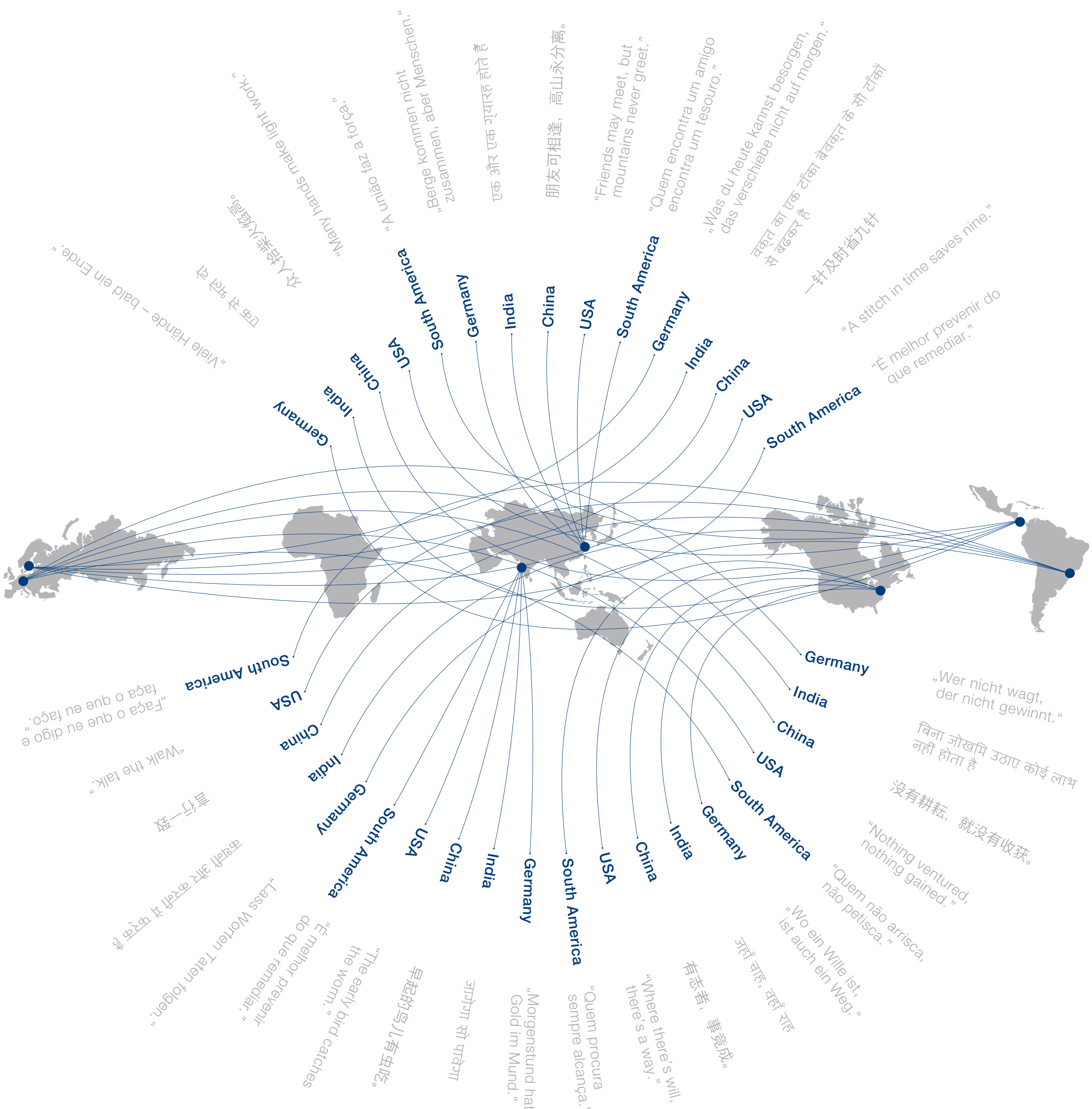
VOITH

At Home in the World

Voith Annual Report 2013



The Voith Group in Figures

in € millions	**2012/13**	2011/12
Orders received	**5,194**	5,703
Sales	**5,728**	5,724
Profit from operations[1]	**349**	381
Return on sales in %	**6.1**	6.7
Income before tax	**90**	177
Net income	**63**	114
Cash flow from operating activities	**317**	332
Total cash flow	**31**	-21
Investments	**192**	272
Research and development	**242**	267
in % of sales	4.2	4.7
Equity	**1,319**	1,384
Equity ratio in %	22.9	23.1
Balance sheet total	**5,769**	5,992
Employees[2]	**43,134**	42,327

[1] See “Notes on segment reporting” in the notes to the consolidated financial statements.
[2] Without apprentices.

Voith Annual Report 2013

Voith is a global technology group. With energy, oil & gas, paper, raw materials and transport & automotive, the broad portfolio with its plants, products and services serves five essential markets in all regions of the world. Voith's operating business is bundled in four Group Divisions: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.

A large proportion of the world's paper production is manufactured on Voith paper machines. A quarter of the energy generated worldwide from hydro power is produced with turbines and generators from Voith. Voith's drive components are found in applications all over the world, both in industrial plants and in road and rail vehicles, as well as on the waters. The largest companies trust in the technical services of Voith.

Founded in 1867, Voith employs more than 43,000 people, generates €5.7 billion in sales, operates in over 50 countries around the world and is today one of the biggest family-owned companies in Europe.

The Voith Group

At home in the world

Group Management Report

Consolidated Financial Statements

Ladies and gentlemen,
Dear business partners and
friends of the Company,

In this annual report for fiscal 2012/13 we report on a year that presented major challenges to Voith, a family-owned company. The global economic climate remains tense. Economic growth has slowed down in all key economic regions around the world. As in previous years, the financial and sovereign debt crisis continues to impact the investment decisions of our customers. In addition, there were structural shifts and a noticeable absence of stimulus for growth in the key markets of our Group.

It was impossible for Voith to remain unaffected in such a business climate. As expected, orders received were on the decline over the period, in line with the industry trend. Thanks to the high level of orders received in recent years, Group sales remained stable at the level of the previous year. All Group Divisions returned a profit from operations. We generated a positive free cash flow and do not carry any net debt. Our net income was heavily burdened by restructuring expenses, but remains clearly in the black.

The fact that we still manage to generate a solid profit even in such difficult times is, for us, good evidence of how profitable our Company is and in what good shape it remains. Our financing for the long term and our stable cash position give us a free hand and the independence to react decisively to changes in our markets. Voith is a company that always responds to new challenges rapidly and proactively, but takes a measured approach nevertheless. As a 100% family-owned company, we seek success over the long term and are not driven by a business strategy that focuses merely on quarterly results.

In recent months we had to take some business decisions to align Voith to the changes in the market. In particular, the international paper markets have continued to deteriorate. Ever since the inception of industrial paper production, the Voith Paper Group Division has been a major partner and pioneer to this industry. We have initiated the restructuring measures needed to retain Voith Paper as one of the central pillars of our Company and defend its position as a reliable long-term partner for our customers also in the future.

The world is changing and we participate actively in this process of change. We regard the changes as an opportunity for further growth for Voith. One of the major goals for Voith in the coming years is to gain even more of a local footing in our regions than we have at present. We intend Voith to be a company that has deep roots in all of its markets and is equally at home at all of its locations. In a few select examples to be found later in this annual report, we have illustrated where and how we have already achieved this and how our Company and our employees benefit.

“Voith is a company that always responds to new challenges rapidly and proactively, but takes a measured approach nevertheless.”

The Group-wide change program, “Voith 150+,” which we initiated in the fall of 2013, will accompany us on the way to our short-term, mid-term and long-term goals in the coming years. In 2017 Voith will celebrate its 150th anniversary. “Voith 150+” bundles initiatives, measures and projects related to our portfolio and products, finances, processes and corporate culture and will show us the way towards this great anniversary and far beyond.

“Voith 150+” will make Voith fit for the future. We will continue developing our portfolio of products and services and, in particular, intensify our service activities in all fields. We are working on our structures. One example is the “Excellence@Voith” initiative, a key element of “Voith 150+” that is targeted towards optimizing our structures and workflows and making Voith even more efficient in production, logistics and all administrative departments.

Finally, I would like to take this opportunity to thank our customers and business partners who once again put their faith in Voith, as well as all others who accompanied our Company through 2013. I would also like to extend my gratitude to our boards and to every one of more than 43,000 employees. I fully understand how much flexibility and commitment we are demanding of them in this period of rapid change. All Voithians made a solid contribution in the reporting period towards us overcoming the great challenges facing us.

We see good cause for optimism. Our business model has proved its worth in a challenging environment. Our experience and innovative strengths have enabled us to gain a strong position in our markets. Our robust constitution, sound equity ratio and the fact that no net debt is placing a burden on the Company gives us the headroom and independence we need to pursue the continued strong and decisive development at Voith.

I would be very happy if you continued to accompany Voith along this journey.

Best regards,

Dr. Hubert Lienhard
President and CEO

The Corporate Board of Management

"The world is changing and we participate actively in this process of change. We regard the changes as an opportunity for further growth for Voith."

1

4

5

1 Hubert Lienhard, President and CEO
2 Hermann Jung, Finance and Controlling
3 Hans-Peter Sollinger, Voith Paper
4 Martin Hennerici, Voith Industrial Services
5 Bertram Staudenmaier, Voith Paper
6 Roland Münch, Voith Hydro
7 Carsten J. Reinhardt, Voith Turbo


2


3


7


6

Ladies and gentlemen,

The economic environment for the Voith Group in the 2012/13 fiscal year was dominated by the continuing uncertainties surrounding the global economy and the unstable situation on the international financial markets. A global recession was only avoided thanks to key central banks flooding the capital markets with cheap money. In the euro zone the discussion – and the doubts – about the success of the measures undertaken to save the euro in countries like Greece, Ireland, Italy, Portugal and Spain continues unabated. In addition to austerity measures by those states within the European Monetary Union, stabilization of the banking and financial sector has taken top priority.

At five ordinary meetings and one extraordinary meeting in the year, the Supervisory Board addressed both strategic issues, such as the analysis and development of the Voith portfolio, as well as the challenges and consequences posed by the economic and structural changes in the markets of relevance to the operating business of the Voith Group. Voith Paper and Voith Turbo are the two Group Divisions that have been most affected. Currently, Voith Paper is faced by a structural slump of up to 90% in the market for large paper machines and a shift towards medium-sized machines. Voith Turbo is suffering from weak demand in the rail segment for the products offered by Voith, particularly for locomotive technology. The Board supported the measures taken by the management, including the considerable lay-offs at various locations, with constructive criticism and lively debate. The ordinary meetings took place on October 8, 2012, December 4, 2012, March 8, 2013 and June 7, 2013, while the extraordinary meeting was held on September 12, 2013. The founding meeting of the Supervisory Board was held on February 9, 2013. As usual, all the meetings of the Supervisory Board saw a lively and solutions-oriented exchange of opinions with the management.

Discussions were based on detailed written and oral reports by members of the Corporate Board of Management on the current situation, corporate planning (including financial and investment planning), the development of the Group's economic situation and its divisions, particularly in light of the measures needed at Voith Paper and Voith Turbo, developments in the Company's earnings and financial position as well as on the assessment of existing business risks. The necessary and continuing global orientation of the Group and its individual divisions, particularly in Asia, were discussed in detail, both in terms of the product portfolio and the focus on the services offered as well as the changes to the organizational structure. The ensuing financial and capital expenditure planning for the current and subsequent year was unanimously approved at the meeting in October.

The Supervisory Board expressly welcomes the efforts of the Voith Group towards sustainability and compliance, as expressed in the sustainability report for 2012. In continuation of the sustainability strategy, the management regularly informed the Supervisory Board of further progress in improving occupational safety and health protection for Voith employees. The Chairman of the Supervisory Board was also kept constantly informed of significant developments and key decisions by management. He consulted regularly with the President and Chief Executive Officer on matters of material importance.

The Personnel Committee met once in the last fiscal year, on December 4, 2012. There was no need to convene the Mediation Committee formed pursuant to Sec. 27 (3) German Codetermination Act (MitbestG).

The Audit Committee met twice, on December 3, 2012 and June 6, 2013. The first meeting, which was held in the presence of the auditors who examined the annual financial statements, conducted an in-depth examination of the financial statements of both the consolidated Group and Voith GmbH for the 2011/12 fiscal year, and of the report submitted by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The committee and auditors also discussed specific issues relating to the improvements suggested in the management letter, none of which were material to the reporting. Further, the Audit Committee had the management explain the material factors affecting the tax rate of the Group. Beyond this, the head of the Internal Audit unit discussed the Group audit report prepared for the fiscal year under review at length with the committee, and reported on existing deficits and the improvements made in comparison to the previous year. Moreover, the head of the Compliance Committee reported to the Audit Committee on the additions made to the Compliance Management System (CMS) that have been put into place since the last report in December 2010, such as training measures, Web-based training, and reported on the lessons learned to date and other measures, such as the planned certification of the CMS. At its second meeting, the Audit Committee addressed the unaudited half-yearly financial statements of the Group as at March 31, 2013 further to earlier reports it had received on the status of the risk management system at Voith. Lastly, the firewall concept was discussed in depth.

The shareholders' meeting on February 9, 2013 granted discharge to the Management Board and the Supervisory Board for their activities in the 2011/12 fiscal year and again appointed the accounting company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors for the 2012/13 fiscal year. The Supervisory Board subsequently approved the corresponding request to appoint the auditors.

As a consequence of elections of the new employees' representatives to the Supervisory Board on November 14, 2012 and new shareholders' representatives, who were elected at the shareholders' meeting on February 9, 2013, the composition of the board changed as of the close of the shareholders' meeting. Mr. Michael Koob, Dr. Volker Linden, Mr. Richard Obermeier and Mr. Ralf Willeck have been appointed, in addition to those employees' representatives who were reappointed, and Mr. Johannes Hammacher and Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel were newly appointed to the Supervisory Board in addition to the reappointed representatives of the shareholders.

Members stepping down from the board are Mr. Rudolf Bädorf, Bernd Kauba, Reinhard Leigraf and Andreas Strobel (all employee representatives) as well as Dr. F. Oliver Porsche and Dr. Jürgen Weber. In the name of the Supervisory Board I would like to thank the departing members for their service to the Company, over many years in some instances, and their commitment to Voith.

The founding meeting of the new Supervisory Board, at which both the standing committee, the personnel committee and the audit committee were formed, was held on February 9, 2013. At this meeting, the signatory was once again appointed Chairman and Mr. Gerd Schaible once again Deputy Chairman of the Supervisory Board. Dr. Alan Hippe was appointed Chairman of the Audit Committee at the meeting on March 8, 2013.

The auditor examined and granted its unqualified audit opinion on the accounting records, the annual financial statements and management report of Voith GmbH and the consolidated financial statements and management report for the Voith Group as at September 30, 2013. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

In so doing, Ernst & Young GmbH took particular account of the audit focal points of “Revenue recognition (PoC)” and “Completeness of the disclosures in the notes” in accordance with the mandate laid down by the Supervisory Board.

At its meeting on December 5, 2013, the Audit Committee examined the financial statements prepared for Voith GmbH and the Group and recommended that the Supervisory Board approves said financial statements, which it did at its meeting on December 6, 2013. Both meetings were attended by the relevant member of the auditor’s Management Board and the person who led the audit. They explained the significant audit findings and were available to provide additional information. As part of its audit, the Supervisory Board also approved the management report of Voith GmbH and the Group and concurred in the proposal submitted by management regarding the appropriation of net income.

Finally, the Supervisory Board would like to thank the members of the management of Voith GmbH and the management of the subsidiaries, the representatives of the workforce, and above all the employees of the Group for their dedicated commitment and successful endeavors in the fiscal year under review, despite the considerable challenges arising, particularly at the locations in Heidenheim, Krefeld, Ravensburg and St. Pölten, as well as for the structure of the portfolio overall and the organization of the Group.

Heidenheim, December 6, 2013

Dr. Manfred Bischoff
Chairman of the Supervisory Board

The Supervisory Board

Dr. Manfred Bischoff
Chairman,
Chairman of the Supervisory Board Daimler AG,
Stuttgart / Germany

Gerd Schaible*
Deputy Chairman,
Chairman of the corporate works council
of Voith GmbH,
Heidenheim / Germany

Rudolf Bädorf*
Vice President Manufacturing & Logistics
and Site Representative of
Voith Paper GmbH & Co. KG,
Heidenheim / Germany
(until 2013-02-09)

Walter Beraus*
Secretary of the Metalworkers' Union,
Regional Organization Baden-Württemberg,
Stuttgart / Germany

Thomas Brezina*
Member of the works council
of the common entity of companies
of Voith Paper Heidenheim,
Heidenheim / Germany

Ulrich Eckelmann*
General Secretary
industriAll European Trade Union,
Brussels / Belgium

Sonja Gorsch
Teacher,
Erftstadt / Germany

Prof. Dr. Bernd Gottschalk
Member of the Board of Management
of Mercedes-Benz AG
(retired)

Johannes Hammacher
Member of the Board of Management of
Familiengesellschaft J.M. Voith GbR,
Mannheim / Germany
(since 2013-02-09)

Dr. Alan Hippe
Member of the Executive Board
F. Hoffmann-La Roche AG,
Basel / Switzerland

Bernd Kauba*
Chairman of the works council
DIW Mechanical Engineering GmbH & Co. KG,
Radebeul / Germany
(until 2013-02-09)

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Vice President of the Federation of
German Industry e.V.,
Berlin / Germany

Michael Koob*
Construction Manager Voith Industrial Services GmbH,
Speyer / Germany
(since 2013-02-09)

Dr. phil. Nicola Leibinger-Kammüller
President of the Board of Management
of Trumpf GmbH + Co. KG,
Ditzingen / Germany

Reinhard Leigraf*
Process technology engineer for special papers,
Voith Paper GmbH & Co. KG,
Ravensburg / Germany
(until 2013-02-09)

Dr. Volker Linden*
Head of Industrial Property Rights Voith GmbH,
Heidenheim / Germany
(since 2013-02-09)

Dr. Ophelia Nick
Veterinarian,
Wülfrath / Germany

Richard Obermeier*
Chairman of the works council
Voith Paper GmbH & Co. KG,
Ravensburg / Germany
(since 2013-02-09)

Dr. F. Oliver Porsche
President and CEO of Familie
Porsche AG Beteiligungsgesellschaft,
Salzburg / Austria
(until 2013-02-09)

Gerold Schaubmayr*
Chairman of the works council
Voith Turbo GmbH & Co. KG,
Crailsheim/Germany

Ute Schurr*
Chairwoman of the works council of the common
entity of companies of Voith Turbo Heidenheim,
Heidenheim / Germany

Klemens Schweppenhäuser
Member of the Board of Management of
Familiengesellschaft J.M. Voith GbR,
Mannheim / Germany

Andreas Strobel*
1st Representative of the Metalworkers' Union,
Heidenheim branch,
Heidenheim / Germany
(until 2013-02-09)

Dr.-Ing. E. h. Jürgen Weber
Chairman of the Supervisory Board
of Deutsche Lufthansa AG,
Cologne / Germany
(until 2013-02-09)

Dr.-Ing. E. h. Heinrich Weiss
Chairman of the Supervisory Board
of SMS GmbH,
Düsseldorf / Germany

Ralf Willeck*
First Authorized Representative
IG Metall (Metalworkers' Union),
Heidenheim / Germany
(since 2013-02-09)

*Elected by the employees.

1 Company
43,134 Employees
7 Stories
11 Countries

Voith. At home in the world.

Voith is at home in the world. A world that is running at two different speeds. It is just as at home in the rapidly developing emerging markets of Asia and South America as it is in the mature markets of Europe and the USA. Voith is an established brand worldwide and knows the different requirements of these markets.

When you are at home, you know your way around. You can handle different situations, cope with different ways of seeing things and get along with different individuals. Knowing your way around also implies understanding the way the other person ticks. Real understanding binds people together across borders, cultural differences and traditions.

And this is just as true at Voith as anywhere else. No matter how different the regional customs, mentalities and social backgrounds may be, one thing counts in daily work above all else: the willingness to put yourself in the other's shoes and understand where they are coming from. Only then can be you be at home, all over the world. The stories told on the following pages illustrate how Voith manages this.

The sayings selected to lead into the stories on the following pages display the same binding character. No matter how different they may sound in the respective language, their meaning is always the same. They are universal. And understood by many. They too are at home in many parts of the world.

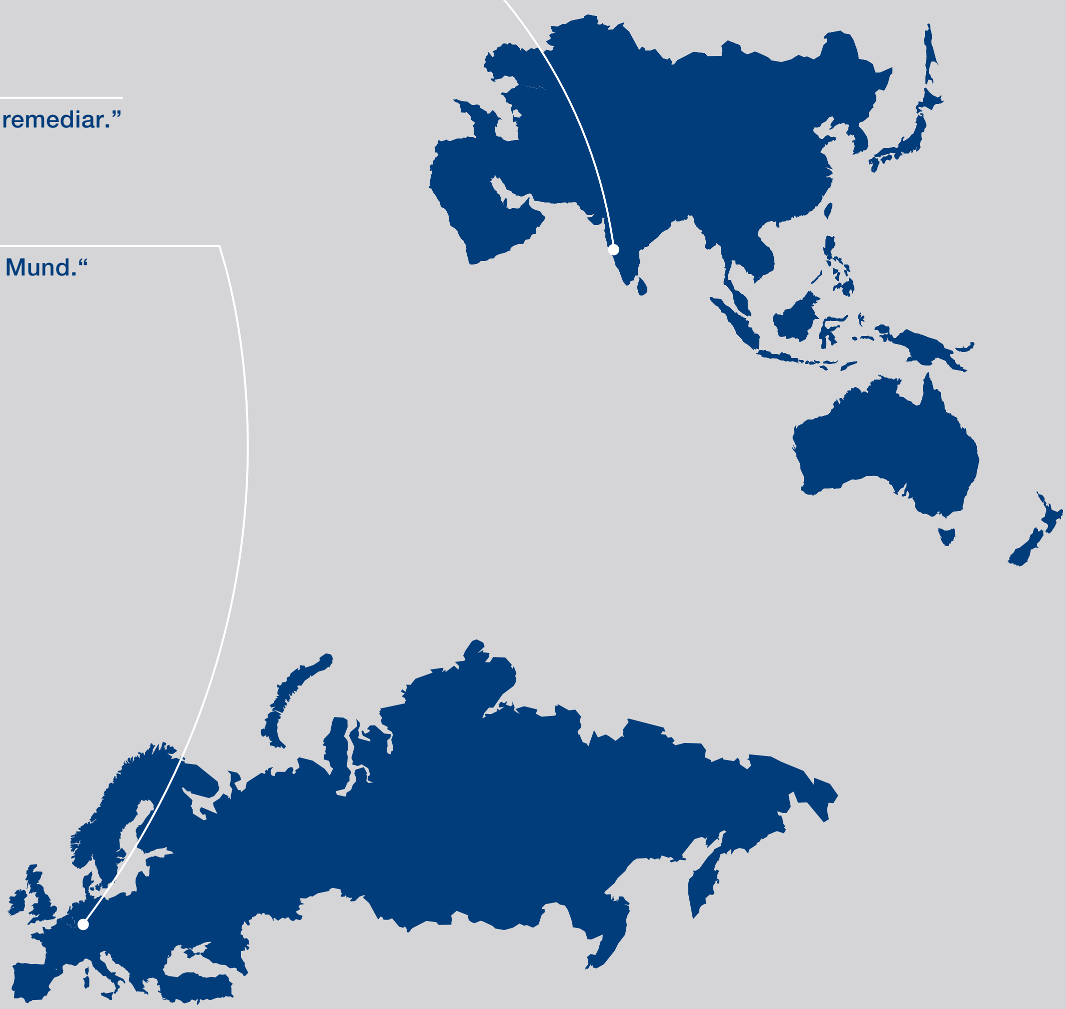
जागेगा सो पावेगा
India

“The early bird catches the worm.”
USA

“É melhor prevenir do que remediar.”
South America

„Morgenstund hat Gold im Mund.“
Germany

早起的鸟儿有虫吃。
China



Thinking as a team. Thinking ahead. Making what we already have even better. And always being a reliable partner in the process – Voith’s driving force from the very beginning. You need get up and go to get places.

Once around the world

When it's tea time in Dandeli in India, it is sunrise in Montreal. The sun never actually sets on the Voith world as Voith's workers are on the job around the clock all around the world. Two unique working days of an audit specialist at Voith Paper.

"No day is like another, each assignment is different," says Helmut Widauer, "that's what makes the job so interesting. No two paper machines are completely identical or behave the same way. Each has got its own character, its own life." Then his mobile rings. Yes, he replies, he's at the airport on the way to India.

Dandeli, India, early afternoon. Helmut Widauer has arrived at the center of the Indian paper industry. The main task of an audit specialist is to solve systematically paper machine problems and to make sure the lessons learned are incorporated in future developments. "To rapidly get my own idea of what is going on I need to find my way around the respective process and quality control systems," he says on the way to Dandeli Paper, one of the customers of Voith Paper in India.

There is no question as to what the customer expects of him: improve the performance of the machine, i.e. raise its output and running speed. "In many cases this can only be done on-site in close cooperation with the customer," he says, while inspecting the paper machine. A job where communication is extremely important. "Asking the right people the right questions – that's the key to success."

Later he looks at the information brought by the colleagues from Kolkata, which provide additional vital information about the condition of the machine. He brings it all together until he gets a holistic picture of the plant. Only then can he analyze the actual situation, track down the weak points and rapidly make the right decisions. This requires time, diplomacy, an eye for detail and an ear to the ground, and most of all, flexibility. "I can't leave the plant at 5 p.m. – I don't even want to, because this might mean that in certain cases I might have to start from scratch the next day."

At 9 o'clock the following morning at the headquarters of Dandeli Paper. Together with a team of executives, production managers, technicians and machine operators, Helmut Widauer casts an eye over the first results. In this case, the engineer can already demonstrate which changes to the paper machine can be made immediately and which can be made relatively quickly at this early stage. But his job is then by no means over, as such recommendations are merely the first step. They do not substitute the need for a full report, which is generally the end product of every audit. The respective specialist departments analyze in more detail the data gathered on-site. They test the proposals made and evaluate their actual potential. “One important partial result of my work could also be recommendations for more detailed examinations of individual machines or stages of the process,” he explains.

Whatever the final result of a project is, teams under engineers like Helmut Widauer make sure that the paper machines do exactly what they should be doing: producing top-quality paper, efficiently, quickly and trouble-free while consuming as few resources as possible. As in this case. “It is always a great feeling when you actually do find the real cause of a problem, solve a puzzle and help a customer.” At the end of his presentation his mobile rings again. The next puzzle is already waiting, on the other side of the globe, in Canada.

Wednesday

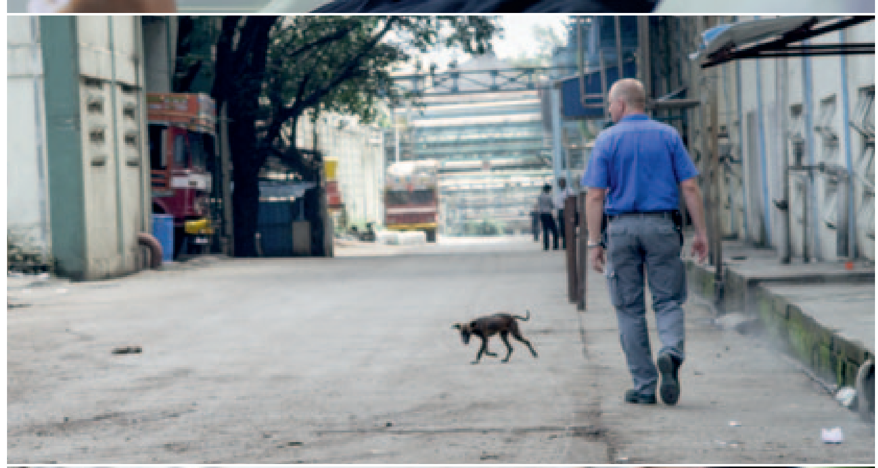
11:00 p.m.

Frankfurt am Main, airport. On the way to Goa, India, then on to Dandeli. “A mission with no borders, a job where you have to take things into your own hands.”

Thursday

2:30 p.m.

Dandeli, India, center of the Indian paper industry. “What’s so exciting about my job? That you don’t just work in the control room but on the machine itself.”



Thursday

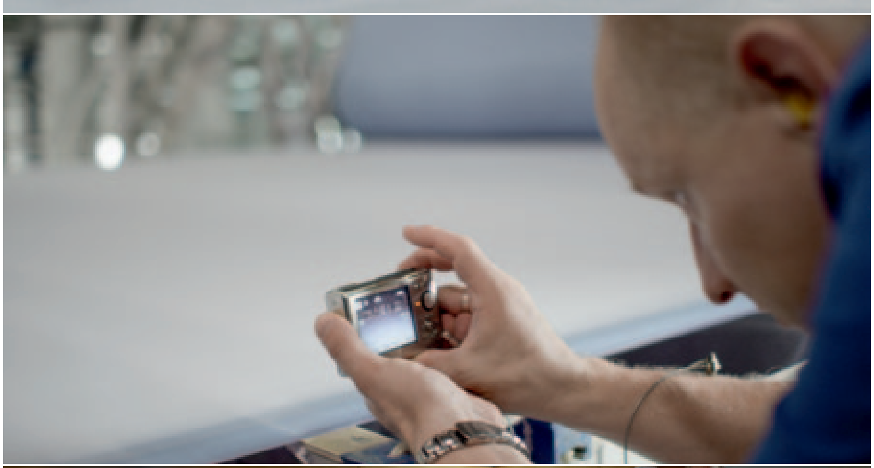
4:15 p.m.

“You have to be careful not to develop tunnel vision when working on the main task. Often you find other problem areas, which the client might already know of, but might also be totally new.”

Thursday

7:00 p.m.

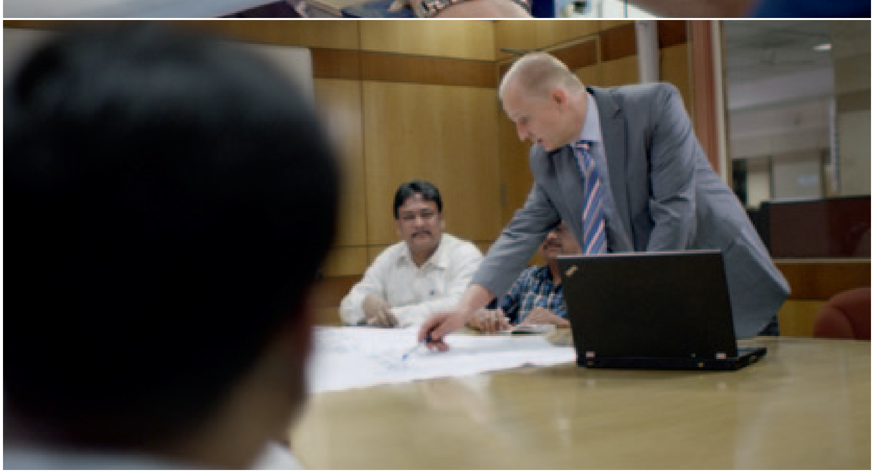
Data check: The data brought by Helmut Widauer's colleagues from Kolkata on technical inputs provide the first important indications about the status of the machine. "It stands to reason that open channels of communication with all those involved in the project are absolutely vital to the job and decisive for its success."



Thursday

9:30 p.m.

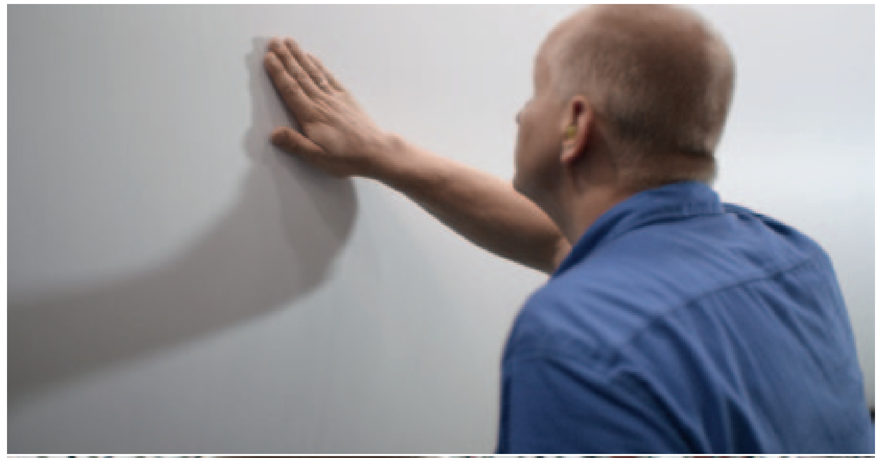
"I put everything I have together like a puzzle. Only when you get the big picture of the plant, can you start tracking down the weak points."



Friday

9:00 a.m.

The following morning, a meeting at the headquarters of Dandeli Paper. "The way you present your proposals plays a huge role in how willing your client is to implement the changes."



Friday

11:15 a.m.

Presentation, discussion, decision. "Keeping your eyes and ears open, being diplomatic – these are indispensable virtues of my job. And sensitivity, a lot of sensitivity!"

Friday

12:40 p.m.

Discussing the first findings of the audit and the next steps for the team. "The many years of wide experience of my colleagues from different departments back home is instrumental here and a key factor in the success of the project."

Friday

3:00 p.m.

"Finding the right person to ask the right question – that's the key to success." His mobile rings. The next assignment is waiting.

जहाँ चाह, वहाँ राह
India

“Where there’s a will, there’s a way.”
USA

“Quem procura sempre alcança.”
South America

„Wo ein Wille ist, ist auch ein Weg.“
Germany

有志者，事竟成。
China

Expanding your knowledge, searching for solutions, exploiting the lessons learned. Going the extra mile instead of giving up right away. Going to the maximum to reach the best.

When the going gets tough …

Heat, confined space, time pressure: All service engineers supporting Voith's mining customers must be ready for long hours of work in sometimes extreme conditions.

There are certainly more hospitable places on Earth than Chile's Atacama Desert. South America's large arid wilderness is one of the driest environments on the planet – in many places it rains less than 1 cm/year. By day the thermometer can clamber up to 40°C. By night it can plummet to 15°C below zero. Anyone coming here of their own volition needs a very good reason for doing so and they must be prepared for the extreme conditions.

The service technicians and engineers from the Mining & Metals division of Voith Turbo in North and South America, who have come to work in various Chilean copper mines, are such individuals. Among other solutions, Voith supplies the fill-controlled couplings to the various mines. In one mine, the company is currently responsible for the supply of 13 new conveyor drive systems for example. The installation and commissioning of the drives is a job that places great demands on both mind and body. The specialists are on call 24 hours a day.

But these team players are used to the requirements and expectations of commissioning a new mining conveyor system. From copper mines to iron ore and gold mines, underground coal mines or open-cast mines, their job is to install drives, fine-tune the controls and be there in an emergency if defective parts need to be repaired or replaced. They serve the customers just as reliably as the products of their company, be it under very tight safety and security regulations and huge time pressure, in intense heat or freezing cold, in the tightest spaces or in thin air.

Roland Hoet and his team know the job. The mechanical engineer, who has been the Director of Mining & Metals in the USA since 2012, puts it this way: "There is one mine, for instance, which lies at an altitude of 2,300 m in the northern part of the Atacama desert. Special safety training and personal protective equipment (PPE) are required to work at the mine. Standard safety equipment includes sun block with SPF40 rating for the extreme solar exposure. Working in other Chilean mines requires special medical clearance."

Safety plays a huge role in the mines. "Basically, the work is not any more dangerous than a normal manufacturing hall. But the machines are so much larger that any lapse in concentration could have serious consequences," says Hoet.

For this reason, the Voith employees undergo regular training on safety issues such as protective clothing, first aid or the special traffic regulations for mines, not to mention all the rules set by the individual countries and specific operators.

However, the physical conditions confronting people in mining operations are much more restrictive than the rules. In the deepest nickel mine in Canada, almost two kilometers underground, it is 45°C, so hot that work is impossible without the use of air-conditioning. And that's not to mention the lack of space: "Down in a typical underground coal mine, when we have to replace a drive, for example, well, that's an absolute tough job," says Hoet. "Sometimes the drive equipment weighs many tons, and the roof is just two meters high. You can't just drive up with a forklift. You have to drill in a block and tackle in the mine roof and hoist the drive equipment to an accessible area."

To avoid such complicated work you need reliable and robust equipment, like the components from Voith. The customers must be able to trust it 100% – a disruption to the activities of a highly productive coal mine can lead to losses of USD 150,000 per hour.

In critical service jobs, Voith may need to provide several engineers to give 24/7 technical support. Because time is money. And because it often has to go even faster, sometimes Voith engineers have to fill in and support their colleagues somewhere else: "We installed fill-controlled couplings at the Oyu Tolgoi copper and gold mine in Mongolia and put them into operation," says Hoet. "We also developed the software used to control the couplings and had to integrate it into the existing control system used by the operation. This process took three weeks to complete. Our team was shift-working on the job basically right around the clock."

This is actually nothing out of the ordinary. The fact that the team members lived on the premises is par for the course in such isolated locations. Nevertheless, the accommodation had a certain charm. As is the local custom, the Voithians slept in yurts.

"Basically, the work is not any more dangerous than a normal manufacturing hall. But the machines are so much larger that any lapse in concentration could have serious consequences."

Roland Hoet
Director Mining & Metals Voith in North America

1 No mission without a plan.

2 Team spirit, expertise and depth of experience. The building blocks of successful projects.

3 Voith engineers often work under extreme conditions.

"Special safety training and personal protective equipment (PPE) are required to work at the mine. Standard safety equipment includes sun block with SPF40 rating for the extreme solar exposure. Working in other Chilean mines requires special medical clearance."

Roland Hoet
Director Mining & Metals Voith in North America

„Wer nicht wagt, der nicht gewinnt.“
Germany

“Nothing ventured, nothing gained.”
USA

没有耕耘，就没有收获。
China

“Quem não arrisca, não petisca.”
South America

बिना जोखिम उठाए कोई लाभ नहीं होता है
India

Striding forward. Open for adventure. Seizing opportunity. This is what makes us Voithians. Whether young or experienced.

The power of four

Four continents,
four countries,
four people:

They come from the USA, Brazil, China and Germany.

They are talented, motivated and fully committed to the task. They have their own perspectives which they bring to the table. Likewise, each contributes their own ideas, potential and an undistorted view of things.

Yet two qualities they particularly share: a passion for the task. And the energy which they apply to master their jobs, day in and day out. This is not just a winning hand for each of the individuals themselves but for the entire Voith Group as a whole.

Here are four personal insights, taken from the lives of young Voithians, into what makes working for Voith so exciting and diverse. And very often, extraordinary, too.

GERMANY

01 /

Carolin Ranft

"I had only been at Voith in Chemnitz for half a year when I was offered the position of project manager in the new area of multibody simulations / bogies.

Setting up the multibody project was a pretty steep challenge but also a sign of trust in my work. Before the project we had concentrated mainly on calculating the strength of static and dynamic bodies, so the multibody project was something new on top of this. In practice, the method is used for such applications as preventing trains from derailing and in order to harmonize the trains with regard to safety and comfort.

Today I am responsible for both coordination and the organization of the project. This combination is what makes the job so multifaceted. I like having to react quickly or find a solution together with my team members, maybe a solution that no one had ever thought of before.

I now have two colleagues for the multibody simulations. In addition, Voith Engineering Services wants to extend its reach in the automotive industry, which will greatly expand the scope of our work. For me this is another positive sign of how important this subject is to the company. And that my commitment pays off.

My wish for the future? Developing multibody simulations into an independent field of research. I have the freedom I need here, and I get the support I need from my colleagues, my superiors and also from other departments. Why, then, should I be afraid of the challenge – after all, they say you grow to the challenge. It is a bit like trekking. The motivation comes from the challenge. This year I was in Nepal and did the trek around the Annapurna group. Climbing to 5,400 meters – that's confidence building!"

Position	Computational Engineer at Voith Engineering Services in Chemnitz
Seniority	since January 2011

BRAZIL

02 /

Peterson Vaz

"I have been in Germany since the middle of 2012. Before, in Brazil I was responsible for coordinating some projects in the manufacturing area.

And here in Heidenheim I'm working in the Engineering team as a manufacturing costs and processes expert responsible for manufacturing routings for the development of a new global tool for the optimization of processes and costs. There I have to define all the manufacturing steps for all components of a power unit and also validate the results with respect to manufacturing hours. These days we are working on the finalization of this tool. This is surely the greatest professional and also private challenge I have ever had.

Was it difficult to settle in? Definitely not! I am not the only one here from another country. In Heidenheim I work with colleagues from Canada, India, China and Japan. It is this diversity that makes us what we are: a successful team of individuals, all thirsting for knowledge and each one of us from most diverse backgrounds, and each one pursuing the goal of developing something new and improving what we already have. When I look back on these eighteen months I can say that my family and I have truly settled in now in Heidenheim. The only negative aspect is how far I am from my parents in Brazil.

My next goal? I would like to work as a project manager. I want to take on larger projects and then become the head of a department. I am getting support from my more experienced colleagues who happily pass on their knowledge to me.

I am fully aware that I cannot take that for granted. The same holds true for the regular feedback from my superiors. Or the opportunity to participate in training and coaching. All of this is a sign of how my work is appreciated, and me as a person, too."

Position	Operations Engineer at Voith Hydro in Heidenheim
Seniority	since August 2007

CHINA

03 /

Sky Wang

"I am an Environmental Solutions Manager at Voith Paper in Kunshan and have been with the company since 2009.

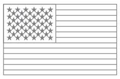
Back then, Voith was just starting to build up its environmental technology business in China. For this reason there were hardly any customers who were interested in the R2S anaerobic reactor for treating wastewater from paper factories. I was responsible for launching the R2S on the market, a huge task for a beginner! It took two years of talking to potential customers, visiting reference projects in Europe and finally bringing the first contract for an R2S in China to completion after an eight-month pilot phase.

Naturally, I cannot take all the credit myself. Each and every success at Voith is the product of good teamwork. One example, when we put one of the first E2E reactors into operation, we were confronted with a number of challenges. But in the end we were able to solve all the difficulties because my colleagues and I cooperated closely and everyone did their very best.

There is a lot that I appreciate about Voith: the intercultural aspect of it, the close contact with colleagues from all over the world. But that is not all. There are also the opportunities for personal development. Being able to apply my skills. This culture was immediately apparent when I started here. Voith appreciates employees who commit themselves to the task from the very beginning. I am passionate about my job because I feel so good about being here."

Position	Environmental Solutions Manager at Voith Paper in Kunshan
Seniority	since July 2009


VOITH



USA

04 /

Justin Craig

“They say paperwork can wait? Forget it! In my job, there is hardly any day without some kind of change – and that is what makes the job so multifaceted.

The tissue paper industry changes fast. That is why our team keeps close contact with our customers. It’s the only way that let us know what the market is going to want tomorrow and initiate the next steps. This makes my day-to-day job extremely varied and fast-paced. At the same time, this is an incentive to move ahead and not stand still.

When I started at Voith Paper five years ago and in my current position about one year ago, I had a strong background in textiles from extrusion through weaving, but the paper machine clothing application was new for me. Getting a feel for the job, asking questions, following things up, understanding the issues, this was a challenging task, particularly in light of the fact that I was directly responsible for one of our most important clients in the States. I worked closely with the Research & Development department of our customer. This is a job that requires a lot of mutual trust. At the end of the year, the client awarded us their prize for supplier of the year – that was a great feeling, both for me personally and also for the whole team.

The team, the colleagues at Voith, these are the real reasons I love to work here. There are plenty of other interesting positions out there on the market but here in Florence I have found exactly the kind of team spirit I was looking for: respect and appreciation for the work of all the others in the team, no matter whether you are a manager or a standard team member. I believe it is this respect that provides the foundation for the way we manage to continuously raise the bar with regard to the performance we deliver.”

Position	Operations Engineer at Voith Paper in Florence, Mississippi
Seniority	since June 2008

कथनी और करनी में फर्क है
India

“Faça o que eu digo e faça o que eu faço.”
South America

“Walk the talk.”
USA

„Lass Worten Taten folgen.“
Germany

言行一致。
China

Credibility, decency, authenticity – qualities that have nothing to do with where you come from, your age or your education. But everything to do with your attitude.

Project: people

“You are more than your job.” This is a motto many Voithians have taken to heart. Their personal dedication often goes well beyond what is professionally required. They do a good job and do a lot of good on the side. A particularly good example of this is the Formare program, which stands for passion, imagination and the very special energy exhibited by Voithians. As well as an attitude that makes an impression.

They are 15 to 17 years old. They have attended state schools which do not always enjoy a very good reputation in Brazil. In addition, schools have not always encouraged them to pursue their talents. When studying, they do not display any particular talent at first. They often come from socially disadvantaged families in which education is important, but unaffordable. The worst possible starting point, in other words, for starting a professional career, for finding a good apprenticeship, successfully completing the training and getting a job to earn enough to support a family. Yet at the same time, exactly the right qualifications to become a participant in the Formare project at Voith in São Paulo to gain professional qualifications and start a better future.

The word “formare” comes from Latin and means forming, designing and creating something. At Voith in São Paulo it has been synonymous with a program ever since 2006. “With our Formare project we want to provide young people who would otherwise fall through the net with the opportunity of starting a career,” says Gilson Campos, who is responsible for the Formare program at Voith in Brazil. The special feature of the program is that Voithians become teachers. Voluntarily. Long-term. Out of conviction.

Approximately 80 Voith staff from all divisions of the company are currently serving as Formare teachers. “We win new colleagues in that we regularly inform them about Formare. The good reputation of the program and the word-of-mouth propaganda between colleagues help,” says Gilson Campos. One of the participants who has been with the project since the beginning is Flavio Gonçalves da Silva. “I received a lot of really good things, for free. Now I want to give exactly this same thing back to the students.” He devotes two hours of his time per week to teaching the young people, passing on his knowledge of materials. “I participate in the project because I can see how much you can attain with hard work, honesty, and real appreciation for young people.”

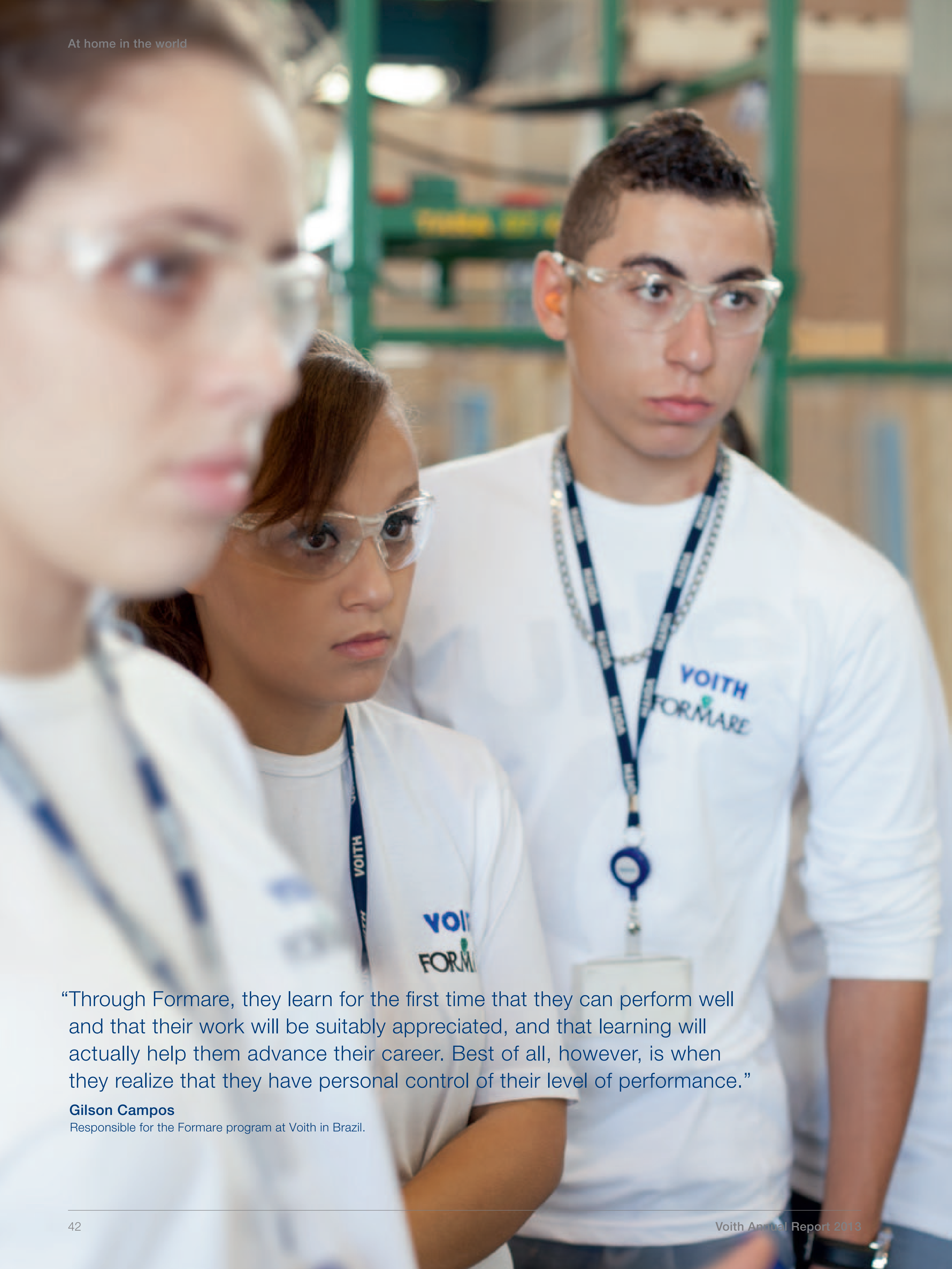
Getting into the program, however, is a challenge. Whoever wants to be part of it must initially pass a five-stage application process, including a test of their knowledge, meetings to assess their group dynamics and a visit to their family. Once in, the hard work continues: theory is taught every workday from 8 a.m. to 3 p.m. in a classroom on the Voith premises. The theory is then complemented by practical phases in the Voith workshops. Experienced Voithians teach the young people in ten different subjects, including business English, communication, technical design, management assistance or hygiene, health and industrial safety. After nine months, the final test qualifies them as “industry services and systems assistants,” an occupation that is recognized by the Education Ministry in Brazil.

