VOITH

Annual Report 2009/2010

The Voith Group in Figures

€ in millions	2009/10	2008/09
Orders received	**5 300**	4 958
Sales[1]	**5 198**	5 085
Operational result before non-recurring result	**353**	324
Return on Sales in %	6.8	6.4
Income before tax[1]	**234**	155
Net income	**121**	77
Cash flow from operating activities	**390**	304
Total cash flow	**199**	370
Investments	**234**	255
Research and development	**266**	254
in % of sales	5.1	5.0
Equity[1]	**1 107**	950
Equity ratio in %	18.8	17.8
Balance sheet total[1]	**5 902**	5 341
Employees[2]	**39 754**	39 329

[1]Previous year values adapted.
[2]Without apprentices.

Voith—one company, four divisions …

Voith AG*

Corporate Central Functions

Voith Hydro

Orders received: €972 million
Sales: €1 158 million
Employees: 5 238

Head Organization:
Voith Hydro Holding
GmbH & Co. KG,
Heidenheim/Germany

Voith Industrial Services

Orders received: €962 million
Sales: €962 million
Employees: 19 119

Head Organization:
Voith Industrial Services
Holding GmbH & Co. KG,
Heidenheim/Germany

Voith Paper

Orders received: €2 009 million
Sales: €1 723 million
Employees: 9 353

Head Organization:
Voith Paper Holding
GmbH & Co. KG,
Heidenheim/Germany

Voith Turbo

Orders received: €1 351 million
Sales: €1 349 million
Employees: 5 422

Head Organization:
Voith Turbo
GmbH & Co. KG,
Heidenheim/Germany

*Voith GmbH since October 1, 2010.

… at home around the world with over 39 000 employees.

Represented worldwide

North America

€719 million in sales

5 157 employees

Europe

€2 554 million in sales

24 163 employees

Asia, Australia, Oceania

€1 340 million in sales

3 979 employees

Central and South America

€512 million in sales

6 343 employees

Africa

€73 million in sales

112 employees

Contents

A Word from the Board of Management

Ladies and Gentlemen,
Business Partners and Friends of Voith GmbH,

The 2009/2010 fiscal year was another very successful year for Voith. We slightly increased our sales and operating results in an environment that continues to be very competitive in many areas. Overall, we saw a significant increase in the Group's profits since we no longer had to incur any major outstanding expenses for restructuring. Total orders received rose more than revenues, and our backlog is noticeably above last year's level. This shows that Voith did not live off its substance, but continued to strengthen its fundamentally healthy base thanks to its excellent market position.

With the pleasing performance of the past year, one thing is clear: Voith passed the stress test – the most serious financial crisis in decades for companies in all sectors. We were one of the few comparable corporations that did not suffer a drop in either sales or earnings, but continually grew despite the crisis.

The good results are additional proof that our strategy is right. We possess an intelligently balanced product portfolio that we use to serve both late- and early-cycle markets. The paper industry experienced a weakening economy early on, but picked up again quickly in the recovery. In our figures, this is primarily evident in the recent sharp increase in orders received – whereby the majority of these are from booming China. In the area of transport, we are seeing a similar economic pattern, which on balance is reflected in the clear rise in sales and primarily in the sharp increase in orders received in the second half of the year. The hydro power business is different and has declined as a late consequence of the crisis, after being able to compensate for declines in other markets the year before. On the other hand, our service business stabilized noticeably with the general economic revival.

In the past fiscal year, we have again profited not only from the diversification of our product portfolio, but also from our broad international approach. Early on, we prepared ourselves for rising demand from countries such as China, India and Brazil and we are reaping the benefits of these decisions today. The share of sales from emerging markets has continued to rise. Again, we have systematically expanded our presence there, for example with new production facilities for Voith Hydro in India and Brazil, and with the expansion of the Voith Paper City in Kunshan. Simultaneously, we continue to invest in Germany, too. We have opened a new production facility for mechanical drives in trains in Heidenheim. The example shows that the internationalization that we continue to pursue does not hurt Germany. We can also produce competitively here.

The number of employees in Germany remained almost the same in the past fiscal year. In the Group as a whole, we have slightly increased staff after the decline in the previous year. This is a very pleasing development for us, since Voith feels especially obligated at all times to fulfill its responsibility as a reliable, safe employer. We know that we must thank our employees for our success. And for their tireless dedication, I would like to explicitly thank them on behalf of my colleagues on the Board of Management! Furthermore, we would also like to thank our customers for their positive collaboration and last but not least our shareholders and the Shareholders' Committee and the Supervisory Board for their support and trust.

Our ownership structure guarantees financial independence and simultaneously facilitates corporate action with a long-term orientation. In this sense, the change in the legal form from an AG to a GmbH on October 1, 2010, is a symbol of continuity and a declaration of the shareholders' belief in their company and the values for which Voith stands: reliability and solidity coupled with the drive to be a technology leader, and a company which has sustained profitable success. This step will not change anything with regard to our high internal and external transparency in recent years; if nothing else, this has been demonstrated by our open handling of the accounting irregularities at a subsidiary in the USA.

Our strategy will also remain unaffected by the change in the legal form. We will continue to systematically pursue the adopted course and resolutely seize the major opportunities for profitable growth in all our markets. Voith will courageously and confidently face the challenges of a rapidly changing world – and still remain true to itself in the future.

Sincerely yours,

Hubert Lienhard

Hubert Lienhard


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1 Hubert Lienhard, President and CEO

2 Hermann Jung, Finance and Controlling

3 Hans-Peter Sollinger, Voith Paper

4 Bertram Staudenmaier, Voith Paper

5 Martin Hennerici, Voith Industrial Services

6 Peter Edelmann, Voith Turbo

7 Roland Münch, Voith Hydro

“Voith did a good job of overcoming the economic crisis.
An intelligently diversified portfolio, our global presence, our technology leadership, our solid business policies and last but not least our excellent employees make us ideally set up to achieve profitable growth in the future by ourselves.
In the process, Voith will also continue to remain true to itself.”

The Board of Management

“Voith is set up very well for the future.”

Interview with Hubert Lienhard, President and CEO, on the subject of strategy and future prospects.

Mr. Lienhard, the German economy is on a clear growth course after overcoming the crisis. How is business at Voith?

Business is going very well for us. The crisis is largely behind us, and we are confident that we will continue to see profitable growth in the next few years. That said, we are not blind to the existing uncertainties from the lack of stability on financial markets. Against this backdrop, we are moving ahead with a healthy dose of optimism and a cool head. Our eye is focused on the opportunities.

Many corporate executives, yourself included, forecast during the crisis that the world would be different afterwards. Now it seems as if everything is going forward as usual.

By no means. The speed of the changes increased dramatically, and it will remain high. Furthermore, the crisis accelerated the shift in focus to emerging market regions. And last but not least it encouraged a selection process in many sectors. With regard to us: We saw that our strategy is correct, also in the hardest conceivable market environment. We made it through the crisis without a drop in revenues or earnings, and did not have to rediscover ourselves in the crisis. Today, we are proud to say: We have passed the stress test.

What is the secret to this success?

Above all, our portfolio. Many generations of managers at Voith have worked on this success. The Voith portfolio possesses a very intelligent mixture of activities. We serve both early- and late-cycle markets, which means that we can compensate for temporary weaknesses in individual markets through other activities. A corporation that only stands on one leg cannot do that as well as us with our four strong pillars. We have a good mixture of service, product and system business, and are represented in the large regions of the world, generating roughly 25 percent of our sales there.

That almost sounds as if you just inherited the successful recipe and only had to sit out the crisis.

With mere administration we would not have gotten far in this very challenging time for our entire company. On the contrary, we used it to continue improving our processes and structures. Today, Voith is even quicker and more efficient – athletic, if you will – than before the crisis. In my opinion, this is an indispensable prerequisite for belonging to the winners over the long term in an increasingly volatile world with rapidly changing market and competitive conditions.

“The Voith portfolio has an intelligent mixture of operations.”

An impressive portfolio, streamlined processes and tighter management: Is that enough to hold one’s ground in the “new normal” when faced with growing competition, for example from emerging markets?

That is definitely a good start. But there are two other important points. First of all, our diversified portfolio has the most significant megatrends on its side: the growing role of mobility in a globalized world, the unstoppable advance of renewable energy with climate change and our customers’ constantly increasing need for environmentally friendly and resource-conserving technologies. Secondly, we benefit from our strong presence in emerging regions of this world. Today, we are broadly diversified in terms of geography, but this development is by no means at its end. To summarize briefly: Voith is a well managed company with an intelligently balanced portfolio in terms of content and regions, and has competitive products for high-growth markets. This makes us ideally set up for the future.

Asia seems to be the great hope for German industry. What future plans do you have in this region?

The importance of Asia for our business is enormous. In the paper market, for example, the majority of our new business comes from China. In other areas such as the expansion of rail infrastructure, the opportunities for growth are also tremendous. For us, that means: We must and will expand our presence in Asia. In the medium term, the continent could make up half of our sales.

Are you not making yourself too dependent on China in the long term?

First of all, I believe that China’s growth will continue. Second: Other countries in the region will follow this development, above all India. There, the next boom is already waiting for us. Third: By no means are we relying only on Asia. We are excellently positioned in other emerging markets such as Brazil and are also not neglecting developed markets. And fourth: We cannot leave China to others only because there is the risk that bad times could return » again. That would be negligent. Voith wants to continue growing. For this, we need international markets, and therefore we must become even stronger in Asia in the future. That is the great challenge that I currently see for us.

What does that mean in concrete terms?

To reach our full potential in emerging markets such as China or India, we increasingly need local products, i.e. customized solutions for the local unique circumstances and special requirements of customers in the given countries. We can only develop and produce such products on-site with local managers and local experts. Voith in China is already a Chinese company today. In ten to fifteen years, we want to be just as embedded there as in Germany today. And we will also pursue the same development in other countries. Voith has long been an international company – anchored in Germany and at home in the world.

“We profit from our strong presence in the growing regions of the world.”

Will the greater international orientation bring a change in identity, possibly even a break with your culture?

There will not be a break with our culture. However, what we will need and experience is constant change. This involves preserving tradition and simultaneously making Voith strong for the future. That is no contradiction to me. An example of internationalism: Growth abroad also benefits Germany. At our headquarters in Heidenheim we had 3,000 employees ten years ago; today, there are 4,500. These figures speak for themselves.

And how does it look with the culture? How much of a family company can Voith afford in the future as a global player?

If you equate a family company with social romanticism, staidness and an unwillingness to change, then of course very little. But that is not Voith. Every day we try to unite the best of two complementary worlds – a traditional family company and a professionally led corporation, globally according to the same business principles with an identical philosophy and equal values. We pursue a clear umbrella brand strategy. Wherever Voith is written, Voith is also in it: in all regions and all markets.

What distinguishes Voith, what intrinsic aspect will hold together this company, with its 280 individual businesses in 50 countries, in the future?

First of all, it will be reliability, durability and solidity – those values that we possess at all times as a family-owned company and will also foster in the future. For us as management, it is also essential to maintain our financial independence. We must generate sustainably competitive returns for this. Only in this way can we generate the funds to ensure the future and the financing of growth. Only in this way will we be in a position in the future to develop products and solutions that our customers need. Only in this way will our shareholders enjoy their future involvement in Voith and be able to be proud of the company. And only in this way can we ensure jobs and create new ones, in Germany and the world.



Will the relationship between Voith and its employees change in the future with the globalization that is also taking place in your own company?

No. Voith was, is and will remain a fair and reliable employer. We know that our success is fundamentally based on the performance of our 40,000 employees. They are only motivated and satisfied when they have exciting jobs, personal future prospects and finally the security that they will also be needed tomorrow. We as management would like to give them this feeling of security, also in the future. That has nothing to do with social romanticism. On the contrary, it involves a real community of interests, carried by performance and mutual respect.

You describe the model of a modern family company: thinking over the long term, but also successful in the short term. Where are you and your colleagues leading Voith with this model in the next few years?

We do not see any reason why we cannot grow as strongly in the next ten years as in the decades before the economic crisis. As a result, we would almost double within ten years. We have the strategy, the products, the know-how and the right employees to do it. And by ourselves. We will grow with our existing portfolio, expand our presence in the emerging regions and supplement them with acquisitions. And in all this, Voith will remain true to itself in the future, too.

Will you be able to finance the growth from your own funds? You have just eliminated the possibility of obtaining capital on the stock exchange due to the recent change in the company's legal form, back to a GmbH (limited liability company).

First of all, we have access to the capital market at any time, as our successful bond issuances in the past year have shown. We continue to work on sustainably improving our returns, also over the short and medium term. That will let us finance our growth with our own funds without having to issue debt and with an increasing equity ratio. These goals are based on very solid calculations. Despite all this cosmopolitanism: When it comes to money, we remain cautious and Swabian through and through. ‹

About the Diversity of Voith

Cowriting a Far-Eastern Success Story

In just one generation, China has changed from an agrarian nation to a powerful industrial state. For this rapid transformation and the building of its infrastructure, the enormous country needs almost everything that Voith develops. The challenge here is to adapt Voith's products to the requirements of the Chinese market.

