee of European Securities Regulators (CESR) and will already be publishing its quarterly reports in 2005 in accordance with IFRS. The comparative figures for the first quarter of 2004 in this interim report have therefore been adjusted accordingly. The adjustments made as a result of the transition from U.S. GAAP to IFRS accounting are explained in detail in a separate IFRS brochure, which can be found on the company's website at www.mg-technologies.com under the section "Investor Relations".
2. Since the second quarter of 2004, the ***Dynamit Nobel*** businesses that were sold with effect from July 31, 2004 and the Dynamit Nobel Plastics business unit currently for sale have been reported as ***discontinued operations*** (DOPs). To ensure comparability with the corresponding figures for the first quarter of 2004, these figures have been retroactively adjusted to show the Dynamit Nobel Group as a discontinued operation.
3. ***All figures in this press release refer exclusively to continuing operations*** unless stated otherwise. As required by IFRS, the Dynamit Nobel Plastics business, which is currently for sale, is reported as a discontinued operation for the first quarter of 2005.
4. Now that the mg Group's restructuring process has largely been completed, its ***segmentation was aligned with its new corporate structure*** at the beginning of 2005. This involved combining GEA's seven divisions into three segments. Refrigeration and Air Treatment make up the Customized Systems segment. The Process Equipment segment combines Mechanical Separation, Process Equipment and Dairy Farm Systems. Energy Technology and Process Engineering make up the Process Engineering segment. The former Industrial Plant Engineering business - comprising the Lurgi, Lurgi Lentjes (incl. Gas Cleaning) and Zimmer strategic business units (SBUs) - now forms the new Plant Engineering segment.

Sales rise in line with forecasts
In the first three months of 2005, the mg Group raised its sales by 5.9 percent to €942.8 million.

The former GEA divisions, which under the new corporate structure have been combined into the three segments **Customized Systems, Process Equipment** and **Process Engineering**, raised their sales by an aggregate 6.6 percent, although performance varied from one segment to another. In **Customized Systems,** sales fell by 3.6 percent to €146.5 million. This decrease was solely attributable to the Refrigeration strategic business unit (SBU), whose key markets were still suffering from a lack of capital investment at the beginning of the year. By contrast, the Air Treatment SBU reported a slight improvement. The **Process Equipment** segment raised its sales by 9.5 percent to €239.4 million. This result was largely due to the Process Equipment SBU, which achieved strong organic growth in addition to the effect of the first-time consolidation of WTT, a heat exchanger specialist it acquired in 2004. The Mechanical Separation business was also able to grow internally, despite the adverse impact of the weak U.S. dollar. The Dairy Farm Systems business benefited from the encouraging trend in Germany and the U.S.A. The **Process Engineering** segment reported the largest percentage volume growth of all mg segments in the first quarter, raising its sales by 10.8 percent to €249.3 million. This result was driven by the sharp sales rise of around one-third in the Energy Technology SBU. As expected, the sales generated by the Process Engineering SBU had also increased year on year at the end of March due to the acquisitions of Diessel, Colby and Messo-Chemietechnik.

Although the performance of business varied substantially from one unit to another, sales in the **Plant Engineering** segment advanced by 5.2 percent to €265.0 million during the reporting period. Whereas Lurgi's sales continued to suffer from the poor level of orders in 2004 (down by 15.2 percent to €93.0 million), Lurgi Lentjes (incl. the Gas Cleaning SBU) increased its sales in line with forecasts by 38.4 percent to €105.6 million. Zimmer's business was hit by delays in the awarding of projects, with the result that its sales contracted by 9.4 percent year on year to €72.0 million.

Successful return to profit
In the first quarter of 2005, mg returned to profit with EBT of €2.2 million under IFRS, having reported a loss of €21.1 million in the corresponding quarter of 2004. Two factors were responsible for this trend:

1. Significantly improved earnings in the Process Equipment segment
2. A sustainable overall reduction of €14.6 million in holding-company costs.

The mg Group reported net income - after tax and minority interest - of €10.4 million for the first quarter of 2005, having earned €37.3 million in the same quarter of 2004. This figure for 2005 includes a profit of €9.6 million (2004: €50.0 million) on discontinued operations. Adjusted to exclude these items, net income for the quarter would have amoun-

amounted to €0.8 million, an increase of €13.5 million on the prior-year figure (net loss of €12.7 million). With a weighted average number of 188.0 million shares in issue, earnings per share at March 31, 2005 came to €0.06, €0.05 of which was attributable to discontinued operations. Earnings per share in the corresponding period of last year had amounted to €0.19, €0.26 of which was attributable to discontinued operations.

Former GEA divisions perform well overall

The **Customized Systems, Process Equipment** and **Process Engineering** segments increased their aggregated earnings before tax by 15.7 percent to €28.8 million. **Customized Systems** reported earnings before tax of €5.6 million - a decrease of €0.8 million year on year, mainly due to its low volume of business. By contrast, the **Process Equipment** segment raised its EBT by €5.9 million to €15.2 million - despite adverse currency effects in many areas - on the back of its larger volumes and the optimization of its product mix in key businesses. In line with forecasts, EBT in the **Process Engineering** segment fell by €1.2 million to €8.0 million year on year.