The voluntary teachers who step forward from the Voith workforce convey more than just their expertise and know-how. “They pick the young people up from where they are at and act as coaches, often also personal counselors, who can support and assist them with their careers. But more than anything, they pass on the depth of their professional experience.” With the aid of Voithians like Flavio Gonçalves da Silva approximately 20 young people qualify each year for the Brazilian labor market in this way. All of this within the environment of an industrial company that is conducive to learning. The fact that approximately 160 young people have successfully completed the program since its inception and most of them are now in the employ of Voith or selected partner firms, says a lot about the quality of the program.

For many of the young people, Formare is a present from heaven. “Through Formare, they learn for the first time that they can perform well and that their work will be suitably appreciated, and that learning will actually help them advance their career. Best of all, however, is when they realize that they have personal control of their level of performance,” says Gilson Campos. In other words, helping them become more self-aware and develop their personality. Education in the best sense of the word.

"With our Formare project we want to provide young people who would otherwise fall through the net with the opportunity of starting a career."

Gilson Campos
Responsible for the Formare program at Voith in Brazil.



"Through Formare, they learn for the first time that they can perform well and that their work will be suitably appreciated, and that learning will actually help them advance their career. Best of all, however, is when they realize that they have personal control of their level of performance."

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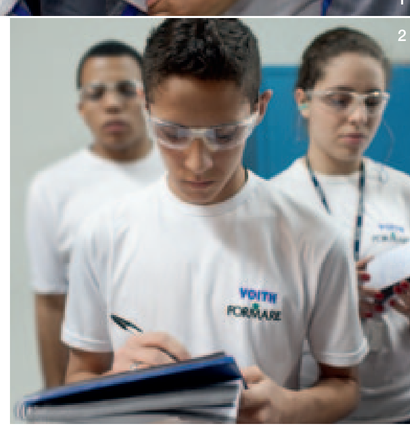


1 Voith employees pass on their knowledge to the young students in ten different subjects.

2 Around 160 young Brazilians have graduated from the Formare project since its inception.

3 Fit for the job. Under the Formare project, around 20 young people are trained for the Brazilian labor market every year.

वक्त का एक टाँका बेवक्त के सौ टाँकों से बढकर है
India

“A stitch in time saves nine.”
USA

“É melhor prevenir do que remediar.”
South America

**„Was du heute kannst besorgen,
das verschiebe nicht auf morgen.“**
Germany

一针及时省九针
China

Whoever knows their customers can give them what they need. Whoever understands their customers can offer them products which inspire.

Building models, one-to-one

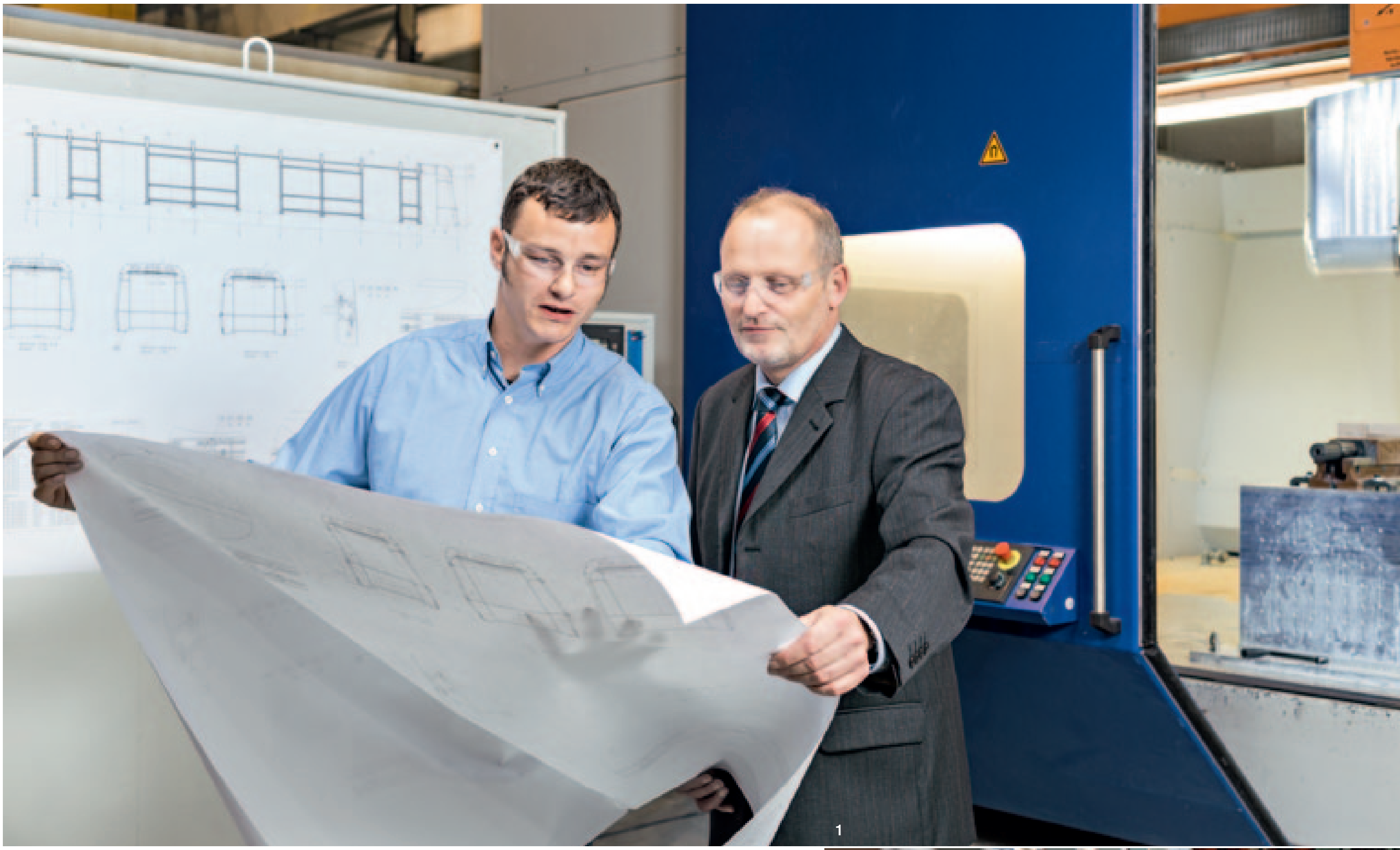
As the word says, a mock-up is a copy of something real – sometimes such a good copy that it is impossible to distinguish it from the real thing. But does it have to be an entire metro? Yes, it does. You could say that the engineers from Voith Engineering Services did a bit of groundwork, under contract from Bombardier, to ensure that the metro in Sweden's capital city, Stockholm, will be able to bring its passengers from A to B using the new system.

You cannot build a new train just like that. You have to act as if. This is what you call a mock-up. A one-to-one copy of the real thing and so true to detail that you might believe the train is about to leave the station. What sounds so easy is, in truth, top-notch engineering expertise paired with a professional approach to serving customer wishes in the best way possible. Working under contract for Bombardier, Voith Engineering Services in Chemnitz constructed a mock-up of a 19-meter railway vehicle, which Bombardier will later manufacture for the Stockholm metro.

When developing the new metro train, Bombardier, the global leader in railway technology and headquartered in Canada, applied an innovative development approach which involved the final customer, the local transport section of the Stockholm Regional Council, at the earliest possible development stage of the design. As a result, modifications could be incorporated directly in the design and the metro train matched more closely to the customer's needs. This is the practical manifestation of proximity to customers.

This is naturally just one aspect, but it is not all about design and visual appeal. In addition to aesthetic aspects, the mock-up makes functional aspects tangible: ergonomics during operation, passenger comfort, and efficient maintenance methods. In addition, barrier-free entry and egress for disabled passengers can be tested and the workplace of the driver can be presented in real life.

"For a project like this you need a partner with expertise in railway systems, someone who is absolutely reliable, and meets the highest quality standards," says Damian Filer, project manager at Bombardier. In addition, you need a partner who can create a one-to-one model that can be used as a basis for the later stages of the design process within ten weeks. The engineers at the Voith prototype center in Chemnitz managed that and proved that building a model does not always have to be simple. But it does have to be quick.



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"For a project like this you need a partner with expertise in railway systems, someone who is absolutely reliable, and meets the highest quality standards."

Damian Filer
Project manager at Bombardier

1 Top-notch engineering expertise in order to serve customer wishes.

2 A true-to-life mock-up of a Swedish metro train is created in just ten weeks.

› Mid-June 2013
In Västerås, Sweden, a team from Voith Engineering Services meets representatives of Bombardier Transportation. Voith becomes the preferred partner for the coming decision-making process, thanks to its skills in railway technology and expertise in the construction of mock-ups. But also for practical reasons: Voith has affiliated companies on location and can promise delivery of the mock-up to Sweden and its installation on-site.

› July 10, 2013
The Swedish team from Bombardier arrives in Chemnitz to begin negotiations on the contract. The future partners discuss the services to be delivered, the time schedule, and the prospective scope of the contract, and close the meeting with a letter of intent to conduct the project in cooperation.

› July 15, 2013
Kick-off in Chemnitz. The project manager, Andreas Silvan, presents the job to the team. It is clear to all present – the timeline is ambitious, speed and flexibility are the order of the day. Communication is crux. From now on, weekly coordination meetings are held with the Bombardier design team. This allows a rapid response to the suggestions and requests of the client.

› July 18, 2013
The engineers at the Voith prototype center must react flexibly to changes in the scope of the project. From the original five-meter mid-section that was originally planned, the project now calls for almost nine meters and the interior and exterior cladding and driver's cabin and console have yet to be added, not to mention a simplified version of the platform, which is also part of the mock-up. Voith takes the changes in its stride. Immediately, six engineers are assigned to the project instead of three.

› July 22, 2013
The critical phase begins: the concepts for constructing the structural parts needed for the mock-up and chassis are drawn-up. The structural calculations are performed and design proceeds. Further sub-contractors are selected, the materials procured and the details of the manufacturing process prepared.

› August 19, 2013
Manufacturing work begins on the parts. The number of welded assemblies and parts milled from wood, aluminum and steel begins to grow in Voith's workshops. The key ingredient to the process: a high-precision 5-axis milling machine that can handle pieces as large as three by five meters.

› September 16, 2013
Assembly of the mock-up begins on 400 m² of space in the hall of an external workshop.

› September 30, 2013

Fredrik Björnson from Bombardier Transportation inspects the mock-up on-site at Voith in Chemnitz.

› October 2, 2013

"In addition to the engineering specifications, this project places high demands on logistics and the need to meet really tight deadlines," says Steffen Schaarschmidt, Head of prototype construction at Voith Engineering Services. The model is prepared for transport. Make three out of one: The overall length of 19 meters necessitates breaking the mock-up into three pieces.

› October 6, 2013

The pieces are loaded onto special transporters for the trip from Chemnitz via Trelleborg to Västerås, about 100 km west of Stockholm. At the same time, seven prototype experts from Voith arrive to reassemble this unique piece.

› October 15, 2013

Project manager, Andreas Silvan, travels to Sweden for the official handover of the mock-up to Bombardier Transportation. In a letter to Voith, Mattias Jansson, a designer at Bombardier, is effusive in his praise: "I want to take this opportunity to tell you that I think you have done a fantastic job."

› October 16, 2013

Concept design review No. 1 in Västerås. Representatives of Stockholm's municipal transport authority see the mock-up of their future metro train for the first time. The representatives of Bombardier's clients are unanimous in their conclusion: "A perfect basis for the upcoming discussions and decision-making."

The mock-up makes it possible to experience the aesthetic and functional aspects of the new train.

And what's next? The mock-up will be fine-tuned to mirror the final design over a number of stages in the coming months. The great advantage: it can be inspected, walked through and examined from all sides. The representatives of the various associations get a hands-on feel for the train and simultaneously can make suggestions for improvements. The ideas are collated, discussed and implemented in association with Voith. Mission accomplished: the mock-up allows future user requirements to be accommodated at an early stage of the design process.

“In addition to the engineering specifications, this project places high demands on logistics and the need to meet really tight deadlines.”

Steffen Schaarschmidt
Head of prototype construction at Voith Engineering Services

“Quem encontra um amigo encontra um tesouro.”
South America

„Berge kommen nicht zusammen, aber Menschen.“
Germany

朋友可相逢，高山永分离。
China

एक और एक ग्यारह होते हैं
India

“Friends may meet, but mountains never greet.”
USA

Trust, appreciation, tolerance – respect has many other names. The foundation for a long-term relationship. With customers, partners, employees.

Apprentices today – movers tomorrow

The easier the formula, the more challenging the actual task: the future of successful companies lies in well-trained junior talent. People who are masters of their trade. People who not only know the answer to "how" but also to "why." And what do you get when you succeed? Well-rounded, qualified professionals who are ready for the challenges posed by the future, be it in Kunshan, Heidenheim or in São Paulo.

It has not stopped pouring down in Heidenheim this day in October. The workload is massive. The tasks are not simple. Not to mention the language barriers. Yet Benny Chen is in a good mood. The head of the Voith training center in Kunshan is one of four Chinese instructors undergoing a number of weeks' training at the Voith training center in Heidenheim in the fall of 2013. Chen's assignment is a big one. He must install Germany's proven dual-track training concept at Voith in China and establish it there. "Building up the training program, setting up syllabuses with my German colleagues, defining the topics and contents, this is a huge incentive for me," says Chen. This is precisely the reason why he and his colleagues have come to Heidenheim.

For China is well on the way to becoming the largest economic power in the world. And to succeed at this, China needs one thing more than anything else: excellently trained up-and-coming talent which not only has great theoretical knowledge, but also hands-on know-how. This combination is still relatively rare among young Chinese talent. The focus in the Chinese education system does not lie on the needs of companies like Voith, but is still placed on the theoretical knowledge learned from books and lectures. "Many school graduates prefer an academic career to a sound practical apprenticeship. Companies must often compensate for the lack of practical experience of university graduates and fill the gap," says Benny Chen.

However the picture in China is changing. More and more school graduates are attending the technical school for three or four years, depending on their job or course, and then do a one-year practical in the company. "This new concept definitely strengthens the vocational training in China," says Benny Chen.

In order to install the dual-track training concept in China, Erwin Krajewski, Head of Technical Training at Voith in Heidenheim, visited the country two years ago. Together with his Chinese colleagues he inspected schools, visited universities and held discussions with potential cooperation partners. "Training young people for a changing world and the different needs of the market, that is the

"With our new training center we will be in a better position to cover our needs for skilled professionals in China from our own resources. This will help us to ensure the high quality of our products and make us even more competitive."

Lily Wang
Director Human Resources Voith in China

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1 New training centers are currently being constructed in both Kunshan and in Heidenheim.

2 German-Chinese cultural exchange. Voith trainers come from Kunshan to Germany to prepare for their new tasks.

3 The future hinges on well-educated new talent.

common challenge facing us. And an experience from which all instructors profit," says Krajewski.

What began as a good idea is now taking shape. Literally. In Kunshan the largest Voith training center outside of Germany is currently being erected. When it opens in the spring of 2014, Benny Chen and his three instructors will initially train around 20 young people in subjects like welding, pneumatics and hydraulics, electrical engineering or CAD. In the mid-term, external professionals will also be trained here. Lily Wang, Director of Human Resources at Voith Shanghai is convinced that the new concept is the right one. "With our new training center we will be in a better position to cover our needs for skilled professionals in China from our own resources. This will help us to ensure the high quality of our products and make us even more competitive."

The training concept for China is based on the German "Ausbildung 2020" model from Voith. The training concept was developed in 2010 and has been practiced since 2011. The educational philosophy for tomorrow's professionals at Voith comprises four pillars: Professional skills, i.e. the ability to master the typical tasks and issues of the job independently. Social competence, i.e. the ability to put yourself in the shoes of others, integrate in the group and interact with the social environment in a cooperative manner. Performance skills, i.e. the strength of character to make a commitment and motivate yourself. And last but not least, emotional skills, i.e. the ability to express your feelings, put them in perspective and manage them effectively.

The wide palette of competencies is also reflected in the fact that initial learning over four months of all Voith trainees together is part of the newly developed concept – each trainee learns something from the profession of the other. "Thus a construction mechanic gets an idea of what is important for the IT systems technician or what a businessman is looking for," explains the head of the training team. The apprentices also manufacture items together, for example on a milling machine. In this way the technical product designer, who later does the drawings, gets a feeling for how he can influence the costs of a product at the drawing board already, and thus benefit the company." Learning from each other – the apprentices at Heidenheim will also do this in a new building starting in 2014, as a new training center is also being constructed in Heidenheim, right next to headquarters. The training concept is reflected in the design of the new building, which features lots of transparency, light and open spaces. A place to swap ideas, foster networking and learn naturally.

For a number of years Voith has been providing proof in São Paulo that the German dual-track training system can be implemented in practice. In cooperation with local training institutes Voith has developed a training concept for Brazil that provides a constant stream of qualified technical staff, which is adjusted to meet the steadily changing conditions on the Brazilian market. “The training philosophy we have drawn up allows us to educate precisely those people we need for our organization, especially for professions like industrial technicians, construction mechanics and mechatronics technicians,” explains André Keri, who is in charge of this matter at Voith in Brazil. Voith cooperates with renowned training institutes in Brazil, like Serviço Nacional de Aprendizagem Industrial (SENAI).

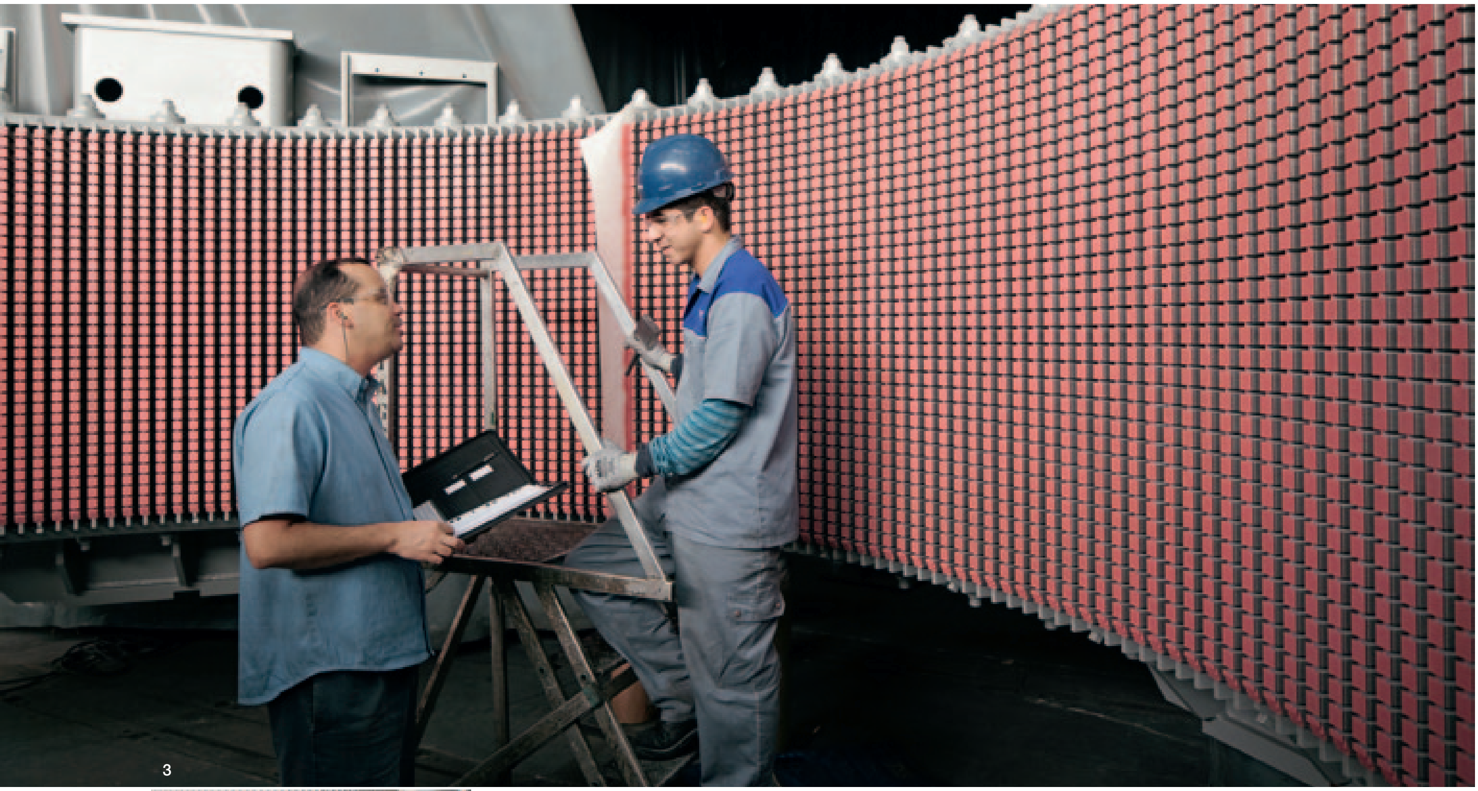
Twice a year, Voith initiates a selection procedure for people seeking an apprenticeship. Generally, an apprenticeship lasts four years. “They are geared towards 15-year-olds who attend a vocational school in their first year,” explains Keri. “We are ourselves responsible for the quality of our young talent and it is our stated goal to offer well-founded training. In the meantime, there is strong competition on the Brazilian labor market. Each company wants to win the best talent for their training programs.”

1 Voith trainees regularly win awards for their excellent performance.

2 The instructors will initially teach 20 trainees in Kunshan.

3 Years of success: in Brazil Voith has provided training to 2,300 professionals to date.

4 Knowledge transfer: Voith instructors pass on their expertise and their experience to new talent.



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The training staff in Brazil not only concentrates on professional skills. “We want people who fit into our culture. People who identify with our values and act according to our culture,” says the Brazilian instructor. The social skills, the performance skills and the emotional skills are therefore permanent fixtures of the training program in São Paulo. This training concept has proven that Voith is on the right track in Brazil. In the meantime, Voith has successfully trained approximately 2,300 professionals for the Brazilian market. They have a long road behind them, a road which the colleagues in Kunshan are just starting out on. There is therefore a lot of work ahead for Benny Chen, head of training in China, and his colleagues. “But even a journey of a thousand miles begins with a single step,” laughs Benny Chen. And that journey is certainly much easier when you are in a good mood.

“Many hands make light work.”
USA

“A união faz a força.”
South America

„Viele Hände – bald ein Ende.“
Germany

एक से भले दो
India

众人拾柴火焰高。
China

So simple, so easy. Sharing the load means multiplying the success. Team spirit knows no borders, no cultural or language barriers.

Cross-border cooperation

Around forty people from five countries work two years long on a project spanning three continents. This is something special, even for a global player like Voith. And a great challenge for Leonardo Penteado, project manager at Voith Hydro in Brazil. His recipe for the success of such projects: open-mindedness, good communication and optimism.

Costa Rica is a pretty green land. This tiny country of 51,000 square kilometers situated between 8° and 11° North and 82° and 86° West consists almost solely of chlorophyll. For many, Costa Rica is the "Switzerland of Latin America", but a touch greener: a small hydro power plant has been in operation at a place called Cubujuqui since December 2012, a plant installed by Voith under contract to one of the largest local energy providers in the country, Coopelesca R.L., and the result of cross-national teamwork.

This can be seen in many respects: the two 11.4 megawatt (MW) Francis turbines were developed in cooperation between Voith Hydro in Brazil and Voith Hydro in Noida, India, and manufactured by Voith Hydro in Vadodara, also in India. The hydromechanical parts originate from partner firms in Costa Rica. Voith Hydro in Brazil is responsible for mechanical and electrical balance-of-plant and automation systems. The substation equipment has been sourced from partner firms in Colombia and Costa Rica. To put it in a nutshell: the thick jungle of Costa Rica is not only home to various spectacles of nature. It is also a melting pot of nations. The question is, why?

Because there is a great deal of competition on the global market for small hydro power projects. This is good for the customers and, at the same time, represents a challenge for manufacturers: although prices are falling, at the same time the competitive situation demands creative solutions, such as in Costa Rica with turbines from India, substation equipment from Colombia, and expertise in valve systems from partners in Italy. "Bringing in equipment from these different sources allowed us to optimize our costs and maximize our supply chain," says Leonardo Penteado, project manager for the Cubujuqui project at Voith Hydro in São Paulo.

Coordinating the cross-border project also involved cooperation at all levels of the organization over a variety of languages, time zones and cultural differences. It is not always easy but it is feasible, provided communication channels are short and used regularly, for example, using weekly telephone and video conferences. "The less virtual communication used, the better. Linguistic misunderstandings

Bright sparks for Costa Rica: These colleagues are representative of the entire international team that brought the Cubujuqui project to a successful conclusion.

can be solved much more directly if you see your partner in real time on screen," says Penteado. And when Brazilian and Indian colleagues discover that they actually mean different things by the same word, the atmosphere is much more relaxed, it is much easier to laugh about the misapprehension, from screen to screen.

The time difference of almost nine hours between South America and India means that all those involved on the project needed to organize their working hours more flexibly. More specifically, this meant that the Brazilian team came to a virtual conference at 7:30 a.m. in the morning, and the Indian colleagues at 4 p.m. in the evening. "And as far as e-mails are concerned, we even benefited from the time difference: the answers to the mails we sent from São Paulo in the evening to Noida in India were in our inbox first thing in the morning." To express the benefit another way: work was done on the project worldwide and around the clock.

Is it possible that his own attitudes were helpful here? "Sure! We like talking to each other and are very optimistic by nature – I believe these are attributes that are important for such projects." Nevertheless, every now and again there were situations when long-distance communication simply was not good enough. For example, when delays suddenly threatened to arise in the production phase and upstream suppliers to the Indian operations of Voith Hydro in Noida announced they would be delivering later than intended. This was difficult because it meant that the turbines could not be shipped to Costa Rica within the set window.

"Sure! We like talking to each other and are very optimistic by nature – I believe these are attributes that are important for such projects."

Leonardo Penteado
Project manager at Voith Hydro in Brazil

Dimítrius Bicudo de Almedia
Design and Commissioning Engineer

Alexandre Alberto Clarindo
Plant Engineering Manager

Alexandre Facca Pereira
Plant Engineer

Murilo Hinojosa de Sousa
Generator Regional Sales Supporter

Leonardo Penteado
Project Manager

Eliza Kaoru Kamazuka
Commercial Project Manager

Nikhil Kumar
Deputy Manager
Project Management

Luiz Lauro De Araújo Rennó Polatto
Commissioning Engineer

Leandro Savio Lenotti Alves Ribeiro
Project Coordinator Engineer

Bruna Resende dos Santos
Logistics Manager

Klaus Sommerkorn
Technical Director

Carlos Eduardo Grillo
Automation Engineer

"So I flew to Noida and arranged a meeting with the most important suppliers and my Indian colleagues," explains Penteado. A clear demarcation between roles was vital. "While I emphasized the significance of power production in Costa Rica and the relevance of international trade, my Indian colleagues stressed how important the project was for the Indian region." You mean "good guy, bad guy?" No, more like "good guy, good guy." The Indian-Brazilian act managed to master the challenge. Thus, also in terms of communication, the Cubujuqui project was true intercontinental teamwork.

As if this was not enough, the hydro power plant in Cubujuqui features two further innovations. A completely new hydraulic concept was developed during the project as well as a more economic automation solution. Moreover, what satisfied the client in Costa Rica will be applied by Voith Hydro in Brazil at two other projects. Costa Rica was a great training ground: "We learnt from the Cubujuquí project how teams from the different corners of the globe complement each other perfectly," says Leonardo Penteado. And as far as environmentally friendly hydro power generation is concerned, the Cubujuqui hydro power plant has set a benchmark for Costa Rica's energy sector.

Diversity. Know-how. Experience. Commitment. At Voith. At home.

The above stories in this annual report show that diversity is fully at home at Voith, as illustrated by the interesting projects, the professional teams the strong partners and the different individuals who work at and with Voith.

Each one of these stories is representative for the commitment of our employees. People who give their best, each and every day. Accepting the challenges and mastering them with expertise and creativity. And this often means taking the hard road if this leads to better results. For commitment to excellence is fully at home in the house of Voith.

Moreover, one thing has been at home at Voith since the very beginning: a positive attitude and the conviction that taking a proactive approach is indispensable to success.

This positive attitude is what binds all Voithians worldwide. This is where they draw their energy from, to ensure that Voith remains successful for the long term. In Kunshan, in Hyderabad, in Chemnitz, in York or in São Paulo. In the world. At home.

Group Management Report

I. Business and economic environment

I.1.
Group structure and business activities

Voith is a global technology group. With its broad portfolio of systems, products and industrial services, Voith serves five essential markets: energy, oil & gas, paper, raw materials and transport & automotive. Voith operates in over 50 countries around the globe, maintaining an extensive network of production, service and sales units on every continent on the planet.

Voith GmbH, based in Heidenheim an der Brenz, Germany, is the operative management holding of the Group. It is 100% family owned. The management of Voith GmbH is responsible for strategy and operative management of the Group. The advisory and supervisory bodies are the Shareholders' Committee and the Supervisory Board. The latter is also in charge of monitoring management.

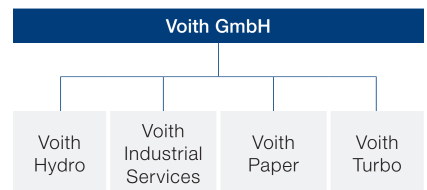
The operating business is bundled in four Group Divisions: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. In each Group Division, legally independent head organizations oversee the activities of the Division's subsidiaries.

As a full service provider in the hydro power market, Voith is a reliable partner for all hydroelectric plant operators worldwide. Voith Industrial Services is a very powerful services provider to key industries. Voith Paper is a partner and systems supplier to the paper industry, providing technologies, products and services for the entire papermaking process. Voith Turbo supplies intelligent drive solutions, highly engineered components and systems that set industry benchmarks worldwide for trains, buses, trucks, ships and industrial enterprises.

Corporate control is anchored in a value-based management philosophy that uses the return on capital employed (ROCE) as the key measure of the Company's earnings power. This ratio is calculated from the profit from operations derived from the operational result prior to non-recurring items and the capital employed. In addition to ROCE, which is value-based, operating net cash flow (ONCF) constitutes the second key indicator. This figure serves to assess the Group's ability to generate sufficient cash flow. All indicators and reports submitted to the Corporate Board of Management are based on these management ratios.

Organizational structure

Voith Group Divisions



I.2.

Values, guidelines, compliance

Voith—Engineered Reliability

All of our actions are based on trust. This maxim is supported and supplemented by our values of professionalism, respect for the individual, helpfulness towards colleagues, openness, reliability and integrity. We summarize our canon of values in our slogan "Voith—Engineered Reliability". This encompasses our claim of providing reliable and high-quality technology on a sustainable basis and always acting fairly, openly and reliably in dealings with our employees, partners and customers.

Our values likewise form the foundation on which the Voith brand is built and the core of our corporate identity. Our values, and the guidelines derived from them, ensure that Voith acts according to the same business principles and adopts the same philosophy worldwide. In this way, we marry the culture of a family-owned business with that of a global player.

Voith's values are the element that connects the owner family, the supervisory bodies, management, employees, customers and partners. We offer our employees challenging tasks and attractive opportunities for the future. We strive to bind those employees who meet our high demands to Voith for the long-term. We maintain partnerships with our business partners, customers and suppliers that often span several generations. Remaining true to our values, we seek out open dialog with important stakeholders and target groups: financial services providers and investors, universities and research institutes, political groups, NGOs and interested members of the general public.

Compliance—our values are binding

The Voith Code of Conduct was defined in 2009 from the legacy of previous group guidelines and our culture of integrity that was formulated as a principle of business conduct back in 1927. The Code of Conduct is a binding set of rules that govern dealings with customers and business partners, but also dealings between employees within the Group. We require each and every employee to comply with the applicable laws and also our own internal guidelines. This applies to all levels of the hierarchy throughout the Group. Infringements will not be tolerated and are countered with sanctions. Rules and standard procedures are revised continuously to match the latest requirements.

The main principles addressed by the Voith Code of Conduct are as follows:

- Compliance with the rules of fair competition
- No agreements that contravene competition law
- No corruption or bribery: no offering and granting or demanding and accepting unfair benefits
- Transparency of donations and sponsorship
- Maintaining own and respecting third-party company and patent secrets
- No undue preferential treatment of suppliers and service providers

The wording of this Code of Conduct is available on the Internet at: http://voith.com/en/group/compliance-187.html

The Compliance program and related training measures are coordinated and developed by the Compliance Committee, whose chair reports directly to the CEO. This committee comprises the Head of the Corporate Office (chair), the Head of Corporate Legal Affairs, the Head of Corporate HR Management and the Head of Corporate Internal Audit. The compliance officers in the individual Group Divisions are responsible for implementing the Code of Conduct in their respective area of responsibility and are important contact persons for all issues relating to compliance.

However, it is the ultimate responsibility of each individual employee to act in accordance with our corporate values. In order to raise awareness of this, we ask our executives to act as role models and also provide executives and employees with training and information on topics such as corruption, competition issues and export controls. Each employee has various avenues open to them to report any suspicion of an infringement of the Code of Conduct without having to fear reprisals. In addition to the compliance officers working in each entity of the Group, special helpdesks in Germany, Austria, Brazil, China, and the US have been set up to receive reports and notifications of infringements. Anonymous complaints are also followed up using a global system for input from whistleblowers.

Voith launched a global e-learning program in November 2011 allowing all Voith employees with PC access to keep up to date with compliance issues at regular intervals. In the meantime, all the relevant employees have completed the e-learning program. The program has been extended to put more focus on leadership and employees.

I.3. Group strategy

Geared towards sustainable profitable growth

At Voith, business success is defined as a long-term goal. The 146-year success story of the Voith Company demonstrates that this orientation towards sustainable growth is the right business strategy.

The commercial success of Voith is based on four sound pillars that have been carefully erected over decades: our balanced product portfolio, our global presence, our innovative strengths, and our financial independence as a family-owned enterprise.

A balanced product portfolio

Out of its original core business, mechanical and plant engineering, in recent years Voith has systematically expanded its product and service portfolio to gain a firm foothold in its core markets of energy, oil & gas, paper, raw materials and transport & automotive. In this respect it has proved possible to spread sales fairly evenly between our four Group Divisions. Although the share of sales contributed by each Group Division varies from year to year depending on general industry performance, all four contribute a significant share to group sales and results. Our broad strategic positioning acts as a buffer against the majority of economic risks. Because economic cycles affect the individual markets at different times, a fall in sales on the markets such as oil & gas, raw materials and energy that traditionally respond more slowly to economic trends is offset by growth on the fast-responding paper and transport & automotive markets and vice versa.

In order to build up a portfolio that can successfully cater to market demand, also in the long-term, it is vital that we identify the relevant global megatrends and respond to them in good time. The shift to Asia, demographic changes, continuing urbanization, particularly in the emerging markets, as well as growing demand for raw materials and energy are the global megatrends confronting us in the present day. Voith has responded to these shifts, in some cases from their very inception, with innovations, providing solutions such as climate-friendly electricity generation, sustainable mobility in the megacities or low-consumption production methods.

An international gearing and local roots

Voith is one of the pioneers in globalism. At the beginning of the 20th century, we were already building turbines for hydroelectric projects in the USA and Asia and selling paper machines to what was then Austria-Hungary and to Russia and Sweden. We began establishing production facilities in other countries at a very early stage in an endeavor to establish greater proximity to the customer and to shorten transport routes. Voith's first production location outside of Germany was opened in St. Pölten near Vienna in 1903. This was followed by additional international locations, such as the first location outside of Europe established in Brazil in 1964. Voith now has its own companies in more than 50 countries. More and more of these are in Asia, for example in India (since the 1960s) and in China (since the 1990s).

Today, around one quarter of consolidated sales are generated each by the Americas, Asia and the Europe excluding Germany region, respectively, while Germany accounts for 20%. Voith pursues the goal of being as firmly rooted in its international markets as it is in Germany today. This is why we see ourselves as a local actor at the individual locations. Our product development, engineering, production and industrial services make a major contribution to the local value creation—either in our capacity as an employer with local management, by way of using local supply chains or local sources of finance. For the coming years we have set ourselves the goal of fostering the influence of regional and local entities and granting them greater responsibility to allow them to better address local market conditions and local cultural aspects within our business. In this regard, the regions are to play a more important role in our organizational structure. In 2011 we created the first regional corporate service center outside of Europe. The Shanghai Corporate Service Center constitutes a vital interface between China and Germany by supporting Voith firms in this essential market with such shared services as human resources, procurement, IT, legal affairs, taxes, mergers & acquisitions, finance and communications. We will begin training young professionals at our own training center in Kunshan in China adapted from the German dual-track training system from 2014 onwards.

Strong innovative power

Voith's position on its markets and regional segments is based among other things on its innovative power. Since the Company was founded, our engineers have been writing history with their inventions in the field of technology. Voith currently has many thousands of active patents around the world, and hundreds more are registered each year. There is no contradiction between a pioneering spirit on the one hand and permanence on the other. This is why we invest in research and development for new products even and especially in difficult economic times. Approximately €250 million was invested in each of the past five years. Detailed information on the current focus areas of our R&D activities is provided in Section V. of this management report, "Research and development".

Financial independence

As one of Europe's major family-owned enterprises, Voith benefits from the stability and long-term approach taken by its owners. Growth that is both sustainable and profitable is the central goal of the shareholders, the Supervisory Board and the Corporate Board of Management. This forms the foundation on which Voith can maintain its financial independence and pass the Company on to the next generation in even stronger shape.

Aided by its modest distribution policy, Voith has sufficient financial resources to fuel continuous, attractive growth, the trajectory of which can be planned over extended periods. An equity ratio of 22.9% and a stable financial position constitute a sound platform on which the Group will continue to develop successfully in the future.

I.4. Macroeconomic situation

Economic recovery fails to eventuate

The global economy did not improve over the course of Voith's 2012/13 fiscal year ending on September 30, continuing to cool off, particularly in the first six months of the period under review. The International Monetary Fund (IMF) was forced to adjust its forecasts downwards repeatedly over the course of the period. Currently (as at October 2013) the IMF expects the global economy to grow by 2.9% in the full year 2013. If this were the case, global economic growth would fall once again in comparison to 2012, when it came to 3.2%. As at the date when we published our last annual report, the IMF had forecast growth of 3.6% in 2013. The corrections to the forecast affect virtually all regions of the world.

The emerging markets continue to develop much more dynamically than industrial nations. Nevertheless, here too, the growth rates are no longer as high as they were just a few years ago. In addition to falling exports on account of the weak global economy, a drop in commodity prices and concerns regarding the financial stability of some emerging markets have led to a decline in the growth rates of emerging economies over the mid-term. According to IMF forecasts, the emerging markets will grow at an average rate of 4.5% in 2013 compared to 4.9% in 2012. GDP growth in China is expected to reach 7.6% (2012: 7.7%) with 3.8% forecast for India (previous year: 3.2%). Brazil will see a rebound, with growth projected to reach 2.5% in 2013 compared to 0.9% in 2012. Nevertheless, this is much slower than originally expected.

Economic activity in the industrial nations remains sluggish, with GDP growth of just 1.2% on average forecast by the IMF for the full year 2013 compared to 1.5% in 2012. The main factor here is the recession in the euro zone which has entered its second year. According to the IMF forecasts, the economic product of the euro zone will contract once again in 2013, like it did in the previous year when it dropped 0.6%. In 2013 a further contraction of 0.4% is expected. Germany will see GDP growth. However, it is projected to lie at just 0.5% compared to 0.9% in the previous year. In the USA, the economy continues to recover with the unemployment rate on the decline and prices for real estate stabilizing. GDP growth is forecast at 1.6% for 2013 compared to 2.8% in 2012.

In many industries the investment climate was massively burdened by the wave of uncertainty sweeping the global economy. In addition to the ongoing risks associated with the sovereign debt crisis in the euro zone, after the summer greater volatility became evident on the financial markets, in some emerging markets in particular. We have described the most significant risks that we perceive on the date this management report is released in Section VIII.1.2 "Risks to the Group".

Voith markets: gloomy investment climate prevails

Little to no stimulus for growth was seen on our markets. Three of the five markets served by Voith—energy, oil & gas and raw materials—displayed only slight growth in the 2012/13 fiscal year. In spite of a slight increase in paper production, paper manufacturers once again faced a rapidly deteriorating outlook, leading to a massive slump in investment in new paper machines. Developments in the transport & automotive market were extremely disparate across the various segments and regions.

Energy: rising share of renewable sources

The energy market encompasses the conversion of various primary energy sources such as coal, gas, wind or hydro power into electricity and alternative forms of storage. This market is served by the Group Divisions Voith Hydro, Voith Industrial Services and Voith Turbo.

Thanks to rising global energy needs, investment was seen in all types of electricity generation in the period under review, albeit with a different local focus. Conventional energy sources continue to dominate global electricity production. The share of coal is on the wane yet it remains the most important source of electricity worldwide. Use of coal continued to increase in China, India and the other emerging markets, if much less strongly than in recent years. The massive extraction of shale gas in the USA has marginalized virtually all other energy sources in North America.

In an effort to expand their electricity generating capacity, all regions of the globe are putting greater emphasis on renewable energy sources. In 2012 a little more than 50% of the new electricity generating capacity created in the year was devoted to renewable energy sources, which now account for approximately 26% of the total existing electricity generating capacity. The most investment was made in wind energy (39% of the new generating capacity from renewables), followed by hydro power and solar power (each accounting for 26%). However, easily the greatest share of the installed base of electricity generating capacity from renewable sources (approximately 80%) is attributable to hydro power. Although investment in renewable energy sources was higher than in 2010, it has fallen slightly on the peak seen in the boom year of 2011. This decline can be attributed to various factors in industrial nations, primarily the boom in shale gas in North America and the weak economies in southern Europe. In northern Europe, investments in pumped storage have been put on ice as the strong rise in the share of solar in the power mix has inhibited the economic feasibility of pumped storage, which is aimed first and foremost at meeting peak demand. Asia, Latin America, Africa and the Middle East have all increased their investments in renewable energy sources. However, this rise was not sufficient to offset the decline seen in the industrial nations.

Oil & gas: rising levels of investment

The oil & gas market comprises three main segments: upstream involving the extraction of crude oil and natural gas, mid-stream involving transport via pipelines and tankers, and downstream consisting of refining of crude oil and natural gas into the various fuels and raw materials used by the chemicals industry. Voith Turbo and Voith Industrial Services provide specialized products and services to all the segments of this market.

Demand for oil and gas, the most important primary energy sources, rose slightly in the 2012/13 fiscal year. Driven by growth in the emerging markets, the International Energy Agency (IEA) projects demand for oil to rise by a good 1% both in 2013 and 2014 and that demand for natural gas will rise by more than twice as much as its share in total global energy consumption increases. The USA is a major factor in the corresponding rise in global gas production due to the extraction of shale gas.

Investments in the oil & gas market rose noticeably in the period under review. This trend is expected to continue, with the most emphasis being placed on the upstream segment. New wells need to be tapped to satisfy future demand. Secondly, extraction is becoming increasingly complicated. Expansion of the downstream segment is not expected to be as strong on the whole, with the main growth due to the installation of additional refinery capacity in Asia, and China in particular, as well as the Middle East. Although refinery capacity is stagnating in industrial nations, even falling in some regions, the installed base of this segment still constitutes the largest market for industrial services, maintenance and spare parts.

Paper: recession hits the market for paper machines

The paper market is served by the Group Division Voith Paper.

The paper market has been suffering from a fundamental structural shift for a number of years now. The digitization of everyday life has resulted in a fall in demand for graphic grade papers. As a result, demand for new machinery to manufacture graphic paper has virtually come to a standstill. By contrast, there is growth potential for tissue papers as consumption rises in the emerging markets of Asia and Latin America in line with the strongly growing middle class in these countries. Demand is also rising for board and packaging paper in the wake of rising online shopping. Overall, global paper production rose slightly in the 2012/13 fiscal year but market growth was weaker than the analysts had forecast in all major regions and segments apart from tissue. In particular, Chinese market growth proved to be much weaker than assumed when the annual report for 2012 was published.

Given this gloomier outlook, the willingness of paper manufacturers to commit to new investments in paper machines continued to dissipate in the period under review. The market for paper machines is thus in the middle of a serious recession. The graphic paper segment is starting to settle at a new and much lower base line. The slow growth in production is currently being covered by existing production capacity. We do not expect to see any market recovery in the coming years in Europe. In Asia and Latin America we assume that demand for machines to make tissue, board, and packaging paper will rise again in the mid-term.

Raw materials: growth dampened for the short-term

We define raw materials as valuable ores and minerals that are extracted from the earth, such as coal, copper and iron ore, as well as other geological materials such as sediments used in building. By contrast, the raw materials oil and gas are accounted for separately as part of the oil & gas market. The segments of the raw materials market that are of relevance for Voith are surface and sub-surface mining and the steel industry. Both are supplied by the Group Division Voith Turbo.

In light of the economic developments, demand for the most important raw materials was weak in the period under review, which led to an erosion of prices.

The level of investment in the mining sector has dropped significantly from its historical peak in 2012. The slight weakening of economic growth in China was the greatest factor here. Investments in tapping new fields were particularly hard hit. By contrast, investment in replacement plant and machinery is expected to keep rising. On the other hand, stagnating to falling prices for raw materials puts greater pressure on producers' margins. This is a driver for investments aimed at improving the efficiency of mining operations. We expect the positive trends in the mining sector to continue for the mid-term. A decisive factor in this regard is the rising demand for the raw materials needed to develop the infrastructure of emerging markets. Other trends will also favor this development, such as the need to tap more difficult fields and the increasing automation of production. The growing investments in technology made by the mining sector to improve safety standards and reduce the environmental impact of mining represent opportunities for Voith.

Transport & automotive: weak market growth overall

The transport & automotive market includes diverse transport routes and the means of transport used on them for moving people and goods. Two of Voith's Group Divisions serve this very heterogeneous market: Voith Turbo supplies drive solutions as well as braking systems for the commercial vehicle industry, the railway industry and also the marine segment. Voith Industrial Services provides contract engineering to automobile manufacturers and suppliers as well as the railway industry and the aviation industry.

The passenger and commercial vehicle industry continues to grow, driven chiefly by higher demand from China and the USA. Global truck production has risen with the main regional drivers here being the NAFTA countries and South America. Demand for passenger cars and vans has picked up, once again, mainly in North America. Purchases on the bus market remained dampened.