Many an Asian country enchants visitors with the charm of its citizens and the beauty of the landscape. People who travel to one of China's pulsing economic centers are overwhelmed by the former empire and its breathtaking speed in almost all areas. Even experts of the country are continually impressed by new aspects. "When I arrived in Shanghai in January 2009, they were laying the first concrete pillars for the new high-speed train to Beijing," recalls Thomas Koller, who was starting his work for Voith in Kunshan at that time. "In July 2010, the first parts of the route were already opened," says the manager in astonishment. Now the high-speed train covers the 301 kilometers from Shanghai to Nanjing, the capital of the neighboring province Jiangsu, in only 73 minutes, almost one hundred times a day.

As if on fast forward, the People's Republic has transformed from an agrarian nation to a leading industrial state within one generation. For the dramatic development of the economy and infrastructure, the enormous country needs almost everything that Voith develops – and a lot of it: front-end systems for trains, transmissions for buses, couplings for mines, generators and turbines for hydro power stations or machines for paper production. "Many of our products belong to the fundamental equipment of an economy," explains Klaus-Günther Strack, Director of Corporate Development at the Voith headquarters. "A few months ago, the Chinese Ministry of Commerce announced that it had »

Picture on the left: Voith employees at the Huatai paper mill, a customer. In the background, rolls are ready for installation in a new paper machine.

Successfully On-Site

25 times in China

Voith locations

In China since 1910

1910 Voith delivers the first turbines to China for the Shi Long Ba hydroelectric power station in the province of Yunnan.

1937 The first paper machine in China is started up at Shanghai Zhong Ban Paper.

1965 Voith delivers the first turbo transmission to Chinese State Railways.

1986 The first Voith automatic transmissions are built into Shanghai city buses.

1994 The world's largest pumped storage plant, Guangzhou II, receives generators and turbines.

1997 Order from the Three Gorges Dam for six generators and turbines for the world's most powerful hydro power station.

2004 Industrial Services wins BMW Brilliance in Shenyang as a customer.

2005 Benz Automotive in Beijing and Shanghai Volkswagen Powertrain Company are added as customers.

2007 The first order in the food industry for Voith Industrial Services.

2008 Xiluodu order for the delivery of three generators and three Francis turbines, 784 MW each.

2009 Voith wins a customer in the airplane industry and assumes the servicing of the production equipment in the final assembly.

2010 In Kunshan, the most modern and largest production and service center in Asia is opened for the paper industry.

2010 Voith delivers couplings, front-end systems and wheelset transmission systems for the Chinese high-speed train, the fastest passenger train in the world.

2010 The largest fine paper machine ever built, Hainan PM 2, goes into operation.

passed Japan to become the second-largest economy in the world." But that is not the end of it: Sooner or later, China will surpass the USA as the largest economy in the world. World Bank experts assume that this could happen as early as 2025.

Since the Chinese government opened the country to the world twenty years ago, the sales of foreign companies have grown rapidly. All of Voith's divisions are present in China and successfully operate in the market. The relationships have a past. Back in 1910, Voith delivered turbines to the Shi Long Ba hydroelectric power station in the province of Yunnan, the first of its kind in the former empire. The first paper machine from Heidenheim followed in 1937; a branch was opened in Hong Kong in 1985 and a Beijing office nine years later. The road map has already been sketched out. "In ten to 15 years, we want to be as embedded in China as we are in Germany – a Chinese company that merely has German shareholders," stresses Hubert Lienhard, President and CEO of Voith.

One of the most dynamic economic regions lies on the east coast of China. There, in the vicinity of the hectic port and finance city, Shanghai, you will find multiple Voith branches and production facilities. Just recently, in July 2010, Voith Paper officially opened its large, new production facility in Kunshan, near the city of millions. Here, all of its divisions are united: Voith Paper does an ideal job of meeting the requirements made by many customers, that they receive all their paper technology from one source.

"In 10 to 15 years, we want to be as embedded in China as we are in Germany."

Hubert Lienhard, Voith GmbH

The new service center in Kunshan produces roll covers and offers services related to covering fabric, covers and other special products for the paper industry. "It is a very modern production facility, comparable to the automotive industry," enthuses Robert Kietaibl, Senior Vice President of Voith Paper Fabric & Roll Systems Asia. The Voith Paper City in Kunshan is also a production site for major projects. Here, the added value is focused on a high local share, which is facilitated by a fixed supplier base in China and another production facility in Liaoyang. In Kunshan, paper machines are produced under excellent quality assurance in order to install them afterwards at the customer's location, so that operation can start without delay. This has proven to be a successful strategy for Voith Paper.

This produces the exceptional quality that has made the company number one in the industry in the country where paper was born. "Business is going great," confirms Thomas Koller. "Our name prompts excellent associations over here."

"Our country has more than enough cheap products."

Mingming Liu, Voith Paper Asia, explains what the Chinese appreciate about the Germans, and why sometimes it can be incorrect when Europeans imitate the Chinese.

Ms. Liu, you act as a mediator between two worlds, European and Asian culture. Is it a difficult job?

To tell you the truth, it is difficult. The cultures are very different. I must spend 60 percent of my energy in conversations with Chinese customers or European managers explaining the differences. The Germans underestimate the speed, the dynamic of the Chinese market and also the ambitiousness of my people. We learn very quickly.

Do these differences make collaboration between Chinese and German companies more complicated?

No, not at all. Only sometimes it does not go fast enough for the Chinese. To them, Germans always seem to consider a lot and are always very cautious. But overall,

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The world's largest paper machine to date was installed by Voith employees a few months ago, a gigantic system more than 10 meters wide and more than 550 meters long. While German specialists assembled the fine paper machine, the factory was built around it. Hundreds of Chinese workers poured reinforced concrete walls, welded frames, laid electricity cables and paved the newly created street around the plant. That was one of the most spectacular projects, but certainly not the only one. "In recent years, the world's largest, quickest and most modern paper machines have been installed in China," explains Voith Paper Asia President Mingming Liu. The company was recently able to obtain multiple large orders in China. One of the largest paper producers in Asia contracted Voith to build the second-largest packaging paper machine in the world. Another manufacturer ordered a large deinking system for the recycling of waste paper, a sign »

1 Paper production in China. The paper web runs through the system at an average speed of 100 km/h.

2 Discussion: Voith assembler with a Chinese customer's papermakers.

German culture has a very good image in our country. Germans are considered honest, reliable and down-to-earth – all character traits that we appreciate.

Did you have to struggle a lot in your industry in China during the global recession?

On the contrary. Voith had just had two very successful years in Asia before the recession. Primarily, the financial crisis cleaned out the bad companies. For good companies, it also offered opportunities. For example, we optimized our processes and bundled all our existing forces in Asia. Now we are using the speed and quality that grows out of better cooperation.

When you look back on this phase, what are you particularly proud of?

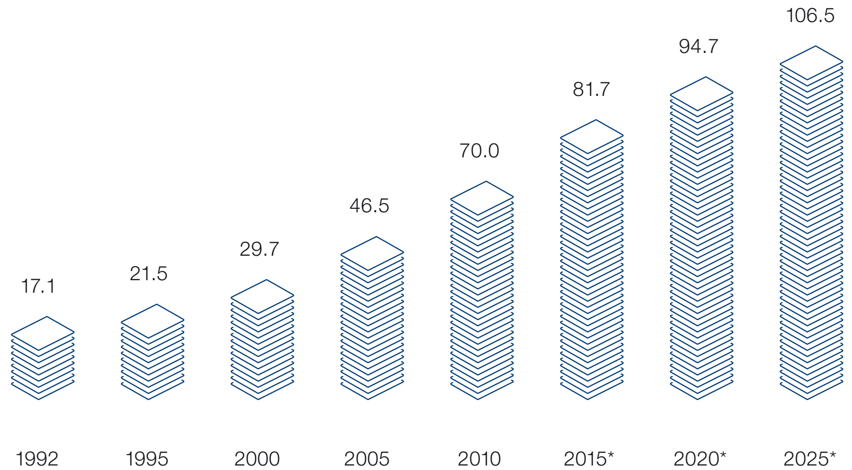
That we were able to maintain our high standards in economically difficult times. That should not be taken for granted. China is a very productive country. The products are usually cheap, but also of lower quality. Some European companies come to China and lower their standards to the Chinese level. They believe they can only be profitable in this way. That is incorrect. Our country has more than enough cheap products. We need something else. And Voith knows it. The company supports the highly developed art of engineers, maintains quality and thinks over the long term. Chinese paper producers are proud to tell you when they have finally been able to afford a machine from Voith.

that environmental technologies and recycling are also becoming more important in the Asian market. “This year alone, the government closed numerous paper mills with a total of four million tons in annual production, mostly small companies with old technology and high environmental pollution,” Mingming Liu confirms the trend. New paper mills only receive approval if they use environmentally friendly and energy-efficient machines, like the ones Voith provides.

However, last year the economic crisis was also a subject in China. “For our mostly young staff, it was initially an extremely confusing experience,” reports Koller. “They had known only one direction in their short professional life till then: forward.” Voith’s long-term strategy paid off; the distraction was only brief. By the end of 2009, things were moving straight ahead as usual. Koller will probably be able to enjoy this boom for a long time. Demand for all kinds of paper is very high in China. While each German uses an average of 247 kilograms per year and trending down, the Chinese are only at 70 kilograms. In 15 years, paper consumption in China should increase to roughly 106 kilograms per person, forecasts Pöyry, an international consulting company.

Paper for Culture and Comfort

Consumption in kg per person in China



Source: Risi, Pöyry

* Forecast

Also promising are the prospects for a myriad of industrial components from Voith. The company was able to increase the sales of drives for conveyor belts in coal mines alone by a factor of six in the last four years. And with components for trains, Voith is also at the fore. In the middle of the events in the world’s largest market for trains is Birgit Suberg, Managing Director of Voith Turbo China. The economist with a doctorate in economy loves her exciting life in the metropolis on the Yangtze. Here, Voith Turbo founded a branch nine years ago and it has grown rapidly since. A strong, countrywide sales and service team supports customers on the Chinese continent. The work in such an exciting era motivates the Chinese employees tremendously. “Voith is like a large

“The largest, fastest and most modern paper machines are being installed in China.”

Mingming Liu, Voith Paper

family. That is really something special," says Wei Chengming, who, as a service technician for Voith Turbo Power Transmission, has supported customers in the province of Shandong for the last two years. "I have learned a tremendous amount about communication with customers and about very interesting products from Voith," stresses the 39-year-old. In Shanghai, components are also assembled for trains and commercial vehicles. Suberg is enthusiastic about the incoming orders: "Whether it is industry, railways, road vehicles or marine, in all areas there is great interest in our products," the Voith manager says happily. "We have caught a good time." The government is particularly intent on pressing ahead with the expansion of the rail network. In 2009 alone, 5,557 kilometers of new train tracks were built. In the next few years, a high-speed network of more than 10,000 kilometers in length should be built. In 2012, the CRH3-380 high-speed train will race at much more than 300 kilometers per hour in four and a half hours from Shanghai to Beijing. These targeted records do not allow the Chinese to relax by any means. "Soon they are planning to reach over 500 kilometers per hour with a test train and set a new world record," reports Suberg. Voith will also benefit from this development. "The rail business is booming," says the China expert, "and we are very happy to participate with our couplings, transmissions, front ends and coolant systems." Similar to the expansion of the rail system, the government is also forcing the development of electrical and hybrid mobility, particularly for public bus transportation. "We also have concepts suited for the Chinese requirements in this area," says Suberg. With its involvement here, the Chinese state does not just want to protect the environment. Electric mobility is also a way for the energy-hungry country to make itself independent of oil imports.

China can produce large quantities of power today and in the future from coal and hydro power. The east Asian country possesses gigantic quantities of the black energy source, with which it covers approximately two-thirds of its energy needs. The country obtains roughly 16 percent of its energy from hydro power according to the Hydropower & Dams World Atlas 2010. The »

"Voith is like a large family. That is really something special."