Plant Engineering yields mixed results

In the first quarter of 2005, the **Plant Engineering** segment reported a loss of €6.4 million (2004: loss of €4.3 million), another unsatisfactory result. The **Lurgi** SBU incurred a loss of €11.9 million, which was mainly attributable to its persistently low sales. It had reported a loss of €11.0 million in the corresponding quarter of last year. Because of its focus on fast-growing markets such as waste incineration and power plants, **Lurgi Lentjes** (including Gas Cleaning) managed to raise its EBT from €0.2 million to €0.9 million. **Zimmer** reported EBT of €5.6 million, which was just below 2004's extraordinarily high figure of €6.6 million.

Net position remains positive in first quarter

The net position improved by €1,129.4 million compared with March 31, 2004 to a positive figure of €59.9 million. Although this represents a decrease of €266.6 million compared with December 31, 2004, this trend is typical of the fluctuations in the mg Group's debt over the course of the year. The gearing ratio (net position/shareholders' equity) has improved substantially from 65.3 percent as of March 31, 2004, to -3.5 percent (March 31, 2005).

The overall outflow of cash in the first quarter of 2005 was lower year on year due to structural effects and operating improvements. The net cash used for operating activities was improved by €75.6 million to a net outflow of €231.3 million. Free cash flow amounted to minus €260.8 million during the reporting period (2004: minus €281.3 million).

New orders virtually unchanged year on year

The level of new orders remained virtually unchanged on 2004. The volume of €1,159.4 million reported for the mg Group in the first quarter of 2005 was in line with the figure for the same period of 2004 (€1,177.2 million). **Customized Systems** reported a slight de-

crease of 2.5 percent to €165.3 million. **Process Equipment** recorded growth of 7.8 percent to €277.6 million, while **Process Engineering** achieved an increase of 12.3 percent to €333.2 million. By contrast, the volume of new orders in the **Plant Engineering** segment - which is heavily dependent on big-ticket orders - fell by 14.5 percent to €399.7 million. However, business volumes in this segment were still 25 percent above their target and more than 28 percent above the average figure for 2004. A major reason for the anticipated decrease was the extraordinarily high level of new orders received by Lurgi Lentjes in the first three months of 2004. Lurgi won the largest single contract in the growing gas-to-chemicals market. It is to build the largest propane-processing plant of its kind for approximately €180 million in Saudi Arabia.

Forecast for 2005 remains unchanged

mg achieved a key landmark when it moved its head office from Frankfurt to Bochum at the beginning of April 2005. The merger of its administrative functions will further reduce its holding-company costs. At the same time, its decision-making processes have been streamlined. Another milestone was reached on April 28 when the squeeze-out resolution adopted by GEA AG was officially entered in the commercial register. The agenda of mg's Annual Shareholders' Meeting on June 7 this year will include the proposals to relocate the company's headquarters to Bochum and to change the company name to GEA Group Aktiengesellschaft.

Apart from adding value to our Customized Systems, Process Equipment and Process Engineering segments, we aim to achieve profitable organic growth in our Plant Engineering segment. The disposal of Dynamit Nobel Kunststoff GmbH also remains a priority. mg continues to pursue the goals for 2005 outlined in its 2004 annual report. Given the anticipated recovery in project business in its Plant Engineering segment, the Group aims to achieve sales of approximately €4.5 billion and a pre-tax return on sales of roughly 4 percent. Based on these figures, mg expects to be able to pay a dividend for 2005.

Key performance indicators for the mg Group in Q1 2005 in accordance with IFRS (€ million)

	Q1 2005	Q1 2004 (1)
Sales	942.8	890.4
Customized Systems	146.5	152.0
Process Equipment	239.4	218.7
Process Engineering	249.3	225.0
Plant Engineering	265.0	251.9
EBIT	15.5	-0.7
Customized Systems	5.3	6.7
Process Equipment	17.3	11.2
Process Engineering	8.1	9.3
Plant Engineering	-5.0	-5.9
Accounting profit (EBT)	2.2	-21.1
Customized Systems	5.6	6.4
Process Equipment	15.2	9.3
Process Engineering	8.0	9.2
Plant Engineering	-6.4	-4.3
Basic earnings per share (€)	0.06	0.19
thereof discontinued operations	0.05	0.26
New orders	1,159.4	1,177.2
Customized Systems	165.3	169.5
Process Equipment	277.6	257.5
Process Engineering	333.2	296.6
Plant Engineering	399.7	467.3
Net cash used for operating activities	-231.3	-306.9
Free cash flow	-260.8	-281.3
Net position	59.9	-1,069.5
Capital expenditure, incl. finance leases	36.7	44.8
thereof on property, plant and equipment and intangible assets	12.3	10.9
Employees at the balance sheet date (2)	17,133	17,033

(1) Adjusted for discontinued operations
(2) Full-time equivalents, excluding trainees