The rail sector, which is dominated by public sector investment in infrastructure, grew slightly in the period under review. Strong stimulus for growth came from South America, Brazil in particular, where investment levels are high in advance of the 2014 Soccer World Cup and the Summer Olympics in 2016. The largest market, China, showed signs of recovery after many years of no activity. There is an evident shift away from high-speed trains to local transport.

The marine market continued to struggle from the weakness in the general economy. Freight shipping saw overcapacity. Moreover, the lack of available finance, particularly in Europe, placed an additional burden on ship construction.

There was an upturn in orders in the aerospace industry, partly for replacement aircraft but also in the wake of the plans to expand fleet sizes.

II. Business development and earnings position of the Group

II.1.
Overall view

Weak business development in a stubbornly adverse environment

Voith looks back on a weak fiscal year. In light of the ongoing cool-down of global economic growth and the generally subdued investment climate, both orders received and orders on hand dropped in the Voith Group in the period under review. The high level of orders received in recent years contributed to Group sales remaining stable at €5,728 million. Consequently, we failed to meet the targets published in the 2012 annual report although we do lie in the range of the revised forecast published in our interim report for 2013.

The development of business at the four Group Divisions was not uniform. While Voith Hydro and Voith Industrial Services enjoyed rising sales, Voith Paper suffered a large fall in sales and Voith Turbo recorded a moderate decline. Moreover, within each Group Division, business developments varied between the regions and the various market segments. The stable development overall is a result of our actively pursuing our portfolio strategy. The diversified structure of the Voith Group allows us to offset opposing developments in our five core markets and between the four Group Divisions. In order to tailor our organization to permanent changes in the business environment and create a foundation for the return to profitable growth, we have initiated another round of job cuts at Voith Paper, which is suffering from a structural transition and a cyclical downturn. In the other Group Divisions we have made surgical adjustments to capacity. Moreover, we have initiated measures to streamline the portfolio and terminate certain business activities, in this regard.

In spite of the weak business environment and a significant burden from restructuring expenses, we have once again returned a profit from operations in each of our Group Divisions and also a profit for the Group as a whole. We view our ability to return a profit even in a difficult business climate as evidence of our earnings potential and the robustness of our Company. Nevertheless, we failed to meet the earnings targets we announced in our 2012 annual report. At a group level, the operational result prior to non-recurring items decreased by 10% in comparison to the previous year. The decline is attributable to the fall in the profit from operations at both Voith Turbo and Voith Industrial Services, which was not compensated for by the rise in earnings at Voith Hydro and Voith Paper. The net income of the Group was burdened by non-recurring effects of €156 million, mainly related to the restructuring measures we have initiated, resulting in a decrease of 44% in the profit compared to the previous period. Our bottom-line result therefore stands at a net income of €63 million.

II.2.
Sales

Sales at a stable level

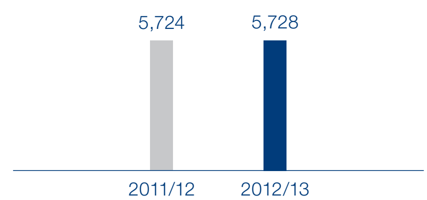
In the 2012/13 fiscal year, the Voith Group generated sales of €5,728 million, comparable to the previous year when sales came to €5,724 million. Voith Hydro and Voith Industrial Services saw an increase in sales of 6% and 8% respectively. By contrast, sales fell at Voith Paper by 6% and by 3% at Voith Turbo.

Thus, Voith Hydro accounts for 24% of Group sales compared to 23% in the previous period. The share of sales accounted for by Voith Industrial Services rose to 21% (previous year: 19%). Voith Paper and Voith Turbo accounted for 29% (previous year: 30%) and 26% (previous year: 27%) of Group sales respectively. Detailed information on the development of sales at the separate Group Divisions can be found in Section III of this management report, “Business development and earnings position of the Group Divisions”.

The regional distribution of group sales among the most significant economic areas has only changed marginally in comparison to the previous year: Germany now accounts for 20% (previous year: 21%) and Europe excluding Germany for 27% (previous year: 26%). More than half of total sales in the 2012/13 fiscal year were generated outside Europe. The Americas contributed 27% to Group sales and Asia 23% (previous year: 24%).

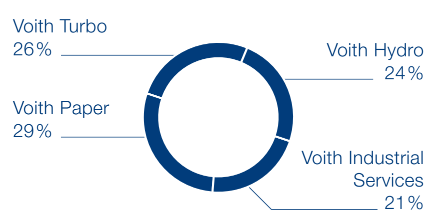
Sales Group

in € millions

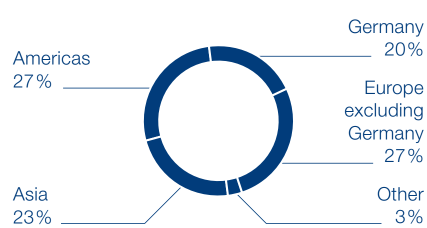


Sales total €5,728 million

by Group Division



by region

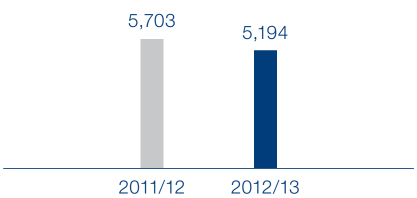


II.3.

Orders received

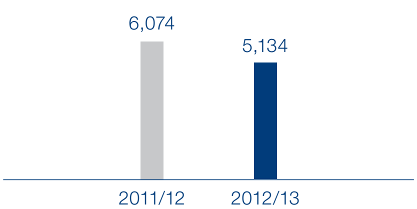
Orders received Group

in € millions



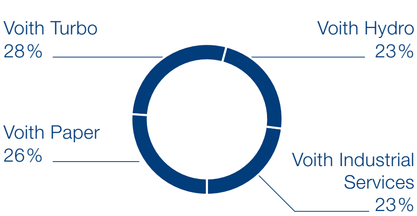
Orders on hand Group

in € millions

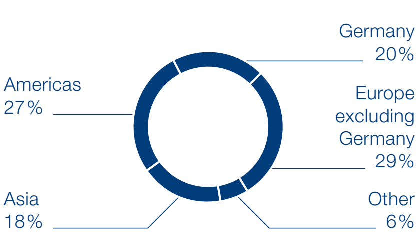


Orders received total €5,194 million

by Group Division



by region



Orders received down on the previous year, as forecast

In the 2012/13 fiscal year, the Voith Group won new orders totaling €5,194 million. As announced in the revised forecast made in the 2013 interim report, the Group failed to reach the figure recorded in the previous year (€5,703 million, a decrease of 9%).

Orders on hand as at the end of the period under review came to €5,134 million. This is €940 million down on the record notched up in the previous year (€6,074 million).

The most significant factor in the decrease of orders received at Group level was a deterioration of 22% in new business at Voith Paper due to the structural transition and recession in the market for paper machines. Orders received at both Voith Hydro and Voith Turbo were also below the level of the previous year (down 10% and 6% respectively). Voith Industrial Services, by contrast, rose by 8%. Detailed information on the development of orders received at the separate Group Divisions can be found in Section III of this management report, “Business development and earnings position of the Group Divisions”.

Voith Turbo was the Group Division with the largest share of orders received (28%, previous year: 27%), followed by Voith Paper, with 26% (previous year: 31%). Voith Hydro (previous year: 23%) and Voith Industrial Services (previous year: 19%) each accounted for 23% in the period under review.

Looking at the regional distribution of orders received, Europe excluding Germany accounted for 29% of new business in the year under review (previous year: 24%). North and South America together accounted for 27% of new orders received. Germany generated 20% (previous year: 19%) of the Group’s orders received. Asia accounted for 18% of new business in the 2012/13 fiscal year (previous year: 28%).

II.4.
Employees

Headcount rises above 43,000

As at September 30, 2013 we employed 43,134 full-time equivalents (excluding apprentices) in the Voith Group. In net terms, we added 807 jobs to the Voith Group in the 2012/13 fiscal year (September 30, 2012: 42,327). This represents an increase of 2%.

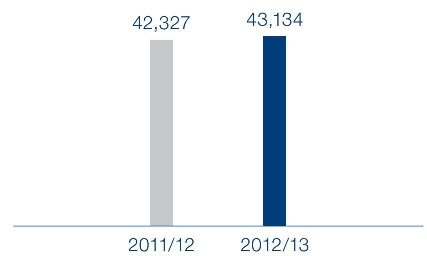
The focus of recruitments was at Voith Industrial Services. A corporate acquisition in the Automotive segment accounts for 854 of the total of 1,048 new jobs in this Group Division. At Voith Paper the number of employees fell by 596 due to the restructuring measures undertaken. The headcount at Voith Hydro and Voith Turbo rose slightly in net terms by 236 and 122 respectively.

Voith Industrial Services accounts for 49% of the total headcount (previous year: 47%), making it the largest Group Division in terms of total staff numbers. 21,032 people were working there at the end of the period under review. Voith Paper employed 9,223 staff as at September 30, 2013, or 21% of the Group's headcount (previous year: 23%). With 6,485 staff members, Voith Turbo made up 15% of the Group's headcount as in the previous year. Voith Hydro employed 5,323 people, the same share of the Group's total workforce as in the previous year (12%).

Job cuts at Voith Paper and Voith Turbo

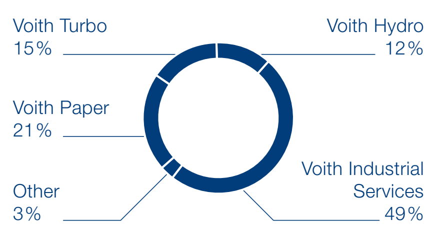
In response to the permanent fall in demand for graphic paper machines on account of the structural transition, we initiated a comprehensive restructuring package at Voith Paper in May 2012. The majority of the initial job cuts of 990 worldwide were implemented in the 2011/12 fiscal year and the period under review. We were forced to take further action in the summer of 2013 in light of the deepening recession in the market for paper machines which has now spread to almost all types of paper and also the critically important Chinese market. We have therefore announced that another 800 jobs are expected to be lost, spread over various locations of Voith Paper in Germany and Austria. In addition, we plan to cut roughly 180 jobs from various other Group Divisions at headquarters in Heidenheim to improve our cost structures. This will primarily affect Voith Turbo. These measures represent painful cuts. We have only taken the decision after weighing up the issue extremely carefully but believe the measures are unavoidable to align our European organization to the change in demand. The measures are necessary if we are to remain competitive and profitable for the long-term under the changed conditions on the slowly growing European market.

Employees Group

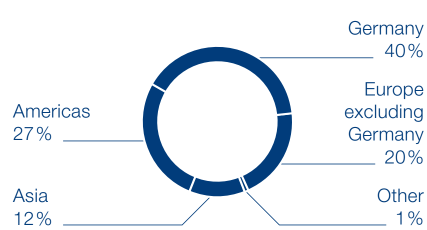


Employees total 43,134

by Group Division



by region



For more information on workforce trends at the separate Group Divisions, see also Section III of this management report, "Business development and earnings position of the Group Divisions".

40% of the workforce based in Germany

The number of employees based in Germany remained more or less unchanged on the previous year at 17,327 as at September 30, 2013 compared to 17,316 as at September 30, 2012.

Europe excluding Germany recorded a net increase of 769 in the number of jobs. As at the end of the fiscal year, the Group had 8,580 employees in this region (previous year: 7,811). Although Voith Paper cut jobs, the total headcount in Europe rose due to the acquisition in the United Kingdom mentioned above. The other two Group Divisions created only a few new jobs.

In the Americas, the Voith Group employed 11,580 staff at the end of the year, 89 more than at the same time of the previous year (September 30, 2012: 11,491 employees).

The headcount in Asia at the end of the year under review of 5,426 was slightly down on the comparable figure of the previous year (September 30, 2012: 5,481), a fall of 55 staff.

In sum, the regional distribution of the workforce has barely changed on the previous year: Voith continues to employ most of its staff in Germany, which accounts for 40% of the total number of employees (previous year: 41%). The Americas were still the second most important region accounting for 27% of the total headcount. We employed 20% of our staff in Europe excluding Germany (previous year: 18%). Asia accounted for 12% of the total workforce (previous year: 13%)

First-class training

We once again invested substantially in training and maintained the large number of apprenticeships. At the close of the 2012/13 fiscal year, 1,201 apprentices and students were employed at Voith locations around the globe (previous year: 1,206). This provides a large number of young people with career prospects.

As a matter of tradition, we set great store by first-class professional training. We value a holistic approach, i.e. imparting a combination of both social and professional skills. We tailor our training contents and methods to accommodate new findings in the field of education and the changing requirements of the market. Our 2020 training concept has been largely implemented already. The high quality of our training is repeatedly demonstrated by the excellent performance of Voith apprentices at state and federal level. In 2012 every fourth apprentice who completed their training at our largest training location, Heidenheim, passed with an "excellent" grade. In summer 2013 a technical draughtsman trained by Voith attained 98 of the 100 possible points in his final exam, making him the top of his year for the entire nation.

The construction of a new training center in Heidenheim made great progress in the period under review. It is expected to open in the first half of 2014. We also plan to open our own regional training center at our Chinese location in Kunshan, also in the first half of 2014, and will train apprentices there using a similar system to the German dual-track work/study system.

Leadership concept installed

We require our employees to be willing to keep on learning over the entire span of their careers. From a corporate perspective we offer a challenging program of internal and external training and personal development measures that foster professional, social and intercultural skill sets. In the period under review, approximately 1,900 employees, a similar number as in the previous year, took part in our internal training programs worldwide which are designed to accompany their professional or management career paths. There were also external seminars and internal training measures that were selected locally according to specific requirements at individual entities.

We installed a new multiple stage leadership program in the Voith Group during the period under review. The Leadership program consists of three separate programs, one for each of the three levels of Voith management underneath top management. Each training program consists of several modules and is completed within the space of one year. The participants of such a training program generally take all modules of one program in unison. The groups are consciously chosen to cross divisional borders and sometimes even regional borders. The program is intended to enhance leadership skills at all levels of management and encourage active interchange between managers. Moreover, it will promote a common understanding and approach towards leadership throughout all Group Divisions and regions. One component of our leadership concept involves regular, structured discussions between employees and their superiors. We view such intensive dialog as a prerequisite of targeted personal development.

Diversity & Inclusion program initiated

We view diversity as a key factor for our future success. Diversity for us implies recognizing and encouraging differences in our workforce as a whole as well as in our organizational units not only in terms of visible characteristics such as gender, age, but also in terms of less tangible aspects, such as skills, cultural background, and religious belief. The goal of inclusion is to exploit these differences, in order to enhance the creativity and innovative strengths of the company, and thereby profit commercially as well. We initiated our corporate-wide Diversity & Inclusion (D&I) program in the 2012/13 fiscal year to promote greater diversity in the group. The program is sponsored by a member of the Corporate Board of Management and is coordinated by the central human resources department of the Voith Group. However, the regional focus and implementation is in the hands of the respective regional offices. A D&I manager is appointed for this task in each of the important regions.

The goal of the first stage is to raise awareness among staff of the benefits of diversity and equality of opportunity, and to anchor D&I in our corporate culture. For this purpose, a train-the-trainer concept was developed in the fiscal year, under which regional D&I managers will be initially trained, starting in October 2013, who will then train executives and top management. The various regions identified their own individual fields of action in the period under review, in which the first activities will be initiated in the 2013/14 fiscal year. One vital field of action for all regions is, for example, increasing the number of women in management. However, with regard to the age structure in the workforce, the challenges are very different depending on the demographic trends of the particular region.

New HR organization

In the period under review the human resources department initiated a comprehensive transformation process that is expected to take a number of years. This involves introducing new uniform organizational structures and human resources processes to support efficient and effective cooperation between the human resources department and the various business units. At the same time, we intend to realize cost and time-savings by centralizing administrative processes and increasing the degree of automation for a number of functions, such as payroll or certificate generation. The HR department should then have more time available to help form the dynamic change processes of a global player using the right personnel development tools.

One major prerequisite for functioning processes and well-founded decisions is to have a suite of integrated and powerful IT systems for human resources. We began to set up a uniform global personnel information system in the 2011/12 fiscal year. The first step, the uniform capture of the master data of all employees, such as internal professional career paths, will be completed by the beginning of 2014. By reflecting the global structure of our organization in our personnel information system, reporting paths and sources of expertise will be made more transparent, which will facilitate the creation of virtual teams across national and divisional borders.

The availability of such master data constitutes an important foundation for computer-based HR processes. Group-wide pilot projects will begin in the 2013/14 fiscal year focusing on two talent management processes: a project in China focuses on recruiting while another project in Brazil relates to the employee appraisal interview and goal agreement process. In addition, the master data will be incorporated in a number of automatically generated HR reports that will be regularly issued on such indicators as employee churn, workforce structure and new recruits. In the mid-term we plan to implement strategic workforce planning. This will allow us to identify our future demands based on quantitative and qualitative information, broken down by profession, and derive the associated training measures, recruitments or job placements to address the need.

II.5.
Results

Restructuring places significant burden on the profit for the year

The Voith Group generated a net income of €63 million in the 2012/13 fiscal year, well down on the net income recorded in the previous year (€114 million, a decrease of 44%). The greatest factors leading to this decrease in earnings were the burden from the restructuring measures we had initiated and the discontinuation of isolated business operations.

Total output fell by 1% to €5,733 million in the period under review (previous year: €5,775 million). As sales remained constant, the reduction in total output was largely due to a decrease in inventories of work in process. Broken down by Group Division, total output fell 7% at Voith Paper, 5% at Voith Turbo, offset by an increase of 9% in total output at Voith Industrial Services and 4% at Voith Hydro.

Cost of material decreased by €31 million to €2,339 million (previous year: €2,370 million, a fall of 1%). The material ratio, defined as the relationship between cost of material and total output, remained virtually unchanged at 40.8% (previous year: 41.0%).

Personnel expenses rose by 3% to €2,154 million (previous year: €2,096 million). The change is due to the higher headcount of the Voith Group and moderate wage and salary increases. The ratio of personnel expenses to total output increased to 37.6% in the Group (previous year: 36.3%). This rise in the personnel ratio is due to a rise in personnel expenses at Voith Turbo to build up in advance the workforce in growth regions, coupled with a fall in total output. The Group managed to reduce personnel expenses at Voith Paper, largely on account of the restructuring measures initiated in the previous year. However, this reduction was not of a sufficiently large scale to compensate for the fall in total output, which is therefore also reflected in a rise in the ratio of personnel expenses to total output. Additionally, the rise in the ratio at Group level is also due to a higher share of the Group's total output stemming from Voith Industrial Services, a Group Division that typically relies more heavily on human capital.

Other operating expenses net of other operating income dropped to €756 million (previous year: €786 million, a fall of 4%). The ratio of net operating expenses to total output decreased to 13.2% (previous year: 13.6%). The significant cost savings at Voith Paper were the greatest factor in this improvement.

The operational result prior to non-recurring items fell by 10% to €308 million (previous year: €341 million).

The non-recurring result amounted to €-156 million (previous year: €-95 million). This item consists of personnel-related expenses in connection with the restructuring measures described in Section II.4 "Employees" to downsize the workforce. On the other hand, it also includes the personnel-related expenses of discontinuing certain isolated operations as well as the impairment losses recorded on non-current assets and current assets as well as other non-recurring expenses. Total personnel-related expenses amount to €96 million (previous year: €90 million) with impairment losses and valuation allowances accounting for €44 million (previous year: €2 million) and the net balance of other non-recurring expenses and non-recurring income coming to a net expense of €16 million (previous year: an expense of €3 million). In detail, Voith Paper accounts for €-64 million of the non-recurring result (previous year: €-84 million), Voith Turbo for €-73 million (previous year: €-4 million), Voith Hydro for €-4 million (previous year: €0), Voith Industrial Services for €-9 million (previous year: €-7 million) and entities providing shared services €-6 million (previous year: €0).

Interest income rose by €1 million to €13 million (previous year: €12 million), mainly due to higher investments of free cash in currencies offering higher interest rates than those found in the euro zone. Interest expenses were cut back to €89 million (previous year: €90 million). The main reason for the decline is the reduction in financial liabilities in the previous year (repayment of a loan of €100 million from the European Investment Bank).

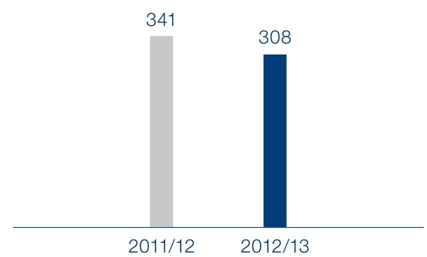
The other financial result of €9 million (previous year: €1 million) is chiefly due to dividends of €9 million received from a financial investment.

Income taxes of €-27 million (previous year: €-63 million) contain income from previous periods of €20 million (previous year: €18 million) mainly on account of changes to tax obligations for previous years.

The other items in the consolidated statement of income changed in line with the pattern of business development.

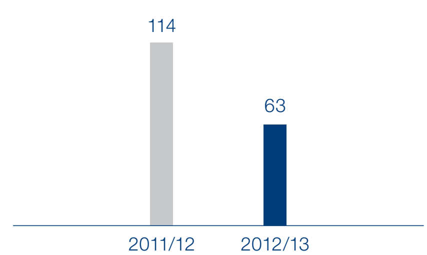
Operational result prior to non-recurring items Group

in € millions



Net income Group

in € millions



III. Business development and earnings position of the Group Divisions

III.1. Voith Hydro

Improvement in both sales and results

Full-line supplier for hydro power plants

For more than 100 years, hydro power plants throughout the world have been fitted with turbines and mechanical equipment supplied by Voith. As a full-line supplier for hydro power plants, Voith Hydro is now one of the world's leading industrial partners for hydro power plant operators. This applies both to the field of electricity generation and the pumped storage of energy.

Voith Hydro's portfolio of products and services covers the entire life cycle of large and small hydro plants and includes all major components: generators, turbines, pumps and automation systems, including measurement and control systems, right through to aftermarket business in spare parts and maintenance services. In the field of Ocean Energies, Voith Hydro offers innovative technologies such as tidal current turbines to exploit the energy from ocean currents.

Hydro power market weaker than expected

In the 2012/13 fiscal year the global hydro power market continued to cool off and remained below the original expectations. The market for large hydro power systems remains calm. Only a few major projects were tendered out. The small hydro segment (power plants with a generating capacity of 30 MW per turbine) was at a distinctively lower level of activity than in previous years. Worldwide, no significant pumped storage projects were awarded. Modernization projects provided significant stimulus which have become a major driver for new orders in many regions. Service business continued to develop positively: demand for spare parts and maintenance services continued to grow.

The reasons for the weaker market overall differed from region to region. Major projects were once again postponed in the emerging markets during the year under review. In North America, where large volumes of shale gas are currently being tapped with a concomitant fall in gas prices, investments in other forms of electricity generation, including hydro power plants, are being held back. In southern Europe the market was dampened by the financial crisis in the region and the high levels of sovereign debt. In northern Europe the economic viability of pumped storage plants is severely impeded by the political environment in Germany. Due to the massive expansion of photovoltaics, solar power is now available on a large scale at the midday peak times. As a result, the prevailing business model of pumped storage plants to date, of meeting peak demand and being compensated accordingly, is coming under pressure.

Sales up 6%

Voith Hydro increased its sales by 6% to €1,388 million in the 2012/13 fiscal year (previous year: €1,315 million). Sales in the large hydro segment made the biggest contribution here.

A large share of sales is still generated in the emerging markets. In addition to South America, Brazil in particular, the regions enjoying the strongest sales are North America, Europe excluding Germany and Asia.

Fewer new orders in a weak market

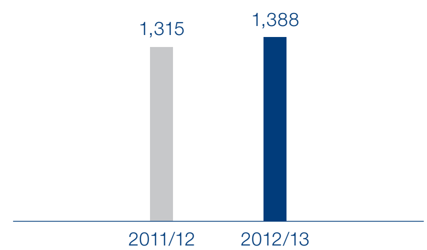
In the period under review, Voith Hydro won orders totaling €1,190 million. However, on account of the weaker market, orders received failed to match the level of the previous year (€1,316 million, down 10%). Nevertheless, the level of orders received is generally satisfactory in light of the contracting market. The main markets for new business in the period under review were Africa, South America, North America, eastern Europe and Russia. Orders on hand came to €2,880 million as at September 30, 2013 (previous year: €3,299 million, a decrease of €419 million).

Our orders received in the reporting period were dominated by a number of modernization and maintenance contracts, some of them large. The installed base of hydro power plants worldwide, which continues to grow steadily, and the increase in running times is widening the focus of modernization to include younger hydro power markets in addition to the established ones in North America and Europe. For example, we won a contract to modernize the Brazilian 1,420 MW Salto Santiago power plant. We also received the contract for the second stage of the modernization of the Russian hydro power station in Saratov with an order for the rehabilitation of four further turbines. The full project comprises the modernization of 21 Kaplan turbines to improve their generating capacity from 60 MW to 68 MW per turbine. In the Democratic Republic of Congo, we have been commissioned to modernize the Inga I hydro power plant which went into operation in the early 1970s. The project on the Congo River is financed by the World Bank, based in Washington D.C., USA. As part of the Inga I project, Voith will fully overhaul two generator turbine units of the hydro power plant. Their generating capacity will be increased to 55 MW each and the efficiency of the machines will be optimized. Other notable contracts include the modernization of the Brownlee and Owens Gorge power plants in the USA and also the San Men Xia hydro power plant in China. Other major modernization projects were also won, including projects in Canada, Norway, Germany and Japan.

We were also awarded the contract for a large hydro power plant to be constructed in Angola. We are delivering and installing four generators and turbines with a total generating capacity of more than 700 MW for the Cambambe II plant on the Cuanza River, as well as the associated control systems. This project is the single largest individual contract that Voith Hydro won in the year under review. Africa is a promising market for hydro power. On the one hand, only a small fraction of the technically feasible potential on the continent has been exploited. On the other, many African states are budgeting a high level of spend on their energy sector, with hydro power becoming increasingly favored as a local and climate friendly source. We won another new construction project in Turkey, a market that also displays enormous potential. The energy supplier, Kalehan Enerji, ordered three Francis turbines from Voith Hydro for the Upper Kaleköy power plant, with a generating capacity of 202 MW each, plus the associated equipment. Upper Kaleköy is one of a cascade of four power plants and is the second project on the Murat River in eastern Turkey. Voith is currently fitting out the Beyhan-1 hydro power plant located further downstream. In Laos we were awarded the contract to construct the new Nam Hinboun hydro power plant. The contract consists of the complete delivery of two generator turbine units and the complete electrical and mechanical equipment including the automation systems. Now that we have established a long tradition in China as a provider for hydro power plants, the project in Laos

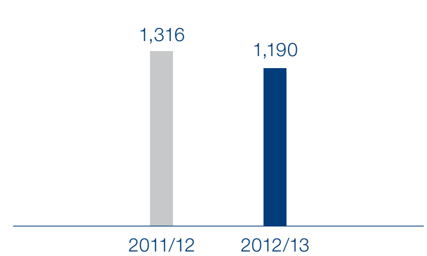
Sales Voith Hydro

in € millions

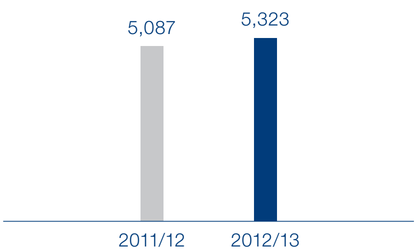


Orders received Voith Hydro

in € millions

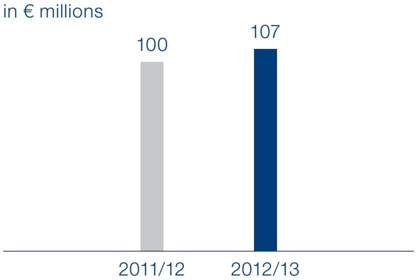


Employees Voith Hydro



Profit from operations Voith Hydro

in € millions



represents an important milestone for our Southeast Asian activities. Southeast Asia has huge technically feasible hydro power potential and will, in our opinion, evolve to become a significant hydro power market.

In the small hydro power segment, we won contracts in Japan, India, Latin America and Turkey. We managed to increase the volume of new business with spare parts and maintenance services on the previous year.

Voith named the best company in the capital goods industry in Brazil

For the second year running, Voith Hydro has been chosen as the best company in the capital goods industry in Brazil. This award is a part of the 40th special edition of "The Best and Biggest" ("Melhores e Maiores") issued by the Brazilian business journal, "Exame". In sum, 3,500 companies from 19 different industries were appraised in the course of the award. The ranking is based on commercial success and considers such indicators as growth, profitability, financial soundness, investment activity and productivity per employee. We are very pleased that we are perceived as a local Brazilian company with German roots and that our contribution to Brazil, one of the most important hydro power markets in the world, and its future are viewed so positively.

Headcount up slightly

As at September 30, 2013, Voith Hydro had 5,323 employees, 236 more than on the reporting date of the previous year (5,087). The rise is mainly due to the staff needed to perform the assembly work at large construction sites in North and South America.

Expanded production capacity for small hydro and the aftermarket business

Voith Hydro invested €33 million (previous year: €37 million, down 11 %) in the capacity of its value chain. This corresponds to an investment ratio of 2.4 % (previous year: 2.8 %).

In St. Georgen am Steinfeld in Austria, we have started work on expanding the location at Kössler, a subsidiary of the Voith Group. Kössler is our European competence center for small hydro technologies. We are erecting a hydro power technology center and a new production hall at the location for final assembly. The construction, which should be completed in the 2014/15 fiscal year, will significantly increase the production capacity of the location. We are also fitting out a workshop in Milan for repair and maintenance services in order to be well positioned in the aftermarket business. The workshop will be opened at the beginning of the 2013/14 fiscal year. In South America we brought long-term investment projects to a successful conclusion in the year under review. Our Brazilian facility in Manaus is now fully productive and is successfully supplying products for hydro power projects in the Amazon region.

R&D: on the road to the one gigawatt unit

Voith Hydro invested heavily in research and development once again in the 2012/13 fiscal year. R&D expenditure in this Group Division came to €83 million, slightly down on the level seen in the previous year (€87 million, a decrease of 5%). The R&D ratio to sales was thus 6.0% (previous year: 6.6%).

One focus of our development work lies on developing particularly powerful turbines and generators. We reached an important technological milestone on the road to developing the first one gigawatt generating unit by successfully putting a turbine with a generating capacity of 784 MW into operation at the Xiluodu power plant on the Jinsha River in China in August 2013. This is the most powerful generator-turbine unit that we have ever built and is just the first of three of such units that we are supplying to the Three Gorges Corporation.

Development of such powerful units in the 1,000 megavolt ampere class hinges on developing suitable generator bars. We conducted a series of successful experiments in the year under review using 25 kV generator bars. This provided us with important insights into insulation and the technical design of high voltage bars and the necessary processes.

In the small hydro segment we continued to concentrate on our innovative power plant concept, the StreamDiver. After the prototype completed one year of trouble-free operation in August 2013, within the framework of a cooperation project in Austria, it will now be launched on the market. With the StreamDiver we can now provide hydro power solutions to locations where conventional hydro power plants were previously impossible due, for example, to low heads or nature reserves. The StreamDiver means that construction work in the surroundings is kept to a minimum as the entire drive chain, consisting of the turbine, shaft, bearings and generator, is housed within one concrete box. The bearings are lubricated by water. This rules out any risk of contamination of local water. Moreover, the StreamDiver is particularly low maintenance.

In the field of ocean energy we made further progress in the 2012/13 fiscal year in the development of tidal current turbines. After successfully completing a one-year test phase at a model power plant near the South Korean island of Jin-do, and intensive analysis of the results, we have taken our tidal current program a step further by constructing a 1:1 scale 1 MW turbine at the European Marine Energy Centre (EMEC) in Scotland to bring the novel low-maintenance tidal current turbine technology up to a commercial scale. We constructed the test turbine at our Heidenheim location during the period under review and prepared it for installation off the coast of the Orkney Islands. We installed the turbine in September 2013 and put it into operation successfully. Depending on how the test phase develops and its results, we will operate the plant there for the coming one or two years. The next step will be to operate a number of plants in the form of a small tidal farm. A number of project developers and energy providers are currently developing such semi-commercial farms. We have entered into talks with them regarding equipping these farms with our system. In February 2013 we signed a Memorandum of Understanding with GDF Suez, the French energy giant, to construct a semi-commercial farm of tidal current turbines in Raz Blanchard. The plan is for Voith Hydro to deliver between three to six tidal current turbines for the pilot plant, which will be constructed on the Normandy coast, by 2016. The engineering services for this plant were commissioned in July 2013.

M&A: market position reinforced in Russia, Sweden, and Canada

Voith Hydro has established a joint venture with RusHydro, the largest hydro power producer worldwide, in the course of the period under review. The foundation of the joint venture strengthens the position of Voith Hydro on the important Russian hydro power market.

In Sweden, Voith Hydro increased its majority shareholding in what was at the time VG Power AB, Västerås, Sweden, from 51 % to 100 %. This entity, which was founded in 2002, offers a comprehensive portfolio of services for hydro power plants. One of its main focuses lies on modernization work, upgrades and overhauls of generators. After joining the Group in 2006, the hydro power specialist has been successfully contributing to projects all over the world within the international network of Voith Hydro. Since August 2013 it has been trading under its new name, Voith Hydro AB.

In addition, Voith Hydro acquired the Canadian company, Vortex Hydrosystems Inc. in February 2013. Vortex Hydrosystems is a supplier of mechanical equipment to hydro power plants. The acquisition has bolstered the position of Voith Hydro on the growing market for service business in North America.

More information on these transactions can be found in Section IV.4 “Financial investments/participating interests”.

Improvement in the profit from operations

Voith Hydro was able to continue the positive trend in earnings seen in recent years and generated a profit from operations of € 107 million. As announced, this result surpasses the result of the previous year of € 100 million, an increase of 7 %. Return on sales was 7.7 % (previous year: 7.6 %).

III.2.

Voith Industrial Services

Prevailing in a difficult climate

Service provider for industry

Voith Industrial Services is a global service provider for key industries: automotive, energy, chemical, petrochemical, mechanical engineering and aerospace. Its portfolio of services ranges from facility management, maintenance, and installation through to planning and development.

Voith Industrial Services is organized into four divisions: the Automotive and Energy-Petro-Chemicals divisions offer industry-specific solutions for the automotive and process sectors. The Engineering Services division offers engineering services to automakers and manufacturers of rail vehicles, as well as the aerospace industry. Under the DIW brand, the Industries division provides comprehensive regional services related to operating and managing industrial locations in Germany and Austria.

No clear trend in the business environment

Developments on the markets in the industries served by Voith Industrial Services were not all uniform in the 2012/13 fiscal year.

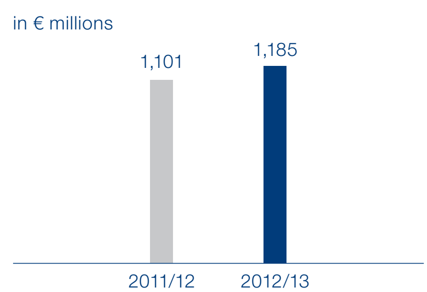
There was regional variation in the production of automobiles. In China the market continued to grow at a very fast rate. In North America, the market continued to recover. In Europe by contrast, production generally declined. German manufacturers of premium vehicles profited from the sustained boom in exports to the Americas and Asia.

The electricity industry in Germany is suffering from falling income from conventional power plants in the wake of the new energy concept, which is leading to the closure of some power plants powered by fossil fuels. As a result, demand for repairs and maintenance was low in the period under review, also at the remaining power plants. The European oil and gas market is suffering from a glut. Nevertheless, demand from refineries remained high, for periodic reasons, in the 2012/13 fiscal year for services related to turnaround maintenance projects. Large turnaround maintenance projects are generally conducted by refineries at five to six year intervals. In the chemicals industry only a few new projects and conversions were awarded.

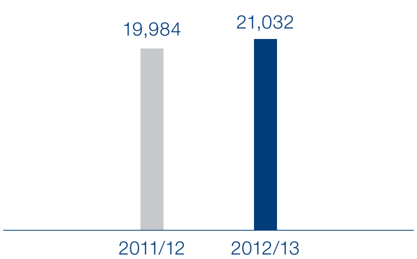
The rail sector served by the Engineering Services division enjoyed growing levels of investment in infrastructure, primarily in Asia, South America, and eastern Europe. In the automotive and commercial vehicles sector, numerous new models and variants provided growth. Now that the largest manufacturers in the aerospace industry, Airbus and Boeing, have generally completed development of their new products, new contracts are expected to concentrate on cabin design as well as production planning and management.

The sector served by our Industries division developed in a generally stable economic environment with large

Sales Voith Industrial Services

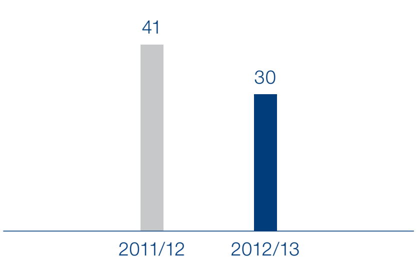


Employees Voith Industrial Services



Profit from operations Voith Industrial Services

in € millions



differences between the various industries. The competition and pressure on prices was particularly fierce in infrastructural facility management.

Sales up by 8%

Voith Industrial Services was able to increase its sales by 8% in the 2012/13 fiscal year to €1,185 million (previous year: €1,101 million). Sales are therefore in line with our expectations.

The higher sales stem partly from organic growth, primarily due to the Automotive division. However, there were also several changes in the consolidated Group, most of which affected the divisions Automotive and Engineering Services, the net effect of which was to increase sales. Nevertheless, even after eliminating these consolidation effects, Voith Industrial Services recorded an increase in sales.

Voith Industrial Services generated just over one half of its sales in Germany. The Rest of Europe was the second most important regional market for this Group Division. The share of sales accounted for by the Americas decreased slightly. Asia still accounts for a relatively low, albeit steadily increasing, share of sales. In the mid-term Voith Industrial Services aims to achieve a greater regional balance. In particular, it intends to expand on its market position in North America and South America as well as in China and India in order to participate in the growth of these markets to a greater degree.

Owing to the short throughput times of service contracts, Voith Industrial Services does not record the volume of orders on hand. Consequently, its figures for sales and orders received are identical.

Three of the four divisions record growth

Voith Industrial Services has grown in the Automotive, Engineering Services and Industries divisions. Sales in Energy-Petro-Chemicals were on the decline.

In the Automotive division, we once again recorded a significant increase in sales after two years of strong volume growth. In Europe we profited from our alignment towards manufacturers of premium brands. For example, the British manufacturer, Jaguar Land Rover, awarded us a facility management contract for a number of years for its new engine factory in Wolverhampton, United Kingdom, which is scheduled to open in 2015. Within the framework of this contract, we will support Jaguar Land Rover beginning in the construction phase by cooperating closely with the specialists who have been assigned with the design and installation of the plant and machinery. In addition, the division benefited from the continuing trend towards automation and expansion of various automobile models, e.g. contracts for Volkswagen and Škoda. Moreover, we received a contract for the first time from Ford in Europe to perform the technical facility management at its facility in Saarlouis.

Excellent business in South America and China contributed to the general growth in sales. A ten-year contract awarded to us by Chery Jaguar Land Rover for their facility in Changshu, China, is worthy of special mention. The joint venture between the British manufacturer, Jaguar Land Rover and its Chinese partner, Chery Automobiles, engaged us to perform the wheel and tire assembly for the plant. We also won new business in India, which has seen modest market developments. We managed to obtain a number of repair and maintenance contracts, including contracts with Mercedes-Benz and Volkswagen as well as Caterpillar, the manufacturer of earthmoving equipment, and automotive suppliers, like ZF Lenksysteme and Wabco.

In January 2013, Voith Industrial Services acquired ThyssenKrupp Services Ltd. in the United Kingdom, reinforcing its position as one of the leading services providers for the automobile industry in the United Kingdom. The entity was successfully integrated in the Group in the year under review and contributed to the buoyant development of sales in the Automotive division. For example, under the new constellation we were able to win PSA Peugeot Citroën United Kingdom as a customer.

In the 2012/13 fiscal year, Voith Industrial Services won various awards from customers in the automotive industry. Voith Industrial Services was awarded with the “Golden Excellent Service Award” for the second time in succession by the Volkswagen powertrain facility in Shanghai. Voith received the golden award for qualifying as the best of a total of 155 participating companies in the category, “Excellent service”. In India, Voith Industrial Services received a number of awards in categories such as safety, service, and Kaizen (the continuous improvement process) from its customers, Ashok Leyland, one of the largest truck manufacturers in India, as well as Volkswagen, Toyota and Fiat.

Sales in the Energy-Petro-Chemicals division were down on the previous year. Business with oil and gas refineries in Northern Europe developed positively. One success was winning a master agreement with the Norwegian oil and gas conglomerate, Statoil. We have been assigned the task of performing numerous maintenance services and conversion projects for the refinery in Mongstad in future. In addition, we were awarded with a project to modernize the tanks at the Danish refinery in Kalundborg. A number of turnaround projects and assembly projects were awarded by various refineries in the period under review. These included turnaround projects for Neste Oil, a Finnish oil company, at a refinery in the Netherlands, a refinery operated by Total in central Germany and the refinery in Lysekil operated by the Swedish oil company, Preem. BP assigned us with a turnaround project for a special ship used to extract, store and load oil off the coast of Angola. We also won a large automation project at the potassium mining operation, K + S KALI GmbH during the period under review. Demand for maintenance work and modernization projects from electricity providers in Germany remained extremely weak.

In the 2012/13 fiscal year, Voith Industrial Services was awarded for its industrial safety by three customers in the field of energy-petro-chemicals. As in the previous year, Shell presented us with their Safety Award for 200,000 work-hours without an incident or infringement of safety procedures at their Rhineland refinery. We were also awarded by Esso Norge AS for the safe execution of a turnaround project at an oil refinery in Oslofjord. The high safety standards for the project and the excellent work performed by the project manager were awarded separately.

The Engineering Services division, which offers contract engineering for the aerospace, automobile, commercial vehicle and rail vehicle industries, grew significantly. We recorded strong organic growth in engineering services for train manufacturers. Among other contracts, we were able to win new tramline development projects in China. We managed to win our first engineering project in Brazil. The train manufacturer, Bom Sinal, assigned the engineers from Voith with the task of developing the bogies for a diesel locomotive. We were also successful in the automotive segment. We were able to display a new facet of our portfolio of services within the framework of a project for a German manufacturer of premium brand vehicles. At the customer’s research and development center, we operate a mixed reality studio designed to secure both products and their production. We not only supplied the technical equipment but also provide specially trained experts who facilitate workshops with the customer looking at various aspects of development, planning and production. By combining a virtual presentation with an inspection of physical prototypes at an early phase of the development process, the start of production can be optimized and problems with serial production avoided. In the aerospace segment, the joint venture with P3 Ingenieursgesellschaft, which was established in April 2012 but was not consolidated until the second half of fiscal 2011/12, had a strong impact on sales. In the meantime, P3 Voith Aerospace GmbH has been able to establish itself as the largest engineering services provider to the aerospace industry in Germany.

In November 2012, the EADS aerospace group once again appointed P3 Voith Aerospace as an “E2S Preferred Supplier for Engineering Services”. This means that Voith remains one of a selected group of just five strategic engineering partners worldwide that are taken into consideration when new invitations to tender are issued.

The Industries division, which offers regional services related to the operation of industrial facilities in Germany and Austria, was able to increase its sales slightly. Not only the up-and-coming LED business but also contracts won in the traditional business lines contributed to this development. For example, we were able to win the largest paper manufacturer in Austria, Sappi Produktions GmbH, as a new customer. Our job is to take care of the infrastructural building management, building technology services, international postal system and telephone connections for the company. We managed to prolong our comprehensive facility management agreement with Alfred Ritter GmbH for another two years. DIW, a subsidiary of Voith Industrial Services, has been providing services to this chocolate maker since 1986 without interruption.

Over 1,000 new recruits

As at September 30, 2013, Voith Industrial Services employed a total of 21,032 persons (previous year: 19,984). This is 1,048 employees more than the year before. Alone 854 of these new jobs can be attributed to the acquisition of ThyssenKrupp Services Ltd. in the Automotive division. After eliminating these consolidation effects, Voith Industrial Services created 194 new jobs in the period under review (up 1%). From a regional perspective, approximately 40% of the workforce of Voith Industrial Services is employed in Germany, followed by North America and South America as well as the Rest of Europe and Asia.

Increase in capital expenditures

In the period under review, Voith Industrial Services invested €19 million (previous year: €17 million) in property, plant and equipment, a rise of 11%. The main focus of capital expenditure lay on the Automotive division, where most investment was made in relation to the contracts won by the division. The regional focus of investments lay in Germany.

Operations return a profit, albeit at a lower level

In the period under review, Voith Industrial Services generated a profit from operations of €30 million and therefore did not match the result recorded in the previous year of €41 million, a decrease of 26%. As a result, the profit from operations remained at a healthy level although we failed to fully reach the goals we had set ourselves. Return on sales was 2.5% (previous year: 3.7%). The decrease was mainly due to developments in Energy-Petro-Chemicals, which failed to meet the budget.

III.3.
Voith Paper

Decisive response to a deteriorating market

Partner and trailblazer for the paper industry

As a partner and pioneer to the paper industry, Voith Paper provides leading-edge technologies and products for the entire papermaking process, all from a single source. Its continuous stream of innovations optimizes the papermaking process. The focus is on developing products and technologies aimed at ensuring maximum efficiency in the consumption of energy, water and fiber in order to conserve resources.

At the beginning of the 2012/13 fiscal year, Voith Paper reorganized to create a new structure that gives more emphasis to the regions it serves. This combines four regional business units, Asia, EMEA (Europe, the Middle East and Africa), North America and South America, and three global business lines: Projects, Products & Services, and Fabric & Roll Systems. By reinforcing the influence and responsibility of the various regions, we aim to do justice to the different market conditions and satisfy customer needs in the best way possible.

Heavy recession in the market for paper machines

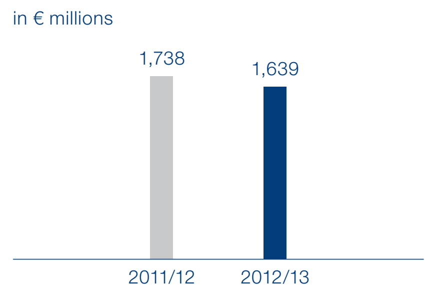
The graphic paper machine segment has been suffering a sustained and massive slump for a few years now due to the increasing digitization of daily life. In addition, the paper market entered a cyclical downturn in the year under review. Consumption of paper is growing even more slowly than forecast at the end of 2012 by a number of recognized industry experts. Although global paper production has risen overall, future growth will be at much slower rates than originally expected. In particular, the critical Chinese market proved to be much weaker than assumed at the time our annual report for 2012 was published. The willingness of paper makers to invest in new machines has continued to cool off as a result of the lower than expected consumption of paper. This affects all regions and paper categories with exception of tissue, the consumption of which is expected to rise on account of developments in Asia and Latin America.

The trends already reported in the previous year have continued. Demand for machinery at the top end of the size range remains extremely low. Most demand is for compact, locally produced mid-sized machines with a much lower investment volume. Overall, there is fierce competition on the market. The number of local competitors is growing, particularly on the critically important Chinese market.

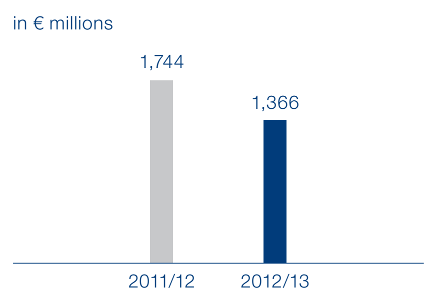
Sales down on the previous year

In the 2012/13 fiscal year, Voith Paper's sales fell 6% to €1,639 million (previous year: €1,738 million) on account of the ongoing recession in the market for paper machines. Consequently,

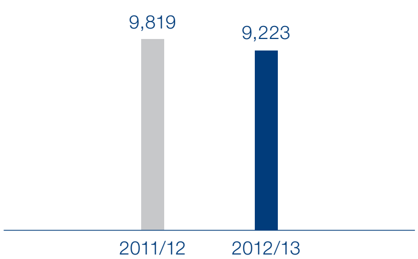
Sales Voith Paper



Orders received Voith Paper

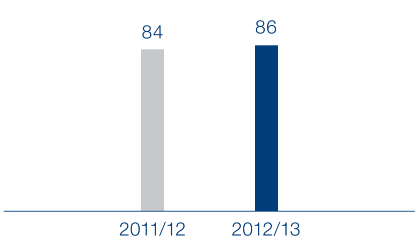


Employees Voith Paper



Profit from operations Voith Paper

in € millions



we failed to reach our target of stabilizing sales at the same level as in the previous year.