Wei Chengming, Voith Turbo

1 Assembly hall at Voith Turbo Shanghai.

2 Mechanic in the final assembly of a fron-end system for the new Chinese high-speed train.

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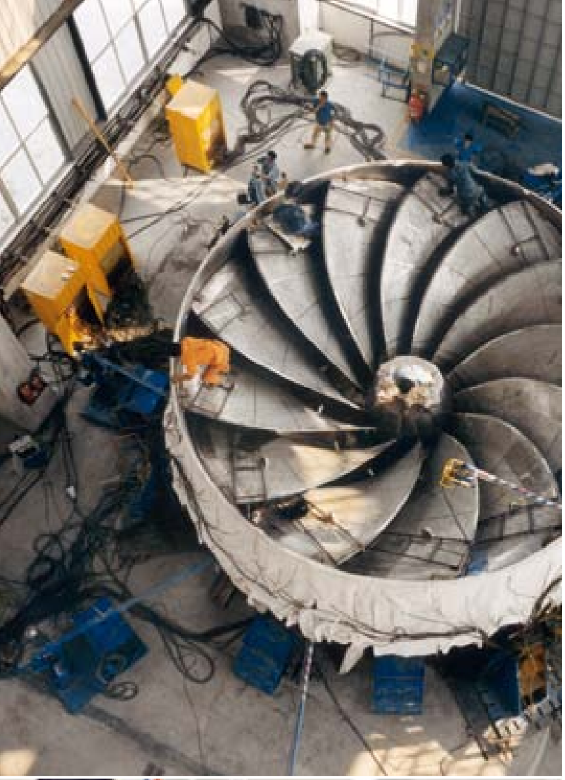
Construction of the Long Tan power plant on the Hongshui river.

potential of this nearly inexhaustible resource has only been utilized to just under 40 percent despite countless large hydroelectric power projects in past years. Currently, the installed total capacity of the hydro power plants is 260 gigawatts. By 2020, the capacity should increase to 330 gigawatts. "The prospects for the development of hydro power in China are exceptional," raves Tang Xu, Marketing Director of Voith Hydro Shanghai. "The profitably usable potential currently amounts to 400 gigawatts, even 500 gigawatts depending on the development of the energy costs." Voith belongs to the leading manufacturers of equipment for hydro power plants, particularly with large generators and turbines. Since the opening of the branch in Shanghai in 1997, the company has delivered more than 100 units for more than 30 Chinese power plants. "Our highly productive, modern production facility in Shanghai and 95 percent local added value let us outperform our



“For the Chinese, interpersonal relationships are very important.”

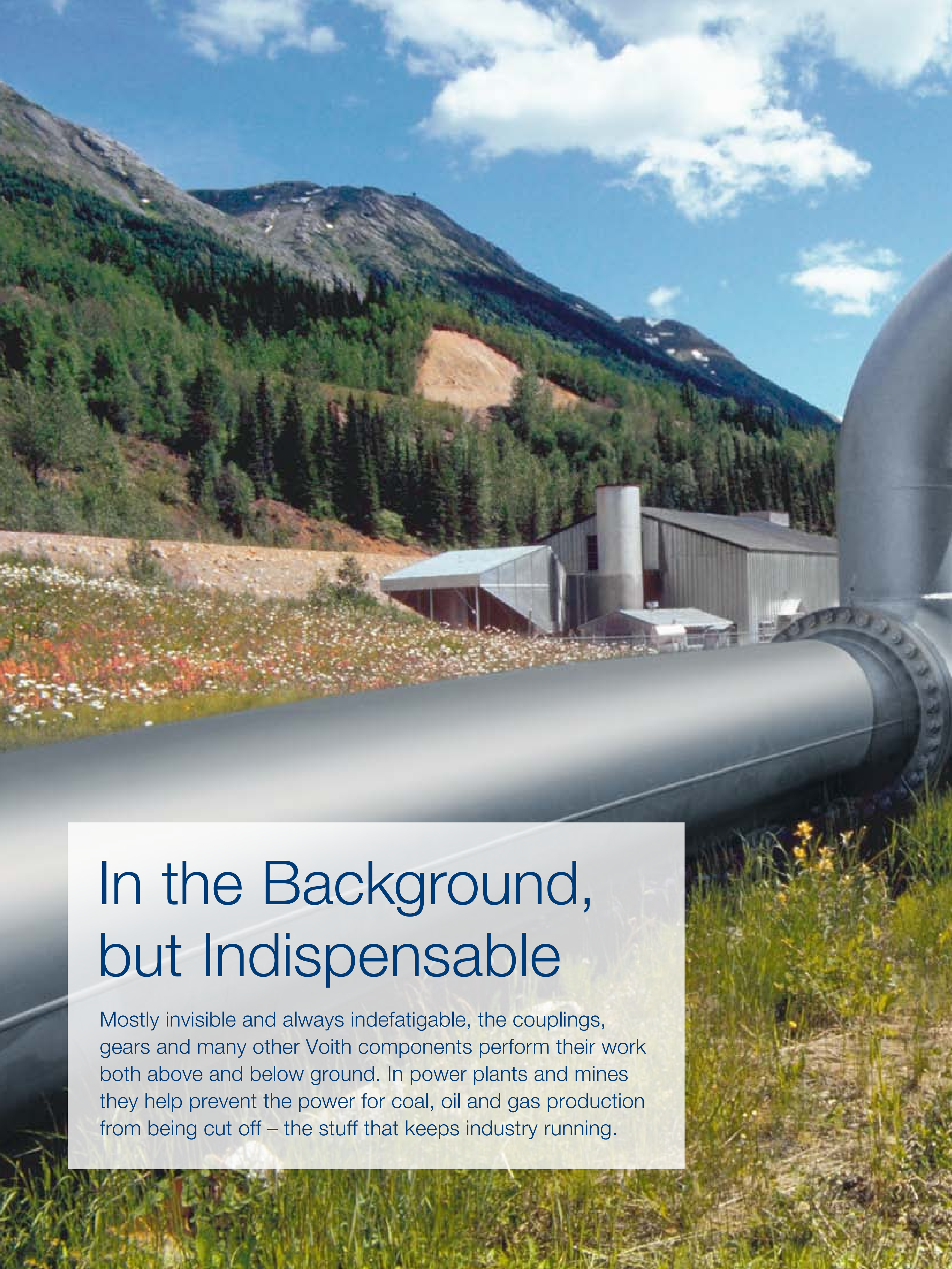
Birgit Suberg, Voith Turbo

competitors. Very good quality, customized solutions for customers and the excellent execution of the order on-site speak for us,” says Chen Guoquing, Director of Project Management in Shanghai.

Since in some cases it is impossible to transport the gigantic turbines and generators over many kilometers, Voith is also producing the components in the immediate vicinity of the future power plant in one of the factories built for this. Currently 40 employees in Xiluodo are working on the three 784-megawatt turbines that the power plant operator ordered two years ago. Here, in the mid-section of the Yangtze, a system of four hydro power plants is being built. These should provide twice as much power as the power plant at the Three Gorges Dam, and help China meet its emissions goals in climate protection. “For the Three Gorges project, Voith also delivered a total of six machines,” adds Cheng Guoquing. After completion in 2015, Xiluodu will achieve a capacity of more than 14,000 megawatts and thus be the third-largest hydroelectric power plant in the world.

The area of industrial services will also soon be swept up in the general boom in China. “The strategy that has proven itself in Western industry, where a company concentrates on its core expertise and has other things handled by external specialists, is not as widespread there,” says Gerwin Gädigk from Voith Industrial Services in Shanghai. “Often this market must still be created.” Nonetheless, in Shanghai, Voith Industrial Services has still succeeded in building up a regular customer base, primarily among automotive suppliers and manufacturers, in recent years. But also in other areas it has succeeded in gaining a foothold. In the past year, it succeeded in obtaining Airbus in Tianjin as a customer. Here, the A320 and the A319 are produced for the Asian market. The Voith team is responsible for the entire service of the assembly lines and the enameling lines as well as the production logistics. The business will rapidly increase for the high-demand model. In the meantime, the service sector in China is growing more rapidly than industry and agriculture.

Voith manager Suberg has also experienced many changes in recent years. She has been repeatedly impressed by the high speed of the Chinese: “When they undertake something, they pursue it extremely efficiently and very quickly.” In the meantime, the economist knows the culture of the land very well. “For the Chinese, interpersonal relationships are very important; their entire culture is based on this,” explains Suberg, who speaks the local language fluently. In China there may be the saying that a good relationship is halfway to the order, “but this does not allow you to make an error or deliver inferior quality,” warns the manager. Confidence means responsibility. ‹



In the Background, but Indispensable

Mostly invisible and always indefatigable, the couplings, gears and many other Voith components perform their work both above and below ground. In power plants and mines they help prevent the power for coal, oil and gas production from being cut off – the stuff that keeps industry running.

An extensive network of gas pipelines runs through British Columbia in Canada.

The production of fossil fuels requires a very delicate touch. Where for centuries people worked at it arduously by hand, today modern systems handle most of it automatically and very efficiently. The extraction of ancient raw materials for the future of mankind intrigues Jürgen Zeschky every day and brings him to new discoveries: "Mining and energy production form the fundamental basis of our life and culture," says the Executive Vice President of Voith Turbo and the President of the Industry division. And the world's appetite for energy is huge. For a short time, investments in the commodities sector noticeably declined after the eruption of the financial and economic crisis in 2008. Companies planned less oil and gas drilling; they cut back on investments in refineries, pipelines and power plants. Many planned projects were initially postponed or even cancelled entirely, says the International Energy Agency in Paris. However, the demand for commodities will remain high over the long term, above all, for the materials that keep industry running, such as coal, oil, gas and ores.

"We must understand precisely how our products will be used."

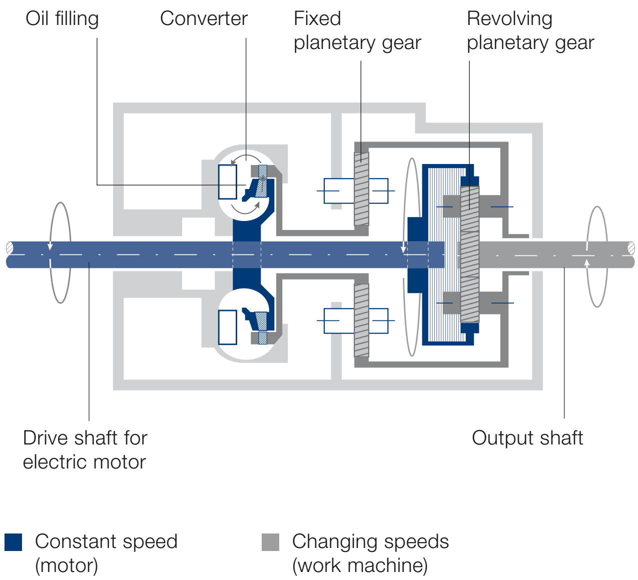
Jürgen Zeschky, Voith Turbo

In arduous work, the valuable raw materials are wrested from the earth, mostly in mines above and below ground. Transport components such as couplings or gears are used here, and this is a problem. Extreme heat and cold, dust, stones, sludge: The machines must defy the most adverse conditions and may not show any weaknesses. Day and night – kilometers of conveyor belts transport coal or ores to their destination without interruption. The mine operators can thank the creativity of engineers for enabling them to run their conveyor belts so smoothly that they have no dangers to fear. There is neither the risk of a belt ripping or that the valuable freight will slip off it. And this shows another feature of Voith couplings: their enormous reliability. Producing machine parts that have worked smoothly under the most extreme conditions for decades requires more than just extensive experience. "Whether in mining, oil or »

Its Name Is the Program

Voith Vorecon

Vorecon is composed of the first letters of Voith Regulates Economically. In Vorecon we find a hydrodynamic torque converter and a planetary gear. Vorecon's job in the drive train is to regulate the speed of a work machine. It is primarily used in power plants and the oil and gas industry.



1 Miners in the San Juan mine in New Mexico (USA). The reinforced tooth roller in the background mills studs from the stone.

2 The conveyor belts bring the coal above ground. The longest one in the San Juan Mine is 2.5 kilometers and is driven by six motors with 750 hp each.

3 A powerful cutting roller gnaws strip after strip from the rock layer.

gas facilities – we must also understand precisely how and under what conditions our products will be used," says Zeschky, explaining the successful recipe.

Quality and reliability are critical

Many mines today work like a gigantic, computer-controlled logistics company, perfected and optimized down to the last detail. The high expense is worth it. The business with raw materials is one of the most profitable in the world. But even the most minor malfunction can completely cripple the sophisticated machinery and cause enormous costs. Above all, underground, it is a real battle. There, huge chunks of the mountain crash down onto a transport chain. An ordeal for the machines. "In a worst case scenario, that can destroy the entire drive train," says Benno Morlock, Senior Vice President of Start-up Components at Voith Turbo. "In larger operations, an hour-long failure can cost multiple 100,000 euros." The oil industry must calculate even higher damage and risks. In Brazil, off the coast of Rio de Janeiro, Voith's drive technology helps pump the black gold from a rig in the ocean to the shore. "Roughly 800,000 barrels of oil per day are produced here," says Ralf Dreckmann, President of Voith Turbo in Brazil, providing an example. "If a coupling fails, that can cost up to two million dollars per hour, depending on the current price of oil." That is why customers in this area are glad to invest in good products. For most of them, it is the quality and reliability that are critical, not the price.

And ultimately it is not only money that is at stake. The system operators also bear great responsibility for people and the environment. For this reason, Voith engineers are not relaxing with state-of-the-art technology. It is also always possible for proven products to be improved, made safer and more environmentally friendly. Consequently, a coupling profile has just been developed and will now help customers achieve the same performance with smaller coupling sizes and operate their system even more efficiently.

Another example shows how components that initially seem expensive can thoroughly pay off in the end. At the present moment in South Africa, the Medupi power station, the first new power plant in twenty years on the continent, is being built with a planned output of 4,749 megawatts. Originally, the operator awarded the contract to a company that »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"Mining companies in India must significantly expand capacity in the next few years."

Narsim Shenoy, Voith India Advisory Board

offered the frequency converter for the boiler feed pumps. But after a more precise calculation over a service life of 25 years, the operators of the power station discovered a series of additional costs. As a result, the electronic solution performed significantly worse in maintenance and energy consumption than the hydrodynamic variable speed gear offered by Voith. For a few months now, the 18 ordered Vorecons, each with a 19 megawatt output, are being delivered one after the other to South Africa.

Used in all regions of the world

The South African order was a very special achievement as it opened a completely new market. "Before that, we had only sold Vorecons with a low output for this type of application. That is why this reference project is enormously important, since the oil and gas customers usually buy only products that have already been proven elsewhere. That makes it very difficult to penetrate higher performance classes," Josef Braun, Sales Manager for Asia, explains with regard to the high hurdles. Elsewhere, too, we have achieved breakthroughs: a high-performance Vorecon was put into operation this year in the USA at the compressor facility Williams Station 100, connected with a gigantic gas pipeline. "With 30 megawatts, this has one of the highest, built-in outputs," says Braun. The engineer is equally proud of a liquefied gas project in China. For the system of the energy provider Ningxia Hanas Natural Gas, Voith will deliver two Vorecons for refrigerant compressors for the first time. "It is not the Vorecons that are unusual here, but rather the completely new area of use for our aggregates," stresses Braun. Other interested parties from the industry have already inquired for this reason.

Globally growing energy needs

Above all, Asia needs more and more energy. Narsim Shenoy, Chairman of the Voith India Advisory Board, sees

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1 Vorecon at a gas compression station in Oman. It reacts to the changing pressures and densities of natural gas and ensures the correct speed of gas compression.

2 Jobs in the oil and gas industry are popular. They are considered safe against crisis and are well paid.

3 Endless space: a tanker on the road to the Yibal oil and gas field in Oman.

increasing demand for production technology in India. The mining companies there must significantly expand their mining and excavation capacity in the next few years. The growing demand of the manufacturing industry alone requires an annual increase of eight to ten percent in the production of coal, he continues. Since 1989, Voith has produced couplings for Indian power plant construction and mining at the company's own facility there. "This is currently growing very rapidly," confirms Debashis Basu, President of Voith Turbo in India.

And China's appetite for energy is even greater. This year, the rapidly emerging country outstripped the USA in total energy consumption for the first time and is currently the largest coal producer in the world. Total output in just the last five years, between 2004 and 2009, has almost doubled from 1.3 billion to 2.4 billion tons. By 2015, China wants to further increase its production of coal by almost a third. Demand for production technology is also increasing: almost half of all systems produced by Voith for the commodities industry are now being used in Asia.

More effective production technology

The impact of more effective production technology is not only impressive in unconventional cases such as oil in tar sands and shale deposits. Conventional deposits also benefit from new and more advanced drives and machines. If the exploitation of all conventional oil fields increases by just one single percent, that would result in 20 to 30 billion more barrels of oil, approximately the current annual consumption of oil around the world, according to the energy company Shell. "By 2030, improved techniques for conventional oil will make up 20 percent of all production," says Willem Schulte, scientist for production technology at Shell. Voith is also involved in the development of new production technology. In a joint project subsidized by the EU, engineers and scientists are working on small pumping stations that are built on the ocean floor and send oil or gas to the ocean surface. That requires a completely new approach right from the design, since such devices are not easy to service regularly.

But those are future visions. And already today, Voith's technology is very popular in the raw materials sector. "We have really succeeded in decoupling ourselves from the recession to open up new markets and regions," says Zeschky. The manager identifies another important reason for Voith's success: "For us, the sales transaction may be completed with the delivery of the product, but the customer relationship does not end. We make sure that customers are ideally supported from the day of their order and on through the entire service life of a product. That means ensuring that they can smoothly operate their systems with our devices. We offer them this service." ‹

Cana Brava hydro power plant in Brazil

The Moody Forces of Nature

Industrial nations are planning a radical conversion of their energy systems. Water, sun and wind are supposed to become the basis for the generation of electricity. Only pumped storage plants can effectively save the electricity from volatile natural resources.

Thousands of visitors from politics, economics and the natural sciences descended on the Indian capital of New Delhi at the end of October for the fourth international conference on renewable energies. The subject is hot. Global warming requires a rapid and drastic reduction in CO_2 emissions and a complete conversion of global energy systems. Sun, wind, water and other natural resources are supposed to ensure the supply of electricity in the future and reduce the damaging effect of greenhouse gases. Around the world, this job is at the very top of many countries' agendas. According to a resolution by the European Union, every member country should generate at least 18 percent of their electricity from renewable sources by 2020; in the USA, it should be 20 percent by that date, and Japan is planning to obtain ten percent of its primary energy from such resources. Many countries have adopted even higher goals. Globally, countries alone have set aside a total of $ 57 billion in 2009 for the production of electricity from renewable energy and biofuel, estimates the International Energy Agency (IEA). In the scenario of these new general conditions for energy policies, electricity production from renewable sources will triple between 2008 and 2035. This increase is primarily due to wind and hydroelectric power, whereby the latter will continue to dominate, according to the IEA.

No intelligent use without intelligent storage

The new energy mix signifies an outright revolution. And it has its price. Globally, electricity grids must be expanded and retrofitted. In the European Union alone, according to the EU commission, 1 trillion euros must be invested in the electricity grids over the next ten years. "The renewable energy will be obtained where it produces the highest returns," »

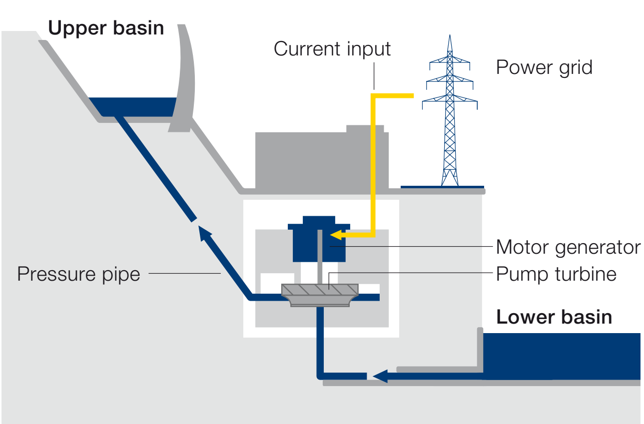
says Professor Jürgen Schmid, Director of the Fraunhofer Institute for Wind Energy and Energy System Technology in Kassel. They must be able to transport the electricity from wind and water from the north and the electricity from the sun in the south over long stretches to urban centers. “To do this, we need high-performing electricity grids. National grid plans quickly reach their limits,” the researcher knows. Nature is moody. The wind does not always blow when electricity is needed and the sun in the best case scenario only shines during the day. Energy depots must compensate for excesses and shortages. “These storage facilities are becoming increasingly important with the increasing share of renewable energy. One of the most attractive possibilities is offered by the expansion of the existing pumped storage plants,” says Schmid. Their operation is simple: When there is excess electricity, water is pumped into a basin that lies higher. If electricity is needed, the water falls down again and drives turbines. “Currently, there is no other even roughly comparable popular and tested technology for the large-scale storage of electricity,” confirm experts from the German Energy Agency in their “Analysis of the Necessity of Expanding the Pumped Storage Plants and Other Electricity Storage Systems for the Integration of Renewable Energies” from September 2010. At the same time, pumped storage plants with their sophisticated technology and efficiency of up to 85 percent are exceptionally effective. “If the highly volatile wind energy increases significantly, as is planned almost everywhere, we need many more pumped storage plants,” says Siegbert Etter from Voith Hydro. Grid operators must often use polluting coal power plants to en-

“Pumped storage power plants are becoming more important with the increasing share of renewable energy.”

Jürgen Schmid, Fraunhofer Institute for Wind Energy and Energy System Technology

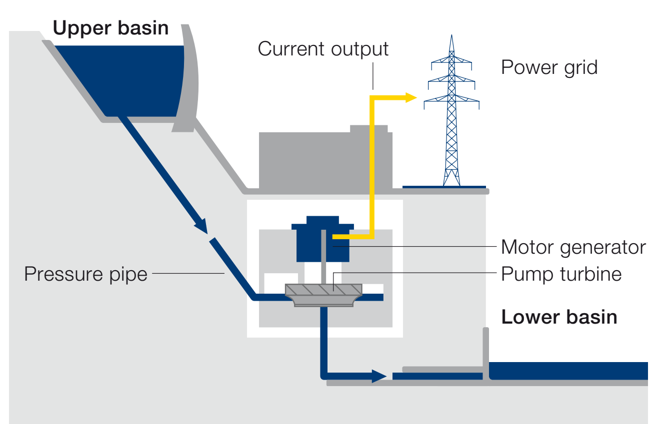
Sophisticated and Very Effective Technology

The principle



Storage of electricity – pump operation

1. Current is taken from the power grid to run the electric motor.
2. The electric motor drives the pump turbine.
3. The water from the lower basin is pumped into the upper basin.



Generation of electricity – turbine operation

1. The water is fed from the upper basin through a pressure shaft to the pump turbine and drives it.
2. The turbine drives the generator, which produces electricity and releases it into the grid.
3. The water flows into the lower basin.

View of the Raccoon Mountain pumped storage plant on the Tennessee River.

sure the constant flow of electricity. For this reason, Voith assumes that the share of pumped storage power plants as a percentage of the entire hydroelectric power market will more than double in the coming five years – from three percent today to seven in 2015.

But not every country offers good conditions for this. Mountains are ideal. The best conditions are found in Norway with its extensive water and mountains, but only sparsely populated land. “New grids must also facilitate a connection to the high-performing storage systems in Norway,” says the energy expert Schmid. Today, storage plants in the Alp countries of Switzerland and Austria regulate the transport of energy in Germany via an integrated grid. Consequently, Vorarlberg has one of the world’s most modern pumped storage plants, the Kopswerk II. In Upper Carinthia, Verbund AG, Austria’s largest electricity company, has just started building a very special pumped storage plant, Reißeck II. And the highlight: the new power station is almost invisibly integrated into nature. The project combines two close, but separately operating, power plants with a more than five-kilometer-long water tunnel and can thereby use the existing system. “This hydraulic connection keeps the intrusion into nature to a bare minimum,” stresses Ulrike Baumgartner-Gabitzer, Member of the Board of Verbund AG. As of 2014, the underground hydroelectric power station is supposed to deliver valuable compensation energy.

Other possibilities for expansion: hydroelectric power

Water provides its enormous energy significantly more predictably than the sun and wind. Nonetheless, one of the greatest potential areas often plays only a secondary role in the new power mix. This may be due to the fact that hydro power is often not regarded as a source of renewable energy. The last Kyoto Protocol views this completely differently, however: the large hydroelectric power station is

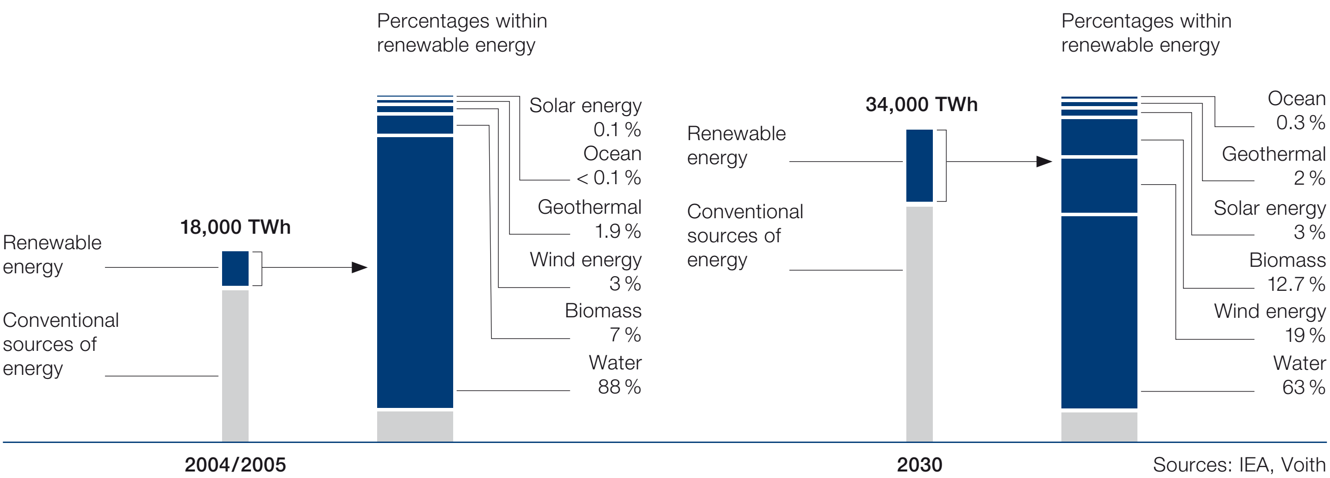
“Tremendous potential for hydroelectric power in South America, Africa and Asia is not being used.”