The decline in sales solely affects business with new machines and large rebuilds and is primarily due to the sudden fall in orders received in the previous year. This situation was exacerbated by project delays caused by customers, which led to a further fall in sales. Business with products, consumables, and services remained stable overall. Asia and EMEA are by far the most important regions for sales.

Massive drop in orders received

As expected, the recession in the market for paper machines affected orders received even more than sales. In the 2012/13 fiscal year orders received fell by 22 % on the previous year to €1,366 million as a result (previous year: €1,744 million). The decrease is due solely to business for new machines. With regard to the tense market, in the interim report published in May 2013, we were forced to make downward adjustments to the forecasts made in the annual report 2012. Orders received in the period under review lie within the range of our adjusted budget. As at the end of the year on September 30, 2013, orders on hand stood at €1,134 million, a fall of €357 million on the previous year (€1,491 million).

The massive slump in new business can be attributed to a general reluctance on the part of paper makers to commit to investments in new machines. Most of all, this trend affected sales in Asia much harder than expected. By contrast, we were pleased to see growth in South America and North America. Globally, only a few projects for new machines were awarded. In addition, demand is shifting to more compact machines, particularly in Asia. This medium-sized segment is characterized by very intense local competition.

Most of the contracts for new machines we won in the period under review were for machines used to manufacture tissue. For example, Voith Paper won a contract from Celulosa Argentina to deliver a full-line tissue machine. The machine to be built in Capitán Bermúdez, approximately 300 km northwest of Buenos Aires, will go into operation at the beginning of 2015 and will produce approximately 30,000 tons of toilet paper and paper towels. By contrast, the segment for board and packaging paper, which was still strong in the previous year, suffered a sharp decline on account of the recession. One of the few orders in this field was awarded by the Turkish papermaker, Modern Karton, to whom Voith supplied a new testliner machine for light-weight packaging papers. Likewise in the board and packaging segment, a major rebuild project was placed by Boise, the North American paper manufacturer, for the conversion of a machine originally designed to make newspaper. Activity in the graphic paper machine segment came to a virtual standstill in the 2012/13 fiscal year. Orders for products, consumables and services remained stable on the whole.

Voith Paper prepares for the challenges in the paper market

We are applying a range of strategic approaches, some of which we initiated in previous years, to offset the structural changes on the paper market, at least to some extent, and to exploit new market opportunities. In order to establish a greater foothold on the important Chinese market, we have invested heavily in new production plant in recent years and built up our local human resources. With its more regional focus, the new organizational structure implemented at Voith Paper at the beginning of the year under review also reflects the significance of the emerging markets for our business. In order to mitigate cyclical fluctuations, we are reinforcing our business lines, Products & Services and Fabric & Roll Systems. Their significance in the sales mix for Voith Paper has increased constantly in recent years, a trend that is certain to continue. We are focusing on developing machines for the growing segment of medium-sized, less capital-intensive machines. Solutions that consume fewer resources continue to have a high priority for us, as fiber supply, energy and water consumption are key challenges for paper manufacturers and are becoming increasingly important decision criteria when orders are awarded.

Due to the increasingly gloomy market outlook and the ongoing serious implications which the structural changes in the market have for business, further job cuts are unavoidable to match capacity to the new situation. We are therefore planning to bundle competencies at individual locations and adjust production capacity to mirror the smaller market. The planning involves the loss of approximately 800 jobs at various locations in Germany and Austria. The goal of all these measures is to secure the profitability and competitiveness of Voith Paper for the long-term even under the deteriorating market conditions.

Headcount on the decline due to job cuts

The restructuring measures initiated in the Projects and the Products & Services business lines in Europe in the 2011/12 fiscal year have been contractually agreed on and, to a certain extent, already been implemented. As at September 30, 2013, Voith Paper employed 9,223 staff. This represents 596 fewer jobs than one year ago (September 30, 2012: 9,819, a decrease of 6%).

Further investment in China

Voith Paper invested a total of €67 million in property, plant and equipment in the 2012/13 fiscal year. As planned, total investment is well down on the extraordinarily high figure recorded in the previous year of €137 million, a fall of 51%. The investment ratio comes to 4.1% (previous year: 7.9%).

The focus of investments was once again on China. At Voith Paper City, opened in 2007 in Kunshan near Shanghai, we expanded our production capacity in our Fabric & Roll Systems business line, in order to best serve the growing demand for rollers and roll covers and ensure we can meet orders from Asian customers at short notice. Work also commenced on a new cross-divisional training center at Kunshan. The intensive level of investment in recent years has anchored the local presence of Voith Paper in China and laid the foundation for further expansion into Asia. Now that the bulk of our mid-term investment projects have been realized, the level of investment in China is going to drop markedly in the coming years. In the other regions, investments in replacements and maintenance were at the usual level.

R&D activities continue to focus on technologies that consume fewer resources

The research & development expenditures of Voith Paper reached €98 million in the year under review compared to €94 million in the previous year, up 5%. The ratio of R&D expenditure to sales was 6.0% (previous year: 5.4%). As in earlier years, activities focused on the development of new technologies that save energy, pulp and fresh water. The goal is to further improve the paper manufacturing process as regards environmental sustainability and resource efficiency. This results in solutions that not only take into consideration ecological aspects but also provide considerable economic benefits in the form of cost savings for customers.

Voith Paper launched a large number of new product developments on the market in the 2012/13 fiscal year. For example, Voith now offers complete pulp drying machines, from headbox to the cross cutter and bale packaging. The vertical arrangement of the rolls in the dryer section is innovative and unique. This energy-saving innovation has been patented by Voith.

We also developed an innovative sealing strip with integrated lubrication for all kinds of suction rolls. This more efficient means of applying lubricating water has radically reduced the consumption of water. Moreover, the special design prevents remoistening of the paper web and therefore improves the CD moisture profile.

A new range of dryer fabrics has attained new levels of drying efficiency. The Evaporite family has been developed particularly for applications requiring robust dryer fabrics.

The CTC technology launched in the previous year ("Controlled Thermal Conversion") has enjoyed a positive reception on the market. We have already received a number of orders for preliminary studies. CTC converts paper sludge, a waste product created when preparing recycled paper, into valuable minerals and thermal energy. Generally, CTC has aroused great interest in the paper industry, both in terms of the greater economy the process affords as well as in regard to the sustainability programs installed by a large number of customers.

A number of FlowJec dosing units, another innovation launched in the previous year, have been sold and some of them are already in operation. FlowJec is an environmentally friendly dosage system for adding chemicals and additives to the paper manufacturing process.

The ProTect measuring system which we launched in fiscal 2011/12 met with great interest worldwide in the period under review among manufacturers of all kinds of paper, tissue in particular. ProTect simplifies the measurement of press fabrics which to date has always been done manually during running operation, thereby greatly improving industrial safety.

BlueLine is a line of products that are aimed at keeping the consumption of energy, water and pulp as low as possible during stock preparation. At the same time, customers can profit from the line's high level of efficiency, quality and reliability.

The innovative strengths and efforts of Voith Paper in product development were recognized by an award from a major customer in the period under review. Kimberly-Clark Corporation, one of the leading producers of tissue products worldwide, presented Voith Paper with its "Supplier of the Year 2012" award. Based on a catalog of criteria, Kimberly-Clark filtered out those suppliers who were most convincing in terms of reliability, punctual delivery, quality, sustainability, and innovative strengths from over 75,000 suppliers. Voith has supported Kimberly-Clark by providing a total roll management solution and a tissue cylinder service which help the tissue producer to retain its leadership in a highly competitive market. The constant development of roll cover technology at Voith Paper received special mention in the prize.

Joint venture established for thermal fluidized bed power plants

In May 2013, Voith Paper established a joint venture with the Japanese engineering firm, IHI Corporation. The joint venture, which operates under the name of Voith IHI EcoSolutions GmbH & Co. KG, offers complete thermal fluidized bed power plants, primarily for the paper industry. These plants facilitate an effective and environmentally friendly combustion of solid waste materials generated by the paper production process, thereby generating electricity and steam.

Voith Paper also entered into a cooperation agreement with Trützschler Nonwovens, an expert in non-woven fabrics. In future, both companies will offer full production lines for the manufacture of wet-laid and hydroentangled non-wovens. The goal of the cooperation is to develop and market innovative and economical production equipment.

Profit from operations up despite the fall in sales

As forecast, Voith Paper was able to improve its profit from operations in spite of the adverse market and the fall in sales. The profit from operations came to €86 million, surpassing the figure for the previous year of €84 million by 2%. The return on sales improved to 5.2% (previous year: 4.8%). The cost savings from the restructuring measures initiated in the previous year are now taking effect successively and contributed to this pleasing development.

III.4.
Voith Turbo

Business down slightly due to the weak market and the burden of extraordinary items

Specialist in power transmission

Voith Turbo helps millions of people, goods and machines to move safely from place to place each and every day. Our technologies transmit and control power under extreme conditions—safely and in a resource-efficient manner. Intelligent drive solutions and highly engineered components and systems from Voith are used in a wide range of industries, wherever power has to be converted into controlled movement.

Voith Turbo was organized as four divisions in the 2012/13 fiscal year: Industry, Marine, Rail and Road.

Market activity dampened

Voith Turbo provides products and services to four of Voith's five core markets. Market activity was dampened in most of the industries served by the company.

Overall, investment activity waned in all of the segments of the industrial sector of relevance for Voith Turbo, although there was variation in the trends between industries and regions. The construction of new power plants in the main markets of China and India has dropped off noticeably. Mining activity is also declining on account of the fall in the prices for raw materials in all key markets. In the steel market, which is displaying signs of overcapacity, investments were restricted to mere replacements of obsolete plant and equipment. Project activity in the global oil and gas industry, by contrast, remains high, for example in the offshore oilfields of Brazil and the Middle East as well as for the extraction of shale gas in the USA.

The marine market continued to remain in the doldrums in the period under review. While the market for bulk freight and container shipping is suffering from excess capacity and falling freight charges, many projects for tugs, offshore ships and special ships that are on the books were postponed due to a tight supply of finance.

The global market for railway vehicles picked up after passing through a trough in the previous year. In China, the largest market, the focus of activity shifted towards local transport, although even high-speed rail, which has stagnated recently, picked up again. In eastern Europe and Russia in particular, there was a noticeable increase in project activity. The economic recovery in North America has continued. In Brazil, investment activity materialized in advance of the upcoming major sports events the country is hosting.

The segments of the commercial vehicles industry relevant to the Road division displayed contrary trends that resulted in a slight net upturn overall. The European truck and bus market was increasingly active in advance of the transition to the new Euro 6 emissions standard. In South America, and Brazil in particular, there was a significant upturn after overcoming the difficulties of making the transition to the Euro 5 emissions standard. In China, there was a moderate rise in production figures. In the NAFTA countries, the market stabilized at a relatively high level.

Sales down slightly

In the 2012/13 fiscal year, Voith Turbo generated sales of €1,500 million compared to €1,551 million in the previous year. The fall of 3% is in agreement with the forecast we made in our annual report for 2012.

Developments in the individual divisions were not at all uniform. While Rail saw increasing sales, Industry was not able to match the extremely high sales it recorded in the previous year. Marine and Road also recorded falling sales.

More than half of sales in the past fiscal year were again generated in Europe (including Germany). Asia accounted for more than one quarter of sales. The remaining shares in sales came from the Americas and from growing markets such as Australia and Africa.

Orders received below the high level of the previous year

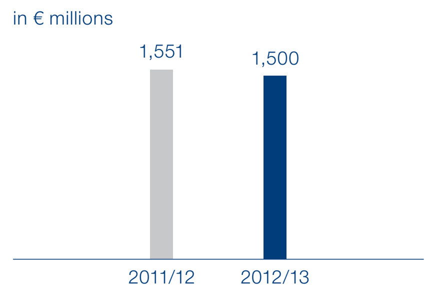
In the 2012/13 fiscal year, Voith Turbo received new orders of €1,436 million, remaining under the excellent figure recorded in the previous year of €1,524 million, a fall of 6%. As such, orders received were below our expectations. New business was weaker than expected in the Industry division, in particular. The Marine division also recorded fewer orders than in the previous year. Both Rail and Road enjoyed higher orders, but they were not enough to offset the fall in the other two divisions. As a result, orders on hand came to €1,120 million as at September 30, 2013 (previous year: €1,284 million, a decrease of €164 million).

One reason for orders received in the Industry division being lower than forecast is that demand in the mining sector was down. Unit sales of components for power plants were significantly down on the previous year, mainly because fewer coal-fired power plants were constructed in the recently booming markets of China and India. Likewise, fewer orders were received from the steel industry. The weak level of activity in these three industries primarily affected drive solutions, BHS turbo gear units and variable drives. In addition, we were forced to discontinue all business with Iran on account of the tighter export restrictions. However, business in the oil and gas industry generally developed positively. We enjoyed some notable successes in the USA and in South America. For example, Williams, a US natural gas producer and pipeline operator, ordered a number of highly-efficient Vorecon variable speed planetary gears with double converters for a pipeline compressor station. A follow-up order from Petrobras, the Brazilian oil giant, for another 28 Vorecon gears for use in their offshore program is also of note. We received an important reference contract in the field of Chinese pipeline construction from ShenYang Blower Works, one of the largest manufacturers of blowers.

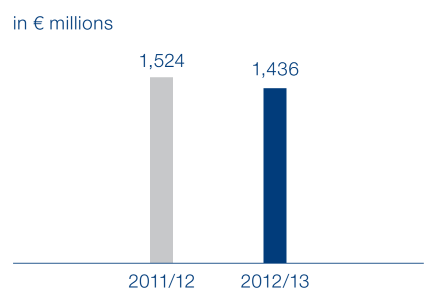
Orders received by the Marine division remained below the figure of the previous year due to finance-related delays for projects. The strongest region was the Europe excluding Germany region. Of special note are two orders received for Voith Schneider propellers and inline thrusters which will be used in special ships used to transport and supply offshore wind farms in Norway and the Netherlands.

Orders received by the Rail division were up slightly on the previous year. We enjoyed huge gains in eastern Europe. For example, we won a major contract with the Russian railway network (RZD). We will be delivering the gear units for the new EP 20 series of electrically-powered locomotives. On the huge Chinese market, new business developed positively, whereby metro systems projects took precedence. We are delivering our coupler technology to CRC, a Chinese manufacturer of rail vehicles, for the Shanghai metro. We also received a major contract from the Chinese Ministry of Rail for delivery of turbo transmissions for special rail vehicles. In Brazil, Voith secured two large contracts in the metropolitan public transport sector. In western Europe, where only a few public infrastructure projects are currently being financed due to the high level of sovereign debt, the market for rail vehicles is dominated by demand in Germany.

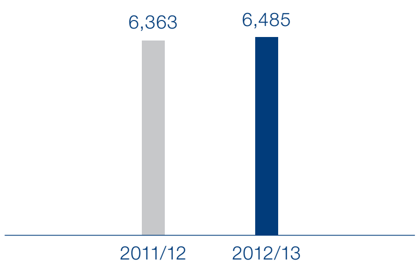
Sales Voith Turbo



Orders received Voith Turbo

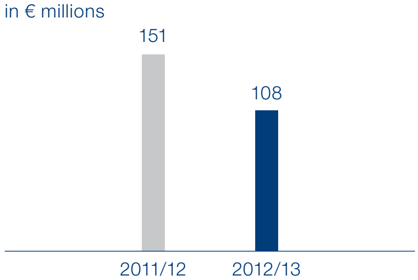


Employees Voith Turbo



Profit from operations Voith Turbo

in € millions



Orders received in the Road division were approximately at the same level as in the previous year. Business with transmissions for buses grew in the year under review, with significant growth recorded in South America. Overall demand for retarders, used in trucks and buses, remained at the same level as in the previous year, but only managed to clamber back to this level after recording significant volume growth in the second half of the year due to the transition to the Euro 6 emission standard. While sales of our TurboCompound product dropped dramatically, sales of our air compressors grew as projected. Business with vibration dampers for buses and agricultural vehicles picked up. Moreover, service and spare-parts business also recorded a pleasing upturn.

Marginal increase in the headcount

In advance of the pending projects in growth fields, Voith Turbo increased its headcount by addition of 122 jobs over the course of the period. As at September 30, 2013 the Group Division employed 6,485 staff, up 2% on the headcount of the previous year of 6,363.

Most new jobs were created in the Industry division. However, Rail and Road also recruited new staff, but to a lesser extent. From a regional perspective, the majority of the new jobs were created in South America and Asia.

Most investment in the Industry division

In the 2012/13 fiscal year, Voith Turbo invested a total of €51 million (previous year: €62 million, down 18%) in property, plant and equipment. The investment ratio came to 3.4% (previous year: 4.0%).

The largest capital expenditures were made in the Industry division. A focus of investment here was on expanding the facility at the Sonthofen location where a new state-of-the-art assembly plant and test station for BHS gear units was opened. Moreover, the production capacity for Vorecon gear units is currently being expanded at our Brazilian facility in São Paulo. This investment project, which was initiated in the previous year, should be completed by October 2013. Production capacities were expanded at our locations in China.

R&D portfolio realigned

In the period under review, Voith Turbo invested a total of €61 million on research and development, down 29% on the previous year when it came to €86 million. The R&D ratio to sales was thus 4.0% (previous year: 5.5%).

In the 2012/13 fiscal year we realigned and refocused our R&D activities. We consolidated the pipeline of new developments and have concentrated more on developments in the Industry division.

We successfully launched a number of new products on the market in the period under review. These include, for example, our newly developed modular Vorecon gear with double converter, which was put into operation by a customer for the first time. This highly efficient planetary gear is used at two compressor stations of a gas pipeline in the USA. In comparison to the conventional Vorecon, the modular Vorecon with double convertor displays even greater efficiency over a wider operating range for the pumps and compressors.

We extended the range of high-performance universal joint shafts for industrial applications and successfully launched the new CH series on the market. The universal joint shafts of the new series can handle very high torque and are used, for example, in steel mills, heavy engineering or for paper machines. The newly developed bearing technology increases the lifetime of the components and greatly reduces the idle time and maintenance costs for the operators.

We founded a competence center for "Electric Drives and Mechatronic Systems" in the 2012/13 fiscal year in order to increasingly integrate mechatronic components and systems in our product portfolio for industrial applications in the future.

In the Rail division, we have been working on sustainable transport concepts that conserve natural resources. We recorded our first orders for the new electric drive systems development project in the year under review. This involved delivering the first of a total of 40 new low-floor trams to Helsinki, which run through the streets of the Finnish capital cleanly while simultaneously saving energy, thanks to our traction equipment. We are currently working on a project for electrical drive systems for new trams for the Chinese city of Shenyang.

In the Road segment we successfully launched the new DIWA.6 generation of automatic transmissions for buses. This transmission meets the Euro 6 emissions standard, which comes into force in 2014, and provides an additional 5% in fuel savings in comparison to its predecessors. This lowers the operating costs and reduces CO_2 emissions. We won a number of contracts for Euro 6 vehicles, even before introduction of the new emissions standard, for example, for the Viennese city transport system and for city and rural buses and coaches in Belgium.

New organizational structure

Voith Turbo introduced a new organizational structure effective from October 1, 2013. The new structure concentrates the activities of Voith Turbo on growth segments and reinforces the roles of the regions. The previous large Industry division has now been split into two new strong divisions, Mining & Metals and Power, Oil & Gas. The Marine division has now been allocated to the latter division as a business unit. The remaining two divisions, Rail and Road, stayed unchanged with the latter being renamed Commercial Vehicles. The new organization will operate in the three large regions of the Americas, EMEA (Europe, the Middle East and Africa) and Asia Pacific. The regions have been assigned greater responsibility for sales and engineering.

Profit from operations at a good level, albeit burdened to some extent

Voith Turbo generated a profit from operations of €108 million in the 2012/13 fiscal year. As announced in the interim report, this lies below the corresponding figure for the previous year of €151 million, a decrease of 28%, on account of a fall in sales due to the weak market and increasing competition. Moreover, the profit from operations in the current year was burdened by the loss of lucrative business in Iran on account of the much tighter export restrictions imposed by the European Commission and also by items from previous periods, namely VAT backpayments. The costs of building up in advance the headcount in growth regions also had a negative impact on the profitability in the current year. All of these factors led to a significant decrease in the profit from operations compared to the previous year and also affected the return on sales which comes to 7.2%, compared to 9.7% in the previous year.

IV. Net assets and financial position

IV.1.
Balance sheet

Composition of assets and equity and liabilities remains sound

The balance sheet of the Voith Group continues to display a healthy structure of assets and equity and liabilities. Total assets fell to €5,769 million in comparison to the previous year when total assets came to €5,992 million, down 4%.

In sum, non-current assets decreased to €2,487 million (previous year: €2,594 million, down 4%). Intangible assets and property, plant and equipment reported under non-current assets fell by a total of €63 million. In the process, the increase due to investments and the effects of first-time consolidation was more than offset by depreciation, amortization and impairment losses as well as exchange rate effects.

There was a decrease of €116 million in current assets to €3,282 million (previous year: €3,398 million). This was primarily due to a reduction of €122 million in inventories. Voith Hydro, Voith Turbo and Voith Paper all contributed more or less equally to this development, whereby Voith Industrial Services remained at roughly the same level as in the previous year. The reduction of €33 million in current tax assets is primarily due to the payment of tax reimbursements, most of which were generated in Germany. On the other hand, other current assets increased by €31 million, chiefly due to higher tax receivables originating from VAT proceedings. Assets held for sale rose to €11 million (previous year: €1 million) on account of the planned disposal of a subsidiary.

Non-current liabilities decreased by €122 million to €1,730 million (previous year: €1,852 million, a fall of 7%). This includes a fall of €163 million in long-term bonds. This decrease was due to two factors. On the one hand, one tranche of the existing US private placement is scheduled for repayment in the 2013/14 fiscal year and was therefore reclassified to current liabilities. On the other, exchange rates also had an effect. Long-term liabilities to banks, by contrast, rose by €29 million, mainly on account of further drawings made on the syndicated credit facility placed in China in the previous year. Other non-current provisions rose by €48 million, generally in association with the restructuring measures described above.

There was a decrease totaling €35 million in current liabilities to €2,721 million (previous year: €2,756 million). Repayments of short-term liabilities to banks by an amount of €43 million played a role in this regard. This repayment is largely associated with the syndicated credit facility in China which was provided to fund operating activities over the short-term. A fall in liabilities to shareholders of €19 million also helped to reduce financial liabilities. This was counterbalanced by a rise of €139 million in short-term bonds related to the reclassification from non-current to current liabilities mentioned above. Other liabilities dropped by a total of €119 million, largely on account of a reduction in prepayments received (down €107 million).

As at September 30, 2013, the Voith Group carried equity of €1,319 million (previous year: €1,384 million, down 5%). The net income positively affected the amount of equity. By contrast, equity was reduced by currency translation effects, dividend distributions, measurement effects on securities and the acquisition of shares from non-controlling interests. The equity ratio remained virtually unchanged at 22.9% (previous year: 23.1%).

IV.2.
Liquidity

Improvement in total cash flow

The cash flow from operating activities amounted to €317 million in the period under review (previous year: €332 million). The decrease of €15 million is primarily due to a rise of an additional €14 million in net working capital in comparison to the previous year. The decrease in net working capital of €25 million in the 2012/13 fiscal year (previous year: decrease of €11 million) was a result of the reduction in inventories. This, however, was more than compensated for by the change in prepayments received from customers and receivables. Other changes in cash flow from operating activities in comparison to the 2011/12 fiscal year are mainly due to lower earnings before tax after eliminating depreciation and amortization and impairments as well as lower tax payments, which balanced each other out in cash flow.

The cash flow from investing activities amounted to a net outflow of €216 million (previous year: a net outflow of €275 million). The decrease in the cash outflow is largely due to lower capital expenditure on property, plant and equipment and intangible assets.

The cash flow from financing activities amounted to a net outflow of €70 million in the period under review (previous year: a net outflow of €78 million). The decrease in the cash outflow is mainly a result of lower net repayments of liabilities to banks which were down €32 million on the previous year. These factors were countered to some extent by dividend payments, which rose to a net outflow of €35 million (previous year: an outflow of €15 million) as well as the acquisition of further shares from non-controlling interests, leading to an outflow of €10 million (previous year: an outflow of €3 million).

In sum the cash flow in the period under review came to a net cash inflow of €31 million (previous year: a net outflow of €21 million). For more details of the development of cash flow, please refer to the cash flow statement.

Net debt, measured as the difference between interest-bearing financial liabilities and liquid financial assets, amounted to €-55 million (= net asset position; September 30, 2012: €-22 million).

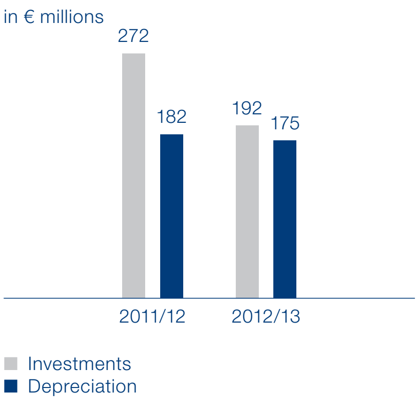
Because net debt is measured using the repayment amount of financial liabilities, these liabilities have been considered at an amount which is €14 million higher (previous year: €17 million) than their carrying amount in the statement of financial position.

The net debt ratio is not covered by the accounting policies based on the International Financial Reporting Standards (IFRS) and its definition and calculation may diverge from the practice of other companies. In contrast to the carrying amount, which is based on the effective interest rate method, the ratio is calculated by measuring financial liabilities at their higher nominal repayment amount.

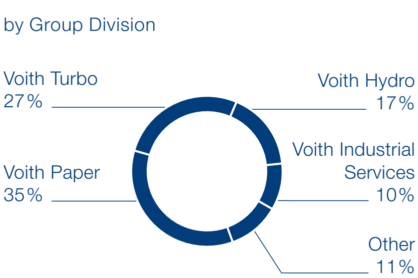
Development of cash flow

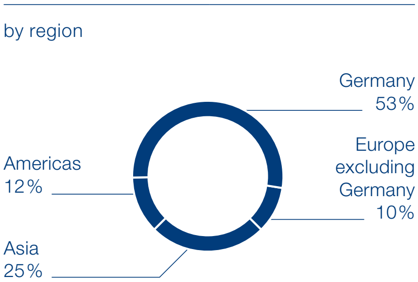
in € millions	2012/13	2011/12
Cash flow from operating activities	317	332
Cash flow from investing activities	-216	-275
Cash flow from financing activities	-70	-78
Total cash flow	**31**	**-21**

Investments and depreciation



Investments total €192 million





IV.3.

Investments

Once again approximately €200 million invested

In sum, we invested €192 million in the 2012/13 fiscal year in strengthening our productivity and in the strategic orientation of the Voith Group. Total investment therefore lies under the extremely high level of investment in the previous year of €272 million. The investment ratio came to 3.4 % of Group sales (previous year: 4.8 %). Total investments are approximately €17 million higher than the depreciation and amortization charge of €175 million (previous year: €182 million, down 4 %).

The low investment ratio of just 1.6 % at Voith Industrial Services is due to the nature of its business. The other Group Divisions reported investment ratios of 4.1 % (Voith Paper), 3.4 % (Voith Turbo) and 2.4 % (Voith Hydro).

Strong commitment to Asia continues

We continue to commit ourselves strongly to Asia, with special focus on China. However, after the intensive investment activity seen in recent years, many important projects have now been completed in this strongly growing region and laid the groundwork for further growth in Asia. The level of investment in the period under review is still at a high level of €48 million, but significantly below the level of investment in the previous year of €111 million. As a result, 25 % of our total investment spend was in Asia (previous year: 41 %). In particular, production capacity was expanded in the growing Fabric & Roll Systems business in Kunshan, near Shanghai. Voith Paper City in Kunshan is very close to completion.

More than half of the total investments were made in Germany (53 %, previous year: 37 %). We invested €101 million here, spread across all four Group Divisions (previous year: €99 million). For example, Voith Turbo expanded its facility for BHS gears at the location in Sonthofen. The construction of our training center in Heidenheim also played a role here. This means that major investment projects in Germany have now been completed.

As in the previous year, 12 % of total investments were made in the Americas. We invested €23 million in this region in the period under review (previous year: €33 million).

At €20 million (previous year: €28 million), 10 % of total investments were made in the Europe excluding Germany region.

Detailed information on the investing activities of each of the Group Divisions can be found in Section III, “Business development and earnings position of the Group Divisions”.

IV.4.
Financial investments/participating interests

High level of M&A activity in several Group Divisions

Voith Hydro, Voith Industrial Services and Voith Paper all optimized their portfolios in the 2012/13 fiscal year by means of acquisitions, divestments and joint ventures.

In March 2013 Voith Hydro established a joint venture with RusHydro, the largest hydroelectricity producer worldwide. The companies each hold 50% in the venture, VolgaHydro LLC, based in Balakovo, Russia. The entity is consolidated in the Voith consolidated financial statements using the equity method. The foundation of the joint venture strengthens the position of Voith Hydro on the important Russian hydro power market.

In addition, Voith Hydro acquired 80% of the Canadian company, Vortex Hydrosystems Inc. in February 2013. Vortex Hydrosystems is a supplier of mechanical equipment to hydro power plants. The company, which was founded in 2001, will act as a business unit of the Voith Hydro Group Division in future. The acquisition has bolstered the position of Voith Hydro on the growing market for service business in North America.

Voith Hydro acquired a further 49% of the shares in VG Power AB, Västerås, Sweden, also in the first half of the 2012/13 fiscal year. The Group now wholly owns the company and also holds 100% of the voting rights. The company has been trading under the name of Voith Hydro AB since the end of the 2012/13 fiscal year.

Voith Industrial Services acquired ThyssenKrupp Services Ltd. in the United Kingdom in January 2013. With this strategic acquisition, Voith Industrial Services intends to reinforce its position as one of the leading service providers for the automobile industry in the United Kingdom. ThyssenKrupp Services Ltd. provides facility management services, technical cleaning, and process management, primarily to customers in the automobile industry.

Voith Paper founded the joint venture, Voith IHI EcoSolutions GmbH & Co. KG, together with the Japanese heavy equipment manufacturer, IHI Corporation. The company is based in Heidenheim and is held in equal 50% shares by Voith and IHI. It is fully consolidated by Voith as the majority of voting rights are held by Voith in the relevant decision-making boards.

We sold off our interest in Voith Paper Fabrics SAS, a wholly owned subsidiary based in Montbron, France, in September 2013. The company produces industrial textiles for various industries. The background to the sale is the decision of the Fabric & Roll Systems business line to focus on its core business.

V. Research and development

Focus on technologies that conserve resources

Innovative products and services are the cornerstone of the Company's future business success. As a technology group, Voith traditionally invests heavily—and significantly more than the industry average—in research and development. In the 2012/13 fiscal year, Voith's R&D expenditures came to €242 million (previous year: €267 million, down 9%). The ratio of Voith Group's R&D spend to Group sales came to 4.2% in the period under review (previous year: 4.7%).

Voith's research and development activities are internationally organized. The focus is on Germany: centers in the Americas, Asia and Rest of Europe contribute valuable specialized R&D input in the relevant Group Divisions.

Voith's ambition is to anticipate solutions to future challenges. For this reason, the R&D strategy is systematically aligned with global megatrends and in particular with the infrastructure needs of the world's growth regions. Environmental friendliness, resource and energy efficiency, urbanization and mobility are not only the key challenges facing the 21st century but also the central themes of our research and development strategy at Voith.

One focus of our R&D activities in the hydro power industry was on especially high-performance turbines and generators as well as the related generator bars. An important technological milestone on the way towards the coming 1 GW units was passed with the commissioning of a 784 MW generator-turbine unit for the Three Gorges project in China. After operating a prototype for a full year without disruption, our StreamDiver, an innovative concept for small hydro power plants that offers major benefits in terms of landscape conservation, is now being readied for its market launch. In the field of ocean energy we made great progress in the development of tidal current turbines. After scaling up our innovative low-maintenance tidal current turbine from a 1:3 scale model to a commercial scale machine, we constructed a 1 MW turbine in the year under review. In September 2013, we successfully installed the turbine at the European Marine Energy Centre in Scotland and put the test plant into operation.

During the period under review, Voith developed various new solutions for paper manufacturers which offer considerable cost benefits as well as taking environmental issues into account. Numerous products were launched, for example a full-line pulp drying machine. Other innovations were a sealing strip with integrated lubrication for all kinds of suction rolls which reduces water consumption, as well as "Evaporite", a new product family of particularly robust dryer fabrics. The resource conserving CTC ("Controlled Thermal Conversion") technology first presented in the previous year has enjoyed a positive reception on the market.

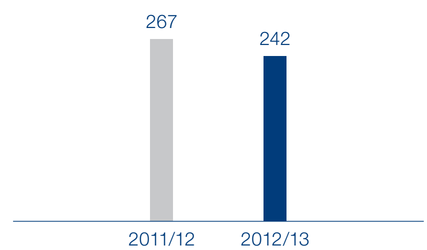
At Voith Turbo we founded the "Electrical Drives and Mechatronic Systems" competence center in the 2012/13 fiscal year. This center has been assigned the task of developing the corresponding components and systems and bringing them to a stage suitable for launching on the market. We launched the Vorecon with double converter on the market in the period under review. This planetary gear displays even greater efficiency than the standard Vorecon over a greater operating range for use with pumps and compressors. Moreover, we expanded our range of high-performance universal joint shafts for industrial applications by addition of the CH Series which can handle particularly high torque. Our recent developments in the field of drive and braking systems for rail and road applications enjoyed their first market successes: In Helsinki our first electrical drive units for trams were put into operation. The first orders were also placed for the new DIWA.6 generation of automatic transmissions for buses.

We continue to research and develop industrial production methods for components made of carbon fiber composites at our cross-divisional development center for carbon fiber products. For many years now we have used CFRP for lightweight components, such as ship propellers, as well as in tidal power plants, in paper machines and in drive systems, among other applications. The goal is to further expand our competence in this field. This is a long-term research project for which we hold great hopes for the future. The benefits of this material—such as low weight, high resilience and good formability—lead us to expect that the use of carbon fiber components will become increasingly significant in light of the demand for resource-efficient production in many industries.

Detailed information on the R&D activities of each Group Division can be found in Section III, “Business development and earnings position of the Group Divisions”.

Research and development

in € millions



VI. Non-financial performance indicators

Sustainable business management

We continue the traditions and style of the family-owned company Voith with a view to our understanding of sustainability: the obligation to act fairly and to return a profit over the long-term in an ecologically sensible manner. Our motto is for Voith to make a tangible contribution to sustainable development. Voith follows the approach of giving equal consideration to economic, ecological and social factors.

We have identified the following fields of activity in which we will address sustainability: sustainable business management, sustainable and profitable growth (see Sections II, III, IV, and IX of this management report for more information), responsibility for the environment, responsibility for products, responsibility for employees and social responsibility.

In 2008, Voith began implementing the strategic and organizational aspects of sustainability management throughout the group, a process that we strive to improve constantly. Since 2009, Voith records and analyzes all relevant environmental data, material indicators and selected personnel data in a separate sustainability database. The project is geared towards the requirements of the Global Reporting Initiative (GRI) for sustainability reporting. Voith began publishing its own comprehensive annual sustainability report in 2011. This report contains detailed information on sustainability management at Voith, including specific goals, performance indicators and results.

Our expectations on sustainable business imply that our suppliers, too, must comply with recognized environmental and social standards. For this reason, Voith is installing a corporate-wide concept for incorporating social and economic factors in the terms and conditions of purchase agreements, in the voluntary disclosures by the suppliers and in the supplier assessments, as well as performing the necessary audits.

Responsibility for the environment

At Voith, we have set ourselves the goal of steadily minimizing our ecological footprint. We expect to create a measurable economic added value by taking a responsible approach to the environment. As a global player in the technology sector that relies intensively on resources, a responsible attitude to raw materials and reducing energy consumption and the associated CO_2 emissions count among the most important tasks for environmental protection.

We originally defined CO_2 emissions, volumes of waste and fresh water consumption as key indicators of our environmental protection. After reaching our sales-based reduction targets that we had initially set for the 2015/16 fiscal year, we have set ourselves new and more ambitious goals. The new goals have been set for the 2017/18 fiscal year and are indexed to the 2011/12 base year. In these six years we want to reduce our energy consumption by 20 %, our volumes of waste by 25 % and fresh water consumption by 10 %.

Responsibility for our products

We have set ourselves the standard of providing top-quality innovative products displaying a level of safety, reliability and efficiency that our customers can rely on. Our responsibility for products is based on three strategic principles: minimizing the environmental impact as early as in the development phase, improving quality and safety as well as securing customer satisfaction.

We pursue a strategy of ensuring our products make a contribution to the conservation of resources and environmental protection. This firstly involves greater awareness of the use of raw materials and the steady reduction of energy consumption and the related CO_2 emissions generated thereby. Secondly, we also strive to make customer use of our products as energy-efficient as possible using fewer resources. At three of our four Group Divisions, the bulk of the environmental impact arises during the phase when the products are in use, primarily on account of the longevity of our products.

In order to guarantee a consistent level of quality and safety worldwide, Voith has implemented risk and quality management across the group. This includes instructions on managing technical risks as well as the use of suitable methods and instruments to ensure the quality of our products, such as the use of the ISO 9001 quality management standard. We train our employees on quality management requirements and procedural guidelines. We survey our customers to assess their needs and degree of satisfaction in order to identify any potential for improvement.

Responsibility for our employees

Qualified, motivated and dedicated employees are the foundation and motor of our success. We intend to be a responsible employer by offering a fair workplace to employees in all the countries in which we operate, while placing high demands on their performance. We focus on offering our employees challenging tasks and prospects for their personal development. We expect our executives to ensure open and participative working relationships within their teams. At the same time, we place high demands on our employees: our technologies and projects are both challenging and complex. Our aim is to integrate and meet the expectations placed on us by our customers in our various regions and markets.

As a global player, Voith brings together people from diverse cultural backgrounds. We are convinced that cultural diversity and a balance between young and old, men and women are vital to the creativity and economic success of our company. For innovation arises from the interaction of people with different experiences, perspectives and skills. For this reason, we view diversity in the workforce at all levels of the hierarchy not just as an element of our corporate social responsibility, but also as an important competitive advantage. As an employer, we feel that it is our duty to offer our employees equal opportunities and ensure that the workplace is free of discrimination. Under our Diversity & Inclusion program, we are working on fostering employee diversity and equal opportunity throughout the entire group (see also Capacity utilization in Section II.4. of this management report).

We wish to retain experienced employees at Voith and also offer an attractive workplace for highly qualified applicants that can be flexibly adapted to meet their respective situation. For this reason, we support employees in combining family life with work. We offer a wide range of part-time working models; a combination of home office

Sustainability: Fields of activity

and presence at the Company is also possible. At our largest German location, Heidenheim, we offer over 150 places in crèches for the children of our employees, partly in cooperation with the City of Heidenheim and another local employer. We want to further expand our portfolio of measures aimed at supporting families. This also includes such aspects as caring for family members.

Occupational safety and health are top priorities for us. Both topics are firmly anchored in the Group's goals. The management system installed at all production locations in the 2009/10 fiscal year is being continuously refined. All employees are involved in the occupational safety program. Our executives are given goals that cascade through the organization to the managers in their unit. Leading employees bearing responsibility for workers underneath them are kept informed and made aware of any issues. They train their staff and address safety issues at regular meetings. In addition, we have set ourselves the goal of systematically implementing preventive measures to promote the health of our employees.

In order to maintain the performance of our more than 43,000 employees, we promote and require vocational training in the form of lifelong learning. To this end, we offer wide-ranging training measures—both within the Company and in collaboration with external educational institutions—that enable personnel development within the scope of professional or executive career paths.

Social responsibility

As part of our commitment to society, we support activities and organizations in the fields of education, social welfare, sports and culture. We sponsor projects on the basis of defined criteria that apply throughout the group. For example, the activities and organizations we sponsor must be recognized charities and be effective on an international and intercultural basis. In addition, it must be ensured that the project has a broad impact and foster the community or increase the attractiveness of the cities in which Voith is located for the people living there. And, regardless of the above, Voith takes action where it perceives an urgent humanitarian need.

VII. Subsequent events

No significant developments have occurred since the close of the 2012/13 fiscal year.

VIII. Risks and opportunities

VIII.1. Risks

VIII.1.1. Risk and quality management

Oriented to increasing the value of the Company

Entrepreneurial activity includes making decisions under conditions of uncertainty. Risk is therefore an integral part of entrepreneurial activity. To safeguard against risks that could jeopardize the Group and/or its companies as a going concern, Voith operates a consistent and binding group-wide risk management system. Existential threats are defined as aggregate risk potential that threatens more than 50% of equity or more than 10% of sales.

All the elements of risk management have been brought together in a risk management system. This is not only geared to meeting legal requirements. It should also contribute to increasing the value of the Group and its companies by reducing potential risks and the probability of their occurring. At the same time, the system is intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities. The Group Divisions have developed standardized risk controlling matrices on the basis of the group-wide guideline governing its internal control systems (ICS) that was implemented in 2011. These were then rolled out to the entities of the group in a series of suitable programs such as training measures and informational events. The adjustments to the processes and internal control systems that were needed at the companies to implement these risk control matrices are close to completion. The ICS is part of the risk management system aimed at ensuring the appropriateness and reliability of internal reporting and external financial reporting, the effectiveness, efficiency and propriety of operating activities, as well as compliance with the Voith Code of Conduct and the guidelines of the Voith Group. Risk and quality management are interlinked and integrated in a comprehensive internal controlling system.

Distributed nature of the risk management system

Voith has a distributed risk management system. Responsibilities are clearly defined for the differentiated risk profiles at all levels of the Company.

The risk management process itself breaks down into four stages:

- Risk identification: Voith constantly monitors macroeconomic developments, and developments in specific industries and internal business processes that could affect the situation of the Group. A risk catalog helps identify individual risks.
- Risk analysis and assessment: The risks identified in this way are assessed in terms of the potential damage they could cause and the probability—expressed as a percentage—that they will arise. Wherever possible, the scope of potential damage is quantified as a cost factor. The worst case is analyzed in each case to assess the greatest possible risk and its impact on the financial situation of the Group is examined.
- Risk management: Analysis and assessment of the identified risks gives Voith's management the data it needs to decide whether risks can be avoided, reduced by suitable actions or distributed by signing appropriate agreements, or whether they have to be accepted and contained by means of optimized processes and controls.
- Risk monitoring and reporting: A multi-tiered set of controlling and reporting tools helps the Corporate Board of Management to analyze risks and take well-founded decisions.

Voith distinguishes between two risk groups:

1. Risks to the Group: These comprise external risks, management risks, financial risks and infrastructure risks.
2. Risks to performance: These are regarded by Voith as contractual risks and technical risks.

VIII.1.2. Risks to the Group

External risks
Of all the risks facing the Voith Group, economic risks could have the strongest negative impact on business development.

The degree of uncertainty in the euro zone remains high. The asset quality review of banks announced for 2014 by the European Central Bank could reveal additional gaps in the capital adequacy of some European banks and a deterioration of the sovereign debt crisis. Another haircut of the sovereign debt of Greece, which is considered likely by a number of market observers, will trigger further turbulence on the financial markets.

The unstable and confusing situation in the Middle East bears with it a number of risks which, if they eventuate, could have a grave impact on oil imports and the price of crude with a potential impact on the global economy and our business.

These scenarios have been analyzed by the Voith Group and the management of Voith GmbH is prepared to act quickly and decisively as soon as market conditions change for the worse. Voith has a diversified portfolio in terms of both markets and regions, strong market positions, healthy finances and a stable liquidity position, and monitors all key indicators on a monthly basis. Voith therefore believes it is well placed to rapidly respond to any recessionary consequences and to leverage the opportunities offered by upward trends at an early stage.

Management risks
Voith has developed and operates a reliable reporting system that also encompasses its risk and quality management systems. Group accounting plays a pivotal role in this system and was converted to International Financial Reporting Standards (IFRS) in the 2005/06 fiscal year. No risks arising from material Group management errors are perceivable at the present time.

Liquidity and financial risks
The Voith Group's diversified financing structure is designed to safeguard long-term stability. Available liquidity remains at a comfortable level. The syndicated loan placed in China in 2012 secures the finance for future investments in the same currency as the operating business on the local market. This loan was drawn on during the period under review, as planned. The syndicated euro loan arranged in 2011 was prolonged by a further year for the second time and now expires in 2018. It has not been drawn on and is available as a strategic liquidity reserve if needed, as are available bilateral lines of credit from banks. The credit facilities and the bond placed on the capital markets are subject to the customary market conditions based on Voith's rating and its contractual terms and conditions. These instruments will secure long-term growth in a changing global market. Voith has given high priority to the availability of liquidity from existing loan agreements. For this reason, compliance with the terms and conditions of the respective contracts is monitored on an ongoing basis. As in the previous years, all contractual terms and conditions were complied with in the 2012/13 fiscal year.

The rating agency Moody's confirmed the investment grade "Baa2 stable" rating in February 2013.

With regard to securities, the Group generally holds isolated direct investments. Fluctuations in the value of these investments as a whole are recognized directly in equity. Market losses are recognized in profit and loss only if there is objective evidence that the fair value of an investment is sustainably or significantly impaired. The sustainability criterion is met if the impairment lasts longer than twelve months. If the fair value of the investment falls more than 30% below its cost, this is regarded as a significant impairment. It should be noted that all investment decisions are based on thorough analysis of fundamental data. Any market risks to share prices are analyzed continuously.

To contain risks arising from cash flows in different currencies, defined foreign currency management procedures are applied consistently throughout the Group. All Group companies are required to hedge foreign currency items when these occur. Moreover, interest risks are covered by appropriate hedges.

Voith uses a variety of derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge transactions. These instruments are defined and documented at the start of a hedge in line with the goals of corporate risk management.

To guard against political and economic risks associated with deliveries and services provided by the Group Divisions, the Group buys commensurate insurance from government export credit insurance agencies, from the private-sector insurance market and from banks. The Group also maintains adequate cash reserves to cover all other operating risks.

Provisions have been recognized in the balance sheet and contingent liabilities disclosed in the notes to cover the financial burden of possible tax risks. Moreover, neither Voith GmbH nor any of its subsidiaries are involved in tax proceedings that could have a material impact on the economic position of the group. Likewise no such proceedings are foreseeable for the time being.

No particular liquidity or financial risks are perceivable at the present time. For more information, please refer to the notes to the consolidated financial statements.

Infrastructure risks

In the area of infrastructure risks, Voith primarily identifies IT risks, human resources risks, compliance risks and environmental protection risks and contamination, against which the Company takes specific countermeasures.

Our successful business activities are underpinned by up-to-date, secure information technology. This is why we have our own IT unit, Voith IT Solutions, which ensures that reliable data processing services are provided from our own data center. The experts at Voith IT Solutions manage the whole IT infrastructure for the entire Group and also maintain the specific application systems used by each Group Division. To minimize the risk of outages, redundancy is built into the central systems at two data processing centers. Our information security management is based on the international standard, ISO/IEC 27001, and thus meets the most stringent standards. Our central computer center operated by Voith IT Solutions Germany has obtained certification under this standard. In China we put a new local computer center into operation based on the latest security standards in the period under review. We have also released a new Group guideline: supplementing the German Data Protection Act, this guideline governs data protection throughout the Voith Group based on the corresponding guidelines of the OECD. This ensures that the rights of our employees and business associates to keep their personal data private are respected and any data protection risks are avoided. The corporate data protection officer has been assigned the task of monitoring compliance with these standards and the necessary organizational and technical measures have been implemented in IT operations.

Highly qualified professionals and executives are key to our products, our image and ultimately to the success and growth of Voith. For this reason, we strive to bind experienced employees to Voith on the one hand and to remain an employer of choice for newly trained candidates on the labor market on the other. When it comes to ensuring we have a sufficient number of such employees, we compete with other international players and act with foresight. With a broad spectrum of measures, such as training and development programs, international career development prospects, performance-linked compensation systems, a family-friendly human resources policy and flexible working hours, we offer an attractive work environment. With regard to the recruiting of new staff, we have driven forward our personnel marketing.

At Voith, we base all our actions on integrity and trust. The clear and unambiguous guidelines and values defined by the Corporate Board of Management are summarized in the Voith Code of Conduct. This is equally binding for all Voith employees worldwide and provides clear-cut rules of behavior toward third parties such as business partners, competitors, political parties and government authorities. Compliance with these principles is monitored by the Group's Compliance Committee and the compliance officers in the Group Divisions and in each entity of the Group. Voith also supports all efforts to contain and eliminate corruption worldwide and demands integrity in a context of fair competition. For compliance management in the Voith Group, see Section I.2. of this management report ("Values, guidelines, compliance").

To avoid environmental and health risks, all production processes in the Voith Group are subject to corporate guidelines on quality, risk management, and occupational safety and environmental protection. Integrated management systems monitor compliance with these guidelines and ensure that both production and products consistently meet the same high quality and environmental standards. Since the 2009/10 fiscal year, data relevant to the environment has been systematically recorded and analyzed. The Group Divisions and the main users at the German locations are trained in our eco-compliance concept using the special software developed for the Voith Group. Environmental risks can thus be identified at an early stage and appropriate countermeasures initiated. Adequate accounting provisions have been made for residual risks.

No particular risks relating to the Group's infrastructure are perceivable at the present time.

VIII.1.3. Risks to performance

Contractual risks
Regular checks ensure that adequate provisions have been made to cover the legal risks throughout the Group. In particular, these include risks relating to warranties, liability, contractual penalties, guarantees and the possibility of inadequate or incorrect price calculations. Liability and property insurance in line with standard industry practice is taken out to cover potential damages and/or liability risks.

Appropriate other provisions are made for special risks arising from existing contracts if these risks can be reliably quantified.

Technical risks
Technical risks relate to innovation-related risks, sourcing risks and sales risks due to decreasing customer satisfaction.

Innovation-related risks are a key risk area for a technology group like Voith. The future profitability of the company hinges on its ability to develop marketable products and services and use the most state-of-the-art production technologies and service processes. Voith invests large sums of money to further improve and refine existing technologies, and to research and develop new products, systems and services. With several thousand active patents to its name and hundreds more new patents filed every year, Voith ranks as one of the world's most innovative companies in the industries it serves. Detailed information on the current focus areas of our R&D activities is provided in Section V. of this management report, "Research and development".

Collaboration with suppliers on the global procurement markets involves three types of risk: supply outages, unforeseen cost increases and non-compliance with environmental and social standards. We have embedded effective measures to secure our supplies—supplier selection and order processing—in our processes. Moreover, a permanent Group-wide risk management process has been implemented to identify supply risks and the risk of insolvency among suppliers at an early stage. Our dual sourcing strategy excludes dependence on individual suppliers to the greatest possible extent. Back-up strategies are thus in place in case suppliers who provide core components for the Group's business processes should default. Moreover, in the 2012/13 fiscal year Voith once again used all means at its disposal to contain the risks posed by cost increases. It did so by concluding fixed-price contracts. Suppliers' compliance with environmental and social standards is checked by means of audits.

Our customers' satisfaction is key to achieving sales success and maintaining or increasing our market share. For this reason, we develop technologies for and in cooperation with our customers that help them get ahead. Never let a customer down: that is our goal and the guiding principle for our employees' dealings with customers. Maintaining long-term partnerships is a high priority for us. We are proud to have collaborated with many customers, suppliers and other business partners over generations—some of our relationships even go back over 100 years. We survey customer satisfaction in order to objectively assess and enhance our customer service.

There are particular requirements to minimize technical risks and contractual risks with regard to long-term project business at Voith Hydro and Voith Paper. Project management and controlling, as it has been implemented, is reviewed continuously to determine whether the project is indeed developing in line with the planning. Any deviations are addressed in good time.

VIII.1.4. Overall risk

To the best of our knowledge at the time this report went to press, there are no risks which could jeopardize the ability of the Voith Group to continue as a going concern.

VIII.2. Opportunities

VIII.2.1. Macroeconomic opportunities

Helping the emerging markets create new infrastructure

Even if the era of double-digit, or even high single-digit, growth in the emerging markets appears to have come to an end, the significance of these economies for the global economy continues to grow. Due to the fact that their growth is now measured on a much higher GDP base than even just a few years ago, growth rates in the mid-single-digit range now correlate to high absolute growth rates. Voith offers capital goods, products and services that are in high demand to develop the economic infrastructure in emerging economies. This portfolio includes hydro power plants, paper machines, components for the development of local public transport and rail transport networks, products for use in power plants, steel mills and the extraction of raw materials, and technical services for new factories and high-performance industries. We see participating in the dynamic development in these regions as an opportunity for Voith. To take advantage of these growth opportunities, we have established new offices, production sites and service centers and hired qualified employees in recent years, particularly in Asia and Latin America, as well as driven forward the regionalization of the company.

Public investment in infrastructure has been repeatedly scaled back in Europe and North America in recent years due to the high levels of sovereign debt. Moreover, the climate for investment in the private sector was also very gloomy on account of the poor state of the global economy and also its volatility. If the economies in the euro zone overcome the recession in the coming year or the political reforms in crisis-ridden countries take effect more rapidly than expected, the rising tax revenue will give governments more leeway to invest. This and a general improvement in the climate for investment associated with an economic upturn could lead to a release of pent-up demand for investment by both the public and private sector.

VIII.2.2. Strategic opportunities

Global orientation

Voith has a presence in all regions of the world, maintaining production, service and sales centers in more than 50 countries spread around the globe. We began to go global at an early stage and now perceive our local presence in so many regions as a special strength of the Group. We never stop working on further globalizing our business and, in particular, increasing value creation, particularly in Asia and the Americas. This is achieved by establishing new production and development locations and expanding existing ones, as well as by putting down even deeper roots in the regions. In the emerging markets, we see the opportunity to make an important contribution to the many infrastructure projects. In the highly developed industrial countries, we consider ourselves ideally positioned to participate in modernizing existing plant with our ecologically friendly technologies geared to sustainable business.

A diversified, profitability-focused portfolio

Under the umbrella of Voith GmbH, the four Group Divisions protect the Group against excessive dependence on specific branches of industry. At the same time, the integration of each of the Group Divisions in the Group as a whole enables synergies to be leveraged by bringing together innovative strength and know-how. Voith's markets continue to offer considerable potential for growth for our products. In this context, we endeavor—both in the Group and in each and every Group Division—to achieve diversified sales structures according to regions, markets and product groups.

Strong innovative power

As a global provider of technologies and industrial services Voith attaches great importance to research and development. Voith has invested roughly a quarter of a billion euros in R&D in each of the last five fiscal years, even in times where the economy was faltering, producing key innovations which lay the groundwork for future business successes. We see a strategic growth opportunity in transferring our existing expertise to new areas of application, serving additional parts of the value added chain in existing customer sectors and developing new markets.

Long-term corporate development

The Voith company has been owned by the Voith family since its inception in 1867. The main concern of the shareholders, the Supervisory Board, the Corporate Board of Management and employees alike is to expand the company and pass it on in better shape than ever to coming generations. Aided by our modest distribution policy, Voith has sufficient financial resources to fuel continuous, attractive growth, the trajectory of which can be planned over extended periods. An equity ratio of 22.9% (previous year: 23.1%) and a stable financial position are the sound basis on which the Group will continue to develop successfully in the future.

Sustainability with opportunities for all Group Divisions

We have set ourselves the goal of leading our markets and industries also in terms of sustainability. We are convinced that those companies which place sustainability at the heart of their corporate strategy and make it the theme of their corporate mission will count among the best and most successful in their industries in the future. We have increasingly anchored sustainability throughout the Group's value chain. This has resulted in strategic opportunities in all Group Divisions, some of which we are already exploiting. As the technological leader in the hydro power industry, Voith Hydro is making a contribution towards a form of power generation that is both renewable and climate-friendly. Voith Industrial Services puts great store on sustainability issues, such as environmental protection and occupational safety, and has frequently been awarded by its customers for doing so. Voith Paper has won a range of awards in recent years for its innovative paper production methods that save natural resources and protect the environment. For its drive solutions and systems, Voith Turbo also relies on low-emission solutions that conserve resources. Among other solutions, the Company offers self-contained linear drives and intelligent variable speed couplings for gas and steam turbines at power plants which can lead to substantial savings in energy costs. Comprehensive information on sustainability can be found in Section VI of this management report, “Non-financial performance indicators”.

VIII.3.

Internal control and risk management system for the group financial reporting process

Proper and reliable accounting

As a company that raises funds on the capital markets, Voith GmbH is required by Section 315 (2) No. 5 German Commercial Code (HGB) to describe the key elements of its internal control and risk management system with regard to the group financial reporting process.

The aim of the accounting-related internal control and risk management system is to guarantee that accounts are prepared correctly and reliably and to ensure that consolidated and separate financial statements comply with the applicable regulations.

The following structures and processes have been implemented in the Group:

The Corporate Board of Management of Voith GmbH bears overall responsibility for the internal monitoring and risk management system with regard to the Group financial reporting process. All levels of the Company (companies, Group Division head organizations, Voith GmbH as management holding company) are integrated through a strictly defined management and reporting organization.

Uniform recognition and measurement based on the regulations for the Voith GmbH consolidated financial statements is ensured by Group accounting guidelines. Changed accounting rules are constantly adapted and communicated by Voith GmbH. The quality of the guidelines is ensured by an ongoing exchange between the departments responsible.

Accounting is decentrally organized. Accounting entries are recorded in the separate financial statements of the subsidiaries of Voith GmbH. Risk control matrices have been developed at corporate headquarters for the most significant line items that, from a Group perspective, are exposed to an elevated risk of misstatement. These matrices must be applied by the subsidiaries when preparing their end-of-year financial reporting. These matrices present the most significant accounting-related risks for the line items of the financial reporting and contain corresponding instructions on controlling activities, responsibilities and documentation duties. Among other elements, the control activities comprise analytical reviews as well as processing and controlling of key and complex business transactions by different people.

Complex accounting issues (e.g. financial instruments) are referred to corporate departments or external experts (e.g. measuring the pension obligation). The activities and controls for these subjects are also considered in the risk control matrices.

The consolidated financial statements are prepared by adding information to the separate financial statements of the subsidiaries to create standardized reporting packages which are then included in the consolidation system. Once the data has been fed into the consolidation system, it is then subject to an automated plausibility check. If this returns an error message, this is reported on by the individuals in charge of the subsidiaries concerned. The subsidiaries are supported by contact persons at headquarters for all accounting-related issues. After the data is finally approved, the respective management, or in isolated cases the representatives they appoint, issues a letter of representation confirming the completeness and accuracy of the reporting package in accordance with the relevant requirements and that the internal controls have been conducted and documented.

Group-wide reconciliation of balances takes place worldwide via an intranet-based platform. The various deadlines for the different parts of the reporting package are stipulated in the consolidation system and centrally monitored in the course of the preparation process. All consolidation activities are undertaken centrally at Voith GmbH. The entire consolidation process is supported by both automatic systems-based and manual controls.

The functionality of the controls defined in the internal accounting-related control system is evaluated on a regular basis. If any weaknesses are identified, the system is adjusted accordingly.

The quality of financial reporting is also ensured by reconciling planning calculations with the external reporting at all levels of the company. Checks on system access based on authorization concepts as well as programmed plausibility checks in the IT systems used for the financial reporting ensure that processes are complete and precise.

The internal audit department performs regular, independent reviews of the functionality, correctness, reliability and efficiency of all internal control and risk management systems in the Voith Group. Suitable measures are taken to remedy any gaps or weaknesses that may be identified.

Compliance with the internal accounting-related control system is reviewed by the external auditors in the course of their audit of the financial statements. Any deficiencies or flaws that appear are recorded in a management letter along with suggested improvements.

IX. Forecast report

IX.1.
Business environment

Economic growth expected to flatline

Voith expects the economy to remain weak in the coming two years and investment climate to remain gloomy. Economic research institutes and large financial institutes are talking of moderate growth in the global economy. For example, in its latest release the International Monetary Fund (IMF) is forecasting growth of 3.6% in 2014 and 4.0% in 2015, after 2.9% in 2013. Nevertheless our outlook remains more reserved. On the basis of our internal analyses, we expect the growth rates in our core markets to be lower. The main factors in this assessment are the high levels of general debt, the related scarcity of finance for major projects and the ongoing economic uncertainties.

We will continue to see a world economy running at two speeds, in which the mature economies show barely any growth, with most stimulus coming from the emerging markets. The IMF is forecasting GDP growth of just 2.0% (2014) and 2.5% (2015) for the industrial nations. These forecasts are based on an assumption that the recession in the euro zone will disappear in 2014 and that the euro zone countries grow by an average of 1.0%. The IMF puts a figure of 1.4% on Germany's growth in 2014. GDP growth in the USA is forecast to come to 2.6%. We are concerned that these growth rates will not be attained. This concern is founded primarily on the high levels of debt run up by most states, companies and banks as well as private households.

Higher growth rates than the mature economies are forecast for the emerging markets, which the IMF expects to grow by 5.1% (2014) and 5.3% (2015). Nevertheless, here too, the economy has noticeably lost steam. In China 2014, GDP growth of 7.3% is expected. The IMF forecasts growth of 5.1% in India. In Brazil GDP is only expected to increase by 2.5%. In spite of these forecasts, we are budgeting on growth at a relatively low level on the basis of our project pipeline for the emerging markets, with the exception of China.

The forecast for our business is based on a much more conservative assumption of growth in the global economy and our markets. Nevertheless, it also assumes that there will be no economic or political shocks which could tip the global economy into recession.

Voith's markets will continue to display little sign of growth

In our five core markets we can see little stimulus for growth and an ongoing gloomy climate for capital investments in the next two fiscal years.

The energy market is characterized by increasing demand, for both renewable energy and for electricity generated by conventional means. The generally positive outlook for hydro power will be hampered in the short to mid-term by the economic uncertainties and the political environment in Europe as well as the rapid rise of solar power over the midday period and the expansion of shale gas activities in the USA.

Demand for oil and gas will rise due to the increasing need for energy, particularly in countries outside the OECD. Investment activity in the oil & gas industry will increasingly shift to the extraction of more difficult reserves and the need to meet tighter safety requirements.

Consumption of paper will continue to rise gradually, however there will be huge differences between the various grades of paper and regions. In the coming two years we assume that demand for new paper machines will remain extremely low on account of the deteriorating market prospects of paper manufacturers. Demand will be increasingly concentrated in China where activity will shift to the manufacture of tissue, board and packaging paper. We do not perceive any demand for new machines for graphic grade paper in the coming years.

Investment activity on the market for raw materials is expected to stagnate in the short-term and shift towards those investments aimed at increasing

IX.2.
Future development of the Company

the efficiency of existing mines and quarries. However, in the mid to long term, the market for raw materials will see a growth trend driven by the industrialization of emerging markets in Asia and a strong demand for coal to meet rising energy needs worldwide.

The segments of the transport and automotive markets relevant to Voith are not expected to display a uniform trend, growing moderately overall in the coming two years, primarily in North America and Asia. The main reason for this reluctance towards investments in capital goods can be found in the uncertainties associated with the global economy.

All Group Divisions continue to return a profit

In the coming two fiscal years we expect both the sales and orders received by the Voith Group to remain constant, with earnings improving considerably. All Group Divisions, including Voith Paper, which is undergoing restructuring, will continue to return a healthy profit from operations, although their sales and orders received will develop differently, depending on their markets.

At Voith Hydro we are planning for a slight fall in sales in the 2013/14 and the 2014/15 fiscal years on account of the recent fall in orders on hand and changes in exchange rates. Nevertheless, we aim to improve our return on sales here and generate a profit from operations that matches the current high level. In spite of the rosy prospects for hydro power in the mid to long-term, we do not expect to see any significant recovery in the market in the coming two years of our planning. The small hydro market will remain weak from our perspective. In North America hydro power is suffering, like all non-gas sources of electricity, from the increasing volume of shale gas being extracted. In southern Europe, the financial crisis and weak economies are making business difficult. Global demand for the modernization of hydro power plants will continue to rise and open up new opportunities in this attractive business field for Voith Hydro. The pumped storage market in northern Europe is likely to remain dampened by the strong rise in the volume of solar power fed into the German grid over the midday peak period from the large installed base of solar panels created in the wake of the new energy concept. We intend to take a corresponding share in new projects awarded and also expand our service business with repairs and maintenance, and the sale of spare parts. In sum we are forecasting a slight increase in the orders received in the two years covered by the business plan.

At Voith Industrial Services we expect to see a stable development in sales in the 2013/14 fiscal year followed by noticeable growth. Our business plan forecasts a significant improvement in our profit from operations in both years. We expect our Industries division to make a considerable contribution to sales, with the up-and-coming LED field being the biggest driver for growth. We also perceive a positive situation with regard to the orders expected to be received by the Engineering Services division, chiefly on account of the calls for tenders placed by railway vehicle manufacturers in China, eastern Europe and South America as well as by manufacturers of automobiles and commercial vehicles, who are planning numerous new models and variants. In the Automotive division, we believe sales will remain stable or only grow slightly at best on account of the flattening growth in global automobile production. Developments in the Energy-Petro-Chemicals division will depend, among other factors, on whether the economic environment for electricity producers will improve in Germany after the national elections in the fall of 2013, with demand for maintenance work on existing conventional power plants picking up again.

At Voith Paper we expect sales to fall over both years of the planning period due to the current low level of orders on hand. Nevertheless, Voith Paper will manage to return a significant profit. Our business plan forecasts a fall in our profit from operations in the 2013/14 fiscal year from current levels on account of the falling sales of new paper machines. In the subsequent year, our profit from operations should rise significantly on account of the adjustments made to our cost structures. Orders received are expected to grow again slightly in the coming two years. This forecast is based on the assumption that the market for paper machines will recover slightly, particularly in Asia. Sales of new machines are expected to remain stubbornly low, caught in the current trough seen in Europe and North America. In the emerging markets, particularly in Asia, we are expecting demand to rise gradually and will focus on machines to make tissue and, on the rise again, board and packaging papers. We continue to perceive growth opportunities in our business with products, consumables and services.

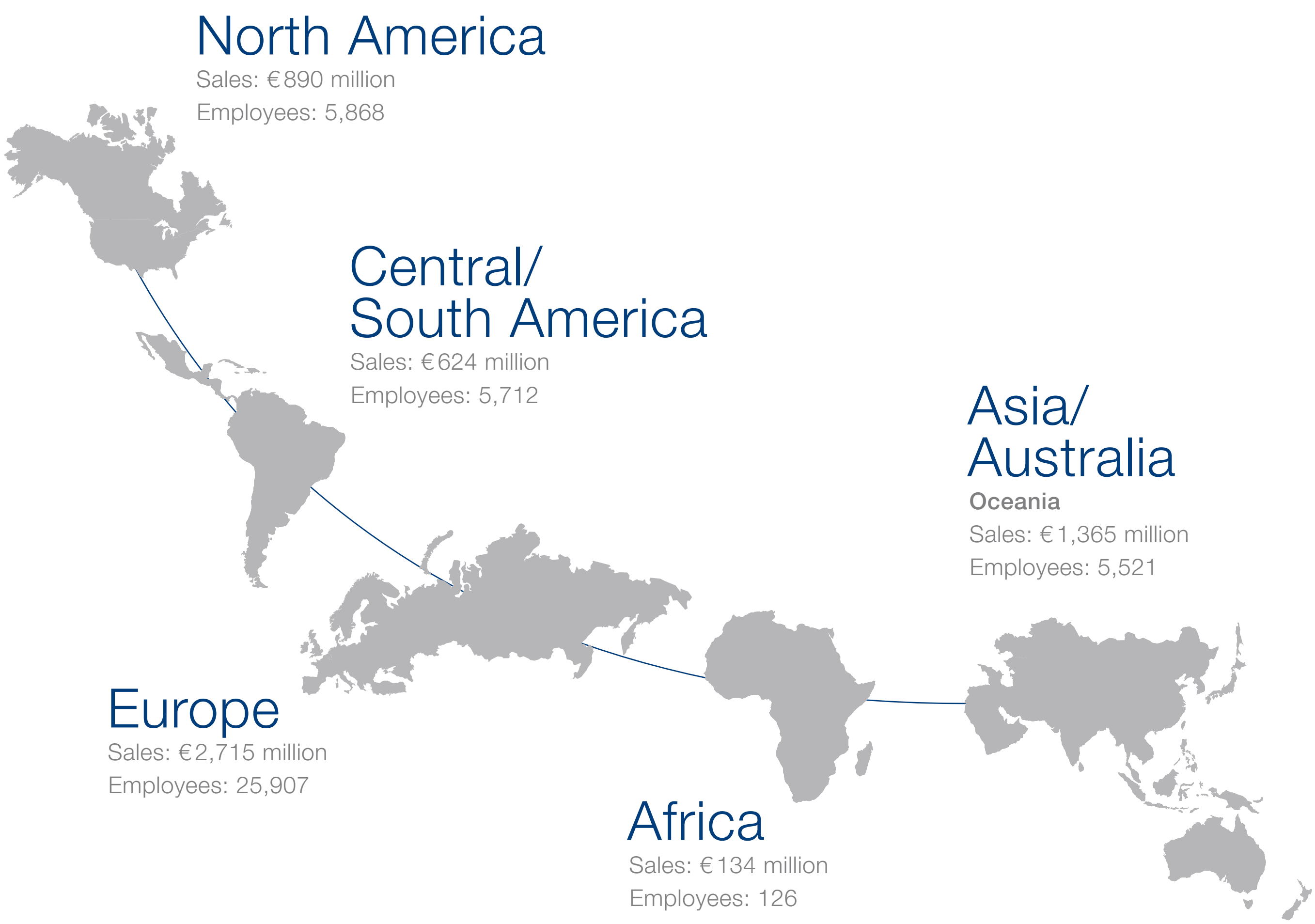
In spite of a recent fall in orders received, Voith Turbo is forecasting sales to remain stable in the 2013/14 fiscal year, picking up again in the following year. Supported by the efficiency programs initiated by this Group Division, and the absence of the extraordinary burdens reported in the year under review, we expect the profit from operations to climb markedly in the coming two fiscal years. We expect the level of orders received to grow slightly in both years of the planning period, due to the recovery of the industrial sector in particular. The following factors are expected to play a special role in this development: we expect to see buoyant new business in the oil and gas industry, especially in the NAFTA region as well as in the Middle East. Our outlook for the mining industry is positive starting in the second year of the planning period. We expect to see greater activity in power plants in Asia and the USA leading to higher demand from that date onwards. New business in the transport markets served by Voith Turbo is forecast to grow and will also contribute to the improvement in orders received. From a regional perspective, the growth drivers are expected to be North and South America, Brazil in particular, as well as eastern Europe, with special focus on Russia.

Profitability of the Voith Group on the rise

After several years of dynamic growth, the focus of the Voith Group in the coming two years will be placed increasingly on improving our returns and our cash flow. We intend to improve the efficiency of our organization. In order to operationalize our goals and reinforce our company for the long-term, we implemented the Voith 150+ program at the beginning of the 2013/14 fiscal year. This program bundles a number of initiatives and measures related to products and portfolio, finances, processes and corporate culture. Within the framework of the Voith 150+ program we have started the “Excellence@Voith” initiative, which is designed to optimize our structures and processes. We are convinced that our fundamental positioning, based on our four Group Divisions serving five large markets, is the right foundation for ongoing successful development in future. We will work intensively on developing our portfolio of products and services, with a focus on profitable fields and units, by means of both organic growth and strategic acquisitions. In the process we aim to round off our portfolio, but not completely redesign it. In the mid-term we also want to grow our sales. In addition to streamlining the portfolio, we will scout market opportunities for our existing products and services in all of our Group Divisions in those regions where we have been underrepresented to date or have no presence at all.

In the 2013/14 fiscal year and the 2014/15 fiscal year, Voith is forecasting Group sales to remain at roughly the same level as the period under review. Our sales projections are based on a continuing high level of orders on hand and a stable development of new business over the planning period. With the aid of the measures undertaken to improve efficiency and raise our profitability, we plan to increase Voith's operational result prior to non-recurring items. The net income of the Group, which was heavily burdened by restructuring expenses and other non-recurring items in the period under review, is expected to rise at a faster rate than the profit from operations. We used the high level of investment in recent years to modernize and greatly expand the infrastructure of the Voith Group. We now have the installed base to realize our mid-term goals. For this reason we are planning lower levels of investment in the coming two fiscal years than in the period under review. These investments will continue to be financed from the cash flow from operating activities. The focus of our financing strategy will remain on diversity and long-term funding.

Forecasts are always subject to considerable uncertainty. A host of macroeconomic and industry-specific factors can influence, positively or negatively, the corporate planning of individual Group Divisions or the entire Group. We will closely observe further developments as they occur and, where necessary, respond rapidly and decisively to changing conditions. Voith is in excellent shape. Our robust constitution, coupled with our solid equity ratio and the fact that our company is not burdened by any net debt, provide us with the headroom we need to implement those decisions we view as making the most sense. The aim of Voith GmbH's Board of Management is to keep the Company on a secure footing for the long term and to actively steer it out of this challenging decade of the 21st century. Voith is ideally equipped for the challenges of the future: we have a portfolio that is fit for the future, sufficient financial strength with reliable long-term access to capital, an efficient organization and an outstanding workforce.


North America
Sales: € 890 million
Employees: 5,868
Central/
South America
Sales: € 624 million
Employees: 5,712
Asia/
Australia
Oceania
Sales: € 1,365 million
Employees: 5,521
Europe
Sales: € 2,715 million
Employees: 25,907
Africa
Sales: € 134 million
Employees: 126

Consolidated Financial Statements

Consolidated statement of income

for the period from October 1, 2012 to September 30, 2013

in € thousands	Note	2012/13	2011/12
Sales	(1)	5,728,217	5,723,551
Changes in inventories and other own work capitalized	(2)	4,904	51,726
Total output		**5,733,121**	5,775,277
Other operating income	(3)	301,150	380,993
Cost of material	(4)	-2,339,049	-2,369,638
Personnel expenses	(5)	-2,154,455	-2,095,753
Depreciation and amortization		-175,371	-182,312
Other operating expenses	(6)	-1,056,973	-1,167,172
Operational result prior to non-recurring items		**308,423**	341,395
Result from non-recurring items	(7)	-155,760	-95,278
Operational result		**152,663**	246,117
Income from companies accounted for using the equity method		4,315	7,445
Interest income		12,812	11,925
Interest expenses		-88,524	-89,766
Other financial result	(8)	**9,044**	1,125
Income before taxes		**90,310**	176,846
Income taxes	(9)	-27,009	-62,857
Net income		**63,301**	113,989
Net income attributable to shareholders of the parent company		45,055	92,347
Net income attributable to holders of non-controlling interests		18,246	21,642

Consolidated statement of comprehensive income

for the period from October 1, 2012 to September 30, 2013

in € thousands	2012/13	2011/12
Net income	**63,301**	113,989
Components of other comprehensive income that will be recycled through profit or loss in later accounting periods:		
Gains/losses on available-for-sale financial assets	-20,226	-54,505
Gains/losses on cash flow hedges	-409	1,090
Gains/losses on currency translation	-64,963	17,684
Gains/losses from the currency translation of net investments in foreign operations	-2,023	2,885
Share of associates in other comprehensive income	94	0
Taxes on components of other comprehensive income that will be recycled through profit or loss in later accounting periods	1,892	15,669
Other comprehensive income	**-85,635**	-17,177
Total comprehensive income	**-22,334**	96,812
• Total comprehensive income attributable to shareholders of the parent company	-30,602	72,176
• Total comprehensive income attributable to holders of non-controlling interests	8,268	24,636
	-22,334	96,812

Consolidated balance sheet

as at September 30, 2013

Assets

in € thousands	Note	2013-09-30	2012-09-30
A. Non-current assets			
I. Intangible assets	(10)	762,659	770,630
II. Property, plant and equipment	(11)	1,197,087	1,251,711
III. Investments accounted for using the equity method	(12)	37,663	36,082
IV. Securities	(16)	215,856	223,840
V. Other financial assets	(12)	27,862	36,857
VI. Other financial receivables	(15)	71,465	87,683
VII. Other assets	(15)	27,747	41,731
VIII. Deferred tax assets	(9)	146,207	145,505
Total non-current assets		**2,486,546**	2,594,039
B. Current assets			
I. Inventories	(13)	738,642	860,220
II. Trade receivables	(14)	1,201,161	1,213,821
III. Securities	(16)	57,781	42,233
IV. Current income tax assets		80,721	113,237
V. Other financial receivables	(15)	114,233	103,840
VI. Other assets	(15)	177,327	145,947
VII. Cash and cash equivalents	(17)	900,967	916,894
		3,270,832	3,396,192
VIII. Assets held for sale	(18)	11,436	1,270
Total current assets		**3,282,268**	3,397,462
Total assets		**5,768,814**	5,991,501

Equity and liabilities

in € thousands	Note	2013-09-30	2012-09-30
A. Equity			
I. Issued capital		120,000	120,000
II. Revenue reserves		1,007,826	990,030
III. Other reserves		29,509	105,166
IV. Profit participation rights		6,600	6,600
Equity attributable to shareholders of the parent company		**1,163,935**	1,221,796
V. Profit participation rights		96,800	91,800
VI. Other interests		58,030	69,942
Equity attributable to holders of non-controlling interests		**154,830**	161,742
Total equity	(19)	**1,318,765**	1,383,538
B. Non-current liabilities			
I. Provisions for pensions and similar obligations	(20)	432,857	430,022
II. Other provisions	(21)	254,137	206,348
III. Income tax liabilities		869	3,219
IV. Bonds, bank loans and other interest-bearing liabilities	(22)	863,851	1,000,722
V. Other financial liabilities	(24)	18,076	19,762
VI. Other liabilities	(24)	58,176	67,145
VII. Deferred tax liabilities	(9)	101,551	125,098
Total non-current liabilities		**1,729,517**	1,852,316
C. Current liabilities			
I. Provisions for pensions and similar obligations	(20)	26,521	26,887
II. Other provisions	(21)	334,121	313,092
III. Income tax liabilities		79,514	103,443
IV. Bonds, bank loans and other interest-bearing liabilities	(22)	308,514	233,359
V. Trade payables	(23)	562,983	557,513
VI. Other financial liabilities	(24)	317,968	317,018
VII. Other liabilities	(24)	1,085,511	1,204,335
		2,715,132	2,755,647
VIII. Liabilities directly associated with assets classified as held for sale	(18)	5,400	0
Total current liabilities		**2,720,532**	2,755,647
Total equity and liabilities		**5,768,814**	5,991,501

Statement of changes in equity

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders of the parent company		
2012-10-01	**120,000**	**990,030**	**57,116**	**-864**	**54,808**
Net income		45,055			
Other comprehensive income			-18,994	-176	-55,523
Total comprehensive income	**0**	**45,055**	**-18,994**	**-176**	**-55,523**
Allocation of reserves to profit participation rights		-5,412			
Changes in non-controlling interests		-4,916			
Share of income attributable to profit participation rights					
Issue of profit participation rights					
Dividends		-15,000			
Capital increases by holders of non-controlling interests					
Non-controlling interests—put options		-3,665			
Other adjustments		1,734			
2013-09-30	**120,000**	**1,007,826**	**38,122**	**-1,040**	**-715**

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders of the parent company		
2011-10-01	120,000	901,450	95,339	-1,138	38,685
Net income		92,347			
Other comprehensive income			-38,223	274	16,123
Total comprehensive income	0	92,347	-38,223	274	16,123
Allocation of reserves to profit participation rights		-4,594			
Changes in non-controlling interests		5,746			
Share of income attributable to profit participation rights					
Dividends		0			
Capital increases by holders of non-controlling interests					
Non-controlling interests—put options		-2,184			
Other adjustments		-2,735			
2012-09-30	120,000	990,030	57,116	-864	54,808

			Equity attributable to holders of non-controlling interests			
Net investment in foreign operations	Profit partici-pation rights	Total	Profit partici-pation rights	Other interests	Total	Total equity
-5,894	**6,600**	**1,221,796**	**91,800**	**69,942**	**161,742**	**1,383,538**
		45,055		18,246	18,246	63,301
-964		-75,657		-9,978	-9,978	-85,635
-964	**0**	**-30,602**	**0**	**8,268**	**8,268**	**-22,334**
	363	-5,049	5,049		5,049	0
		-4,916		-5,384	-5,384	-10,300
	-363	-363	-5,049		-5,049	-5,412
		0	5,000		5,000	5,000
		-15,000		-16,530	-16,530	-31,530
		0		2,000	2,000	2,000
		-3,665		88	88	-3,577
		1,734		-354	-354	1,380
-6,858	**6,600**	**1,163,935**	**96,800**	**58,030**	**154,830**	**1,318,765**

			Equity attributable to holders of non-controlling interests			
Net investment in foreign operations	Profit partici-pation rights	Total	Profit partici-pation rights	Other interests	Total	Total equity
-7,549	6,600	1,153,387	91,800	42,144	133,944	1,287,331
		92,347		21,642	21,642	113,989
1,655		-20,171		2,994	2,994	-17,177
1,655	0	72,176	0	24,636	24,636	96,812
	363	-4,231	4,231		4,231	0
		5,746		-8,478	-8,478	-2,732
	-363	-363	-4,231		-4,231	-4,594
		0		-10,329	-10,329	-10,329
		0		37,226	37,226	37,226
		-2,184		-16,013	-16,013	-18,197
		-2,735		756	756	-1,979
-5,894	6,600	1,221,796	91,800	69,942	161,742	1,383,538

Consolidated cash flow statement

in € thousands	**2012/13**	2011/12
Income before taxes	90,310	176,846
Depreciation and amortization	211,462	183,330
Interest expenses/income	75,712	77,841
Other non-cash items	-9,447	1,000
Gains/losses from the disposal of property, plant, equipment and intangible assets	554	-1,612
Gains/losses from investments	-8,509	-503
Changes in other provisions and accruals	60,447	50,103
Change in net working capital	-24,601	-11,464
Interest paid	-57,831	-53,496
Interest received	11,343	10,010
Dividends received	12,635	3,716
Tax paid	-44,992	-103,794
Cash flow from operating activities	**317,083**	331,977
Investments in property, plant, equipment and intangible assets	-192,176	-271,183
Proceeds from the disposal of property, plant, equipment and intangible assets	6,509	13,744
Investments in financial assets	-10,510	-9,389
Acquisition of subsidiaries	-7,076	-8,668
Sale of subsidiaries	5,512	3,027
Proceeds from the disposal of financial assets	13,911	833
Changes in investments in securities	-32,757	-3,648
Cash flow from investing activities	**-216,587**	-275,284
Dividends paid	-35,269	-14,923
Contributions from holders of non-controlling interests	2,000	1,367
Acquisition of non-controlling interests	-10,300	-2,732
Other changes in equity	5,000	0
New bonds, banks loans and overdrafts	143,081	161,514
Repayment of bonds, bank loans and overdrafts	-152,832	-202,974
Changes in other interest-bearing financial receivables and liabilities	-21,480	-19,921
Cash flow from financing activities	**-69,800**	-77,669
Total cash flow	**30,696**	-20,976
Exchange rate movements, valuation changes and changes in consolidated Group	-46,623	10,730
Cash and cash equivalents at the beginning of the period	916,894	927,140
Cash and cash equivalents at the end of the period	**900,967**	916,894

More information can be found in the section on “Notes to the consolidated cash flow statement”.

Notes to the consolidated financial statements for the 2012/13 fiscal year

General information

Voith GmbH (Voith) is a capital market oriented company operating from its headquarters at St. Pöltener Str. 43, Heidenheim an der Brenz, and is required by Sec. 290 in conjunction with Sec. 315a German Commercial Code (HGB) to prepare consolidated financial statements. The Company is entered in the commercial register (under the number HRB 725621) at the Registration Court in Ulm, Germany. The consolidated financial statements prepared by Voith are published in the Bundesanzeiger [German Federal Gazette]. JMV GmbH & Co. KG, Heidenheim, is the ultimate parent company of the Voith Group.

The Corporate Board of Management of Voith GmbH authorized the consolidated financial statements for presentation to the Supervisory Board on November 19, 2013.

Pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a HGB, the consolidated financial statements of Voith GmbH for the 2012/13 fiscal year were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). This regulation requires all companies that participate in the capital markets (i.e., whose issued debt is traded on a regulated market in an EU member state) and are domiciled in the EU to prepare their consolidated financial statements solely on the basis of IFRS as endorsed by the EU. The term IFRS also includes the International Accounting Standards (IAS) that are still valid. All binding pronouncements of the International Accounting Standards Board (IASB) as well as the additional requirements of German commercial law pursuant to Sec. 315a HGB have been taken into account.

The consolidated financial statements have been prepared in euros. Except where explicitly stated otherwise, all amounts are stated in thousands of euros (€ thousands).

In the balance sheet, assets and liabilities are stated either as current or non-current items in line with their term to maturity. Assets and liabilities that will be realized or will mature within 12 months of the end of the period under review are classified as current. Inventories and trade receivables and payables are always classified as current items. The consolidated statement of income has been prepared in accordance with the nature of expense method.

Consolidated Group

The Voith Group is divided into four segments: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. Details of the business activities pursued by the Group Divisions are provided in the explanatory notes to the segment reporting.

In addition to those entities acting as holding companies, the 2012/13 consolidated financial statements also include all the Group's manufacturing, service and sales companies both in Germany and other countries as at September 30 of each fiscal year. The financial statements of the subsidiaries are prepared for the same period as the parent's financial statements, using consistent accounting policies.

Subsidiaries are consolidated in full at the time when the Voith Group obtains control over them and are deconsolidated as soon as the parent loses control over the subsidiary. In 14 cases (previous year: twelve), Voith exercises control as defined in IAS 27 owing to a majority of voting rights in the relevant decision-making bodies.

In two cases (previous year: two), while Voith has a majority shareholding it does not control the entity, as the composition of the decision-making bodies is based on equal representation.

The following companies are included in the consolidated financial statements:

	2013-09-30	2012-09-30
Voith GmbH and its fully consolidated subsidiaries:		
· Germany	60	63
· Other countries	143	142
Total fully consolidated companies	**203**	205
Companies accounted for using the equity method:		
· Germany	6	4
· Other countries	13	12
Total companies accounted for using the equity method	**19**	16

The main companies consolidated in full for the first time in the period under review were:

- Voith Turbo Colombia Limitada, Bogotá D.C., Colombia
- Voith Turbo S. A., Santiago, Chile
- Vortex Hydrosystems Inc., Granby, Canada
- P3 Voith Aerospace Inc., Wichita, USA
- Voith Industrial Services (Coventry) Limited, Warwick, United Kingdom
- Voith IHI EcoSolutions GmbH & Co. KG, Heidenheim, Germany

The number of fully-consolidated entities remained virtually constant as at September 30, 2013 due to intercompany mergers.

An exhaustive list of the companies and other investments included in the consolidated financial statements is an integral part of the consolidated financial statements and is also filed with the Bundesanzeiger in German.

Companies in which Voith GmbH has the power to directly or indirectly exercise a significant influence on financial and operating policy decisions (associates) are accounted for using the equity method, as are joint ventures over which common control is exercised together with other companies. Micromat Spannhydraulik GmbH, Rutesheim (shareholding held by Voith: 50%), LZH Logistic Zollservice Heidenheim GmbH, Heidenheim (shareholding held by Voith: 32.55%) and VolgaHydro LLC, Balakovo, Russia (shareholding held by Voith: 50%) were consolidated for the first time in the period under review using the equity method.

Pursuant to Sec. 264b HGB, the following limited partnerships are exempt from the duty of corporations to prepare, audit and disclose financial statements.

VIEH	Voith Industrial Services Process GmbH & Co. KG, Stuttgart
VIAS	Voith Industrial Services Ltd. & Co. KG, Stuttgart
VIGG	Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart
VIKI	Voith Industrial Services GmbH & Co. KG, Kirchseeon
VIME	DIW Mechanical Engineering GmbH & Co. KG, Stuttgart
VIPE	Voith Engineering Personnel Services GmbH & Co. KG, Chemnitz
VISD	DIW System Dienstleistungen GmbH & Co. KG, Munich
VISK	Voith Industrial Services GmbH & Co. KG, Stuttgart
VIST	DIW Instandhaltung Ltd. & Co. KG, Stuttgart
VIZ	Voith Industrial Services Holding GmbH & Co. KG, Heidenheim

VPFZ	Voith Paper Fabrics GmbH & Co. KG, Heidenheim
VPH	Voith Paper GmbH & Co. KG, Heidenheim
VPIE	Voith IHI EcoSolutions GmbH & Co. KG, Heidenheim
VPMG	Voith Paper Krieger GmbH & Co. KG, Mönchengladbach
VPRR	Voith Paper Rolls GmbH & Co. KG, Heidenheim
VPWE	Voith Paper Rolls GmbH & Co. KG, Weissenborn
VPZ	Voith Paper Holding GmbH & Co. KG, Heidenheim

VHH	Voith Hydro GmbH & Co. KG, Heidenheim
VHHC	Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim
VHZ	Voith Hydro Holding GmbH & Co. KG, Heidenheim

VTA	Voith Turbo GmbH & Co. KG, Heidenheim
VTGO	Voith Turbo Aufladungssysteme GmbH & Co. KG, Gommern
VTHL	Voith Turbo H + L Hydraulic GmbH & Co. KG, Rutesheim
VTKH	Voith Turbo HighFlex & Co. KG, Essen
VTRH	Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Rostock
VTSH	Voith Turbo Schneider Propulsion GmbH & Co. KG, Heidenheim
VTSK	Voith Turbo Scharfenberg GmbH & Co. KG, Salzgitter
VTWH	Voith Turbo Wind GmbH & Co. KG, Heidenheim
VTZS	Voith Turbo Verdichtersysteme GmbH & Co. KG, Zschopau

VOC	Voith Composites GmbH & Co. KG, Garching near Munich
VODG	Voith Dienstleistungen und Grundstücks GmbH & Co. KG, Heidenheim
VZB	J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim

Because they are included in the consolidated financial statements of Voith GmbH, the following corporations do not have to fulfill the duty to prepare and disclose financial statements provided that the prerequisites in accordance with Sec. 264 (3) HGB are met.

VOFS	Voith Financial Services GmbH, Heidenheim
VOFZ	Voith Finance GmbH, Heidenheim
VZIV	Voith Industrieverwaltung GmbH, Heidenheim

Pursuant to Sec. 264b No. 3 HGB and Sec. 264 (3) No. 4 HGB, the consolidated financial statements of Voith GmbH are filed with the Bundesanzeiger.

In addition to the companies listed above, the following significant companies are also included in the consolidated financial statements:

VPFS	Voith Paper Fabric & Roll Systems Inc., Wilson (NC), USA
VPA	Voith Paper Inc., Appleton (WI), USA
VPIT	Voith IHI Paper Technology Co., Ltd., Tokyo, Japan
VPP	Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP), Brazil
VPS	Voith Paper GmbH, St. Pölten, Austria
VPSO	Voith Paper S.r.L., Schio (Vicenza), Italy

VHFK	Voith Fuji Hydro K. K., Kawasaki-shi, Japan
VHP	Voith Hydro Ltda., São Paulo (SP), Brazil
VHPO	Voith Hydro GmbH & Co KG, St. Pölten, Austria
VHS	Voith Hydro Shanghai Ltd., Shanghai, China
VHY	Voith Hydro Inc., York (PA), USA

VTI	Voith Turbo, Inc., York (PA), USA

VICU	Voith Industrial Services Inc., Cincinnati (OH), USA
VIW	DIW Instandhaltung GmbH, Vienna, Austria
VIWA	Voith Industrial Services Limited, Warwick, United Kingdom
VIER	Voith Industrial Services GmbH, Mainhausen

Significant business combinations in the 2011/12 fiscal year

Acquisition of Mongstad Elektro-Olje & Gass AS and Mongstad Elektro-Industri & Energi AS, both with registered offices in Mongstad, Norway

The Voith Industrial Services Group Division acquired all of the interests and voting rights in the two entities effective December 31, 2011. The acquisition of the two companies served to round off the customer-geared offering of electrical and mechanical services on the energy and petrochemical market in Norway.

Part of the intangible assets purchased, e.g. the know-how of the employees, could not be recognized, as the recognition criteria are not met. Apart from that, the goodwill stems from the aforementioned expected positive effects for the Voith Industrial Services Group Division. Goodwill is not tax deductible.

The following amounts resulted for the combined assets and liabilities purchased with the two companies:

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	2,778
Non-current assets	186
Inventories	516
Receivables	3,904
Other assets	156
Cash and cash equivalents	3,410
Provisions	-265
Liabilities and deferred tax liabilities	-3,754
Carrying amount	**6,931**
Goodwill	3,633
Purchase price of the interests purchased	**10,564**
Cash and cash equivalents	-3,410
Amount financed by liabilities	0
Cash outflows	**7,154**

Consideration in the form of cash has already been given in full. There were no other purchase price components. No purchase price adjustments are planned. The fair value of the receivables acquired corresponded to their contractual gross amount. The acquisition-related costs amounted to €276 thousand (recognized as other operating expenses).

In the 2011/12 fiscal year, the two entities contributed sales totaling €14,143 thousand and net income of €102 thousand to the Voith Group's consolidated statement of income. If the business combination had already taken place on October 1, 2011, the Group's sales would have been €3,692 thousand higher. The contribution to the Group's net income for the year would have been €182 thousand.

Business combination with the aerospace engineering activities of P3 Ingenieurgesellschaft

Effective April 2, 2012, Voith Industrial Services and P3 Ingenieurgesellschaft bundled their engineering expertise for the aerospace industry. Under this agreement, the aerospace engineering activities of Voith Industrial Services and P3 were transferred into a joint venture.

The new joint venture resulted through an initial issue of new interests by the existing Voith Engineering Services Holding GmbH. These new interests were subscribed by the P3 shareholder in return for the contribution of the subsidiary P3 Digital Services GmbH with its subsidiaries. After this transaction, Voith Industrial Services holds 40% in Voith Engineering Services Holding GmbH and the P3 shareholder holds 60% of the interests.

Individual further aerospace engineering activities of the P3 shareholder performed by subsidiaries abroad were transferred to existing subsidiaries of Voith Engineering Services Holding GmbH.

Both parties hold 50% of the voting rights in the joint venture. In terms of the financial and operating policies, Voith has the majority of the voting rights and thus exercises control as defined by IAS 27.

The following amounts resulted for the acquired assets and liabilities:

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	9,090
Property, plant and equipment	328
Receivables	17,080
Cash and cash equivalents	481
Other assets	190
Provisions	-481
Liabilities	-15,604
Carrying amount	**11,084**
Goodwill	25,925
Fair value of the consideration transferred	**37,009**
Equity interests issued	-35,859
Amount financed by liabilities	-754
Cash and cash equivalents	-481
Cash outflow/inflow	**-85**

The fair value of the consideration transferred was determined by an external appraiser.

The non-controlling interests attributable to P3 amounted to €30,085 thousand. The value corresponded to 60% of the equity interests issued plus 60% of the net assets contributed by Voith into the joint venture, measured at carrying amount.

Part of the intangible assets purchased, e.g. the know-how of the employees, could not be recognized, as the recognition criteria are not met. Apart from that, the goodwill mostly stemmed from the synergy effects expected for the Voith Industrial Services Group Division. Goodwill was recognized taking into account the non-controlling interests attributable to the P3 shareholder. The transfer of activities outside Germany gave rise to tax-deductible goodwill amounting to €757 thousand.

The fair value of the receivables acquired corresponded to their contractual gross amount. The payment was expected to be received in full. The acquisition-related costs amounted to €874 thousand (recognized as other operating expenses).

Sales and the contribution to net income attributable to the share contributed to the Group by P3 could not be given because no separate bookkeeping was performed for the two units following the merger of the Voith and P3 activities.

If the business combination had already taken place on October 1, 2011, the Group's sales would have been €28,462 thousand higher. The contribution to the Group's net income for the year would have been €327 thousand.

Business combinations in the 2012/13 fiscal year

Acquisition of ThyssenKrupp Services Ltd., United Kingdom

Voith Industrial Services acquired all of the interests and voting rights in ThyssenKrupp Services Limited effective January 18, 2013. With this acquisition, Voith Industrial Services intends to consolidate its position as one of the leading service providers for the automotive industry in the United Kingdom. The entity provides facility management services, technical cleaning and process management.