Richard Taylor, International Hydropower Association

explicitly defined as renewable energy there. This assessment is confirmed by the fact that hydroelectric power today is the largest supplier of environmentally friendly power, with an installed output of 1,000 gigawatts. With a share of 16 percent of the global generation of power, it is the only renewable source of energy that already makes a notable »

Growth of Environmentally Friendly Electricity

The global energy market and its share of renewable energy



contribution to the supply of electricity to people. Yet only a good quarter of water's power around the world has been utilized. This makes it particularly interesting for rapidly growing countries whose Achilles heel is the supply of energy. "In South America, Africa and Asia, the tremendous potential for hydroelectric power is not being used," says Richard Taylor, Managing Director of the International Hydropower Association. No wonder that we find bustling building activity on rivers around the world.

Voith manager Etter anticipates annual growth of 25 gigawatts per year, and the company is at the fore in this field. A large portion of the electricity from hydro power around the world is produced with generators and turbines from Voith. With a market share of almost 18 percent, the system builder is number two in hydro power.

In search of ideal solutions

"Besides large hydro power stations, small hydro power stations are also extremely important. Normally, they can only cover a modest share of a country's electricity needs. But nonetheless, their impact often exceeds their small size – and since they work without special dam systems, they can be easily integrated into nature," explains the Voith manager.

To date, environmental protectionists have also attested to a similarly limited impact on the environment from those technologies that use the ocean's energy – wave and tidal current power stations. "In our pilot station for obtaining energy from waves on the island of Islay in Scotland, the facility makes do without movable parts and the majority of it sits on land," explains Jochen Weilepp, Head of Ocean Energies at Voith. "We discussed our air pump concept, among others, with animal and environmental protectionists, who did not voice any objections to it." This concept works with an air turbine rather than a water one. It is built into a collector facility erected along the coast, which stretches into the water like a roof and has an opening to

the ocean. The waves penetrate the room and then pull out of it again. The resulting difference in pressure inside the power station sets the air in motion, which drives so-called wave turbines in time with the waves. For ten years, the pilot station on the west coast of Scotland has supplied the residents of the island with electricity in this way.

Tidal current power stations use the ocean's tidal energy. At the moment, one of the world's largest power stations of this kind is being developed for the Seaturtle Tidal Park off the coast of the South Korean province Jeollanam-do. The first pilot turbine for this was developed and built by Voith. "The location is ideal, and that is why the project is so exciting for us," says Weilepp. The water must pass between many islands off the coast. This increases its speed and thus the potential exploitation of its energy.

Fundamentally, ocean energy possesses enormous potential. Roughly 70 percent of the earth is covered by water that is almost constantly in motion. But this source of energy is not so easy to use. "The technologies are in the development phase in which wind energy was more than twenty years ago," says the Voith expert, lowering high expectations. Almost all systems for obtaining ocean energy are still in various testing stages. Work is being done on very different technological concepts for both wave and tidal current power stations. It is still unclear which will be successful in the end. Only one thing is certain so far. "It must be a robust technology," says Weilepp. Because the ocean can be very rough. As soon as these problems are resolved, Weilepp is certain that the ocean's forces will play an important role in the future mix of renewable energy. But an exact determination of this potential is difficult for experts. However, Weilepp estimates that it will be a similar order of magnitude as wind energy.

Wind power on the rise

On the other hand, experts do agree when it comes to wind. "Wind power will see the greatest growth. We expect that by 2020 new wind power stations with a total output of 137 gigawatts will be built, which means 117 gigawatts more installed output as compared to 2007," the analysts from Roland Berger forecast. Other calculations also unanimously agree on a promising future for wind power. The dramatic performance of the sector is also causing rapid growth in the need for turbine services. Today, Voith Industrial Services is supporting more than 500 wind power stations in Germany and Austria. 24 service teams monitor the stations remotely. But they are never very far from the wind parks. Around the clock, they can react like lightening when there is a malfunction. The work on the tubes, high above ground level, requires physical fitness, certification by a doctor that the person can work at high altitudes and annual rescue training. The team receives thousands of alarm calls every year. And for the operator, such a special service pays off. A few months ago, Voith assumed the support for a wind park with 46 megawatts in Austria, in the vicinity of Vienna. In a brief period of time, Voith Industrial Services was able to increase the availability of the stations from 85 to 98 percent. The servicing and support of the wind energy stations through an independent service provider like Voith brings another advantage. Often a wind park has received turbines from various manufacturers over the years. The employees from Voith are trained, however, for all types. ‹

No dizziness and top-fit: Courageous assemblers install new wind power stations. They consist of an up to 100-meter-high tube, the gondola with the power station technology and the rotor.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“Especially Good for Urban Areas”

Resources are limited – but not ideas. Systems expert Markus Oechsle explains what lies behind the urban mill concept. It helps paper manufacturers reduce energy consumption, lower their freshwater needs and process production waste.

What is behind the concept of the urban mill?

The idea of the urban mill is not new in itself. Urban mills are factories that are built close to consumers to supply the given region with paper such as packaging paper, print and writing paper or tissue.

If the idea of the urban mill is not new, then what is interesting about Voith’s approach?

New is our idea of “closing the loop,” which means the fiber, energy and water cycle are almost closed. This offers multiple advantages at the same time: investment, operating and logistics costs are significantly reduced. Also, less energy and water are needed. And furthermore, there is hardly any residual material that must be disposed of.

Reduce costs and also produce in a more environmentally friendly way? That sounds contradictory at first.

But it isn’t. Quite the contrary: Synergies emerge from connecting the loop cycles and closely coordinating the processes. This, for instance, is how it works with the fiber cycle: In the urban mill, collected waste paper from the urban area is processed and turned into new paper. If fresh fibers are also needed, these can be purchased on the market. The use of fibers from recycled wastepaper also reduces the consumption of primary energy, since the processing of fresh fibers is much more energy-intensive.

In the energy cycle, the system uses the heat that results in the paper production process. Furthermore, the conversion of waste material to steam and electrical energy significantly reduces costs. Additionally, valuable materials can be systematically extracted and reused. This lowers disposal costs enormously.

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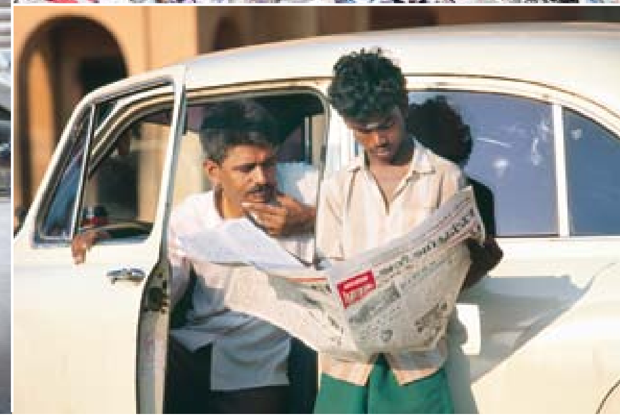
Markus Oechsle, Voith Paper.

People in India like to stock up on exciting literature in second-hand shops. Before a book is ready for reuse, it passes through many hands.



The collected paper on the cargo bike is stacked up more than one meter in height in India. In the factory, a conveyor belt transports the valuable freight directly to the processing plant. Thoroughly cleaned and reprocessed, the fibers find their way back to the readers.

On the subject of water, we pay attention to closed loop circuits with regard to consumption: The cooling circuits are closed and the cleaned wastewater is guided back into the paper production process. This lets us reduce our consumption of freshwater and the produced wastewater to a minimum.

Important in this connection is that we do not consider the urban mill in isolation, but rather that the industrial surroundings are also considered. This lets waste products and wastewater produced outside the paper mill be recycled in the urban mill.

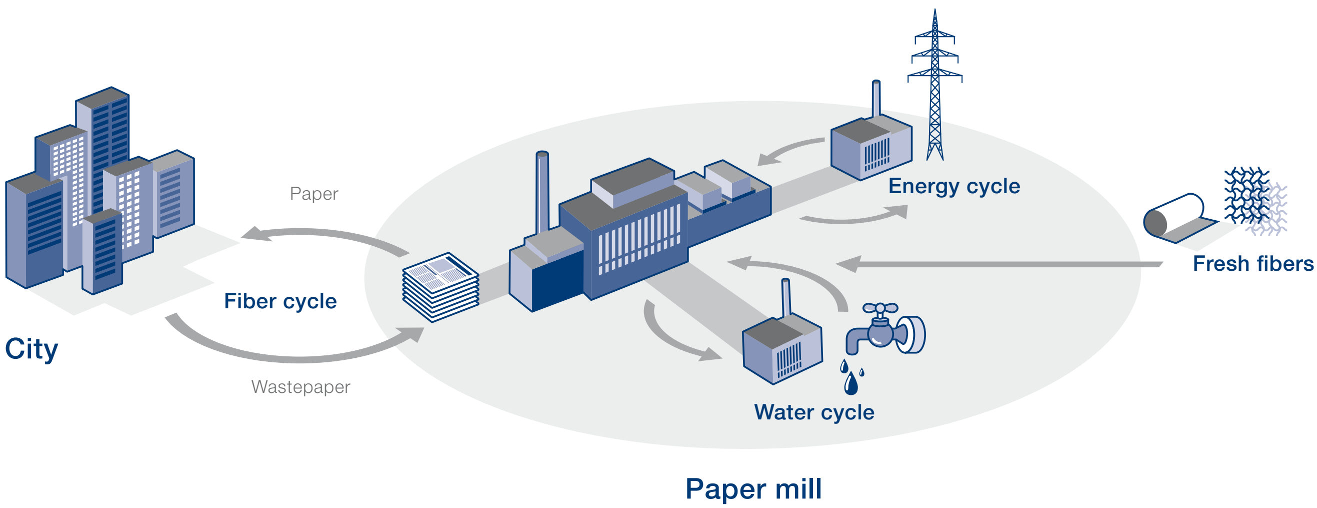
How do you proceed?

Every project is preceded by a detailed situation analysis and the plans are adjusted with the customer to the given location. We make sure that all subprocesses from paper production are ideally coordinated with each other. Additionally, the productivity and efficiency of the paper mill can be increased with the integration of industries in the surrounding area such as municipal sewage treatment plants, power plants or garbage sorting plants.

How do you reduce capital expenditures and logistics costs now?

The production capacity adjusted to the conditions on-site and an ideal design for the processes and plant components lowers capital expenditure costs. Delivery from a single source makes a critical contribution to this. Furthermore, the specific costs for small as well as large production plants are almost equally good. In comparison to conventional paper mills, a higher cash flow is generated and a quicker return on investment is achieved. The investment in an urban mill is not only worthwhile from an ecological point of view, but also from an economic one.

The urban mill cycle



Since an urban mill uses the paper in the urban area close to the mill, this reduces its transport costs, which are cost-intensive. The same naturally applies to the obtainment of wastepaper. Wastepaper is increasingly gaining more significance in paper production. Today, it is already more than 50 percent of the raw material base for paper production. We assume that more than 70 percent of global paper production will be based on wastepaper in a few years. Wastepaper is increasingly important, and since there are tons of wastepaper an urban area, this can be collected right in front of the urban mill's door, so to say.

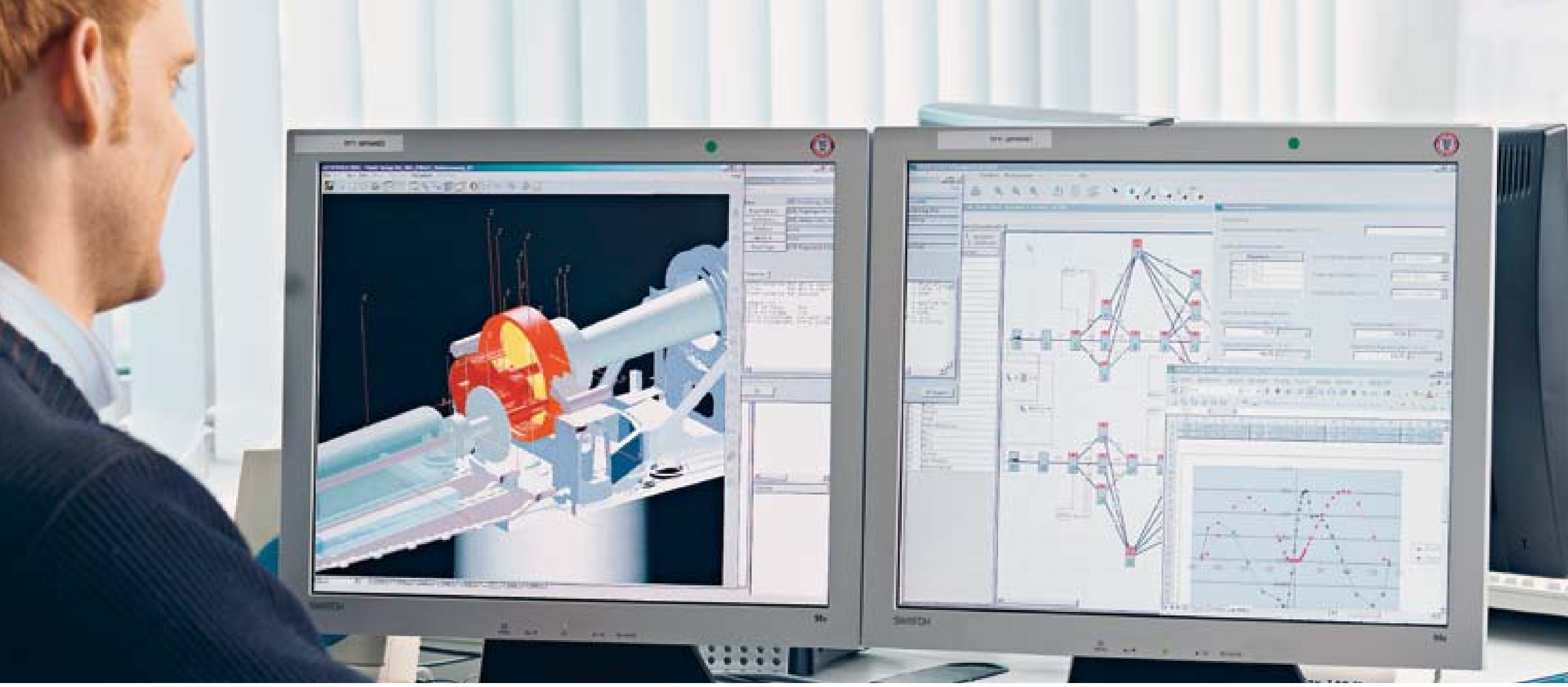
"All processes in the urban mill are ideally coordinated with each other and with the existing regional circumstances."

Are there countries or regions that are particularly suited for the urban mill concept?

As already mentioned, an urban mill is especially well suited for urban areas with a high population density and existing infrastructure. This applies in particular to emerging markets such as India and China. While the required infrastructure is frequently lacking in the rural regions of these countries, it is present in the areas around large cities – the ideal environment for an urban mill.

Why was your urban mill concept not developed earlier?

All the processes in the urban mill must be ideally coordinated with each other and adjusted to the existing regional circumstances. To fulfill these complex requirements, a large amount of process knowledge and many years of experience in this area are necessary. We have continued to expand this process knowledge for decades through myriad projects. Consequently, today we are capable of facilitating significantly more efficient and ecological paper production. ‹



Computer simulation supports engineers in the development of new products.

Burning for an Idea

Intelligent solutions are being sought more than ever before. For saving the climate, for ensuring energy supplies and for the growing mobility of an increasingly large number of people and goods. In their research and development divisions, companies are working on the answers to these questions.

Here, it is mostly engineers who persistently, in small steps, develop new technologies and turn innovative projects into products. If a young engineer decides to pursue research and development in a company, he has the ambition to research for real life, to create a product that will prove itself in practice and ultimately bring about an improvement. The projects are complex and challenging; to master them requires endurance and patience. Something that frustrates a layman is new insight for an engineer. He knows that "there is no bad result. If an outcome is different than he thought at the beginning, we learn something that is important for the entire process," explains the current specialist, David Bendl.

The cliché of the solitary inventor has long been a thing of the past. A development engineer must possess social and communicative skills. He must be capable of presenting recommendations, convincing partners, irrespective of whether it involves the management team at his own company, customers, investors or his colleagues. He must work together with others in a team on projects and must, as the engineer Norman Perner said, "be socially acceptable." A basic condition for working in the company's research and development department is a solid education, usually a university degree in engineering. This is then connected with thorough training. "I spent a few years learning everything about the production of paper and only took managerial responsibility afterwards. It was good that way; the order was correct," said the paper expert Susanne Berger, who knows from experience.

The engineers of visions are motivated or driven, as it is often called in the jargon of technology companies, by adventure research – this is both excitement and passion for them. "I find relevant practical research more important than working out very academic subjects and I am lucky to be able to do what excites me," stresses the young engineer David Bendl. The developer Felix Rüdiger emphasizes: "We have a job with a lot of responsibility. I am proud of what we have accomplished." Norman Perner, who has devoted himself to the research of tidal energy, confirms: "I want to implement my ideas. You have to be burning for your ideas!"

Putting It on Paper

Susanne Berger has been working in the research division at Voith Paper for eight years. As a process technician, she received her PhD in the drainage of brown coal and then gained her first professional experience at a plant manufacturer. At Voith Paper, she began with the research of paper properties. For the layman, there are worlds between a beautiful, white piece of paper and the brown fuel.

Not for an expert: "The paper fibers are obtained from wood and brown coal is also only wood in a different state," says Berger, explaining the logical connection between her dissertation and her later area of responsibility. In one of her first projects, she was in search of a microscopically small imperfection in magazine paper that only showed up in the printing. Later she researched paper that curled when run through a copy machine.

Susanne Berger's daily life changed around three years ago. Today, she directs a group of 14 employees. Her team consists of mathematicians, physicists, bionics researchers, chemists, wood specialists, textile technicians, mechanical engineers, process engineers, as well as paper and electrical engineers. Two of them work in Sankt Pölten, Austria. "The distance is not problematic for our collaboration," says Berger. "We meet frequently online and our Austrian colleagues participate in our meetings via Office Communicator."

Susanne Berger, Head of Department in Research at Voith Paper.

Her area of responsibility also expanded to include new content. Besides paper properties, the subject of raw materials and resources has also become a focal point of the research group. "Conserving energy is becoming increasingly important for paper manufacturers," says Berger. Voith had begun a pilot project on the subject of an integrated paper mill the year before. All the steps in a paper mill, from the generation of power in the company's own power plant to the completed paper rolls, were supposed to be illustrated by using modern simulation methods on a computer. An absolutely unbelievable performance. "The production of paper is more complicated from a process point of view than all other processes that I know," she explains.

The simulation shows and calculates the fiber, water and energy flows in a complete report. This enables discovering possibilities for conservation and improvement, and creates the basis for innovations with which paper can be produced in a resource-saving way in the future. Two employees from Berger's research group have built the simulation tool. The entire simulation of a paper mill has been successfully concluded in the meantime and patents have been filed.

Occasionally, Susanne Berger still misses not being able to handle the scientific details as intensively as before. But her satisfaction with the newly obtained responsibility and the many subjects that she confronts significantly outweigh the losses.

Felix Rüdiger, vehicle engineer:
Development of safety concepts for trains.

Crash Tests on the Computer

Felix Rüdiger discovered his passion for development work at university: "I decided in favor of industry because, as opposed to university, you do not do basic research and instead develop actual products. It is great when I see trains on the track and know that I helped develop them myself." The young vehicle engineer came to Voith Engineering Services in Chemnitz right after graduating from university and is responsible, as calculation engineer, for creating safety concepts for trains. At only 28, Felix Rüdiger is already the head of a specialist area with six engineers, which he was involved in creating. His team's job consists of conducting so-called crash simulations for new rail vehicles. The goal is to design the cars so that the inside area remains undamaged in the event of a train crash and the travelers survive with as few injuries as possible. The engineers develop concepts for the safety of millions.

A Ship Propulsion System for Wind Power

David Bendl wants to work on a real product and see a tangible result at the end. That is why he decided to work in a company. He likes the fact that research and development calls for "a lot of creativity. That is exciting! When I see a finished component and know that I established the basis for it with the hydrodynamic calculation, that is a good feeling and an incentive to pursue other promising work. This is more important to me than an academic degree," says David, explaining his passion.

He discovered his specialty, fluid dynamics, during his mechanical engineering program at university. For his internship, he sought a company that is a leader in this area and applied to Voith. In the development division for ship propulsion in Heidenheim, he was able to complete his internship and then write his diploma thesis.

Since 2007, the 29-year-old engineer has worked at Voith Turbo Schneider Propulsion and for roughly two years has been collaborating with colleagues to develop the first Voith Radial Propeller. This new ship propulsion system will be built into a 150-meter-long special ship that is later supposed to haul wind power stations out to sea and place them on the sea floor.

The new propeller possesses a higher degree of efficiency than comparable propulsion systems from competitors. This allows to precisely hold the position of the ship, which is a fundamental precondition for the lowering of wind power stations. A ship propulsion system contributes to the expansion of renewable energies.

David Bendl, engineer: Development of the Voith Radial Propeller.

Norman Perner, Technical Director: Tidal current turbines.

Energy through Ebb and Flow

Norman Perner was born with the desire to research. As a child, the now 40-year-old engineer heard about climate change for the first time. His father, a chemist at the Max Plank Institute and one of the first climate researchers in the world, discussed global changes with scientist friends at home, including, for example, the threatening global warming and the ozone hole. Norman listened to it all and was quickly infected by environmental protection subjects.

Years later, after graduating with a degree in engineering, his sister, who had just returned from a long stay in Namibia, told him about the strong currents off the coast of the African country. Numerous ships became victims of the ocean's destructive force there. His sister's reports stirred the young engineer: If you succeeded in taming these enormous forces, they could be used as inexhaustible sources of energy for the benefit of mankind, he considered.

In the following years, he knocked on countless doors at shipyards, planning companies for wind power parks and water turbine manufacturers. He succeeded in being invited over and over again and specialist colleagues were receptive to his idea. Nonetheless, ten years ago, no company was ready to invest in the development of tidal current projects. "The time was simply not right," he states in retrospect. Back then, he also tried to contact representatives in parliament. But the politicians also reacted very reticently and did not provide any subsidies. Perner did not give up and developed his first complete tidal current power station on his computer with his own money. With a friend, he conducted trials with models and filed a patent in 1997. In search of alternative financing options, he accepted a dissertation grant: "Then I discovered that industry was moving ahead more quickly than science. That is why I gave up the dissertation project and entered into the development of wind power generators," says Perner. It was important for him to work in an area adjacent to tidal current technology. At this time, he made contact with experienced engineers throughout Germany. A personal network emerged, which ultimately brought him together with experts at Voith.

In Heidenheim, around the turn of the century, he built a strategy team that placed the research of ocean energy on the agenda. Finally the time was right for Perner's idea. In the meantime, the team has become a company with roughly 20 engineers – Voith Ocean Current Technologies. Currently, a prototype has been developed for a tidal current power station that will be put into operation in Scotland.

A smaller test station has already been completed and should enter into the trial phase off the coast of South Korea. But Perner has still not reached his ultimate goal, "since only after the field trials can we show that our technology works and has proven itself," he stresses. But he is certain that they will succeed: "If I were not convinced that it would work, I would not do it. It is so difficult, it must work, I cannot and do not want to imagine anything else."

Projects and Products with a Future

Engineers work at innovative technologies and develop environmentally friendly concepts for the industry.

01

Tidal Current Power Stations

At first glance, the sight reminds the spectator of a wind turbine: but it is a turbine for a tidal current power station. The station uses the tidal current energy that results from the shift between ebb and flow. The tidal current spins a rotor that in turn drives a generator – and without a gear being changed between the rotor and generator. Voith has developed two prototypes: one of one megawatt and a smaller one with a nominal output of 110 kilowatts. This one is about to be tested off the coast of South Korea, and the larger one will be placed in operation in Scotland afterwards. Underwater operation in the sea, i.e. in saltwater, presented the developers with special challenges. The system should work for many years without any major maintenance and be environmentally friendly. Another problem was keeping the water completely out of the system. In particular for long operating periods, this is only possibly with great difficulty. So the engineers made a virtue of necessity and let the seawater run free: They developed saltwater lubricated bearings for the turbine, an absolute novelty, and a generator flooded by seawater. Another unique feature of the system is the turbine's bidirectional rotating rotor blades that can be moved from two sides by the flow. This makes it possible to use the current from ebb and flow to the same degree without having to turn the gondola.

02

Safety Concepts and Crash Simulation

Whether they are tram cars or regional and high-speed trains, new vehicles must go through extensive test procedures. For cars, one of the main requirements is that the interior will suffer as little damage as possible in the event of a crash. For these demands, service providers like Voith Engineering Services develop appropriate safety concepts. The engineers use their calculations to determine which absorption elements, couplings and deformation tubes have to be integrated into the vehicle's structure. Absorption elements for trains work in a way that is comparable to the crumple zone of a car: They absorb the energy of a crash and dissipate it in a controlled fashion. The car manufacturer and the customer send the relevant data to the development service provider. He or she calculates precisely what the ideal absorption elements are for the new car model.