Part of the intangible assets purchased, e.g. the know-how of the employees, cannot be recognized, as the recognition criteria are not met, and is therefore subsumed under goodwill. Apart from that, the goodwill stems from the aforementioned expected positive effect for the Voith Industrial Services Group Division. Goodwill is not tax deductible.

The following amounts resulted from the assets and liabilities acquired from the combination:

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	2,925
Other non-current assets	933
Inventories	145
Receivables	5,507
Other assets	560
Cash and cash equivalents	2,225
Provisions	-3,298
Liabilities	-3,391
Carrying amount	**5,606**
Goodwill	2,978
Purchase price of the interests purchased	**8,584**
Cash and cash equivalents	-2,225
Cash outflows	**6,359**

The purchase price allocation has been completed. Consideration in the form of cash has already been given in full. There are no other purchase price components. No purchase price adjustments are planned.

The fair value of the receivables acquired corresponds to their contractual gross amount. The receivables had been settled by the reporting date.

The acquisition-related costs amounted to €164 thousand (recognized as other operating expenses).

In the 2012/13 fiscal year, the entity contributed sales totaling €25,389 thousand and net income of €3,835 thousand to the Voith Group's consolidated statement of income. If the business combination had already taken place on October 1, 2012, the Group's sales would have been €8,254 thousand higher and the Group's net income for the year would have been €402 thousand lower.

Acquisition of Vortex Hydrosystems Inc., Canada

In February 2013, Voith Hydro acquired 80% of the shares and voting rights of the Canadian firm Vortex Hydrosystems Inc. The Company supplies mechanical equipment to hydro power plants. The purchase price for the shares amounted to €718 thousand with goodwill amounting to €713 thousand. The recognition of goodwill is based on the expected synergies for the Voith Hydro Group Division arising from the know-how of the employees transferred in the course of the acquisition. In the 2012/13 fiscal year, the entity contributed sales totaling €1,434 thousand and a net loss for the year of €1,100 thousand to the Voith Group's consolidated statement of income.

Acquisition in the 2011/12 fiscal year of further interests in entities over which the Group already has control

In the 2011/12 fiscal year, further interests were acquired in entities over which the Group already has control.

The Voith Turbo Group Division increased its interest held in Hydronaut s.r.l., Milan, Italy, from 60% to 100% effective June 22, 2012. The purchase price paid for the transaction amounted to €1,078 thousand. There was a financial liability of €1,140 thousand relating to an existing put option; this was derecognized. The reserves within equity changed by the difference compared to the purchase price.

The Voith Industrial Services Group Division acquired a further 40% of the interests in Terne AS, Mongstad, Norway, with effect from January 2, 2012. The Group now wholly owns the company and also holds 100% of the voting rights. The purchase price for the interests was €1,654 thousand. Non-controlling interests decreased by €1,507 thousand. The difference compared to the purchase price was offset against the reserves.

Acquisition in the 2012/13 year of further interests in entities over which the Group already has control

Voith Hydro acquired a further 49% of the interests in VG Power AB, Västerås, Sweden, in the first half of the 2012/13 fiscal year. The Group now wholly owns the company and also holds 100% of the voting rights. The purchase price was €10,300 thousand. Non-controlling interests decreased by €5,384 thousand. The difference compared to the purchase price was offset against the reserves.

Divestment of subsidiaries in the 2011/12 fiscal year

In the course of streamlining the service portfolio, the Voith Industrial Services Group Division sold certain subsidiaries in the 2011/12 fiscal year. In total, it sold intangible assets of €1,014 thousand, other non-current assets of €463 thousand, current assets of €13,177 thousand and liabilities of €10,779 thousand. A loss of €847 thousand was incurred as a result of the sale of these entities which was presented within operational result.

Divestment of subsidiaries in the 2012/13 fiscal year

Due to the focus placed on its core business, Voith Paper divested of one subsidiary in the 2012/13 fiscal year. In total, it sold intangible assets of €664 thousand, other non-current assets of €2,450 thousand, current assets of €4,526 thousand and liabilities of €4,572 thousand. A profit of €639 thousand was generated as a result of the sale of these entities which was presented within operational result.

Basis of consolidation

Acquisition accounting is performed using the acquisition method in accordance with IFRS 3 (revised). Accordingly, the consideration transferred to the seller plus any non-controlling interests and the fair value of the previously held equity interests in the acquiree are offset against the fair value of the acquired assets and liabilities as of the acquisition date. Any excess of cost over carrying amount is recognized as goodwill. Any excess of carrying amount over cost is recognized in profit or loss.

Any contingent consideration is recognized at acquisition date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

In the case of business combinations achieved in stages that give rise to control over an entity, or in the case of disposals of shares which result in loss of control, the previously held or remaining equity interests are remeasured at fair value through profit or loss.

A change in the parent's ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. This is why business combinations achieved in stages where the Group already has control or disposals of shares without a loss of control have been recognized directly in equity from the 2009/10 fiscal year onwards.

Transactions under common control are recognized using the pooling-of-interest method. Under this method, gains or losses on disposal are, for reasons of immateriality, offset directly in equity in the reserves. In the case of acquisitions, any excess of cost over the carrying amount and any excess of the carrying amount over cost are offset in full against reserves.

The same accounting policies are used to determine Voith's share in equity of all companies accounted for using the equity method.

Receivables and liabilities between the consolidated entities are netted. Intercompany profits in inventories and non-current assets are eliminated in the consolidated statement of income. Intercompany sales and other intercompany income are netted against the corresponding expense. Deferred tax is recognized for consolidation transactions that are recognized in profit or loss.

Foreign currency translation

The consolidated financial statements are presented in euros, which is Voith GmbH's functional currency. Financial statements prepared by subsidiaries that use a different functional currency are translated as follows:

The equity of foreign entities included in the consolidated financial statements is translated at historical rates. All other items on the balance sheet are generally translated to the presentation currency at the rates applicable as at the reporting date. Goodwill arising from business combinations before transition to IFRS is an exception to this rule and is still translated at historical rates.

In the statement of income, income and expenses are translated at average exchange rates. Retained earnings and losses are translated using the relevant historical exchange rate.

Differences arising from currency translation are netted with other reserves.

Foreign currency transactions in local financial statements are translated at the historical exchange rate at the date of the transaction. At fiscal year-end, the resulting monetary items are measured at the closing rate, and any exchange rate gains or losses are recorded as unrecognized gains or losses in profit or loss.

Exchange differences arising from loans denominated in foreign currencies (where these are used to hedge a net investment in foreign operations) are recognized in equity until the underlying net investment is disposed of. These exchange differences give rise to deferred tax items that are also recognized in equity.

Currency translation is based on the following key exchange rates:

Exchange rates between the euro and the main foreign currencies in the Voith Group:

	Closing rate		Average rate	
	2013-09-30	2012-09-30	**2012/13**	2011/12
US dollar	1.3536	1.2867	1.3130	1.3040
Brazilian real	3.0119	2.6104	2.7690	2.4596
Pound sterling	0.8358	0.7968	0.8398	0.8250
Swedish krona	8.6946	8.4372	8.5993	8.8102
Norwegian krone	8.1415	7.3662	7.6276	7.5805
Canadian dollar	1.3914	1.2661	1.3349	1.3132
Australian dollar	1.4474	1.2373	1.3285	1.2671
Chinese renminbi	8.2849	8.0884	8.1225	8.2652
Japanese yen	132.8171	100.0988	120.8837	102.4685

Accounting policies

The consolidated financial statements are prepared using the historical cost method. The only exceptions to this rule are derivative financial instruments, available-for-sale financial instruments and assets at fair value through profit or loss. All these exceptions are recognized at fair value. Purchases or sales of financial assets are always recognized as at the settlement date. Regular way purchases or sales of available-for-sale securities are recognized on the trade date.

In accordance with IAS 27, consistent accounting policies are used to prepare the separate financial statements for the companies included in the consolidated financial statements. The main accounting policies are listed and explained below.

Income and expenses

Sales (less various cash and other discounts granted to customers) are recognized when products or merchandise have been delivered and/or services rendered and when the risk of ownership has been transferred to the customer. In the case of long-term construction contracts, revenue is recognized using the percentage-of-completion method. A detailed explanation of this method is provided in the notes on “Long-term construction contracts”.

Interest expenses and interest income are recognized as they accrue. The effective interest method, i.e. the imputed interest rate, is used to discount estimated future cash receipts over the expected term to maturity of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognized when the Group’s right to receive the payment is established.

Operating expenses are recognized as expenditure at the time when a service is used and other sales-related expenses are recognized as incurred. Taxes on income are calculated in accordance with tax law in the countries in which the Group operates.

For all categories of financial instruments recognized in accordance with IAS 39, net gains or losses as defined in IFRS 7 result from the measurement or disposal of financial instruments. At Voith, such income and expense items mainly consist of foreign exchange gains and losses, impairments and gains/losses from the sale of financial instruments. Neither current interest income and expenses nor dividend income are included.

Intangible assets

Intangible assets acquired for a consideration are recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives. Most of these assets are software programs that are amortized over a three-year period.

Internally generated intangible assets are capitalized as development costs based on their production costs, provided that manufacture of these assets meets the recognition criteria stated in IAS 38 and, in particular, it is probable that future economic benefits will flow to the Group. Production costs include all costs that are directly attributable to the development process. These assets are amortized using the straight-line method from the start of production for a defined period, usually between three and ten years. If the requirements for capitalization are not satisfied, expenses are recognized in profit or loss in the fiscal year in which they were incurred.

Impairment losses are recognized in accordance with IAS 36 if the higher of the recoverable amount (present value of expected future cash flows from the use of the assets concerned) or the fair value less costs to sell falls below their carrying amount. Should the reasons for impairment losses recognized in previous periods no longer apply, these impairment losses are reversed.

The reversal posted through profit or loss is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years.

Borrowing costs that are directly attributable to intangible assets are capitalized as part of the cost of those assets.

Goodwill is subjected to an impairment test at least annually. For impairment testing, goodwill is assigned to essentially four cash-generating units. In line with the management's internal reporting practices, these cash-generating units are identified on the basis of the Group's operating activities. Voith has therefore defined the four segments Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo as its cash-generating units.

To determine whether goodwill is impaired, the Voith Group measures the assets of the cash-generating unit against their fair value less the costs needed to make the sale. If there is no active market on which fair value can be measured, it is measured using the discounted cash flow projections taken from the latest business planning prepared by management. The planning assumptions are adjusted to reflect the current information available. Key assumptions on which calculations of fair value are based include assumptions about the trend in orders received and sales, growth rates, extrapolated cash flow forecasts beyond the planning horizon, and discount rates. Due account is taken of reasonable assumptions regarding macroeconomic trends and historical developments. Based on the fair value measurement of these assets there was no indication of a need to record an impairment loss on goodwill.

The Board of Management of Voith GmbH assumes that it will continue to see stable business development in the 2013/14 fiscal year. The related assumptions for the four segments are outlined below:

Voith Hydro:
The orders on hand at Voith Hydro develop in a satisfactory fashion. The fact that no major projects were awarded in emerging markets, with others delayed, coupled with the impact of the euro crisis (particularly with low demand in Italy, Spain, Portugal and Turkey) will lead to a fall in market volume in comparison to previous years. With market volume set to rise slightly over the next few fiscal years, orders received are likewise expected to increase at Voith Hydro. Sales increase in line with the development of orders received. For the terminal value, the Group Division expects to see a slight increase in orders received and sales.

Voith Industrial Services:
In the coming years, Voith Industrial Services expects to see noticeable sales growth. In the calculation of its terminal value, it is planning on a slight rise in both orders received and sales on the basis of the last year of the detailed planning period.

Voith Paper:
Voith Paper is forecasting a fall in the volume of business with new paper machines over the detailed planning period (2013/14 and 2014/15). Starting in the 2015/16 fiscal year, it is planning on moderate growth. In the mid-term, business with new machines will settle at a lower level than seen in the current year. Steady yet moderate growth is forecast for the Products & Services and Fabric & Roll Systems business lines. For the terminal value, the Group Division expects to see a slight increase in orders received and sales.

Voith Turbo:
After falling in the 2012/13 fiscal year, Voith Turbo is expecting the markets to recover in the coming two years of the planning period, with corresponding growth. In the following years we expect both orders received and sales to see strong growth corresponding to the long-term historical average.

An increase in margins due to efficiency gains is planned for all Group Divisions.

The cash flow forecast is based on the detailed finance budget for the coming two years and a qualified top-down projection for the years two to five. Cash flows for periods after the fifth fiscal year are extrapolated at a constant approximately 1% growth rate. These growth rates do not exceed the average long-term growth rates of the business areas in which the corresponding cash-generating units operate.

The discount rates are derived from a calculation of the weighted average cost of capital, which is itself based on the financing costs of comparable competitors for each of the cash-generating units. The discount rates applied reflect the equity risk specific to each cash-generating unit. After-tax interest rates of 6.3% (previous year: 6.9%) for Voith Hydro, 5.7% (previous year: 6.3%) for Voith Industrial Services, 6.9% (previous year: 7.3%) for Voith Paper and 6.2% (previous year: 6.9%) for Voith Turbo were used to calculate the present value of future net cash inflows.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment losses. The cost of internally produced property, plant and equipment includes all directly attributable production costs and an appropriate share of production overheads. Depreciation is recognized on a straight-line basis over the following useful lives:

Useful life

Buildings	40 to 50 years
Plant and machinery	4 to 15 years
Other equipment, furniture and fixtures	4 to 12 years

Property, plant and equipment are subjected to an impairment test if unusual events or market developments indicate that they may be impaired. To this end, the carrying amount of an asset or cash-generating unit is compared with its recoverable amount, which is defined as the higher of fair value less costs to sell and value in use. Impairment losses are reversed if the fair value of a previously impaired asset subsequently increases again.

The reversal posted through profit or loss is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Repair and maintenance costs are recognized as expenses at the time when they are incurred. Any major renewals or improvements are capitalized. Borrowing costs that are directly attributable to property, plant and equipment are capitalized as part of the cost of those assets.

Leased assets

Whether an arrangement is or contains a lease depends on the substance of the arrangement and requires a decision to be made on whether fulfillment of the agreement depends on the use of a particular asset and whether the arrangement conveys the right to use the asset.

Leases that transfer substantially all risks and rewards incidental to use of the leased asset to a Voith Group company (the lessee) are classified as financial leases. In such cases, the lessee recognizes the leased asset at the start of the lease period and writes it down over the asset's useful life. A corresponding liability is recognized and then settled by the lease payments. The interest component is recognized in the interest result. All other leases in which Voith Group companies act as the lessee are stated as operating leases.

The lease payments for operating leases are recognized as expenses using the straight-line method over the term of the lease.

Financial assets and securities

Shares carried under financial assets as other investments are generally recognized at fair value. Where no active market exists for individual companies and it is impracticable to determine their fair value, shares are stated at cost. The carrying amount of such assets is written down if there is objective evidence that they are impaired.

Associates and joint ventures are accounted for using the equity method and are stated at the share of equity held by the Voith Group plus any goodwill. Changes in the share of the associate's equity that are not recognized in profit or loss are likewise recognized directly in equity in the consolidated financial statements.

In accordance with IAS 39, loans classified as non-current loans are recognized under other financial assets at amortized cost, adjusted (where necessary) for impairment.

In accordance with IAS 39 distinctions between "held-for-trading", "available-for-sale", "held-to-maturity" and "financial assets at fair value through profit or loss" must be made for securities that are classified as non-current or current assets. The securities held by the Voith Group are normally available for sale. To a small extent, however, the Group also makes use of financial instruments that are held for trading and securities that, upon initial recognition, are designated as at fair value through profit or loss. Certain securities are assigned to this category to eliminate measurement inconsistencies in the accounting for long-term employee benefits.

Where market values can be obtained, securities are stated at their market value, otherwise they are measured using alternative methods. Where no market value is available and it is impracticable to reliably determine fair value, securities are recognized at cost.

Available-for-sale securities are recognized separately in equity, taking due consideration of deferred taxes, until such time as they are realized. The carrying amounts of non-current financial assets and available-for-sale securities are regularly tested for objective evidence that they may be impaired. Such evidence can take the form of significant financial difficulty of the debtor or changes in the technological, economic and legal environment. Objective evidence that equity instruments may be impaired is given if there is a prolonged or significant decline in their fair value. The criterion of a prolonged decline is met if the decline lasts longer than 12 months. If the fair value of the investment falls more than 30% below its cost, this is regarded as a significant decline. If this happens, the amounts hitherto recognized in equity are recognized in profit or loss.

Fair value

The fair value of investments for which an organized market exists is determined by the quoted market price at the reporting date. Where no active market exists, valuation techniques are used to determine the fair value. The techniques used by Voith for this purpose aim to reflect objective criteria as accurately as possible and to simulate an active market. This is done, for example, by analyzing discounted cash flows, referring to arm's length transactions between knowledgeable, willing and independent partners, and drawing on comparisons with the current fair value of other essentially identical financial instruments.

Inventories

Materials and supplies, merchandise, work in progress and finished goods are all stated under inventories at the lower of cost and net realizable value. In addition to direct costs, cost includes an appropriate portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. The weighted average cost, or cost based on the first-in, first-out (FIFO) method, is capitalized in the balance sheet. Appropriate allowance is made for inventory risks associated with slow-moving stocks, reduced salability, etc. When the circumstances that previously caused inventories to be written down below cost no longer exist, the write-down is reversed.

Long-term construction contracts

Long-term construction contracts are recognized in accordance with the percentage-of-completion (PoC) method. The percentage of completion per contract to be recognized is calculated as the ratio of the actual costs incurred to the anticipated total costs of the project ("cost-to-cost method"). Revenue received is stated as sales and, after deducting customer advances and installments, as trade receivables. If the outcome of a construction contract cannot be estimated reliably, it is not possible to calculate contract revenue and costs based on the percentage of completion. In such cases, revenue is recognized at the amount of costs incurred for the construction contract to date, while the contract costs are immediately recognized in full in the period under review in which they are incurred. Appropriate provisions are formed to cover expected losses on such contracts based on recognizable risks.

Receivables and other assets

Receivables and other assets (with the exception of derivatives) are stated at nominal value or at cost and are regularly tested for impairment individually. Where objective evidence of possible loss exists (if the debtor is experiencing significant financial difficulty, if it is highly probable that insolvency proceedings will be opened against the debtor, if the debtor defaults on or is delinquent in interest or principal payments, if significant adverse changes in the technological, economic or legal environment occur, if there is a significant or prolonged decline in the fair value of a financial instrument below its cost, or if legal proceedings are opened, for example), then individual allowances are recorded using an allowance account to reflect these factors. To the extent that impairment is derived from historical bad debt rates on a portfolio basis, a drop in the total volume of receivables reduces such allowances and vice versa. Impaired receivables are derecognized when they are assessed as uncollectible. Interest-free or low-interest receivables due in more than one year are discounted.

Derivative financial instruments and hedging

Voith uses a variety of financial derivatives—such as forward exchange contracts and interest rate swaps—to hedge underlying transactions. Essentially, the Group applies two policies—either the fair value hedge accounting of firm commitments or cash flow hedge accounting—to hedge operating business transactions.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for entering into the hedge. This documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows that is attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges
Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss for the period. In the case of fair value hedges, the carrying amount of a hedged item is adjusted by the profit or loss that is attributable to the hedged exposure. The derivative financial instrument is remeasured at its fair value and any gains or losses arising as a result are recognized in profit or loss.

For fair value hedges relating to hedged items carried at amortized cost, the adjustment to carrying amount is amortized through profit or loss over the remaining term to maturity.

When an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated change in the fair value of the firm commitment that is attributable to the hedged risk is recognized as an asset or liability and the corresponding gain or loss is recognized in the profit or loss of the period. Changes in fair value of the hedging instrument are also recognized in the profit or loss of the period.

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, of if the hedge no longer meets the criteria for hedge accounting. Every adjustment to the carrying amount of a hedged financial instrument is released to income using the effective interest method. As soon as there is an adjustment, the reversal may begin, and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges
Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction and could affect profit or loss for the period. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts directly recognized in equity are recycled to profit or loss in the period during which the hedged transaction affects profit or loss, for example when hedged financial income or expenses are recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized directly in equity are transferred to profit or loss. When the hedge expires or is sold, terminated without replacement or rolled over into another hedge or if the Group retracts the designation of a hedge, the previously disclosed amounts remain as a separate item in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss.

Where no hedging relationship with an underlying transaction exists (i.e. where hedge accounting does not apply), derivatives are classified as held-for-trading instruments. Changes in the fair value of these instruments are recognized in profit or loss.

Financial derivatives with positive fair values are stated under other financial receivables; those with negative fair values are stated under bonds, bank loans and other interest-bearing liabilities or other financial liabilities.

The Treasury Management System (TMS) is used to manage all external hedges.

The TMS is also used to calculate the fair value of forward exchange contracts. The original forward rate is compared with the forward rate calculated at the reporting date. The difference is discounted to the reporting date. The forward rate is calculated using the interest rates for the respective currency based on a linear approximation. The fair value of options, interest rate swaps and interest rate caps is calculated using information supplied by the banks. This information is calculated on the basis of certain assumptions and using recognized valuation models (Black-Scholes and Heath-Jarrow-Morton).

Embedded derivatives

When the Group becomes party to the contract, it assesses whether any embedded derivatives should be separated from the host contract. A reassessment is not made unless there is a substantial change in the terms of the contract that significantly modifies the cash flows that would otherwise have been generated from the contract. Where embedded derivatives exist, they are recognized at fair value as financial assets held for trading. Embedded financial derivatives with positive fair values are stated under other financial receivables; those with negative fair values are stated under bonds, bank loans and other interest-bearing liabilities or other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and checks, cash at banks and cash equivalents. Under this item, cash at banks includes both daily deposits and time deposits with fixed maturities of up to three months.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups held for sale are classified as assets held for sale or correspondingly as liabilities directly associated with assets classified as held for sale if their carrying amount is to be recovered through sale rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. In this case management has decided to sell the asset and it is expected that the sale will take place within 12 months from the date of classification. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Assets held for sale are not subject to depreciation and amortization.

Deferred and current taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between tax reporting and reporting for IFRS purposes. Deferred tax assets are also recognized for unused tax losses insofar as it is reasonable to expect that they will be realized in the near future. Deferred taxes that relate to items recognized directly in equity are also themselves recognized in equity. Deferred taxes are calculated based on the tax rates enacted or substantively enacted by the reporting date that apply or are expected to apply in the countries concerned at the time of realization. Deferred tax assets on unused tax losses that are not likely to be realized within a foreseeable period (normally two years) or that are not covered by deferred tax liabilities are either written down or not recognized at all. Deferred tax assets and deferred tax liabilities may be netted if the Group has a legal right to offset current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority.

Current taxes are calculated and reported in accordance with the tax laws and regulations valid for each company.

Profit participation rights

According to IAS 32, the conditions pertaining to the issues of profit participation rights amounting to €103,400 thousand require these rights to be reported as a separate component of the Group's equity. Interest is not reported as interest expenses, but is treated in a similar manner to a dividend obligation.

Provisions for pensions and similar obligations

In accordance with IAS 19, provisions for pension obligations are measured based on actuarial methods using the prescribed projected unit credit method for defined benefit plans. This method considers not only the pensions and future claims known at the end of the period under review but also future anticipated increases in salaries and pensions. Defined benefit obligations are measured based on the proportion of future benefits accrued at the reporting date. Measurement includes assumptions about the future development of certain parameters that could affect the actual future benefit amount. The 10% corridor rule prescribed by IAS 19.92 is applied when recognizing actuarial gains and losses in the balance sheet and in profit or loss.

In measuring its defined benefit liability pursuant to IAS 19.54, a company must recognize a portion of its actuarial gains and losses as income or expenses if the net cumulative unrecognized actuarial gains and losses at the end of the previous period under review exceeded the greater of:

a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

b) 10% of the fair value of any plan assets at that date.

The portion of actuarial gains and losses to be recognized is the excess determined pursuant to IAS 19.92, divided by the expected average remaining working lives of the employees participating in a given plan.

In some countries, Voith is required by law or contract to make minimum contributions into a plan over a certain period. When these amounts are not fully recoverable by the Company after payment and therefore not recognized as an asset under IAS 19.58 ("asset ceiling"), a liability is recognized through profit or loss.

Other provisions

In accordance with IAS 37, provisions are formed for all discernible risks and uncertain obligations at the amount that is likely to be realized. These provisions are not netted against recourse claims. Provisions are recognized when the Group has a present obligation to a third party as a result of a past event and it is probable that an outflow of resources will be required whose amount can be estimated reliably. Provisions for warranty claims are based on historical claim trends and estimated future trends. Specific provisions are set up for known claims. Provisions for outstanding expenses, onerous contracts and other business-related obligations are measured based on services still to be rendered, usually at the amount of the costs to sell.

Provisions which do not lead to an outflow of resources in the following year are carried at the discounted settlement amount at the end of the period under review. The discount rate used is derived from market interest rates. The settlement amount also includes the estimated cost increases. If an amount set aside as a provision is expected to be refunded (through an insurance claim, for example), the refund amount is stated separately as an asset if it is virtually certain. Income from refunds is not netted against expenses.

Liabilities

Current liabilities are stated at the amount needed to settle the obligation. Financial liabilities are measured at their amortized cost. Amortized cost corresponds to the cost of the financial liabilities adjusted for repayments, issue costs and the amortization of any debt discounts or debt premiums. Where liabilities are accounted for as hedged transactions, they are measured taking into account the market value of the hedged risk. Gains and losses are recognized in profit or loss.

Liabilities arising from leases that are classified as finance leases in accordance with the criteria laid out in IAS 17 are recognized at the present value of the minimum lease payments at the start of the lease. Thereafter, they are stated under financial liabilities at their amortized cost. Lease payments are split into an interest component and a principal component. The interest component of each payment is recognized as an expense in profit or loss.

Government grants

Government grants are recognized if there is reasonable certainty that they will be received and the Group will comply with the conditions attached to the grant. Grants also include low-interest or interest-free government loans. Cost-related grants are recognized as income over the periods necessary to match them with the costs that they are intended to compensate. Cost-related grants are netted with the costs for which they are granted.

Where the grant relates to an asset, it is recognized as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the statement of income over the expected useful life of the relevant asset by equal annual installments.

Classification of holders of non-controlling interests in limited partnerships and based on repayment rights and put options

In accordance with IAS 32, financial instruments that entitle the holder to repayment of the capital made available to the company must be classified as liabilities. In companies that operate as limited partnerships, partners have the right under German law to demand repayment of the capital they have made available to the partnership. This right cannot be excluded by the partnership agreement. This provision also extends to other comparable repayment rights of holders of non-controlling interests with a settlement agreement. Put options create a similar obligation pursuant to IAS 32.

a) Put options
Where the right to terminate non-controlling interests exists in the form of a put option, the corresponding non-controlling interests are not derecognized but are treated as a component of equity during the period under review. Accordingly, a share of net income for the year is allocated to holders of non-controlling interests. At every reporting date, it is assumed that the put option will be exercised; the corresponding non-controlling interests are reclassified from equity to financial liabilities. This financial liability is recognized in the amount of the estimated compensation obligation and measured at fair value. The difference between this liability and non-controlling interests as a share of equity is treated as a transaction between owners and recognized from the 2009/10 fiscal year onwards as an increase or decrease in equity. Until the 2008/09 fiscal year transactions were regarded as a business combination achieved in stages and the difference stated as goodwill. By choosing to apply the transitional rule under IAS 27 the Group retained these amounts.

b) Limited partnerships
The interests held in limited partnerships as well as non-controlling interests with comparable termination rights are treated in the same way as put options. The liability is measured at amortized costs taking account of the attributable share of net income.

Amounts reclassified from equity to financial liabilities totaled €69,968 thousand in the 2012/13 fiscal year (previous year: €71,942 thousand).

If non-controlling interests in limited partnerships are terminated or if corresponding put options are exercised, the financial liabilities recognized prior to termination/exercise of the put options are reclassified as other financial liabilities.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. These financial guarantee contracts are treated as insurance contracts as defined by IFRS 4, i.e. the financial guarantee contracts are recognized as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized.

Exercise of judgment and estimates by management

Some accounting policies require critical estimates that involve complex and subjective assessments and the use of assumptions, some of which are inherently uncertain and subject to change. These critical accounting estimates can vary from period to period and significantly impact a company’s financial position and/or earnings. The management explicitly points out that future events will often deviate from planning assumptions, and that it is normal for estimates to have to be adjusted.

Significant estimates and assumptions have to be made in the following areas of accounting:

Revenue recognition from long-term construction contracts

The Group generally accounts for construction contracts using the PoC method, according to which revenue is recognized based on the percentage of completion. This method involves making a precise estimate of the degree of completion. Accurate estimates of the percentage of completion are of vital importance to this method. Depending on the method used to measure the percentage of completion, the most significant estimates concern the total contract cost, the costs to complete, the total contract revenue, and contract risks.

The management of Voith's operating subsidiaries constantly reviews all estimates that are needed in the accounting for construction contracts and adjusts them as and when necessary.

Such examinations are part of management's normal accounting activities at operating level. For details of carrying amounts, refer to note 14.

Trade and other receivables

Allowances for doubtful receivables require significant judgment on the part of management. They also necessitate an analysis of the individual debtors that covers their creditworthiness, current economic trends and an examination of historic default scenarios. For details of carrying amounts, refer to notes 14 and 15.

Impairment of goodwill

Determining the recoverable amount of a Group Division to which goodwill was allocated involves estimates by management. To calculate the value in use, planning for the next five years is based on management's expectations adjusted for economic trends and historic developments. Estimates of growth, the weighted average cost of capital and tax rates are likewise based on reliable information that reflects the risks associated with operating business in each given industry or division. For details of carrying amounts, refer to note 10 and the segment reporting.

Development costs

Development costs are capitalized if the requirements of IAS 38 are met. Initial capitalization is based on management's estimate that it can demonstrate technical and economic feasibility. Forecasts of the expected future economic benefit to be gained from assets are essential to the decision whether or not costs are to be capitalized. For details of carrying amounts, refer to note 10.

Pension obligations

Estimates of pension obligations depend significantly on key assumptions about discount factors, expected returns on plan assets, expected salary increases, mortality rates and the trend in healthcare costs. The assumptions used to calculate the discount factor reflect the interest rates that can be realized on high-quality fixed-income instruments with appropriate maturities. Assumptions regarding expected returns on investments are determined by a uniform base that takes account of long-term historic returns and the structure of the portfolio. For details of carrying amounts, refer to note 20.

Other provisions

Recognizing provisions for anticipated losses on construction contracts, warranty-related costs and litigation involves making significant estimates. Voith recognizes provisions for anticipated losses in all cases where current estimates of the total contract costs exceed expected contract revenues. Such estimates are subject to change in light of new information regarding the percentage of completion. Onerous contracts are identified by monitoring project progress and constantly updating estimates of total costs, all of which requires significant judgment if certain performance standards are to be reached. These estimates also include warranty-related and litigation costs. Provisions for restructuring are based on well-founded plans for expected activities. These plans are reviewed and approved by the Corporate Board of Management. For details of carrying amounts, refer to note 21.

Taxes

The Voith Group has business operations in many countries and is subject to many different tax laws. Both current and deferred taxes on income must be calculated for each individual taxable entity. To calculate deferred tax assets on unused tax losses and temporary differences, for example, assumptions must be made about the possibility of realizing sufficient taxable income in the future and the interpretation of complex tax laws and regulations. For details of carrying amounts, refer to note 9.

Outside Germany, Voith has substantial refund claims with regard to sales tax (valued added tax) that has already been paid. These payments can normally be netted with the sales tax that is charged on domestic sales in that country. Since our Brazilian subsidiary has such a strong focus on exports, however, its refund claims cannot be fully offset against the charged sales tax that it must pass on to the tax authorities. Realization of these claims therefore depends on government approval of resale activities. Since the timing of such approval is very uncertain, expected future cash flows have to be discounted based on management's estimates. In light of the prevailing uncertainty, these claims have been measured conservatively.

Adoption of amended and new standards and interpretations

Changes in accounting policies due to first-time adoption of revised and new IFRS and IFRIC

In the 2012/13 fiscal year, the following revised IFRS and IFRIC were applied for the first time.

Amendment to IAS 1: "Presentation of Financial Statements"

As a result of the amendment, "other comprehensive income" presented in the statement of comprehensive income must be broken down to distinguish between income that is later recycled through the statement of income, and income that is not. Currently the statement of comprehensive income at Voith only contains income that will be recycled through the statement of income at a later date. The presentation of the statement of comprehensive income was adjusted accordingly.

Amendments to IAS 12: "Income Taxes (Deferred Tax: Recovery of Underlying Assets)"

Pursuant to IAS 12, the measurement of deferred taxes generally hinges on whether the Company recovers the carrying amount of an asset through use or through sale. If the asset is measured using the remeasurement method pursuant to IAS 40 ("Investment Property") or IAS 16 ("Property, Plant and Equipment"), it is difficult and subjective to assess whether an asset is recovered through sale or through use.

The amendment introduces a rebuttable presumption that the carrying amount is recovered through sale. This amendment has no impact on the Voith Group because the remeasurement method is not used.

Adoption of the following IFRS and IFRIC was not yet compulsory in the 2012/13 fiscal year and/or they had not yet been endorsed by the European Commission for adoption in the European Union.

IFRS 9: "Financial Instruments"

The International Accounting Standards Board (IASB) has issued a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial instruments. The standard represents the conclusion of the first of three project phases for the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" by a new standard. IFRS 9 introduces new regulations for the classification and measurement of financial assets. The regulations must be applied for fiscal years beginning on or after January 1, 2015; early adoption is permitted. Potential effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

Amendments to IAS 19: "Employee Benefits"

The most significant amendment to IAS 19 is that in future cumulative actuarial gains and losses will be recognized directly in equity. The corridor method to smooth unexpected fluctuations in pension obligations is eliminated, including the recognition, in profit or loss, of actuarial gains and losses exceeding the 10% corridor. The expected return on plan assets will in future be calculated using the discount rate for the pension obligations. Future top-up amounts relating to German phased retirement obligations will in future be added to the associated provisions in installments. More extensive disclosures in the notes (e.g. disclosures on the financing strategy, sensitivity analyses) will also be required in future.

The amendments are effective retroactively for fiscal years beginning on or after January 1, 2013.

As Voith used the corridor method in the past, there will be larger fluctuations in equity in future. The accumulated actuarial losses as at September 30, 2013 came to €178 million and will reduce equity with retroactive effect as at the date of first-time adoption. The expected return on plan assets amounting to €10 million and realized actuarial losses of €11 million were recognized in profit or loss for the 2012/13 fiscal year (for the amounts, refer to note 20).

IFRS 10: "Consolidated Financial Statements"

IFRS 10 creates a uniform definition for control and thus a uniform basis for the existence of a parent-subsidiary relationship and the related demarcation of the consolidated Group. The new standard replaces IAS 27 (2008) "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities".

IFRS 11: "Joint Arrangements"

IFRS 11 governs the accounting treatment of situations where a company exercises joint control over a joint venture or a joint operation. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" as the relevant rules for accounting for joint ventures to date.

The most significant change in IFRS 11 compared with IAS 31 is the abolition of proportionate consolidation for joint ventures; in future, joint ventures must always be accounted for using the equity method.

IFRS 12: "Disclosure of Interests in Other Entities"

The objective of IFRS 12 is to prescribe disclosures on information that provides the users of financial statements with a basis for assessing the nature of interests in other entities (e.g. subsidiaries, associates) and the related risks and effects of these interests on the Group's net assets, financial position and results of operations.

IFRS 10, 11 and 12 are effective for fiscal years beginning on or after January 1, 2014. Potential effects on the net assets, financial position and results of operations and on additional disclosures in the notes of the Voith Group are currently being assessed.

IFRS 13: "Fair Value Measurement"

IFRS 13 defines fair value, provides a framework for measuring fair value in one single IFRS and prescribes disclosures on the measurement of fair value.

IFRS 13 is applied if another IFRS prescribes or permits measurement at fair value, or disclosures on the measurement of fair value are required. IFRS 13 is applicable prospectively for fiscal years beginning on or after January 1, 2013. The potential impact on the Voith Group is currently being assessed. At present, no significant changes are expected to the presentation of net assets, financial position or results of operations.

Amendments to IAS 32: "Financial Instruments: Presentation"
The amendment specifies the rules on offsetting. In order to satisfy the new offsetting criteria in accordance with IAS 32, the current, legally enforceable right of the reporting entity must not be contingent on any future event and must be applicable in the normal course of business as well as in the event of default or insolvency of a counterparty. In addition, the standard clarifies that a gross settlement mechanism satisfies the criteria for offsetting provided it eliminates or results in insignificant credit and liquidity risks, processes receivables and payables in a single settlement process or cycle and, therefore, ultimately is equivalent to a net settlement. The amendments will become effective for the first time for fiscal years beginning on or after January 1, 2014. Potential effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

Amendments to IFRS 7: "Financial Instruments: Disclosures"
The amendments require extended disclosures in the notes on rights to set off. In addition to extended disclosures relating to offsetting actually applied in accordance with IAS 32, the amendments introduce disclosures for existing rights to set off irrespective of whether offsetting is actually performed in accordance with IAS 32. The amendments are effective retroactively for fiscal years beginning on or after January 1, 2013. Potential extended disclosures in the notes for the Voith Group are currently being assessed.

Amendments to IAS 36: "Impairment of Assets"
The amendment to IAS 36 serves to clarify the disclosure obligations with regard to the measurement of the recoverable amount of impaired assets. The amendments are mandatory with retroactive effect for fiscal years beginning on or after January 1, 2014.

Amendments to IAS 39: "Novation of Derivatives and Continuation of Hedge Accounting"
The amendments to IAS 39 allow hedge accounting to be continued even in those cases where a counterparty to a non-listed hedging instrument changes in order to meet the clearing obligations for the instrument. The instrument must remain otherwise unchanged and the novation must be due to laws or regulations requirements. The impact on the Voith Group is currently being assessed. The amendments take effect on January 1, 2014, whereby early adoption is permitted.

IFRIC 21: "Levies"
IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. The interpretation applies both to levies that are recognized as provisions, contingent liabilities or contingent assets pursuant to IAS 37 as well as levies for which both the timing and amount are already known.

The interpretation governs the accounting treatment of levies which are imposed by government (including public authorities and similar bodies) on the company within the framework of their laws and regulations. The impact on the Voith Group is currently being assessed. IFRIC 21 is effective retroactively for accounting periods beginning on or after January 1, 2014.

Annual Improvements Project (2009–2011) — May 2012
The amendments encompass specific corrections and clarification of content and terminology and become effective for the first time for fiscal years beginning on or after January 1, 2013. Effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

At present, the Voith Group does not plan to early adopt the new or amended standards and interpretations.

Notes to the consolidated statement of income

(1) Sales

By Group Division

in € thousands	2012/13	2011/12
Core business		
Voith Hydro	1,387,907	1,315,206
Voith Industrial Services	1,185,466	1,101,015
Voith Paper	1,638,502	1,738,084
Voith Turbo	1,500,475	1,551,038
	5,712,350	5,705,343
Other	**15,867**	18,208
	5,728,217	5,723,551

By region

in € thousands	2012/13	2011/12
Voith Group		
Germany	1,149,298	1,202,822
Rest of Europe	1,565,774	1,476,434
Americas	1,514,071	1,541,044
Asia	1,312,224	1,354,608
Other	186,850	148,643
	5,728,217	5,723,551

Services totaling €2,258 million (previous year: €2,200 million) are included in the sales figures.

(2) Changes in inventories and own work capitalized

in € thousands	2012/13	2011/12
Changes in inventories of finished goods and work in progress	-14,971	30,040
Other own work capitalized	19,875	21,686
	4,904	51,726

(3) Other operating income

in € thousands	2012/13	2011/12
Income from the utilization of contract-specific provisions	109,886	106,897
Income from the reversal of provisions and accruals	49,985	97,766
Foreign exchange gains	57,405	87,592
Recovered bad debts	6,777	10,166
Gains on the disposal of intangible assets and property, plant and equipment	3,131	6,941
Rental and lease income	4,382	4,013
Income from insurance indemnification payments	19,117	9,995
Income from the appreciation of non-current assets	0	2,112
Other income	50,467	55,511
	301,150	380,993

Gains on the disposal of intangible assets and property, plant and equipment include gains of €639 thousand (previous year: €1,887 thousand) from the disposal of subsidiaries.

(4) Cost of material

in € thousands	2012/13	2011/12
Cost of material and supplies and of purchased merchandise	1,752,951	1,799,971
Cost of purchased services	586,098	569,667
	2,339,049	2,369,638

(5) Personnel expenses

in € thousands	2012/13	2011/12
Wages and salaries	1,752,720	1,700,824
Social security, pension and other benefit costs	401,735	394,929
	2,154,455	2,095,753

Number of employees

	Annual average		As at the reporting date	
	2012/13	2011/12	2013-09-30	2012-09-30
Wage earners	25,267	23,663	25,344	24,683
Salaried employees	17,813	17,429	17,790	17,644
	43,080	41,092	43,134	42,327
Apprentices and interns	1,201	1,206	1,201	1,206
	44,281	42,298	44,335	43,533

Number of employees by region

	Annual average		As at the reporting date	
	2012/13	2011/12	2013-09-30	2012-09-30
Germany	17,424	17,049	17,327	17,316
Rest of Europe	8,346	7,413	8,580	7,811
Americas	11,491	11,385	11,580	11,491
Asia	5,594	5,019	5,426	5,481
Other	225	226	221	228
	43,080	41,092	43,134	42,327

(6) Other operating expenses

in € thousands	2012/13	2011/12
Increase in provisions and accruals	172,572	213,942
Other selling expenses	341,411	368,850
Other administrative expenses	252,875	274,439
Foreign exchange losses	73,919	103,617
Rent for buildings and machinery	76,233	72,251
Bad debt allowances	8,894	9,577
Losses on the disposal of intangible assets and property, plant and equipment	3,686	6,151
Other expenses	127,383	118,345
	1,056,973	1,167,172

(7) Result from non-recurring items

The result from non-recurring items primarily includes expenses arising from major restructuring activities as well as measures addressing personnel capacity and the discontinuation of operations.

The result from non-recurring items in the 2012/13 fiscal year contains the following items from the various segments:

After initiating comprehensive restructuring in the previous period, Voith Paper decided on further restructuring measures in the 2012/13 fiscal year on account of the deteriorating recession in the market for paper machines. These affect the headquarters in Heidenheim and other locations in Germany and Austria. Expenses of €64 million from these measures are considered in the result from non-recurring items, primarily personnel-related expenses.

In the 2012/13 fiscal year, Voith Turbo accounted for non-recurring expenses of €73 million. Measures to reduce the headcount to improve the cost structures beyond Voith Paper were initiated at the headquarters in Heidenheim. In addition, the result from non-recurring items also includes expenses incurred in association with the planned discontinuation of operations for a product group in the Rail division. In detail, these involved impairment losses recorded on intangible assets and property, plant and equipment, impairments of inventories and other expenses related to potential losses. Further expenses associated with the planned closure of locations, most of which are impairments of non-current assets, are also included in the result from non-recurring items.

At Voith Hydro expenses totaling €4 million were incurred that were posted to the result from non-recurring items. In addition to personnel-related expenses associated with the planned job cuts in Heidenheim, non-recurring items includes other personnel-related expenses and other expenses related to the relocation of business activities and the related closure of a foreign operation.

Voith Industrial Services accounted for non-recurring expenses of €9 million. The most significant component in this regard were impairment losses and other expenses associated with the discontinuation of operations and the related sale of a subsidiary. However, it also includes personnel-related expenses connected to the changes made to the organizational structure and adjustments of capacity.

Some of the entities in Heidenheim entrusted with shared services for the Group as a whole were also affected by the job cuts. These entities accounted for non-recurring expenses of €6 million in the period under review.

In the 2011/12 fiscal year the result from non-recurring items mainly comprises the restructuring measures initiated at Voith Paper in the previous period amounting to €-84 million. In addition, the result from non-recurring items also included expenses of €7 million to reduce capacity to address the structural changes at Voith Industrial Services and expenses of €4 million from discontinuing various activities at Voith Turbo.

In detail, the following expenses were incurred:

in € thousands	**2012/13**	2011/12
Personnel expenses	-96,477	-90,265
Impairment losses	-34,740	0
Other expenses	-21,005	-6,825
Cost of material / Change in inventories	-9,272	-1,867
Income from the reversal of provisions	4,357	3,679
Other income	1,377	0
	-155,760	-95,278

The personnel expenses presented mostly comprise measures to adjust personnel capacity such as early retirement and other termination benefits.

(8) Other financial result

in € thousands	2012/13	2011/12
Income from investments	8,509	503
Impairment of other investments and loans	-1,328	-1,018
Impairment of securities	-23	0
Income from securities and loans	1,886	1,640
	9,044	1,125

The impairment losses recognized on other investments and loans mainly concern available-for-sale financial instruments that are measured at amortized cost.

(9) Income taxes

in € thousands	2012/13	2011/12
Current taxes	-54,809	-61,351
Deferred taxes	27,800	-1,506
	-27,009	-62,857

Current taxes include domestic income taxes and comparable foreign income taxes that are calculated in accordance with the local tax laws valid for each subsidiary.

For individual Group companies, deferred tax items are recognized for temporary differences between carrying amounts for tax reporting and the carrying amounts recognized under IFRS, as well as for consolidation measures recognized in profit or loss. Deferred tax assets are also recognized for unused tax losses that can be reasonably expected to be realized in the near future. The average income tax rate for German companies is 29.84% (previous year: 29.84%).

Deferred taxes are calculated at the tax rates valid in the respective countries.

Deferred tax income arising from temporary differences amounted to €36,154 thousand (previous year: €2,781 thousand).

The deferred tax expense from unused tax losses came to €8,354 thousand in the 2012/13 fiscal year. This amount essentially comprises impairment losses of €1,072 thousand recorded on deferred tax assets recognized in the 2011/12 fiscal year, reductions of €9,835 thousand in deferred tax assets on unused tax losses due to adjustments to the tax losses brought forward from the previous year, income of €3,214 thousand from the recognition of new deferred tax assets on the unused tax losses of the reporting period, expenses of €13,309 thousand from the utilization of unused tax losses recognized in the previous year as well as income of €11,891 thousand from the recognition of previously unrecognized unused tax losses.

The deferred tax expense from unused tax losses came to €4,287 thousand in the 2011/12 fiscal year. This mainly included write-downs of deferred tax assets recognized in the 2010/11 fiscal year amounting to €7,793 thousand, the reduction of deferred tax assets recognized on unused tax losses due to the adjustment of unused tax losses from the previous year of €13,162 thousand and income of €15,914 thousand from the recognition of deferred tax assets on unused tax losses in the fiscal year. The effects arising from use of the unused tax losses recognized in the previous year mostly reflected the new unused tax losses recognized.

In addition, there was a reduction of €7 thousand (previous year: €811 thousand) in current income taxes from the use of previously unrecognized deferred tax assets on unused tax losses.

As at September 30, 2013, unused tax losses of €477 thousand (previous year: €6,075 thousand) for German trade and corporate income taxes, plus another €458,077 thousand (previous year: €415,015 thousand) for German trade tax, plus €106,722 thousand (previous year: €122,677 thousand) for previously non-deductible interest expenses under German law, were not recognized as deferred tax assets as there was no reasonable expectation that the related deferred tax assets would be realized in the near future.

Due to the lack of an ability to utilize tax losses, no deferred tax assets were recognized on unused tax losses of €47,885 thousand relating to federal taxes levied by foreign governments (previous year: €50,871 thousand) as well as on unused tax losses of €84,506 thousand relating to state taxes levied by foreign governments (previous year: €84,252 thousand).

Owing to the ongoing tax field audit of the companies in Germany and abroad, further changes may be made to the unused tax losses.

In Germany, unused tax losses do not expire. Outside Germany, unused tax losses can normally be realized within no more than five to ten years.

The following table provides an overview of deferred taxes as at the reporting date:

	2013-09-30		2012-09-30	
in € thousands	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	7,893	68,749	9,278	70,146
Property, plant and equipment	11,487	50,911	4,648	57,337
Financial assets and securities	1,071	3,716	253	9,937
Inventories and receivables	37,415	66,622	32,580	64,910
Other assets	9,506	19,839	6,169	21,407
Pension provisions	36,482	2,412	40,862	1,663
Financial liabilities	8,617	8,099	4,334	5,122
Other provisions and liabilities	116,762	11,911	107,993	9,084
Tax effect on distributable earnings of Group entities	0	1,000	0	0
Impairments of deferred tax assets on temporary differences	-4,703		-10,688	
Unused tax losses	53,385		64,584	
Netting	-131,708	-131,708	-114,508	-114,508
Disclosure in the balance sheet	**146,207**	**101,551**	145,505	125,098

As far as the origin of the deferred taxes relating to other comprehensive income is concerned, refer to note 19.

Reconciliation of expected and effective tax expense:

The income of Voith GmbH and its subsidiaries in Germany is subject to corporate income tax and trade tax. Profits earned outside Germany are taxed at the current rates valid in the countries concerned. Expected tax expenses were calculated based on a tax rate of 29.84 % (previous year: 29.84 %) that takes into account the legal structure of the Voith Group relevant for tax purposes.

in € thousands	2012/13	2011/12
Profit before income tax	90,310	176,846
Expected tax expenses	26,948	52,771
Deviations from expected tax rates	-3,406	3,211
Effect of changes in tax rates	-210	-2,884
Tax-free income	-3,733	-5,053
Non-deductible expenses	20,999	23,735
Taxes relating to other periods	-19,594	-18,471
Change in impairments of deferred tax assets	4,681	8,287
Other tax effects	1,324	1,261
Income taxes	**27,009**	62,857
Effective tax rate (%)	29.9 %	35.5 %

No deferred taxes were recognized on temporary differences of €734,422 thousand (previous year: €750,306 thousand) arising on investments in subsidiaries, since the criteria specified in IAS 12.39 were met.

5 % of distributions by foreign subsidiaries to Germany are subject to German taxation. In addition, withholding taxes and dividend-related taxes abroad are also incurred. Further income tax implications must also be observed in the case of distributions from subsidiaries abroad to another foreign entity. The potential tax effects were not calculated because it is impracticable to do so.

Notes to the consolidated balance sheet

(10) Intangible assets

Development of intangible assets from October 1, 2011 to September 30, 2012

in € thousands	Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets	Goodwill	Development costs	Prepayments	Total
Cost 2011-10-01	199,754	642,194	115,750	1,620	959,318
Changes in the consolidated Group	13,275	29,558	0	0	42,833
Currency translation differences	1,189	4,228	150	0	5,567
Additions	22,555	0	18,562	0	41,117
Capitalized interest	0	0	224	0	224
Disposals	-4,411	0	-702	-1,471	-6,584
Other adjustments	-336	769	-136	0	297
Transfers	1,718	0	-593	-129	996
Reclassification to assets held for sale	0	0	0	0	0
Cost 2012-09-30	233,744	676,749	133,255	20	1,043,768
Accumulated amortization and impairments 2011-10-01	-127,899	-54,179	-59,183	0	-241,261
Currency translation differences	-569	0	-90	0	-659
Amortization	-20,929	0	-10,928	0	-31,857
Impairment losses	-1	0	-3,601	0	-3,602
Disposals	3,870	0	489	0	4,359
Transfers	-373	0	67	0	-306
Reclassification to assets held for sale	0	0	0	0	0
Other adjustments	52	0	136	0	188
Accumulated amortization and impairments 2012-09-30	-145,849	-54,179	-73,110	0	-273,138
Carrying amount 2012-09-30	87,895	622,570	60,145	20	770,630

Impairment losses of €5,600 thousand were recognized on capitalized development costs and other intangible assets in association with the planned discontinuation of a product group in the Rail division at Voith Turbo (presented in the statement of income under the result from non-recurring items). The recoverable amount used in the impairment test equates with the value in use, whereby a discount rate of 6.2% was applied. In the previous year an impairment loss of €3,500 thousand was recorded on the same product group based on updated economic feasibility studies.

Impairment losses of €1,027 thousand were recorded on goodwill with regard to the planned sale of a subsidiary in the Voith Industrial Services segment (reported under the result from non-recurring items, see note 18 for more information).

Development of intangible assets from October 1, 2012 to September 30, 2013

in € thousands	Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets	Goodwill	Development costs	Prepayments	Total
Cost 2012-10-01	**233,744**	**676,749**	**133,255**	**20**	**1,043,768**
Changes in the consolidated Group	2,996	3,691	0	0	6,687
Currency translation differences	-4,123	-3,413	-63	0	-7,599
Additions	8,724	0	19,498	1,177	29,399
Capitalized interest	0	0	72	0	72
Disposals	-5,437	-664	-13	-42	-6,156
Other adjustments	343	0	0	26	369
Transfers	1,032	0	-793	130	369
Reclassification to assets held for sale	0	-1,027	0	0	-1,027
Cost 2013-09-30	**237,279**	**675,336**	**151,956**	**1,311**	**1,065,882**
Accumulated amortization and impairments 2012-10-01	**-145,849**	**-54,179**	**-73,110**	**0**	**-273,138**
Currency translation differences	3,094	0	39	0	3,133
Amortization	-20,245	0	-10,700	0	-30,945
Impairment losses	-96	-1,027	-7,685	0	-8,808
Disposals	5,353	0	0	0	5,353
Transfers	-72	0	471	0	399
Reclassification to assets held for sale	0	1,027	0	0	1,027
Other adjustments	-244	0	0	0	-244
Accumulated amortization and impairments 2013-09-30	**-158,059**	**-54,179**	**-90,985**	**0**	**-303,223**
Carrying amount 2013-09-30	**79,220**	**621,157**	**60,971**	**1,311**	**762,659**

Further impairment losses of €2,181 thousand were recognized on capitalized development costs at Voith Turbo in the period under review on the basis of updated economic feasibility studies.

In the previous year, impairment losses of €101 thousand were recognized on development costs in the Voith Paper segment.

Capitalized interest is based on an interest rate of 4.4% (previous year: 4.4%).

(11) Property, plant and equipment

Development of property, plant and equipment from October 1, 2011 to September 30, 2012

in € thousands	Land and buildings including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepay-ments and assets under construction	Total
Cost 2011-10-01	774,441	1,379,695	537,208	74,570	2,765,914
Changes in the consolidated Group	0	1,163	421	0	1,584
Currency translation differences	7,572	21,917	3,607	205	33,301
Additions	19,262	42,238	50,235	119,050	230,785
Capitalized interest	0	0	0	2,071	2,071
Disposals	-4,690	-29,159	-27,754	-4,545	-66,148
Transfers	4,633	22,442	4,072	-32,143	-996
Reclassification to assets held for sale	0	0	0	0	0
Other adjustments	424	2,122	-2,493	0	53
Cost 2012-09-30	801,642	1,440,418	565,296	159,208	2,966,564
Accumulated depreciation and impairments 2011-10-01	-317,254	-910,093	-376,522	0	-1,603,869
Currency translation differences	-3,517	-15,606	-2,891	0	-22,014
Depreciation	-18,519	-77,145	-49,679	0	-145,343
Impairment losses	-310	-903	-297	0	-1,510
Disposals	3,122	27,437	25,582	0	56,141
Transfers	75	-124	355	0	306
Reclassification to assets held for sale	0	0	0	0	0
Reversal of impairments	2,112	23	0	0	2,135
Other adjustments	-260	-2,407	1,968	0	-699
Accumulated depreciation and impairments 2012-09-30	-334,551	-978,818	-401,484	0	-1,714,853
Carrying amount 2012-09-30	467,091	461,600	163,812	159,208	1,251,711

Development of property, plant and equipment from October 1, 2012 to September 30, 2013

in € thousands	Land and buildings including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepay-ments and assets under construction	Total
Cost 2012-10-01	**801,642**	**1,440,418**	**565,296**	**159,208**	**2,966,564**
Changes in the consolidated Group	0	15	1,169	27	1,211
Currency translation differences	-19,204	-45,041	-9,558	-6,044	-79,847
Additions	14,774	35,604	49,119	63,466	162,963
Capitalized interest	757	1,320	0	2,231	4,308
Disposals	-7,719	-38,951	-22,146	-1,632	-70,448
Transfers	43,558	69,752	-2,015	-111,664	-369
Reclassification to assets held for sale	-8,234	-1,332	-335	-1,212	-11,113
Other adjustments	-202	221	394	0	413
Cost 2013-09-30	**825,372**	**1,462,006**	**581,924**	**104,380**	**2,973,682**
Accumulated depreciation and impairments 2012-10-01	**-334,551**	**-978,818**	**-401,484**	**0**	**-1,714,853**
Currency translation differences	5,829	29,138	6,420	0	41,387
Depreciation	-18,604	-80,480	-46,861	0	-145,945
Impairment losses	-13,398	-4,547	-5,018	0	-22,963
Disposals	5,331	33,860	20,177	0	59,368
Transfers	37	-2,116	1,680	0	-399
Reclassification to assets held for sale	5,176	1,011	198	0	6,385
Reversal of impairments	0	0	0	0	0
Other adjustments	268	450	-293	0	425
Accumulated depreciation and impairments 2013-09-30	**-349,912**	**-1,001,502**	**-425,181**	**0**	**-1,776,595**
Carrying amount 13-09-30	**475,460**	**460,504**	**156,743**	**104,380**	**1,197,087**

Impairment losses were recognized in the previous year for individual product areas of the Voith Turbo segment, each of which constitutes a cash-generating unit. In detail, impairment losses of €1,075 thousand were recorded on machinery at one cash-generating unit in the 2011/12 fiscal year. An impairment loss of €2,112 thousand recorded on the shared assets of this cash-generating unit (land and buildings) in earlier accounting periods was reversed in the 2011/12 fiscal year. The values used in the impairment tests corresponded to fair value less costs to sell. As there was no active market, discounted cash flow projections were used for this purpose based on an objective purchaser perspective. In the 2012/13 fiscal year impairment losses of €7,849 thousand were recorded on the shared assets of these product areas due to the plans to discontinue this operation. The recoverable amount used for the calculation corresponded to the fair value less costs to sell in each case. The land and buildings were valued based on the sales market.

Impairment losses totaling €10,279 thousand were also recognized in the 2012/13 fiscal year on individual assets of a product group (land, plant and machinery and other equipment, furniture and fixtures) of the Rail division at Voith Turbo due to the plans to discontinue the operation. The recoverable amount used for the calculation corresponded to the fair value less costs to sell in each case. The assets were valued on the basis of valuations by independent experts or offers made by third parties based on the sales markets.

Impairment losses were also needed at Voith Paper in the 2012/13 fiscal year in association with the downsizing of capacity described earlier in this report, involving an impairment loss of €1,148 thousand on an item of plant. The recoverable amount used for the calculation corresponded to the fair value less the costs to make the sale. This valuation was based on the price that could be obtained for the machine on the sales market.

Impairment losses of €2,772 thousand were recorded on land and buildings with regard to the planned sale of a subsidiary in the Voith Industrial Services segment (see note 18 for more information).

The impairment losses described above were presented in the statement of income under the result from non-recurring items.

Additional impairment losses of €843 thousand were recorded on property, plant and equipment at Voith Turbo, €42 thousand at Voith Industrial Services and €26 thousand at Voith Paper.

Further impairment losses due to reduced values in use were recorded at Voith Paper (€55 thousand), Voith Hydro (€310 thousand) and Voith Turbo (€70 thousand).

Impairment losses are generally shown in the statement of income under depreciation and amortization. Reversals of impairment losses are reported under other operating income. However, significant impairment losses, particularly those associated with the discontinuation of operations, are presented under the result from non-recurring items.

Due to the reassessment of the useful lives of certain items of machinery, depreciation increased by €4,616 thousand in the fiscal year. This depreciation charge is reported in the statement of income under the result from non-recurring items.

Capitalized interest is mostly based on an interest rate of 6.0% (previous year: 5.5%).

Of the prepayments and assets under construction, €40,365 thousand relates to buildings (previous year: €66,435 thousand), €59,144 thousand to plant and machinery (previous year: €88,449 thousand) and €4,871 thousand to non-production equipment (previous year: €4,324 thousand).

Property, plant and equipment includes the following assets:

Finance leases

in € thousands	2013-09-30	2012-09-30
Land	4,101	4,157
Plant and machinery	805	1,053
Other equipment, furniture and fixtures	254	470
	5,160	5,680

Buildings, plant and machinery and other equipment, furniture and fixtures classified as finance leases are stated under this item. The corresponding lease liabilities are shown as financial liabilities. The corresponding depreciation totals €415 thousand (previous year: €607 thousand).

No contingent rent was recognized in profit or loss.

(12) Investments accounted for using the equity method/other financial assets

Development of financial assets from October 1, 2011 to September 30, 2012

in € thousands	Investments accounted for using the equity method	Other investments	Long-term loans	Total
Cost 2011-10-01	30,511	50,548	11,265	92,324
Changes in the consolidated Group	0	0	0	0
Currency translation differences	155	0	119	274
Additions	11,248	5,455	1,702	18,405
Disposals	-4,554	-1,424	-2,025	-8,003
Transfers	0	2,000	-2,000	0
Other adjustments	0	274	0	274
Cost 2012-09-30	37,360	56,853	9,061	103,274
Accumulated amortization and impairments 2011-10-01	-1,278	-27,297	-3,100	-31,675
Currency translation differences	0	-12	-12	-24
Amortization				
Impairment losses	0	-498	-520	-1,018
Disposals	0	1,300	1,082	2,382
Transfers	0	-2,000	2,000	0
Accumulated amortization and impairments 2012-09-30	-1,278	-28,507	-550	-30,335
Carrying amount 2012-09-30	36,082	28,346	8,511	72,939

Development of financial assets from October 1, 2012 to September 30, 2013

in € thousands	Investments accounted for using the equity method	Other investments	Long-term loans	Total
Cost 2012-10-01	**37,360**	**56,853**	**9,061**	**103,274**
Changes in the consolidated Group	0	0	0	0
Currency translation differences	-2,551	0	-300	-2,851
Additions	9,044	7,794	839	17,677
Disposals	-6,624	-11,237	-1,363	-19,224
Transfers	667	-667	0	0
Other adjustments	1,653	-1,268	0	385
Cost 2013-09-30	**39,549**	**51,475**	**8,237**	**99,261**
Accumulated amortization and impairments 2012-10-01	**-1,278**	**-28,507**	**-550**	**-30,335**
Currency translation differences	0	-35	20	-15
Amortization				
Impairment losses	-608	-2,036	-742	-3,386
Disposals	0	0	0	0
Transfers	0	0	0	0
Accumulated amortization and impairments 2013-09-30	**-1,886**	**-30,578**	**-1,272**	**-33,736**
Carrying amount 2013-09-30	**37,663**	**20,897**	**6,965**	**65,525**

The disposal of other investments generated accounting gains of €348 thousand (previous year: €40 thousand). Since their fair value could not be reliably estimated, these investments had previously been recognized at amortized cost.

Investments accounted for using the equity method include investments in associates and shares in joint ventures (none of which were listed companies).

The carrying amount of shares in associates accounted for using the equity method comes to €27,343 thousand (previous year: €26,337 thousand). The profit from associates accounted for using the equity method comes to €5,417 thousand (previous year: €7,067 thousand). The following table summarizes the financial information of the most significant investments in associates (before adjusting to the relative shareholding held by Voith).

in € thousands	**2013-09-30**	2012-09-30
Equity	83,516	81,439
Liabilities	140,294	144,018
Total equity and liabilities	**223,810**	225,457
Sales	655,644	487,937
Net income for the year	14,809	11,709

The following table summarizes the financial information for material joint ventures, after adjusting to the relative shareholding held by the Voith Group in the respective joint venture:

in € thousands	2013-09-30	2012-09-30
Non-current assets	3,914	4,706
Current assets	9,206	9,141
Non-current liabilities	1,408	386
Current liabilities	5,834	6,720
Income	19,417	17,425
Expenses	19,827	17,183

Some of the entities accounted for using the equity method have reporting dates other than September 30 of a year. In those cases, interim financial statements as at September 30 are prepared for these entities unless the effect of the diverging reporting date is not material for the net assets and results of operations of the Voith Group.

(13) Inventories

Inventories consist of the following items:

in € thousands	2013-09-30	2012-09-30
Raw materials and supplies	241,802	275,840
Work in progress	270,067	307,401
Finished goods and merchandise	141,683	140,392
Prepayments	85,090	136,587
	738,642	860,220

Write-downs of inventories amounted to €25,126 thousand (previous year: €18,545 thousand) and were recognized as expenses. Prescribed reversals of write-downs totaling €7,114 thousand (previous year: €5,361 thousand) were recorded. These amounts are included in the cost of material.

As in the previous year, no inventories were assigned as collateral.

(14) Trade receivables

Trade receivables consist of the following items:

in € thousands	2013-09-30	2012-09-30
Trade receivables	967,125	1,003,016
Bad debt allowances	-33,412	-36,140
Receivables from customer-specific contracts	267,448	246,945
	1,201,161	1,213,821

Trade receivables are classified as current assets. As at September 30, 2013, the volume of receivables that was not expected to be realized within one year was €14,482 thousand (previous year: €12,526 thousand).

Of the total, €643 thousand (previous year: €2,956 thousand) of trade receivables are interest bearing.

As was the case in the previous year, no trade receivables serve as collateral for liabilities.

Movements in the allowance account for the impairment of trade receivables were as follows:

in € thousands	2013-09-30	2012-09-30
Impairment at the beginning of the fiscal year	**-36,140**	-43,515
Additions	-8,434	-7,767
Utilization	3,314	4,965
Reversal	6,166	9,783
Changes in consolidated Group/exchange differences	1,682	394
Impairment at the end of the fiscal year	**-33,412**	-36,140

Reversals totaling €6,166 thousand (previous year: €9,783 thousand) consist of the reversal of specific bad debt allowances of €5,511 thousand (previous year: €9,783 thousand) and portfolio-based allowances of €655 thousand (previous year: €0). Additions of €8,434 thousand (previous year: €7,767 thousand) consist of additions of specific bad debt allowances in the amount of €8,434 thousand (previous year: €6,642 thousand) and portfolio-based allowances of €0 (previous year: €1,125 thousand).

Credit insurance is used to manage default risk in trade receivables. Hermes cover is used to secure receivables from foreign customers.

Future receivables from customer-specific construction contracts recognized using the percentage-of-completion method are determined as follows:

in € thousands	2013-09-30	2012-09-30
Aggregate amount of costs incurred and recognized profits less recognized losses to date	5,097,724	4,796,216
Progress billings to date	-3,549,803	-3,119,751
Gross amount due from customers	1,547,921	1,676,465
Advances received (“progress billings”)	-1,324,033	-1,450,350
	223,888	226,115
Thereof receivables from construction contracts	240,174	232,612
Thereof liabilities from construction contracts	-16,286	-6,497

Receivables from customer-specific service contracts total €27,274 thousand (previous year: €14,333 thousand) and liabilities from customer-specific service contracts total €1,816 thousand (previous year: €621 thousand).

Further advances received for customer-specific contracts amounting to €758,998 thousand (previous year: €809,106 thousand) for which no contract costs have been incurred to date are included in other liabilities. This includes €10,208 thousand (previous year: €6,864 thousand) of advances received for customer-specific service contracts.

Sales relating to customer-specific contracts totaled €2,442,598 thousand (previous year: €2,299,294 thousand). This includes €173,402 thousand from service contracts (previous year: €128,516 thousand). Amounts billed to customers and progress billings are shown under trade receivables.

An amount of €9,227 thousand (previous year: €6,466 thousand) of progress billings is held as retentions by customers. Retentions are amounts of progress billings that are not paid by the customer until conditions specified in the contract are satisfied. This includes €221 thousand (previous year: €33 thousand) for service contracts.

(15) Other financial receivables and other assets

Other financial receivables

in € thousands	Current	Non-current	2013-09-30	Current	Non-current	2012-09-30
Derivatives used to hedge operational transactions	13,279	1,870	15,149	10,552	5,356	15,908
Derivatives used to hedge financial transactions	6,058	16,426	22,484	0	36,852	36,852
Financial receivables	35,368	50	35,418	41,848	86	41,934
Sundry financial assets	59,528	53,119	112,647	51,440	45,389	96,829
	114,233	**71,465**	**185,698**	103,840	87,683	191,523

Other assets

in € thousands	Current	Non-current	2013-09-30	Current	Non-current	2012-09-30
Prepaid expenses	27,892	12,225	40,117	27,267	13,943	41,210
Other non-financial assets	149,435	15,522	164,957	118,680	27,788	146,468
	177,327	**27,747**	**205,074**	145,947	41,731	187,678

At the reporting date, other assets totaling €33,618 thousand (previous year: €37,452 thousand) served to secure liabilities and contingent liabilities. They may be drawn on if the underlying obligations are not fulfilled or if the contingent liabilities are realized.

Impairment of financial receivables, other financial assets and other assets developed as follows:

in € thousands	2013-09-30	2012-09-30
Impairment at the beginning of the fiscal year	**-3,399**	-3,945
Additions	-460	-1,810
Utilization	28	2,049
Reversal	611	383
Changes in consolidated Group/exchange differences	157	-76
Impairment at the end of the fiscal year	**-3,063**	-3,399

Additions totaling €460 thousand (previous year: €1,810 thousand) consist of additions to specific allowances of €440 thousand (previous year: €1,810 thousand) and portfolio-based allowances of €20 thousand (previous year: €0). Reversals totaling €611 thousand (previous year: €383 thousand) consist of reversals of specific allowances of €433 thousand (previous year: €383 thousand) and portfolio-based allowances of €178 thousand (previous year: €0).

(16) Securities

Securities totaling €14,282 thousand (previous year after adjustments: €14,287 thousand) are used to cover future pension obligations.

(17) Cash and cash equivalents

This item mainly consists of time deposits held at banks.

in € thousands	2013-09-30	2012-09-30
Checks	112	23
Cash on hand	620	738
Cash equivalents	15,885	7,345
Cash at banks	884,350	908,788
	900,967	916,894

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

As in the previous year, no cash at banks served as collateral for liabilities.

(18) Assets held for sale and liabilities directly associated with assets classified as held for sale

Assets held for sale and liabilities directly associated with assets classified as held for sale relate to the planned sale of a subsidiary in the 2013/14 year in the Voith Industrial Services segment.

Assets held for sale of €11,436 thousand consist of property, plant and equipment of €4,726 thousand, inventories of €3,612 thousand, trade receivables of €2,973 thousand and other assets of €125 thousand. Liabilities directly associated with assets classified as held for sale of €5,400 thousand comprise trade payables of €1,857 thousand, provisions of €611 thousand and other liabilities of €2,932 thousand.

The losses anticipated from this divestment are taken into account by means of impairment losses of €1,027 thousand on goodwill and of €2,772 thousand on land and buildings. Both effects are reported in the result from non-recurring items.

The assets held for sale in the previous year of €1,270 thousand related to property, plant and equipment carried by the Voith Paper segment relating to a relocated production facility.

(19) Equity

Issued capital and revenue reserves

Since September 30, 2006, issued capital in Voith GmbH of €120,000 thousand has, without change, been held by company shareholders (until September 30, 2010: ordinary shareholders) in the form of 120,000,000 company shares (until September 30, 2010: 30,149,100 ordinary shares).

The revenue reserves consist of retained earnings generated by Voith GmbH and its consolidated subsidiaries.

Other reserves

Other reserves include the effects of currency translation of foreign subsidiaries, gains/losses from available-for-sale securities and cash flow hedges pursuant to IAS 39, and gains and losses on hedges of net investments as defined by IAS 21.

The statement of comprehensive income shows the gains and losses on individual components of "other reserves" which are recognized directly in equity.

Other comprehensive income consists of:

in € thousands	2012/13	2011/12
Gains/losses on available-for-sale financial assets	**-20,226**	-54,505
· Gains/losses in the current period	-20,226	-54,505
· Transfers to profit and loss	0	0
Gains/losses on cash flow hedges	**-409**	1,090
· Gains/losses in the current period	-409	-1,602
· Transfers to profit and loss	0	2,692
Gains/losses on currency translation	**-64,963**	17,684
· Gains/losses in the current period	-64,963	17,684
Gains/losses from currency translation of net investments in foreign operations	**-2,023**	2,885
· Gains/losses in the current period	-2,133	2,885
· Transfers to profit and loss	110	0
Share of associates in other comprehensive income (cash flow hedges)	**94**	0
Tax attributable to other comprehensive income	**1,892**	15,669
Other comprehensive income	**-85,635**	-17,177

Deferred taxes on the components of other comprehensive income are as follows:

	2013			2012		
in € thousands	Pre-tax	Deferred taxes	After tax	Pre-tax	Deferred taxes	After tax
Gains/losses on available-for-sale financial assets	-20,226	1,256	-18,970	-54,505	16,121	-38,384
Gains/losses on cash flow hedges	-315	139	-176	1,090	-20	1,070
Gains/losses on currency translation	-64,963		-64,963	17,684		17,684
Gains/losses from currency translation of net investments in foreign operations	-2,023	497	-1,526	2,885	-432	2,453
Other comprehensive income	**-87,527**	**1,892**	**-85,635**	-32,846	15,669	-17,177

Profit participation rights

Pursuant to the criteria defined in IAS 32, the Group's profit participation rights, with a nominal volume of €103,400 thousand (previous year: €98,400 thousand) constitute Group equity. The rights in question are lower-ranking bearer profit participation rights with variable compensation, no bullet maturity and no right of termination on the part of the creditors. A subsidiary issued profit participation rights amounting to €76,800 thousand in the 2006/07 fiscal year. The same subsidiary issued an additional €15,000 thousand in the 2010/11 fiscal year. The same subsidiary again issued an additional €5,000 thousand in the 2012/13 fiscal year. Back in the 2008/09 fiscal year, what was then Voith AG issued profit participation rights totaling €6,600 thousand. Subject to the approval of the appropriate governing body, profits totaling €5,501 thousand are scheduled to be distributed for the total items for the 2012/13 fiscal year.

Holders of non-controlling interests

The major portion of non-controlling interests is held by the co-owners of the subsidiaries P3 Voith Aerospace Holding GmbH, Rif Roll Cover Srl, Italy, Voith Fuji Hydro K.K., Japan, Voith IHI Paper Technology Co, Ltd., Japan, Voith Hydro Shanghai Ltd., China, and Voith Paper Fabrics India Ltd., India.

Appropriation of net income at Voith GmbH

The Board of Management proposes to pay a dividend of €0.13 per share (€15,000 thousand in total) out of the unappropriated retained earnings of Voith GmbH, and to carry forward the remaining €120,994 thousand. The dividend distributed in the fiscal year amounted to €15,000 thousand (previous year: €0). The distribution per share in the fiscal year amounted to €0.13 per share (previous year: €0 per share).

Additional disclosures on capital management

Voith is a family-owned company. As such, it is obliged to maintain a robust and sustainable financial profile that enables the Group to meet its earnings and growth targets.

Voith manages capital with the aim of maximizing the return on capital. Equity and interest-bearing financial liabilities are those elements of Group capital that are of relevance to capital management activities.

in € thousands	2013-09-30	2012-09-30
Equity	1,318,765	1,383,538
Interest-bearing financial liabilities	1,172,365	1,234,081
	2,491,130	2,617,619

Year on year, equity fell by 5% in the period under review. The net income for the year made a positive contribution to the development of equity. The reduction in equity is primarily due to currency effects, dividend payments and effects from marking securities to market. The interest-bearing financial liabilities fell by 5%, i.e. remained essentially stable. For details on the composition of interest-bearing financial liabilities, refer to note 22.

The articles of association of Voith GmbH do not set forth any specific capital requirements.

(20) Provisions for pensions and similar obligations

Provisions for pensions are recognized for benefit obligations in the form of retirement, invalidity and surviving dependents' benefits payable under pension plans. The benefits provided by the Group vary according to legal, fiscal and economic framework conditions of the country concerned and are usually based on the length of employee service and level of remuneration.

The Group's post-employment benefits include both defined benefit plans and defined contribution plans. In the case of defined contribution plans, the Company pays contributions to state or private pension schemes based either on legal or contractual requirements or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Company. Current contributions are recognized as pension expenses in the period concerned. In 2013, they amounted to €131,832 thousand for the Voith Group as a whole (previous year: €129,713 thousand).

The majority of the pension plans are defined benefit plans that take the form of unfunded or funded schemes.

The pension provisions for defined benefit plans are determined in accordance with IAS 19 using the internationally recognized projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations earned at the end of the period under review. Pension provisions are calculated taking into account development assumptions for those factors which affect the benefit amount. All defined benefit plans require actuarial valuations.

Owing to their benefit status, the obligations of the US Group companies in particular in respect of post-retirement medical care are also carried under provisions for pensions. These post-retirement benefit provisions take into account the expected long-term rise in medical costs.

Insofar as foreign Group companies have plan assets, these consist essentially of stocks, fixed-interest bonds and real estate. Insurance cover forms the plan assets of domestic companies. The plan assets of the Group companies do not include any financial instruments issued by entities of the Voith Group.

in € thousands	2013-09-30	2012-09-30	2011-09-30	2010-09-30	2009-09-30
Present value of funded benefit obligations	237,675	265,097	214,550	220,334	190,976
Fair value of plan assets	-176,068	-177,826	-154,625	-150,552	-118,429
Deficit	61,607	87,271	59,925	69,782	72,547
Present value of unfunded obligations	575,695	574,742	489,300	510,021	418,976
Effect of limits on capitalizable plan assets	0	0	0	9	0
Adjustment for minimum funding requirements	0	0	295	935	0
Unrecognized actuarial gains and losses	-178,497	-205,786	-99,937	-145,903	-61,592
Unrecognized past service costs	573	682	-9	-14	-338
Provision in the balance sheet	**459,378**	456,909	449,574	434,830	429,593
Thereof current	26,521	26,887	25,679	25,839	24,931

The present value of defined benefit obligations comprises the following items:

in € thousands	2013-09-30	2012-09-30
Defined benefit obligation at the beginning of the period	**839,839**	703,850
Current service cost	18,406	17,470
Interest cost (pursuant to IAS 19)	28,344	31,967
Actuarial losses(+)/gains(-)	-14,251	115,515
Past service cost	0	1,604
Changes in the consolidated Group	0	0
Plan settlements	-4,084	-1,674
Benefits paid	-36,942	-36,729
Other	-3,503	-3,678
Currency translation differences	-14,439	11,514
Defined benefit obligation at the end of the period	**813,370**	839,839

The development of plan assets is shown in the table below:

in € thousands	2013-09-30	2012-09-30
Fair value of plan assets at the beginning of the period	**177,825**	154,625
Expected returns on plan assets	10,217	9,471
Actuarial gains(+)/losses(-)	-3,701	7,591
Contributions to funds	13,085	11,445
Plan settlements	0	0
Benefits paid	-11,933	-12,818
Other	-187	-76
Currency translation differences	-9,238	7,587
Fair value of plan assets at the end of the period	**176,068**	177,825

The actual return on invested plan assets amounted to €6,516 thousand (previous year: return of €17,062 thousand).

The contributions that are expected to be paid into the plans in the following period under review amount to €17,694 thousand (previous year: €12,186 thousand).

The contributions to funds were mainly made by the employer.

The expected long-term rate of return on fund assets is calculated based on the portfolio's actual long-term returns, on historical returns in the market as a whole, and on forecasts of probable returns on the classes of securities held in the portfolio. These forecasts are based on the expected rate of return for comparable pension funds for the remaining service period (investment horizon) and on experience gathered by the managers of large portfolios and experts in the investment industry.

The fund assets consist of the following components:

in %	2013-09-30	2012-09-30
Securities	34%	16%
Bonds	44%	60%
Real estate	3%	3%
Other	19%	21%
	100%	100%

Actuarial gains or losses stem from changes in the portfolio and variances in actual trends (e.g. income and pension increases, interest rate changes) compared with the assumptions made in the calculations.

The following amounts were recorded in the statement of income.

in € thousands	2013-09-30	2012-09-30
Current service cost	18,406	17,470
Interest cost	28,344	31,967
Expected return on plan assets	-10,217	-9,471
Past service costs	8	2,319
Gains (-)/losses (+) on plan settlements	-4,084	-1,674
Recognized actuarial gains and losses	10,667	4,192
Effect of limits on the defined benefit asset	0	0

Current service cost, past service cost, the effects of plan curtailments or settlements and realized actuarial gains and losses that relate to defined benefit obligations are stated under personnel expenses. The effect arising from the limit on the defined benefit asset is recognized under other operating expenses. Expected returns on plan assets and realized actuarial gains and losses that relate to the plan assets are also recognized under other operating expenses. Interest cost on pension obligations is stated in the interest result.

The Voith Group's calculation of pension provisions is based on the following assumptions:

	Germany and Austria		USA	
in %	**2013-09-30**	2012-09-30	**2013-09-30**	2012-09-30
Discount rate	3.5%	3.5%	4.5%	3.5%
Expected return on plan assets	4.5%	4.5%	6.5%	6.5%
Salary increases	3.0%	3.0%	1.8%	2.0%
Pension increases	2.0%	2.0%	0%	0%
Annual increase in healthcare costs				
Initial medical trend rate (pre-65/post-65)			7.8%/7.3%	8.0%/7.5%
Ultimate medical trend rate (pre-65/post-65)			5.0%	5.0%

If healthcare costs increased by 1%, current service cost and interest cost would increase by a total of €53 thousand (previous year: €13 thousand), while the present value of pension obligations would increase by €254 thousand (previous year: €321 thousand). If costs decreased by 1%, current service cost and interest expenses would decrease by a total of €18 thousand (previous year: €14 thousand) and the present value of pension obligations by €296 thousand (previous year: €338 thousand).

Experience adjustments, i.e. the effects of deviations between previous actuarial assumptions and what actually occurred, are shown in the table below:

in %	**2013-09-30**	2012-09-30	2011-09-30	2010-09-30	2009-09-30
Difference between projected assumptions and actual values (gains (+)/losses (-))					
– As a percentage of the present value of the defined benefit obligations	-0.4%	-1.0%	+0.6%	-1.7%	-0.6%
– As a percentage of the fair value of plan assets	-2.1%	+4.3%	+0.7%	+2.4%	-9.8%

(21) Other provisions

The development of provisions is shown below:

in € thousands	2012-09-30	Change in the consolidated Group	Utilization	Additions	Reversals	Transfers	Discounting effect	Currency translation differences	2013-09-30
Personnel-related provisions	94,792	-474	-18,473	21,510	-5,091	0	220	-1,417	91,067
Other tax provisions	7,777	0	-3,309	6,690	-748	561	0	-675	10,296
Warranty provisions	202,067	0	-73,375	88,746	-25,460	279	117	-4,648	187,726
Other contract-related provisions	74,516	2,087	-31,154	56,774	-16,235	-885	22	-961	84,164
Sundry provisions	140,288	-151	-42,406	117,072	-2,833	4,666	546	-2,177	215,005
	519,440	**1,462**	**-168,717**	**290,792**	**-50,367**	**4,621**	**905**	**-9,878**	**588,258**

	2013-09-30		2012-09-30	
in € thousands	< 1 year	> 1 year	< 1 year	> 1 year
Personnel-related provisions	23,141	67,926	25,588	69,204
Other tax provisions	9,608	688	6,929	848
Warranty provisions	127,076	60,650	139,396	62,671
Other contract-related provisions	66,745	17,419	65,255	9,261
Sundry provisions	107,551	107,454	75,924	64,364
	334,121	**254,137**	313,092	206,348

Refund claims totaling €11,788 thousand (previous year: €0) relating to provisions were capitalized in the reporting period.

Personnel-related provisions mainly comprise phased retirement and long-service bonuses. In the case of provisions for phased retirement, the amount and maturity of the future payments to be made to the beneficiaries are uncertain. Warranty provisions are accrued for statutory and contractual obligations as well as for non-contractual warranty. Other contract-related provisions include obligations for services still to be rendered on customer orders, or parts of orders, that have been billed, obligations for service and maintenance contracts and for commission provisions. In these cases, the amount and timing of future expenses hinges on completion of the orders concerned. Among other items, other provisions cover the obligations related to changes in the size of the workforce and restructuring (see note 7 for more details). Most of the underlying measures will be completed within the next two fiscal years in keeping with the contracts.

(22) Bonds, bank loans and other interest-bearing financial liabilities

Financial liabilities include the following items:

in € thousands	**Current**	**Non-current**	**2013-09-30**	Current	Non-current	2012-09-30
Bonds	138,994	707,885	846,879	0	871,019	871,019
Bank loans	112,540	77,732	190,272	156,020	48,691	204,711
Financial liabilities from leases	681	1,675	2,356	713	2,399	3,112
Notes payable	335	0	335	1,434	39	1,473
Derivatives used to hedge financial transactions	0	0	0	0	0	0
Other financial liabilities	55,964	76,559	132,523	75,193	78,573	153,766
	308,514	**863,851**	**1,172,365**	233,360	1,000,721	1,234,081

Financial liabilities totaling €382 thousand (previous year: €536 thousand) are secured by other assets.

The Voith Group's current and non-current bonds and its bank loans are denominated in the following currencies:

in € thousands	**2013-09-30**	2012-09-30
Euro	598,720	606,922
US dollar	269,102	289,473
Chinese renminbi	131,040	126,751
Swedish krona	25,361	33,895
Other currencies	12,928	18,689
	1,037,151	1,075,730

Notes on net debt

Net debt as the difference between financial liabilities and realizable financial assets is an important indicator for banks, analysts and rating agencies. This indicator is not covered by the accounting policies based on the International Financial Reporting Standards (IFRS) and its definition and calculation may diverge from the practice of other companies.

In contrast to the carrying amount, which is based on the effective interest method, the indicator is calculated by measuring financial liabilities at their higher nominal repayment amount.

Net debt as defined in the Company includes the items:

in € thousands	2013-09-30	2012-09-30
Bank loans	190,272	204,711
Bonds*	860,541	887,819
Other interest-bearing financial liabilities	135,214	158,351
Securities	-273,637	-266,073
Cash and cash equivalents	-900,967	-916,894
Other realizable financial receivables and loans	-66,752	-89,448
	-55,329	-21,534

* Based on measurement at the repayment amount, bonds are included at an amount which is €14 million higher (previous year: €17 million) than the carrying amount.

Lease liabilities relate solely to finance lease obligations. The underlying lease contracts are structured to include a purchase option. Finance lease liabilities are settled during the contractual period and had the following maturities as at the reporting date.

in € thousands	2013-09-30	2012-09-30
Total future minimum lease payments (gross)	**2,596**	3,645
· Due in less than one year	748	843
· Due between one and five years	1,210	1,878
· Due in more than five years	638	924
Present value of future minimum lease payments	**2,356**	3,112
· Due in less than one year	681	713
· Due between one and five years	1,070	1,584
· Due in more than five years	605	815
Interest component of future minimum lease payments	**240**	533

(23) Trade payables

in € thousands	2013-09-30	2012-09-30
Trade payables	544,881	550,395
Liabilities from construction contracts	18,102	7,118
	562,983	557,513

€2,289 thousand (previous year: €3,933 thousand) of trade payables is due in more than one year.

(24) Other financial liabilities/other liabilities

Other financial liabilities

in € thousands	Current	Non-current	2013-09-30	Current	Non-current	2012-09-30
Derivatives used to hedge operational transactions	12,854	3,137	15,991	16,538	4,454	20,992
Personnel-related liabilities	130,209	6,566	136,775	130,977	5,881	136,858
Sundry financial liabilities	174,905	8,373	183,278	169,503	9,427	178,930
	317,968	**18,076**	**336,044**	317,018	19,762	336,780

At fiscal year-end, personnel and social security liabilities included outstanding annual bonus payments and unpaid wages, salaries and social security contributions.

Other liabilities

in € thousands	Current	Non-current	2013-09-30	Current	Non-current	2012-09-30
Tax liabilities	76,428	22,357	98,785	82,459	25,113	107,572
Advances received	913,177	0	913,177	1,020,610	0	1,020,610
Deferred liabilities	6,505	12,507	19,012	4,060	19,172	23,232
Sundry liabilities	89,401	23,312	112,713	97,206	22,860	120,066
	1,085,511	**58,176**	**1,143,687**	1,204,335	67,145	1,271,480

Tax liabilities principally relate to sales tax (VAT).

Government grants

in € thousands	2012/13	2011/12
As at October 1	8,424	7,803
Granted during the fiscal year	570	1,738
Realized in profit or loss	-700	-1,117
Repayment obligations	-2,998	0
As at September 30	**5,296**	8,424

Grants totaling €5,206 thousand (previous year: €8,327 thousand) were issued for capital spending on non-current assets. €139 thousand thereof (previous year: €3,661 thousand) was granted subject to the condition that the assets would be kept in operating assets for at least five years. A provision of €7,447 thousand (previous year: €746 thousand) was formed for unfulfilled conditions and other contingencies.

Grants for other expenses were granted for a figure of €90 thousand (previous year: €97 thousand).

Grants totaling €3,233 thousand (previous year: €2,378 thousand) were received. Of this amount €620 thousand (previous year: €1,260 thousand) was for capital spending on non-current assets and €2,613 thousand (previous year: €1,118 thousand) was for other expenses.

In addition, further grants totaling €2,029 thousand (previous year: €1,484 thousand) were netted with cost items.

Notes to the consolidated cash flow statement

In the 2012/13 fiscal year, the change in securities was made up of cash inflows totaling €120,604 thousand (previous year: €98,621 thousand) and cash outflows totaling €153,361 thousand (previous year: €102,269 thousand).

Disclosures required relating to the acquisition of consolidated entities are provided in the section on “Business combinations in the 2012/13 fiscal year”.

Cash and cash equivalents include checks, cash on hand, cash equivalents and cash at banks.

Notes on segment reporting

Information on the segment data

Business is managed according to the different products and industries and corresponds to the internal reporting structure to the management of Voith GmbH. The structure of the segments has remained unchanged compared to September 30, 2012.

Segment data is essentially compiled using the same presentation and measurement methods as the consolidated financial statements. Intercompany sales are effected at market prices and intersegment transactions and business are all undertaken in accordance with the accounting policies used for the consolidated financial statements.

In the Voith Group, the key indicator to assess and manage the individual segments is return on capital employed (ROCE). The calculation of ROCE is defined as profit from operations in relation to the average capital employed.

Profit from operations is the basis for calculating ROCE and thus a key management indicator. Basically, it is an operational indicator derived from external reporting, the operational result prior to non-recurring items. In line with the calculation of profit from operations, the following profit/loss components are taken into consideration:

Operating interest income
Operating interest income is defined as interest received by the Company on the long-term financing of receivables from customers or as the imputed interest effect attributable to that portion of customer advances that is not used to finance inventories and PoC receivables.

Other adjustments
Other adjustments contain effects which, based on their operating character, are normally shown as other operating income and expenses in the consolidated statement of income. In determining the profit from operations, these adjustments are eliminated as non-recurring effects so as to facilitate the assessment of the operating activities by segment.

Capital employed is defined as operating net assets. It is the aggregate of property, plant and equipment and intangible assets (excluding goodwill), inventories, trade receivables, other non-interest-bearing assets and income tax assets as well as prepaid expenses less trade payables, non-interest-bearing liabilities and income tax liabilities as well as deferred income and advances received, which are deducted up to the amount of inventories and PoC receivables.

The capital employed on the reporting date is an average value derived from the values as at the end of the period under review, the reporting date for the previous six-monthly financial statements and as at the end of the previous period under review. In contrast to the provisions of IAS 21 the assets and liabilities of foreign subsidiaries are translated at the average exchange rate for the period under review. Owing to the use of averages, the capital employed cannot be reconciled to the figures in the consolidated balance sheet on any given reporting date.

Consolidation entries were taken into account in full when the capital employed was calculated.

Capital expenditures concern intangible assets (excluding goodwill) and property, plant and equipment. Additions due to business combinations are not included.

Sales are broken down regionally, based on the customer's domicile. Non-current assets, consisting of property, plant and equipment, goodwill and other intangible assets are allocated based on the location of the asset.

Information on the activities in the segments

Voith Hydro is a joint venture with Siemens that combines the strength of two major hydro power component suppliers to create a leading, full-line supplier for hydro power plants. Its key products are Francis, Pelton, Kaplan, bulb and pump turbines. The Group Division also produces generators and generator drive units for all kinds of turbines, as well as excitation and diagnostic systems, frequency convertors, insulation systems, switching systems for all voltages and transformers.

Voith Industrial Services is one of the leading providers of technical, consulting and management services in industrial contexts.

Voith Paper is a leading provider of complete process lines for the papermaking industry. An established process supplier to the paper industry worldwide, Voith has amassed a wealth of experience covering everything from fiber technology through processing to printing technology. Voith develops solutions that span the entire papermaking process, from fiber to finished paper—and this is true for every type of paper: graphic grades, board, packaging papers, tissue paper and speciality papers. Voith is also one of the global leading manufacturers of forming fabrics, wet felts and dryer fabrics for the world's pulp and paper industry.

Voith Turbo specializes in mechanical, hydrodynamic and electronic drive and braking systems for road, rail, marine and industrial applications. Voith Turbo crafts customized solutions ranging from individual machines to end-to-end process solutions.

Operating and reportable segments as defined in IFRS 8 are identical.

Segment information by business segment

in € millions	Voith Hydro 2012/13	Voith Hydro 2011/12	Voith Industrial Services 2012/13	Voith Industrial Services 2011/12
External sales	1,388	1,315	1,185	1,101
Sales with other segments	5	7	27	28
Total segment sales	1,393	1,322	1,212	1,129
Profit from operations	107	100	30	41
Depreciation and amortization of property, plant and equipment and intangible assets[2)]	28	30	18	17
Investments[3)]	33	37	19	17
Segment goodwill	15	15	236	237
Average capital employed	505	530	238	201
ROCE	21.1 %	18.9 %	12.6 %	20.3 %
Employees[4)]	5,323	5,087	21,032	19,984

[1)] Subtotal for Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.

[2)] Excluding depreciation and amortization included in the result from non-recurring items, as not included in profit from operations.

[3)] Excluding additions due to new acquisitions and financial assets.

[4)] Statistical number of persons employed at fiscal year-end.

Voith Paper		Voith Turbo		Total Core Business[1]		Reconciliation		Total	
2012/13	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12
1,639	1,738	1,500	1,551	5,712	5,705	16	19	5,728	5,724
29	32	5	5	66	72	-66	-72	0	0
1,668	1,770	1,505	1,556	5,778	5,777	-50	-53	5,728	5,724
86	84	108	151	331	376	18	5	349	381
69	72	49	52	164	171	11	11	175	182
67	137	51	62	170	253	22	19	192	272
222	223	140	140	613	615	8	8	621	623
943	907	805	787	2,491	2,425	157	142	2,648	2,567
9.1%	9.3%	13.5%	19.2%	13.3%	15.5%			13.2%	14.8%
9,223	9,819	6,485	6,363	42,063	41,253	1,071	1,074	43,134	42,327

The two defined components "Operating interest income" and "Other adjustments" are not shown directly in the consolidated statement of income and are therefore disclosed separately in the following reconciliation of the profit from operations to income before taxes.

Reconciliation of total profit from operations to the Group's income before taxes:

in € millions	**2012/13**	2011/12
Profit from operations	**349**	381
Operating interest income	-37	-34
Other adjustments	-3	-5
Non-recurring result	-156	-95
Share of profits from associates	4	7
Interest result	-76	-78
Other financial result	9	1
Income before taxes	**90**	177

Segment information by region

External sales (registered office of customer)

in € millions		2012/13	2011/12
Germany		1,149	1,203
Other countries		4,579	4,521
	of which Europe	1,566	1,476
	of which Americas	1,514	1,541
	of which Asia	1,312	1,355
	· thereof China	738	825
	of which others	187	149
Total		**5,728**	5,724

Non-current assets

in € millions		2012/13	2011/12
Germany		968	1,002
Other countries		992	1,020
	of which Europe	276	290
	of which Americas	378	410
	· thereof USA	218	227
	of which Asia	335	317
	· thereof China	291	264
	of which others	3	3
Total		**1,960**	2,022

Other notes

Contingent liabilities, contingent assets and other financial obligations

Appropriate provisions have been recognized in the relevant Group companies to cover potential obligations arising from taxation, legal and arbitration proceedings.

Possible tax risks exist outside Germany concerning the tax recognition of expenses amounting to a maximum of €13 million (previous year: €12 million) for which an additional provision of €1 million (previous year: €3 million) was formed. The contingent liability relates to part of the overall obligation that is assumed to have a low probability of occurrence due to changed contractual bases.

In connection with the recognition of transfer prices outside Germany, there are additional risks of €5 million (previous year: €5 million) and of €23 million (previous year: €10 million) for legal disputes. A successful outcome is currently expected in both cases.