03

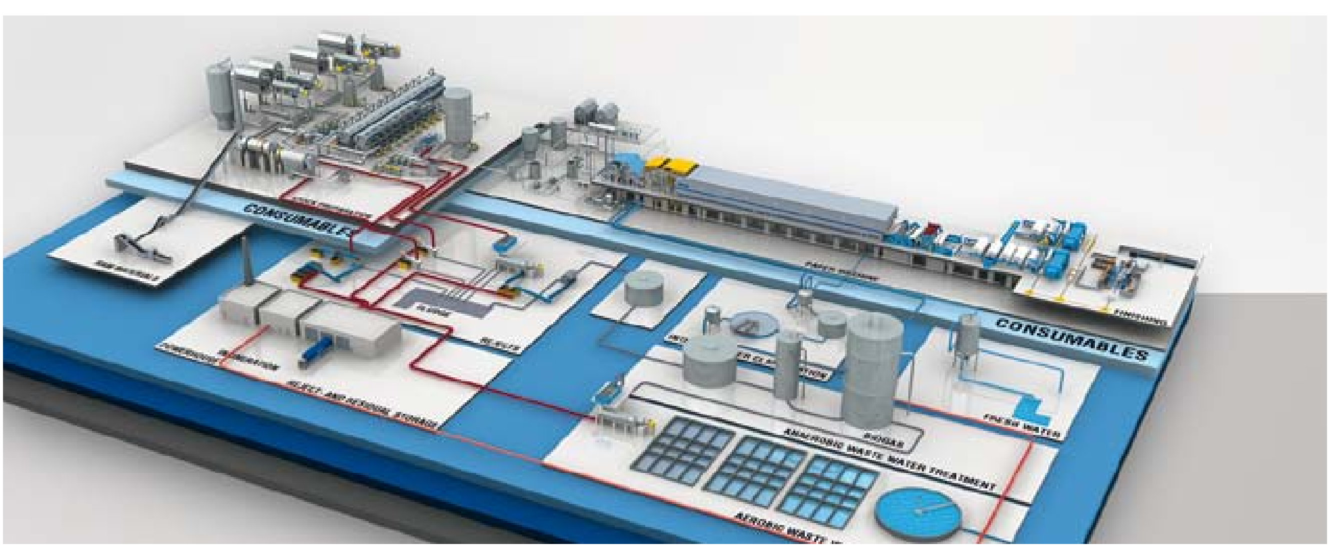
Voith Radial Propeller

The Voith Radial Propeller (VRP) is a brand-new ship propulsion system. The first VRP, a rudder propeller, is being developed for a 150-meter-long special ship. The customer is a building contractor that wants to use this ship to haul wind power stations out to sea and place them on the sea floor. The Voith Radial Propeller can be rotated 360° and is capable of generating thrust in every direction. Another unique feature of the new development is the nozzle's special design, which lets the propeller attain a demonstrably higher degree of effectiveness in comparison to similar products from competitors – a major advantage that permits higher static thrust. And this static thrust, i.e. the power that keeps the ship in place, is a fundamental requirement for the exact lowering of the wind power stations to the sea floor.

04

Development Project Integrated Paper Mill

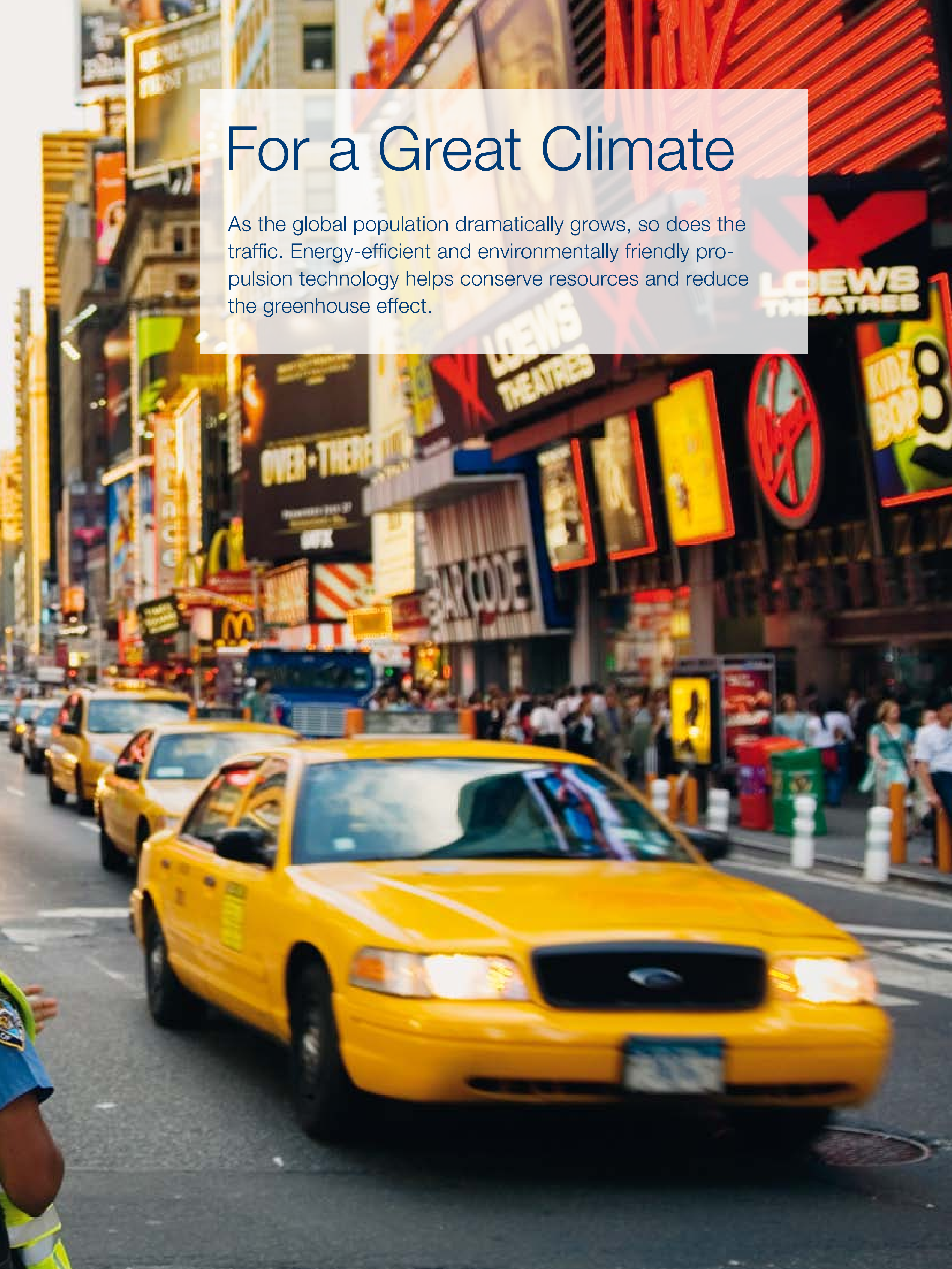
In the summer of 2009, the integrated paper mill project began and was successfully completed in just under a year. The job was to simulate the entire process of stock preparation and the production of paper, and to prepare an overall report on resource consumption. For the production of paper, you need above all water, energy and fibers. A modern and sustainably operating paper plant must use these resources conservatively and efficiently. Paper production is considered a highly complex process. Commensurately great is the challenge of identifying the possibilities for optimization. By using a simulation tool, we can see the processes of a paper mill from the simple filter to the complex paper machine and the interaction of its different parts. The pilot project was conducted on the basis of a real mill. It was able to show where there was potential for improvement and how the use of resources, in particular the consumption of water and energy, could be sustainably improved. Parallel to the simulation tool, engineers developed a new software that measures energy consumption during the paper production process: this is the Voith EnergyProfiler. It creates the basis for the machine operators in paper mills to be able to systematically optimize the use of energy and thus meet the cost requirements of their management. The Voith EnergyProfiler was tested at a pilot customer and is now available for installation in paper mills.




W 45
GEORGE ABBOTT
GUNTHER
NYPD
TRAFFIC

For a Great Climate

As the global population dramatically grows, so does the traffic. Energy-efficient and environmentally friendly propulsion technology helps conserve resources and reduce the greenhouse effect.



Rush hour in a metropolis. A bus brakes at a stop, waits. Travelers get on. In the hecticness of the day, hardly any travelers notice that the bus leaves the stop almost silently. With an electric motor, it begins the trip, and only after a short distance does the diesel motor start again. The majority of the energy required for the start process was "generated" by the bus itself: It is the braking energy that is temporarily stored and then used to set the bus in motion again.

People who consider hybrid drive systems today initially think about cars. Every car manufacturer is sure to receive an enormous amount of media interest and public attention when it presents new hybrid technologies. For buses, subways, high-speed trains and other public transportation systems, it is completely different. Unfairly, since ultimately in the coming years it will be these transportation systems that will ensure the mobility of millions of people in urban centers around the world. One thing is completely clear and not disputed by any transportation expert in the world: We will not be able to maintain the mobility, which we all enjoy today and which has become a major part of our lives, without the expansion of the existing means of public transportation and the development of new, more efficient ones.

"We have achieved reductions of up to 30 percent in fuel consumption."

Johannes Gerhard Mosandl, Voith Turbo

At Voith, we have spent years working on technologies that make buses and trains more environmentally friendly. Hybrid drives are the key technologies when it comes to lower fuel consumption and fewer CO_2 emissions. And obviously solid cost arguments for transportation services. The Voith engineers can fall back on over 20 years of experience in the combination of mechanics, electricity and electronics. The results of these developments are above all two systems for use in buses: the parallel hybrid

Pictures on the right: Buses play an important role in urban transportation. Even more important is that these buses should run as efficiently as possible and conserve resources.

Picture on the front page: Dense traffic – daily life in Manhattan.

DIWAhybrid and the serial hybrid ElvoDrive. And by the way, this difference between parallel and serial hybrids already exists for cars, too: A parallel hybrid drive has an electric motor that works together with the combustion engine on the drive train. For a serially arranged hybrid drive, the combustion engine has no more mechanical connection to the actual drive shaft. Its job is to power the generator that supplies the electric motor with energy and charges the batteries.

Voith is one of the few manufacturers that has worked on both a parallel and a serial system from the beginning. The reason for this: “Bus transportation is not the same everywhere. There are sometimes significant differences, not just from country to country, but also even from city to city. While we in Europe have more routes with many stops and a lower average speed, the USA is dominated by routes with fewer stops and higher speeds,” explains Johannes Gerhard Mosandl, Director of Technical Operations at Voith Turbo.

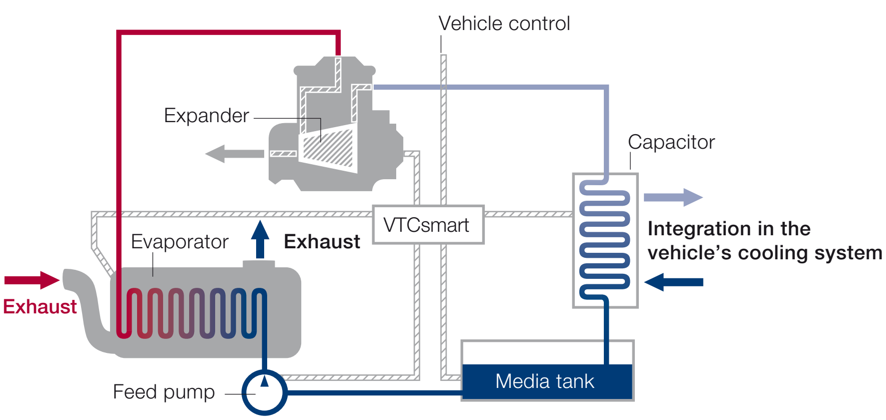
Today, in 2010, Voith hybrid technologies are far beyond the testing stage. “Both Voith systems reached important milestones in 2010: The ElvoDrive performed great in tough daily service in Sweden. And for the DIWAhybrid, we currently have the first orders from bus manufacturers in the USA,” says Mosandl. From the USA back to Europe. Here, the serial hybrid system was tested – the Voith ElvoDrive. It was developed for routes with a lower average speed and a high number of stops, as is typical in large cities. With ElvoDrive, the required power is provided completely electrically. Voith developed its own electric motor with very high torque. A technology that ensures the efficiency of the entire system and thus a reduction in consumption and emissions thanks to its very high degree of effectiveness.