Owing to failure, due to an end customer, to comply with specific rules concerning the receipt of tax incentives outside Germany, the recognition of tax privileges is currently disputed by the tax authorities. The maximum risk is currently €9 million (previous year: €39 million), although the assessment undertaken by the lawyers engaged suggests that there is still a chance of the tax privileges being recognized or the Group otherwise being held harmless and that the maximum risk will not therefore materialize. The maximum risk has dropped considerably on the previous year over the course of the litigation.

Neither Voith GmbH nor any of its Group companies are involved in any current or foreseeable taxation, legal or arbitration proceedings that could materially influence their economic situation.

Owing to the ongoing tax field audit of the German companies, further changes may be made to tax items.

From the Voith Group's perspective, the Group might have rights to offset tax liabilities due to the tax authorities totaling approximately €9 million (previous year: €10 million) outside Germany. There are potential VAT credits of €8 million in Germany.

Contingent liabilities

The contingent liabilities listed below are stated at face value. No provisions were made to cover these contingencies, as the risk of their realization is regarded as low:

in € thousands	2013-09-30	2012-09-30
Guarantee obligations	36,649	37,939
Warranties	362	624
	37,011	38,563

Most of the guarantee obligations mature in 2022.

Other financial obligations

In addition to liabilities, provisions and contingent liabilities, the Voith Group also has other financial obligations, in particular those arising from rental and lease agreements for buildings, land, plant, machinery, and other non-production-related tools and equipment.

in € thousands	2013-09-30	2012-09-30
Purchase commitments for capital expenditures	25,898	52,313
Obligations arising from non-cancelable operating leases	140,440	129,209
Other	910	542
	167,248	182,064

Assets leased under operating leases led to cash outflows totaling €76,233 thousand (previous year: €72,251 thousand) in the period under review. These payments mostly related to leased passenger vehicles, machinery and buildings. The majority of leases run for between one and 15 years. Some companies have the option of extending their rental contracts.

The total of future minimum lease payments for non-cancelable operating leases is shown below, broken down by maturity.

in € thousands	2013-09-30	2012-09-30
Nominal value of future minimum lease payments		
· Due in less than one year	50,814	48,456
· Due between one and five years	69,895	62,099
· Due in more than five years	19,731	18,654
	140,440	129,209

Future minimum lease payments include €2,065 thousand (previous year: €3,713 thousand) from sale and leaseback transactions.

Compared to the future minimum lease payments, an immaterial amount of cash inflows is expected from non-cancelable subleases of assets.

The "Other" item under other financial obligations consists essentially of maintenance agreements.

An amount of €3,093 thousand (previous year: €3,160 thousand) was collected under operating leases in which Voith acts as the lessor. These mainly relate to leases for Group products for use in the long term. The leases run for between one and five years. In some cases, there is an option of extending the rental contracts.

The total of future minimum lease payments for non-cancelable operating leases in which Voith acts as the lessor is shown below:

in € thousands	2013-09-30	2012-09-30
Nominal value of future minimum lease payments		
· Due in less than one year	1,952	2,542
· Due between one and five years	2,090	2,673
· Due in more than five years	0	0
	4,042	5,215

Additional information on financial instruments

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category.

in € thousands	IAS 39 measurement category	Carrying amount 2013-09-30	Amount recognized in the balance sheet in accordance with IAS 39: Amortized cost	Amount recognized in the balance sheet in accordance with IAS 39: Cost	Amount recognized in the balance sheet in accordance with IAS 39: Fair value through equity	Amount recognized in the balance sheet in accordance with IAS 39: Fair value through profit or loss	Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2013-09-30
Assets:								
Cash and cash equivalents	LaR	900,967	900,967					900,967
Trade receivables	LaR	933,713	933,713					933,713
Receivables from construction contracts	LaR	267,448	267,448					267,448
Other financial assets and securities		301,499						
· Financial assets, loans and receivables	LaR	54,646	54,646					54,646
· Available-for-sale financial assets	AfS	241,831		20,897	220,934			220,934*
· Financial assets held for trading	FAHfT	0				0		0
· Financial assets at fair value through profit or loss	FAfvtpl	5,022				5,022		5,022
Derivative financial instruments		37,633						
· Derivatives not used for hedging	FAHfT	8,063				8,063		8,063
· Derivatives used for hedging	n.a.	29,570			162	29,408		29,570
Other receivables		148,065						
· Financial receivables	LaR	35,418	35,418					35,418
· Sundry financial assets	LaR	112,647	112,647					112,647
Liabilities:								
Trade payables	FLAC	544,881	544,881					544,881
Bonds/bank loans/notes	FLAC	1,037,486	1,037,486					1,132,419
Financial liabilities from leases	n.a.	2,356					2,356	
Derivative financial instruments		15,991						
· Derivatives not used for hedging	FLHfT	3,141				3,141		3,141
· Derivatives used for hedging	n.a.	12,850			183	12,667		12,850
Other financial liabilities	FLAC	132,523	132,523					132,523
Sundry financial liabilities	FLAC	320,053	314,053		6,000			320,053
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,304,839	2,304,839					
Available for sale (AfS)	AfS	241,831		20,897	220,934			
Financial assets held for trading (FAHfT)	FAHfT	8,063				8,063		
Financial assets at fair value through profit or loss (Fafvtpl)	FAfvtpl	5,022				5,022		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2,034,943	2,028,943		6,000			
Financial liabilities held for trading (FLHfT)	FLHfT	3,141				3,141		

*Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

in € thousands	IAS 39 measurement category	Carrying amount 2012-09-30	Amount recognized in the balance sheet in accordance with IAS 39				Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2012-09-30
			Amortized cost	Cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	916,894	916,894					916,894
Trade receivables	LaR	966,876	966,876					966,876
Receivables from construction contracts	LaR	246,945	246,945					246,945
Other financial assets and securities		302,930						
· Financial assets, loans and receivables	LaR	38,086	38,086					38,086
· Available-for-sale financial assets	AfS	260,629		28,346	232,283			232,283*
· Financial assets held for trading	FAHfT	0				0		0
· Financial assets at fair value through profit or loss	FAfvtpl	4,215				4,215		4,215
Derivative financial instruments		52,760						
· Derivatives not used for hedging	FAHfT	8,161				8,161		8,161
· Derivatives used for hedging	n.a.	44,599			587	44,012		44,599
Other receivables		138,763						
· Financial receivables	LaR	41,934	41,934					41,934
· Sundry financial assets	LaR	96,829	96,829					96,829
Liabilities:								
Trade payables	FLAC	550,395	550,395					550,395
Bonds/bank loans/notes	FLAC	1,077,203	1,077,203					1,170,446
Financial liabilities from leases	n.a.	3,112					3,112	
Derivative financial instruments		20,992						
· Derivatives not used for hedging	FLHfT	6,381				6,381		6,381
· Derivatives used for hedging	n.a.	14,611			139	14,472		14,611
Other financial liabilities	FLAC	153,766	153,766					153,766
Sundry financial liabilities	FLAC	315,788	315,788					315,788
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,307,564	2,307,564					
Available for sale (AfS)	AfS	260,629		28,346	232,283			
Financial assets held for trading (FAHfT)	FAHfT	8,161				8,161		
Financial assets at fair value through profit or loss (Fafvtpl)	FAfvtpl	4,215				4,215		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2,097,152	2,097,152					
Financial liabilities held for trading (FLHfT)	FLHfT	6,381				6,381		

*Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

IFRS 7.27 measurement categories

in € thousands	2013-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	225,956	225,956	0	0
Derivative financial instruments	37,633	0	37,633	0
Liabilities				
Derivative financial instruments	15,992	0	15,992	0

in € thousands	2012-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	236,498	236,498	0	0
Derivative financial instruments	52,760	0	52,760	0
Liabilities				
Derivative financial instruments	20,992	0	20,992	0

The three-level fair value hierarchy distinguishes between fair values based on the nature of the input parameters used for valuation, thereby revealing the extent to which observable market data is available for determining fair values. Three categories are distinguished:

Level 1:
Fair values are determined on the basis of quoted market prices.

Level 2:
Fair values are determined using valuation techniques in which the inputs are based on directly observable market data.

Level 3:
Fair values are determined using valuation techniques where the inputs are not based on directly observable market data.

Cash and cash equivalents, trade receivables and other financial receivables are subject to floating interest and fall due within one year. For this reason, their carrying amounts approximate their fair values on the reporting date.

Because trade payables and other financial liabilities generally have short residual terms, the carrying amounts approximate the fair values.

The market values of unlisted bonds, bank loans and other financial liabilities are calculated as the present value of the payments associated with the liabilities, based on the applicable term structure of interest rates and Voith GmbH's credit spread curve determined for different currencies.

Net gains or losses for each category of instrument:

2012/13

in € thousands	Impairments	Other net gains/ losses	Total
Loans and receivables	-2,859	-20,115	-22,974
Available-for-sale financial assets	-2,956	1,233	-1,723
Financial assets at fair value through profit or loss	0	179	179
Held-for-trading financial assets	0	1,878	1,878
Financial liabilities measured at amortized cost	0	9,099	9,099

2011/12

in € thousands	Impairments	Other net gains/ losses	Total
Loans and receivables	589	9,502	10,091
Available-for-sale financial assets	-1,040	1,182	142
Financial assets at fair value through profit or loss	0	871	871
Held-for-trading financial assets	0	-7,603	-7,603
Financial liabilities measured at amortized cost	0	-9,149	-9,149

For more information on the net gains and losses from available-for-sale financial assets without an effect on income, see note 19.

Interest income includes €12,812 thousand (previous year: €11,002 thousand) and interest expenses include €59,509 thousand (previous year: €61,149 thousand) for financial assets or financial liabilities not measured at fair value through profit or loss.

Risk management

Principles of financial risk management

The Voith Group is a global player. In the course of ordinary business, some of its liabilities, assets and transactions are exposed to risks arising from changes in interest rates and exchange rates. These risks could affect its net assets, financial position and results of operations. The aim of financial risk management is to manage and limit these risks.

The principles of the Group's financial policy are laid down by the Voith GmbH Board of Management and monitored by the Supervisory Board. Voith Finance GmbH, a wholly owned subsidiary of Voith GmbH, implements the financial policy and regularly reports to the Chief Financial Officer on the financial position of the Group and current risk exposures. Certain financial transactions require special approval by the Group's management. Long-term refinancing is undertaken by Voith GmbH.

Simple derivative financial instruments are used to limit the risks arising both from operating business and from the resultant financing requirements. These instruments are used in accordance with clearly defined, consistent, Group-wide guidelines. Compliance with these guidelines is verified on an ongoing basis. Hedge transactions and cash investments are placed only with financial institutions that have first-class credit ratings.

Credit risk

The Voith Group does business only with recognized, creditworthy third parties. We verify the creditworthiness of customers who wish to do credit-based business with us.

Cash and cash equivalents:
For the purposes of internal risk management, cash and cash equivalents consist essentially of cash and short-term securities. Default risks associated with term deposits are limited by selecting solvent banking partners and by spreading cash across multiple counterparties. A ratings-based limit (derived from credit default swaps/rating) is monitored constantly. In addition, the Voith Group invests in securities and monitors the associated risks centrally. Securities may only be traded by Group companies with the approval of Voith Finance GmbH.

Trade receivables:
Credit risk arising from the delivery of goods and services expresses itself in terms of counterparty risk, manufacturing risks and political export-related risks. Handling of these risks is governed by binding rules throughout the Voith Group. The maximum risk of default is limited to the carrying amount of the trade receivables, which is €933,713 thousand (previous year: €966,876 thousand). The maximum default risk for receivables arising from long-term construction contracts is €267,448 thousand (previous year: €246,945 thousand). On account of the collateral held, the maximum default risk for trade receivables is reduced by €132,302 thousand (previous year: €133,544 thousand) and by €117,529 thousand (previous year: €65,827 thousand) for receivables from long-term construction contracts.

All orders above a defined value are subject to general risk assessment requirements. Without special permission from the relevant governing bodies, Group companies do not accept unsecured orders from customers whose credit rating falls below a defined threshold and who cannot furnish an adequate guarantor.

Political export risks must always be hedged for risks classified as Euler Hermes country category 3 or higher unless approval is issued by the decision-making bodies. Further risk assessment is also activated for orders upward of defined values. Necessary credit insurance is obtained via export credit agencies (ECAs), on the private insurance market or by means of bank products.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For details of financial guarantees, please refer to the discussion of contingent liabilities. This kind of loss can occur if individual business partners fail to meet their contractual obligations. As a rule, no collateral exists for such an eventuality.

The Voith Group is not exposed to any material concentration of risks. Corporate policy is to avoid concentration of credit risk in a single financial institution. Instead, the Group invests with a variety of creditworthy financial institutions. The Group's customer structure is not materially concentrated in any particular geographic region. The Group tests doubtful accounts for impairment considering certain customers, historical trends, branches of industry and various other information.

The following credit risks are inherent in financial assets:

2013-09-30 in € thousands	Gross value	Thereof not impaired or past due	Thereof not impaired but past due at the reporting date by: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**967,125**	655,628	198,720	21,398	57,266
Other financial assets and securities	**333,349**	301,499			
Other financial receivables	**151,128**	143,075	1,929	788	2,527

2012-09-30 in € thousands	Gross value	Thereof not impaired or past due	Thereof not impaired but past due at the reporting date by: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	1,003,016	718,122	163,061	35,351	54,062
Other financial assets and securities	331,987	302,930			
Other financial receivables	142,162	136,690	1,351	320	912

The carrying amounts of cash and cash equivalents, receivables from construction contracts and derivatives are neither impaired nor past due.

Liquidity risk

To ensure that it can always meet its financial obligations, the Voith Group has negotiated sufficient cash lines and syndicated credit facilities with its banking partners.

The syndicated loan placed in China in 2012 secures the finance for future investments in the same currency as the operating business on the local market. This loan was drawn on during the period under review, as planned. The new facility, which was arranged in 2011, has now been prolonged for the second time by one additional year and is set to expire in 2018. It has not been drawn on and is available as a strategic liquidity reserve if needed, as are available bilateral lines of credit from banks. To safeguard internal and external growth, the Voith Group procures long-term funding on the capital markets by issuing bonds, private placements and individual bank loans.

The credit facilities and the bond placed on the capital markets are subject to the customary market conditions based on Voith's rating and its contractual terms and conditions. As in the previous years, all contractual terms and conditions were complied with in the 2012/13 fiscal year. The rating agency Moody's confirmed the investment grade "Baa2 stable" rating in February 2013.

Cash pools, intercompany loans and the allocation of external bank credit lines to individual operating units protect Group companies' liquidity. Voith Finance GmbH produces monthly finance status reports for the entire Group once a month. Balances of central bank and cash pool accounts and guarantees are available on a daily basis.

The table below lists the undiscounted, contractually agreed cash outflows from financial instruments:

in € thousands	2013-09-30	Cash flows < 1 year Fixed rate	Cash flows < 1 year Floating rate	Cash flows < 1 year Repayment	Cash flows 1–5 years Fixed rate	Cash flows 1–5 years Floating rate	Cash flows 1–5 years Repayment	Cash flows > 5 years Fixed rate	Cash flows > 5 years Floating rate	Cash flows > 5 years Repayment
Trade payables	544,881	0	0	542,591	0	0	2,432	0	0	0
Bonds/bank loans/notes	1,037,486	33,888	8,559	245,854	88,694	16,013	740,528	0	604	44,326
Financial liabilities from leases	2,356	0	0	748	0	0	1,210	0	0	638
Other financial liabilities	132,523	576	401	55,965	0	0	6,455	0	0	70,103
Sundry financial liabilities	320,053	0	0	305,114	0	0	14,709	0	0	271
Derivative financial instruments	15,991									
· Outflows		0	0	126,296	0	0	62,110	0	0	0
· Inflows		0	0	-114,114	0	0	-61,587	0	0	0
	2,053,290	**34,464**	**8,960**	**1,162,454**	**88,694**	**16,013**	**765,857**	**0**	**604**	**115,338**

in € thousands	2012-09-30	Cash flows < 1 year Fixed rate	Cash flows < 1 year Floating rate	Cash flows < 1 year Repayment	Cash flows 1–5 years Fixed rate	Cash flows 1–5 years Floating rate	Cash flows 1–5 years Repayment	Cash flows > 5 years Fixed rate	Cash flows > 5 years Floating rate	Cash flows > 5 years Repayment
Trade payables	550,395	0	0	546,461	0	0	4,162	0	0	0
Bonds/bank loans/notes	1,077,203	33,229	8,330	157,457	121,630	16,020	854,687	0	1,578	46,631
Financial liabilities from leases	3,112	0	0	843	0	0	1,878	0	0	924
Other financial liabilities	153,766	321	663	75,193	0	0	6,461	0	0	72,112
Sundry financial liabilities	315,788	0	0	300,480	0	0	15,097	0	0	317
Derivative financial instruments	20,992									
· Outflows		0	0	191,499	0	0	62,439	0	0	0
· Inflows		0	0	-178,985	0	0	-58,911	0	0	0
	2,121,256	33,550	8,993	1,092,948	121,630	16,020	885,813	0	1,578	119,984

Other potential payment obligations, which can materialize at any time, exist in the form of financial guarantees of €37,011 thousand (previous year: €38,563 thousand).

Solvency is ensured and liquidity can be managed using current securities and cash equivalents which can be transformed into cash at any time.

Derivatives include cash outflows on derivative financial instruments with negative market values for which gross cash settlement has been agreed. The cash outflows for these financial derivatives are matched by corresponding cash inflows which are shown separately in the table above under inflows and outflows (gross). On the other hand, where a net cash settlement is effected, cash outflows are netted with cash inflows.

Financial market risks

Foreign exchange risks:
Global production and trading activities expose the Voith Group to risks arising from fluctuations in exchange rates. Foreign exchange risks exist in particular wherever receivables, liabilities, cash and cash equivalents and orders received (firm commitments/forecast transactions) are or will be denominated in a currency other than the functional currency of the Group company concerned.

For the Voith Group, the foreign exchange risk relates mainly to the US dollar. Changes in the exchange rate affect both earnings and Group equity. If the US dollar rises by 5%, this increases our pre-tax profit by €6,174 thousand (previous year: decreases by €2,793 thousand) and equity (including the effect from pre-tax profit) by €6,272 thousand (previous year: decreases by €1,988 thousand). If, by contrast, the US dollar falls by 5%, this decreases our pre-tax profit by €5,549 thousand (previous year: increases by €2,764 thousand) and equity (including the effect from pre-tax profit) by €5,638 thousand (previous year: increases by €2,036 thousand).

Most currency hedging is undertaken by Voith Finance GmbH and the regional Treasury and Finance Center. Transaction risks arising from the international delivery of goods and services are mainly limited by forward exchange contracts. Essentially, all foreign currency transactions at the Voith Group must be hedged. Major items on the balance sheet and orders (upward of a value of USD 1 million) are hedged individually within the framework of hedge accounting.

Before external hedges are agreed, in the context of project business, both the hedge relationship and the objectives of and strategies for risk management must be documented in respect of the underlying (hedged) transactions.

Hedges must be highly effective if they are to satisfy the Voith Group's risk management strategy. Where hedge relationships are verifiably effective, the transactions qualify for hedge accounting. As a result, fluctuations in the exchange rate do not affect profit or loss, nor do they influence project costing.

In the Voith Group, derivative financial instruments are traded externally by Voith Finance GmbH on behalf of Group companies. Group companies in countries subject to foreign exchange restrictions hedge their currency risks locally. The Group-wide treasury management tool is used for central scheduling, monitoring and documentation of all foreign currency hedges entered into by Voith Finance or Group companies.

Interest rate risks:
The Voith Group's exposure to interest rate risks arising from external refinancing is analyzed and managed centrally by Voith Finance GmbH. Medium- to long-term assets and liabilities with fixed interest rates are the main source of

interest rate risks at the Group, as changes in market rates of interest can cause the value of a financial instrument to fluctuate. Risks to the market value of fixed-interest receivables and liabilities are hedged on a case-by-case basis. Risks to market value are hedged by interest rate swaps and combined interest rate and currency swaps, which usually qualify for hedge accounting.

The relevant asset positions are essentially cash at bank that is invested in the money market and/or are used to fund the existing cash pool. The Group companies that participate in the cash pool operate a daily zero-balancing policy and therefore have no exposure to external interest rate risks.

On the cost side, interest rate risks arise from bonds placed on the capital market and a private placement in the USA as well as a variety of bank loans. The fixed interest rate on the US private placement was swapped for a floating rate and the resulting cash flow risk hedged by interest rate caps accordingly. The other bonds are subject to a fixed rate of interest.

The carrying amounts of those key financial instruments that are exposed to interest rate risks are grouped by contractually defined maturity in the following table:

2013-09-30 in € thousands	Less than one year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total**
Floating interest rate							
Cash and cash equivalents	900,967	0	0	0	0	0	**900,967**
Bonds	138,994	0	70,120	0	0	51,427	**260,541**
Bank loans	73,465	0	0	77,411	0	0	**150,876**
Fixed interest rates							
Bonds	0	0	0	586,338	0	0	**586,338**
Bank loans	39,075	198	123	0	0	0	**39,396**

2012-09-30 in € thousands	Less than one year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
Floating interest rate							
Cash and cash equivalents	916,894	0	0	0	0	0	916,894
Bonds	0	152,445	0	77,202	0	58,172	287,819
Bank loans	156,020	82	0	0	36,446	0	192,548
Fixed interest rates							
Bonds	0	0	0	0	583,200	0	583,200
Bank loans	0	12,000	163	0	0	0	12,163

If the market rate of interest had been 100 bps higher (lower) at September 30, 2013, earnings from the significant floating rate financial instruments would have been €4.9 million higher (lower) (previous year: €4.4 million). Equity would have changed accordingly. This effect chiefly originates from floating-rate financial instruments denominated in euro currency of €4.0 million (previous year: €4.4 million).

If the market rate of interest had been 100 bps higher (lower) as at September 30, 2013, the fair value of the significant fixed rate financial instruments would have been €23.6 million lower (higher) (previous year: €29.3 million).

Risks relating to securities and stock prices:
The Voith Group holds stocks and other available-for-sale securities of €221 million (previous year: €232 million). Stock price risks are reflected on the balance sheet and not in the consolidated statement of income, unless the criteria for impairment are met. A 10% change in the underlying stock prices would cause equity to change by 10% of the carrying amount of the stocks concerned.

There is no risk to stocks and other securities at fair value through profit or loss.

It should be noted that all existing stock price risks are analyzed continuously and suitable counteraction taken accordingly.

Commodity price risk:
The Voith Group is exposed to risks arising from changes in commodity prices, as these also affect most of the semi-finished goods that it needs. Voith's Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's materials requirements. On request by Corporate Purchasing, and in consultation and agreement with Group companies, suitable forward commodity contracts can be arranged by Voith Finance GmbH to limit any latent commodity price risks. No forward commodity contracts were in place during the fiscal year. In addition, increases in the price of materials can be passed on to customers to some extent.

Hedge relationships:
The following items are used to hedge foreign exchange and interest rate risks:

2013-09-30	Nominal values*		Positive market values		Negative market values	
in € thousands	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	299,078	125,013	7,734	1,084	9,820	2,847
Forward exchange contracts (cash flow hedges)	11,060	0	162	0	183	0
Cash and cash equivalents (cash flow hedges)	0	0	0	0	0	0
Interest rate swaps (fair value hedges)	132,978	107,121	6,057	14,533	0	0
Interest rate swaps (cash flow hedges)	0	0	0	0	0	0
Other derivatives	302,497	136,662	5,383	2,680	2,851	290
Total	**745,613**	**368,796**	**19,336**	**18,297**	**12,854**	**3,137**

2012-09-30	Nominal values*		Positive market values		Negative market values	
in € thousands	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	299,282	95,326	5,922	2,628	10,604	3,868
Forward exchange contracts (cash flow hedges)	24,540	0	587	0	139	0
Cash and cash equivalents (cash flow hedges)	0	0	0	0	0	0
Interest rate swaps (fair value hedges)	0	252,584	0	35,462	0	0
Interest rate swaps (cash flow hedges)	0	0	0	0	0	0
Other derivatives	152,900	322,673	4,043	4,118	5,795	586
Total	476,722	670,583	10,552	42,208	16,538	4,454

* Nominal value refers to the volume of the hedged transactions in the local currency, translated at the closing rate.

Fair value hedges
The Group uses fair value hedges primarily to hedge interest rate and foreign exchange risks.

In the 2012/13 fiscal year, a loss of €12,800 thousand (previous year: a gain of €7,576 thousand) was recorded for derivative financial instruments classified as fair value hedges. Since the hedges were classified as highly effective, measurement of the hedged transactions at the reporting date produced a contrary profit/loss in the same amount.

There were no effects on earnings from ineffective hedges in the 2013 and 2012 periods under review.

Changes in the value of financial derivatives that do not meet the requirements defined for hedge accounting by IAS 39 are recognized in profit or loss at the reporting date.

Cash flow hedges

On September 30, 2013, the Group held forward exchange contracts to hedge future forecast sales and purchases transactions and firm commitments.

The main terms and conditions of the forward exchange contracts were negotiated in line with the terms and conditions agreed for the hedged transactions. The underlying transactions are expected to be carried out within one year.

Hedge relationships designed to hedge cash flows from expected future sales were classified as highly effective. Accordingly, an unrealized loss of €315 thousand (previous year: €1,602 thousand) was recognized in other reserves under Group equity as at September 30, 2013.

Due to the realization of hedged transactions in the course of the period under review, the relevant accumulated losses amounting to €94 thousand (previous year: €2,692 thousand) were transferred from other reserves to profit or loss. Of the amount reclassified to the statement of income, €0 (previous year: €0) was transferred to the interest result and €94 thousand (previous year: €2,692 thousand) to the operational result.

Research and development costs

In the 2012/13 fiscal year, research and development costs totaled €242,129 thousand (previous year: €266,713 thousand).

Of this amount, €19,570 thousand (previous year: €18,221 thousand) was capitalized as development costs in the balance sheet. The remaining expenses consist of €152,182 thousand (previous year: €178,574 thousand), which includes both amortization on these capitalized development expenses and activities for non-customer-specific new developments and improvements, as well as €70,377 thousand (previous year: €69,918 thousand) for development activities capitalized in the context of customer-specific orders.

Related parties

In the course of its ordinary business activities, Voith GmbH maintains relationships both with the subsidiaries listed in these consolidated financial statements and with other related entities and individuals (family members who are shareholders, and members of the Supervisory Board and the Board of Management).

In the 2007/08 fiscal year, one subsidiary of Voith GmbH was sold to family shareholders in the context of a transaction under common control. This company, JMV GmbH & Co. KG, Heidenheim, is now the ultimate parent company of the Voith Group.

All business transactions with related parties are conducted at arm’s length conditions.

Members of the Board of Management or members of the Supervisory Board of Voith GmbH and family member shareholders also serve on the supervisory boards of other companies with which Voith maintains relationships in the course of its ordinary business activities. Any transactions involving these companies are conducted at arm’s length conditions.

A total of €923 thousand (previous year: €909 thousand) was paid at customary market rates to members of the Supervisory Board and former members of the Board of Management for consulting and other services.

The majority of intercompany deliveries and services to related parties (entities and individuals) are shown in the table below.

in € thousands	2012/13	2011/12
Liabilities to family shareholders	27,915	47,891
Services purchased from associates*	14,977	3,822
Services rendered to associates*	682	374
Receivables from associates*	3,452	5,108
Liabilities to associates*	3,410	1,941
Services purchased from other investments	3,113	3,940
Services rendered to other investments	17,601	22,533
Receivables from other investments, incl. advances paid	8,651	11,726
Impairment of receivables from other investments	-412	-320
Liabilities to other investments, including advances received	25,215	24,879
Services purchased from joint ventures	4,863	4,501
Services rendered to joint ventures	596	561
Receivables from joint ventures	192	607
Liabilities to joint ventures	827	492
Services purchased from the ultimate parent company	10,022	12,485
Services rendered to the ultimate parent company	709	824
Receivables from the ultimate parent company	144	163
Liabilities to the ultimate parent company	4,345	3,950

* Previous year restated.

Liabilities to family shareholders include current floating-rate clearing accounts and pension obligations.

For more information on the profit participation rights of €103,400 thousand (previous year: €98,400 thousand) granted to family shareholders, please refer to note 19.

Research and development services in the amount of €785 thousand (previous year: €1,939 thousand) were provided and charged to the Group by one related party.

Guarantees of €11,836 thousand (previous year: €11,836 thousand) were issued in favor of one associate, €1,693 thousand (previous year: €0) in favor of one joint venture and €378 thousand in favor of other investments (previous year: €2,870 thousand).

Obligations from outstanding orders payable to the ultimate parent amount to €4,634 thousand (previous year: €3,278 thousand) and those payable to associates amount to €2,230 thousand (previous year: €15,581 thousand).

Capital increases of €1,781 thousand (previous year: €862 thousand) were carried out in favor of joint ventures.

Remuneration of governing bodies

Total compensation for members of the Board of Management of Voith GmbH, including pension expenses, came to €7,870 thousand in the period under review (previous year: €8,450 thousand). This amount includes long-term benefit components totaling €1,975 thousand (previous year: €2,234 thousand). These long-term benefit components include service costs totaling €2,193 thousand (previous year: €2,154 thousand).

The members of the Supervisory Board received compensation of €573 thousand (previous year: €510 thousand).

The present value of all defined benefit obligations in respect of current members of the Board of Management was €32,440 thousand at the reporting date (previous year: €29,865 thousand). The present value of all defined benefit obligations in respect of former members of the Board of Management was €22,412 thousand (previous year: €26,855 thousand). Plan assets of €13,955 thousand (previous year: €10,931 thousand) have been formed for current members of the Board of Management. Plan assets of €9,034 thousand (previous year: €8,467 thousand) have been formed for former members of the Board of Management. These amounts are presented in note 20.

Pension and other payments to former members of the Board of Management amounted to €1,528 thousand (previous year: €5,262 thousand). This includes an amount of €0 as defined by IAS 24, 17 (d) (previous year: €2,970 thousand).

Auditor's fees and services

The following fees (including reimbursement of expenses) were paid to the independent auditor for the services rendered in the 2012/13 fiscal year.

in € thousands	**2012/13**	2011/12
Annual audit	1,826	2,005
Other assurance or valuation services	105	193
Tax advisory services	122	103
Other services	377	223
	2,430	2,524

Events after the period under review

No significant developments have occurred since the close of the 2012/13 fiscal year.

Heidenheim/Brenz, November 19, 2013

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Martin Hennerici
Bertram Staudenmaier
Dr. Roland Münch
Carsten J. Reinhardt

The consolidated financial statements of Voith GmbH as at September 30, 2013 as authorized for issue and the unqualified audit opinion issued thereon by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, were filed in German at the Bundesanzeiger [Federal German Gazette] (available at www.bundesanzeiger.de).

Responsibility statement

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

Heidenheim/Brenz, November 19, 2013

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Martin Hennerici
Bertram Staudenmaier
Dr. Roland Münch
Carsten J. Reinhardt

The Voith Group and its shareholdings

as at September 30, 2013

Significant Associated Companies and Shareholdings

			Group share in %
Voith GmbH	**Heidenheim**	**Germany**	**100.0**
Voith IT Solutions GmbH & Co KG	St. Pölten	Austria	100.0
Voith Corporate Management (Shanghai) Co., Ltd.	Shanghai	China	100.0
Voith Composites GmbH & Co. KG	Garching	Germany	100.0
J.M. Voith GmbH & Co. Beteiligungen KG	Heidenheim	Germany	100.0
Voith Assekuranz Vermittlung GmbH	Heidenheim	Germany	100.0
Voith Dienstleistungen und Grundstücks GmbH & Co. KG	Heidenheim	Germany	100.0
Voith Finance GmbH	Heidenheim	Germany	100.0
Voith Financial Services GmbH	Heidenheim	Germany	100.0
Voith Industrieverwaltung GmbH	Heidenheim	Germany	100.0
Voith IT Solutions GmbH	Heidenheim	Germany	100.0
Voith IT Solutions Inc.	Wilson (NC)	United States	100.0
Voith Hydro Holding GmbH & Co. KG*	**Heidenheim**	**Germany**	**65.0**
Kössler GmbH & Co. KG	St. Georgen/Stfd.	Austria	100.0
Voith Hydro GmbH & Co KG	St. Pölten	Austria	100.0
Voith Hydro da Amazonia Ltda.	Manaus	Brazil	99.9
Voith Hydro Ltda.	São Paulo (SP)	Brazil	100.0
Voith Hydro Services Ltda.	São Paulo (SP)	Brazil	100.0
Voith Hydro Inc.	Brossard (QC)	Canada	100.0
Vortex Hydrosystems Inc.	Granby	Canada	80.0
Voith Hydro S.A.	Santiago de Chile (Las Condes)	Chile	100.0
Voith Hydro Shanghai Ltd.	Shanghai	China	80.0
Voith Hydro Ltda. – Sucursal Colombia	Medellín-Antioquia	Colombia	100.0
Voith Hydro Ltda.	Cuenca	Ecuador	100.0
VH Auslandsbeteiligungen GmbH	Heidenheim	Germany	100.0
VHG Auslandsbeteiligungen GmbH	Heidenheim	Germany	100.0
Voith Hydro GmbH & Co. KG	Heidenheim	Germany	100.0
Voith Hydro Ocean Current Technologies GmbH & Co. KG	Heidenheim	Germany	80.0
Voith Hydro Private Limited	Noida	India	100.0
Voith Hydro S.P.A.	Cinisello Balsamo (MI)	Italy	100.0
Voith Fuji Hydro K. K.	Kawasaki-shi, Kanagawa	Japan	50.0
Voith Hydro Mexico, S. de R.L. de C.V.	Ciudad de México	Mexico	100.0
Voith Hydro AS	Oslo	Norway	100.0
Voith Hydro Sarpsborg AS	Sarpsborg	Norway	100.0

*The proportionate holding for the Hydro companies relates to Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany.

			Group share in %
Voith Hydro Lima S.A.C.	Miraflores—Lima	Peru	99.0
Voith Hydro S.R.L.	Bucharest	Romania	100.0
VolgaHydro LLC	Balakovo	Russian Federation	50.0
Voith Hydro S.L.	Ibarra (Guipúzcoa)	Spain	100.0
Voith Hydro AB	Västerås	Sweden	100.0
Voith Hydro Limited Sirketi	Sögütözü Ankara	Turkey	100.0
Voith Hydro Inc.	York (PA)	United States	100.0
Voith Industrial Services Holding GmbH & Co. KG	**Heidenheim**	**Germany**	**100.0**
Voith Industrial Services GmbH	Steyr	Austria	100.0
DIW Instandhaltung GmbH	Vienna	Austria	100.0
Voith Industrial Services N.V.	Kapellen (Antwerp)	Belgium	100.0
Voith Serviços Industriais do Brasil Ltda.	São Paulo (SP)	Brazil	100.0
P3 Voith Aerospace, Ltd.	Saint-Laurent	Canada	40.0
Voith Industrial Services (Shanghai) Co., Ltd.	Shanghai	China	100.0
Voith Industrial Services s.r.o.	Kosmonosy	Czech Republic	100.0
Voith Industrial Services A/S	Ringsted	Denmark	100.0
P3 Voith Aerospace SARL	Toulouse	France	40.0
Voith Engineering Personnel Services GmbH & Co. KG	Chemnitz	Germany	100.0
Voith Engineering Services GmbH	Chemnitz	Germany	100.0
P3 Voith Aerospace GmbH	Hamburg	Germany	40.0
P3 Voith Aerospace Holding GmbH	Hamburg	Germany	40.0
Voith Industrial Services GmbH & Co. KG	Kirchseeon	Germany	100.0
Voith Industrial Services GmbH	Mainhausen	Germany	100.0
DIW System Dienstleistungen GmbH & Co. KG	Munich	Germany	100.0
Voith Industrial Services GmbH & Co. KG	Speyer	Germany	100.0
DIW Aircraft Services GmbH	Stuttgart	Germany	100.0
DIW Instandhaltung Ltd. & Co. KG	Stuttgart	Germany	100.0
DIW Mechanical Engineering GmbH & Co. KG	Stuttgart	Germany	100.0
Voith Industrial Services Beteiligungen GmbH	Stuttgart	Germany	100.0
Voith Industrial Services Beteiligungsverwaltungs GmbH	Stuttgart	Germany	100.0
Voith Industrial Services GmbH	Stuttgart	Germany	100.0
Voith Industrial Services Grundstücks GmbH & Co. KG	Stuttgart	Germany	100.0
Voith Industrial Services Ltd. & Co. KG	Stuttgart	Germany	100.0
Voith Industrial Services Process GmbH & Co. KG	Stuttgart	Germany	100.0
P3 Voith Aerospace Limited	Bristol	Great Britain	40.0

			Group share in %
Voith Industrial Services (Coventry) Limited	Warwick	Great Britain	100.0
Voith Industrial Services Holding Ltd.	Warwick	Great Britain	100.0
Voith Industrial Services Limited	Warwick	Great Britain	100.0
Voith Industrial Services Kft.	Györ	Hungary	100.0
P3 India Consulting Engineering Pvt. Ltd.	Bangalore	India	40.0
Voith Engineering Services Private Limited	Bangalore	India	40.0
Voith Industrial Services India Private Limited	Pune	India	100.0
Voith Industrial Services S de RL de CV	Saltillo Coahuila	Mexico	100.0
Voith Railservices B.V.	Twello	Netherlands	100.0
Voith Industrial Services AS	Mongstad	Norway	100.0
Voith Industrial Services Sp. z o.o.	Gliwice	Poland	100.0
Voith Industrial Services Qatar LLC	Doha	Qatar	49.0
Voith Industrial Services, s.r.o.	Bratislava	Slovakia	100.0
P3 Voith Aerospace SL	Madrid	Spain	40.0
EnovaPremier of Michigan	Charlotte (MI)	United States	40.0
Voith Industrial Services Inc.	Cincinnati (OH)	United States	100.0
EnovaPremier LLC	Louisville (KY)	United States	40.0
EnovaPremier of Alabama	Montgomery (AL)	United States	40.0
EnovaPremier of Kentucky	Paris (KY)	United States	40.0
EnovaPremier of Indiana	Princeton (IN)	United States	40.0
P3 Voith Aerospace Inc.	Wichita (KS)	United States	40.0
Voith Paper Holding GmbH & Co. KG	**Heidenheim**	**Germany**	**100.0**
Voith Paper Argentina S.A.	Carapachay—Buenos Aires	Argentina	100.0
Voith Paper Australia and New Zealand Pty. Ltd.	Macquarie Park	Australia	100.0
Voith Paper Fabrics GmbH	Frankenmarkt	Austria	99.8
GAW technologies GmbH	Graz	Austria	35.0
Voith Paper Rolls GmbH & Co KG	Laakirchen-Oberweis	Austria	100.0
Voith Paper GmbH	St. Pölten	Austria	100.0
Voith Paper Rolls GmbH & Co KG	Wimpassing	Austria	100.0
Meri Sistemas e Tecnologia Ltda.	São Paulo (SP)	Brazil	55.3
Voith Mont Montagens e Serviços Ltda.	São Paulo (SP)	Brazil	100.0
Voith Paper Máquinas e Equipamentos Ltda.	São Paulo (SP)	Brazil	100.0
Voith Paper Air Systems Inc.	Saint-Laurent (QC)	Canada	100.0
Servicios y Suministros Voith Chile Ltda.	Concepción, Coronel	Chile	100.0
Voith Paper Rolls Guangzhou Co., Ltd.	Guangzhou City	China	100.0

			Group share in %
Voith Paper (China) Co., Ltd.	Kunshan, Jiangsu	China	100.0
Voith Paper Integrated Mill Service Co., Ltd.	Sanming	China	70.0
Voith Paper International Trading Co., Ltd.	Shanghai	China	100.0
Voith Paper Oy	Vantaa	Finland	100.0
Voith Paper Air Systems GmbH	Bayreuth	Germany	100.0
Voith Paper Fabrics Düren GmbH	Düren	Germany	100.0
Voith IHI EcoSolutions GmbH & Co. KG	Heidenheim	Germany	50.0
Voith Paper Fabric & Roll Systems GmbH	Heidenheim	Germany	100.0
Voith Paper Fabrics GmbH & Co. KG	Heidenheim	Germany	100.0
Voith Paper GmbH & Co. KG	Heidenheim	Germany	100.0
Voith Paper Rolls GmbH & Co. KG	Heidenheim	Germany	100.0
VP Auslandsbeteiligungen GmbH	Heidenheim	Germany	100.0
Voith Paper Krieger GmbH & Co. KG	Mönchengladbach	Germany	85.0
MERI Environmental Solutions GmbH	Munich	Germany	65.0
Voith Paper Rolls GmbH & Co. KG	Weißenborn	Germany	100.0
Voith Paper Fabrics Holding Ltd.	Bury (Lancashire)	Great Britain	100.0
Voith Paper Fabrics Stubbins, Ltd.	Bury (Lancashire)	Great Britain	100.0
Voith Paper Ltd.	Manchester	Great Britain	100.0
Voith Paper Fabrics India Ltd.	Faridabad (Haryana)	India	74.0
Voith Paper Technology (India) Private Limited	Kolkata	India	100.0
PT. Voith Paper	Karawang—West Java	Indonesia	100.0
PT. Voith Paper Rolls Indonesia	Karawang—West Java	Indonesia	76.0
RIF ROLL COVER SRL	Basaldella (Udine)	Italy	51.0
Voith Paper S.r.L.	Schio (Vicenza)	Italy	100.0
Voith IHI Paper Technology Co., Ltd.	Tokyo	Japan	49.0
Voith Paper Fabrics Asia Pacific Sdn. Bhd.	Chemor, Perak Darul Ridzuan	Malaysia	100.0
Voith Paper Fabrics Ipoh Sdn. Bhd.	Chemor, Perak Darul Ridzuan	Malaysia	100.0
Meri Sistemas Ambientales S.A. de C.V.	Monterrey	Mexico	45.5
Voith Paper Fabrics B.V.	Haaksbergen	Netherlands	100.0
Voith Paper B.V.	Vaassen	Netherlands	100.0
Voith Paper CTC Technology B.V.	Vaassen	Netherlands	100.0
Voith Paper AS	Tranby	Norway	100.0
Voith Paper Technology Russia GmbH	St. Petersburg	Russian Federation	100.0
Voith Paper Fabrics, S.A.	Guissona (Lérida)	Spain	100.0
Voith Paper S.A.	Ibarra (Guipúzcoa)	Spain	100.0
Voith Paper Fabrics Högsjö AB	Högsjö	Sweden	100.0

			Group share in %
Voith Paper Fabrics Holding AB	Högsjö	Sweden	100.0
Voith Paper Walztechnik AG	Zurich	Switzerland	100.0
Voith Meri Environmental Solutions, Inc.	Appleton (WI)	United States	65.0
Voith Paper Inc.	Appleton (WI)	United States	100.0
Syn Strand Inc.	Summerville (SC)	United States	100.0
Voith Paper Fabrics Waycross, LLC	Waycross (GA)	United States	100.0
Voith Paper Fabric & Roll Systems Inc.	Wilson (NC)	United States	100.0
Voith Turbo GmbH & Co. KG	**Heidenheim**	**Germany**	**100.0**
Voith Turbo Pty. Ltd.	Wetherill Park, N.S.W.	Australia	100.0
Voith Turbo GmbH	St. Pölten	Austria	100.0
Voith Turbo Vertriebs GmbH	St. Pölten	Austria	100.0
Voith Turbo S.A./N.V.	Brussels	Belgium	100.0
Voith Turbo Ltda.	São Paulo (SP)	Brazil	100.0
Voith Turbo S. A.	Santiago	Chile	100.0
Voith Lutong Urban Rail Gearbox Technology (Changchun) Co., Ltd.	Changchun	China	50.0
Voith Turbo Limited	Hong Kong	China	100.0
Shanghai Voith Schaku KTK Coupler Technology Co., Ltd.	Shanghai	China	50.0
Voith Turbo China Co., Ltd.	Shanghai	China	100.0
Voith Turbo Power Transmission (Shanghai) Co., Ltd.	Shanghai	China	100.0
Voith Turbo Colombia Limitada	Bogotá D.C.	Colombia	100.0
Voith Turbo s.r.o.	Brno	Czech Republic	100.0
Voith Turbo A/S	Gadstrup	Denmark	100.0
Voith Turbo SAS	Noisy-le-Grand Cedex	France	100.0
Voith Turbo HighFlex GmbH & Co. KG	Essen	Germany	100.0
Voith Turbo Aufladungssysteme GmbH & Co. KG	Gommern	Germany	100.0
LZH Logistic Zollservice Heidenheim GmbH	Heidenheim	Germany	32.6
Voith Turbo Antriebstechnik Beteiligungen GmbH	Heidenheim	Germany	100.0
Voith Turbo Auslandsbeteiligungen GmbH	Heidenheim	Germany	100.0
Voith Turbo Schneider Propulsion GmbH & Co. KG	Heidenheim	Germany	100.0
Voith Turbo SMI Technologies GmbH & Co. KG	Heidenheim	Germany	51.0
Voith Turbo Vertriebsgesellschaft mbH	Heidenheim	Germany	100.0
Voith Turbo Wind GmbH & Co. KG	Heidenheim	Germany	100.0
Voith Turbo Advanced Propeller Technologies GmbH & Co. KG	Rostock	Germany	100.0
Micromat Spannhydraulik GmbH	Rutesheim	Germany	50.0
Voith Turbo H + L Hydraulic GmbH & Co. KG	Rutesheim	Germany	100.0

			Group share in %
Voith Turbo Scharfenberg GmbH & Co. KG	Salzgitter	Germany	100.0
Voith Turbo BHS Getriebe GmbH	Sonthofen	Germany	100.0
Voith Turbo BHS Getriebe Holding GmbH	Sonthofen	Germany	100.0
Voith Turbo Verdichtersysteme GmbH & Co. KG	Zschopau	Germany	100.0
H + L Hydraulic Ltd.	Croydon	Great Britain	100.0
Voith Turbo Limited	Croydon	Great Britain	100.0
Voith Turbo Rail Systems Ltd.	Croydon	Great Britain	100.0
Voith Turbo Kft.	Biatorbágy	Hungary	100.0
Fluid Logic Systems Private Limited	Ahmadabad (Gujarat)	India	50.0
FlowLink Systems Private Ltd.	Coimbatore	India	50.0
Voith Turbo Private Limited	Hyderabad (A.P.)	India	100.0
Hydronaut s.r.l.	Milan	Italy	100.0
Voith Turbo Drive Systems s.r.l.	Montichiari/BS	Italy	100.0
Voith Turbo s.r.l.	Reggio Emilia	Italy	100.0
Voith Turbo Co., Ltd.	Kawasaki-shi, Kanagawa	Japan	100.0
Voith Turbo Co., Ltd.	Seoul	Korea, Republic of	80.0
Voith Turbo S.A. de C.V.	Mexico (D.F.)	Mexico	100.0
Voith Turbo B.V.	Twello	Netherlands	100.0
Voith Turbo Marine SteamTrac B.V.	Twello	Netherlands	100.0
Voith Turbo AS	Skjetten	Norway	100.0
Voith Turbo Sp. z o.o.	Wola Krzysztoporska	Poland	100.0
Voith Turbo Kazan GmbH	Kazan	Russian Federation	100.0
Voith Turbo Pte. Ltd.	Singapore	Singapore	100.0
Imfuyo Air Products (Proprietary) Limited	Bedfordview	South Africa	47.0
Imfuyo Projects (Pty) Ltd.	Benoni	South Africa	47.0
Imfuyo Locomotives (Proprietary) Limited	Parktown	South Africa	47.0
Voith Property Company (Pty) Ltd.	Witfield (Boksburg)	South Africa	100.0
Voith Turbo (Pty) Ltd	Witfield (Boksburg)	South Africa	100.0
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Imprint

Publisher
Voith GmbH
St. Pöltener Str. 43
89522 Heidenheim
Germany
Phone: +49 7321 37-0
Telefax: +49 7321 37-7000
E-Mail: info@voith.com
www.voith.com

Magazine Section
Strichpunkt Design
Stuttgart/Berlin, Germany

Editing/Text (Financial Section)
Seipp Kommunikationsberatung,
Cologne, Germany

Typography (Financial Section)
G2 Printmedienmanufaktur GmbH,
Munich, Germany

Photo Credits
CasaMedia Filmproduktion: pp. 18, 19, 20, 21
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Printing
Eberl Print GmbH,
Immenstadt, Germany

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