“And that can be proven in the numbers,” says Johannes Gerhard Mosandl: since 2009 the ElvoDrive has been tested in practical use. We have achieved a reduction of up to 30 percent in fuel consumption.” Since the vehicles are equipped with a motor running on an ethanol base, the CO_2 emissions improve by up to 90 percent in combination with ElvoDrive. The experience and results that Voith engineers have gained in recent years while working on hybrid drives can also be applied to other areas: For instance, in the development of hybrid »

solutions for new, cleaner drives for rail vehicles. Here, too, it is clear: The subject of hybrid drives will become substantially more important in the coming years. Voith is prepared in any case: “For the DIWAPack, we at Voith Turbo also developed a hybrid variation for trains. In the braking process, electrical energy is guided to the energy storage devices, does not get wasted, and can be used when starting or driving on a route in order to support the diesel motor,” says Heinz Tengler, director of the product group for diesel drive systems.

Recycling Excess Energy

How the SteamTrac system works



The idea of recycling surplus energy for the drive system also lies behind “SteamTrac”: Use energy instead of senselessly warming the environment, is the slogan. Conventional combustion engines lose roughly 60 percent of the energy produced. It leaks out as waste heat via exhaust and coolant. SteamTrac guides a portion of it back into the drive train so that the valuable energy is not simply lost.

Whether in urban areas or across the countryside, trains are the most environmentally friendly option for people and goods.

“We regard the train as an entire system.”

Heinz Tengler, Voith Turbo

The result: Significantly less fuel consumption and savings of up to ten percent are possible. “In a relatively short time, we developed SteamTrac – a system that increases the efficiency of every propulsion solution with combustion engines,” stresses Heinz Tengler. “Thus, SteamTrac plays a role for the entire propulsion system.” No wonder that there are already new application areas for it: Presently, the system is already working in power plants that run on biogas or landfill gas. At the beginning of 2011, its use is planned in the propulsion system of a tugboat.

The development of new, innovative motors and vehicle components is important on the path to greater resource efficiency. Today, Tengler and the Voith engineers are one step further, however. “We regard the train as an entire system. In this system DIWAhybrid or SteamTrac are important components. But there are many other areas where we could do something to achieve ideal results.” And for precisely this coordination, EcoConsult was developed. “EcoConsult is an entire building block of components to make it possible to operate diesel and hybrid trains more efficiently and ecologically,” says Tengler, getting straight to the point. “EcoConsult comes in very early in the train operator’s added value process and supports him in the fundamental question: Which vehicle do I use in which way on a certain route?” EcoConsult records the operating data, analyzes it and identifies the potential savings. From this pool also comes the driver assistance system EcoScout, a control and display device that is integrated into the vehicle and gives the train driver recommendations for a resource-saving way to drive. “The future belongs to the system concept! Innovative components ideally linked – that is EcoConsult,” says Tengler. “This puts us one enormous step closer to intelligent, maximum resource-saving means of transportation on train tracks.”

Walter Neumann celebrated his 50-year anniversary in 2010.

Decades for Voith

Spend your entire professional life with one employer? Not so long ago, this model seemed to have become “unfashionable.” In Germany, too, some companies and their advisors bet on quick and frequent changes in staff, as is common in other regions of the world. Not so at Voith: The family company has been built on long-term employment.

Work with one employer for many years and decades? In only one company? How does that fit into the work world of the 21st century? Above all: How does this way of thinking fit together with the often raised demands for flexibility till retirement, unconditional mobility and life-long learning.

The HR directors at Voith often hear questions like this. The subject is more current than ever before. How do we want to work in the future? What is really important, what motivates employees? What do companies need? This is discussed on professional boards, but above all with applicants. Many people that are interested in working at Voith have informed themselves and know that the company has its own opinion on the subject of “lifetime employment”. The human resources departments also know that change, variation and new responsibilities are important and play a central role in staff development. But: “Why shouldn’t that be possible within a company? What is wrong about the idea of very consciously deciding to work for a company and then developing yourself personally and professionally there over your entire professional life?” asks Wolf-Dietrich Seibold, the director of human resources at Voith Paper, since he is firmly convinced: “Everyone profits from this: both the employees and the company!”

Voith knows what such career paths look like: in management, in the factory, in sales and in the finance division. And also that the conscious decision to work for one employer has nothing to do with a lack of flexibility or

Pictures above: A rarity in the 60s – education seminars with a bus trip.

Bottom right: Work creates bonds. Walter Neumann (right) plays enthusiastically with his colleagues Martin Rehorsch (left) and Hansjörg Baamann in a Voith football team.

convenience. It is entirely the opposite: For Voith, people that spend their entire professional life working for the company represent an important base for the company's success. In branches around the globe, there are employees that have worked for 15, 25, 40 or more years at Voith. A valuable asset for the family company: "Voith lives from the qualifications and knowledge of its experienced employees. The company is a technology leader in many markets and has ambitious goals. Whether it involves generators and turbines for hydroelectric power plants, paper machines, shutdowns of refineries, marine propulsion systems, 'old hands' with many years of experience in the business are needed for the handling of such very complex projects."

One of those is Walter Neumann. He belongs to those that have worked at Voith for 50 years. In May 1960, the 14-year-old came to Voith as a trainee. And today he still speaks enthusiastically about his training days: "We had both professional training and general courses, even art was in the curriculum." A one-week seminar for his class and the trainees in Hindeland in Allgäu was the first trip of his life. After his final examination, he was hired in the small turning shop in 1963 and was shocked at first: "I thought: I'm not

"Everyone did their best. And all gained something from it."

Walter Neumann, Heidenheim

staying here for 14 days!" In the factory hall stood over 100 lathes; it was loud and dark – no comparison with the modern, light-flooded production facilities of today.

The first scare turned into a close, lifelong connection. For 25 years, he worked in the small turning shop before switching divisions and gaining new prospects for his professional career. "Voith always offered and opened up opportunities in the right places during my professional life. That motivates you. I always knew what I was working for and how it would continue." The second half of his career as a technical estimator brought Walter Neuman new responsibilities and challenges. "The demands made of me were entirely different. I worked together with young people, was able to use my experience and pass them on to colleagues. »

We had great respect and treated each other well. I benefited from their EDP knowledge; they benefited from my technical expertise. Everyone did their best. And all gained something from it. I greatly enjoyed the exchange and remained young as a result."

Building experience, obtaining knowledge, keeping it in the company and passing it on to new, younger employees – this is an important component of the corporate and HR strategy at Voith. This also includes another important aspect: The industries in which Voith does business require people who stick around. "The expectations customers have of Voith are very clear: They want us to have and provide them with experienced contacts for a long period of time. We want to bind our employees to the company over the long term, and last year we included this in our corporate strategy for the first time," says Wolf-Dietrich Seibold. The strategy is one thing, doing something concrete is another. Many times over the years, Walter Neumann saw his employer personally accommodate him. After the birth of his son, he was able to arrange with his boss that he only work the early shift. As a result, his wife had the option of working in the afternoon. When his department was relocated to Ravensburg in the 90s, a joint solution was found that let him continue to work in Heidenheim for family reasons. He did not forget the company's efforts – and repaid it with good work and dedication. "For me, one thing was always clear: It is a give and take. I was always motivated, never looked at the clock. When something had to be done, we pushed it through – even on the weekend." Neumann, in retirement since May, found it hard to depart from Voith. He looks back on his work life in satisfaction: "I was never bored, I was completely engaged and am proud that I made it through the 50 years."

"Customers want us to have and provide them with experienced contacts for a long period of time."

Wolf-Dietrich Seibold, Voith Paper

Jair Padovani, at Voith in Brazil since 1970.

We try new processes and conduct tests for customers on the Voith Paper testing machine in São Paulo.

On the other side of the Atlantic, the anniversary at Voith Brazil produced similar stories. Jair Padovani came to Voith in 1970 and has had a diverse career ranging from design engineer to sales manager. Even today, after 40 years, he is regularly and happily on trips to his customers, the paper manufacturers. The knowledge that he has obtained on the market, technologies and customers over many years is enormous: "If Jair does not know something about the paper market in South America, you don't need to know it," say his colleagues with great respect.

And the customers? They value his professional knowledge, his advice and his personal dedication. For Voith, employees like Jair are valuable bearers of knowledge that make a lot possible for the company. In the case of Jair Padovani, for a long time his family life was too short. He experienced the growth of his first two children only in passing due to his many trips on paper matters. He wanted to change that when his wife gave birth to twins in 1990. But would that be compatible with the work requirements and his employer's expectations? Yes: In coordination with his superiors, we organized his responsibilities so that he "only" had to go on business trips within Brazil. More time for his family, particularly for his children, and a commitment to his employer were not mutually exclusive.

Voith challenges itself to bring its own interests into harmony with those of its employees. The collective goal, which is pursued with a sense of proportion and under consideration of what is possible, is a friendly environment where employees feel good in the company and remain connected to it for a long time – an advantage for both sides. This fits with the culture and philosophy of Voith: The employees should not experience any stagnation, but rather grow in their responsibilities, continue to develop and have a fulfilling professional life.

"I can now reap the benefits for Voith. I am proud of this."

Jair Padovani, São Paulo

Now, shortly before his 64th birthday, Padovani is not thinking about stopping: "I am healthy, my knowledge is on the cutting edge. I know that I can do even more for the company. I don't want to stop yet," he says. "I am happy about what I have achieved. People in the industry know and respect me. I have acquired this recognition over many years; and now I can reap the benefits for Voith. This I am proud of."

In Good Times and Bad

The US automotive industry suffered seriously during the recent financial crisis. Its business partners, suppliers and service providers have also been affected. But new opportunities have also opened up for them. By responding quickly and adapting to the new conditions, they have not only survived but have emerged stronger from the turbulence experienced in recent months. A decisive factor for this was the trust between the service providers and their customers.

No other invention has changed the world and people's daily life as quickly and sustainably as the car. In just a few decades the automotive industry has lived through good and bad times having become a key industry in the global economy. The oil crisis in the 1970s shook the industry whilst innovative robots revolutionized production at virtually the same time. This influential industry had to face new challenges time and again – most recently about three years ago.

At the end of 2007 the whirling banks dragged the so-called real economy into a deep crisis. The automotive industry also saw revenues sink through the floor. Corporate bosses had to can models, close plants, sell divisions, and finally dismiss employees. From September 2007 to September 2008 the car industry lost 150,000 jobs in the US alone – a fall of more than 15 percent. But even such drastic measures were frequently not enough. In many cases the US government had to jump in with various life-saving measures.

Such turbulent times represent tough tests for business relationships, including for Voith Industrial Services with its customers – large carmakers in North America. Just like its business partners, Voith had to undertake radical cuts in the US in recent years and find new paths: "This crisis went far beyond anything we had experienced before," remembers CEO Harry Nieman. "We had to go places we have never been before in many respects. It wasn't easy." The American is convinced that the company was only able to survive the crisis because mutual trust had already been established to a large extent during previous years, and Voith was considered to be a reliable partner. Even so, the company could not avoid financial slumps and personnel changes during the financial crisis.

Even during this difficult phase Voith did not alter workplace safety, social benefits, or training measures. "Our business is based on people. As a service provider, without them we have hardly any assets at all on which we can truly build," states Nieman as the reason for this behavior which was fixed to firm principles. Although all costs had to be reduced to a minimum, the company maintained business health insurance for all of its employees – which is not a matter of »

To ensure that production runs around the clock, automobile manufacturers transfer the servicing and maintenance of their production systems to service providers like Voith Industrial Services. They handle the servicing of the systems and conveyor technology, undertake the technical cleaning of highly sensitive areas such as painting lines and the preassembly of entire components such as wheels or windshield wipers.

Just in time: Voith employees are responsible for all the logistics of customers in the automotive industry from the receipt of goods to warehouse management and the timely delivery of the individual parts to the production lines.

course in the US. “We never wavered one moment from that commitment. That’s one of the things that sets us apart from our competitors,” Nieman said. Even so he was obliged to reduce employee numbers by around 30 percent. But the company immediately made assurances that it would bring back employees as soon as demand increased. Nieman has fulfilled this promise. He has already been able to reemploy many of the employees that were dismissed and is planning to reemploy more.

At the very top of the to-do list for Voith employees has been more flexibility and efficiency. For example, we approached a customer in Detroit with the new 4A philosophy. 4A stands for “anyone,” “anything,” “anytime” and “anywhere.” This means that any employee is responsible for anything to the customer at any time. The sentence “I don’t deal with that” should not exist. Instead, all of the employees felt the responsibility to the customer and always undertook everything humanly possible to complete the tasks at hand. In parallel, a newly developed software program for facility management helped Voith teams to implement improvements in production planning and order management: “This creates the requirement for higher customer productivity,” explains Nieman. The most recently achieved productivity increases of six to eight percent are an impressive result. In spite of the crisis Voith was able to demonstrate progress at the assembly plant of a carmaker in the state of Ohio. “Your employees were very flexible, cooperative, and have always complied with the safety regulations. In terms of safety we have even achieved the best results of all time,” praised a customer. As recognition, the plant recently honored Voith Industrial Services as its “Supplier of the Year.”

Another success story shows that crises also bring about opportunities. A Voith customer wanted to improve his warehousing. A number of small locations were merged into three central warehouses. The schedule was only possible if Voith employees worked overtime: “Your employees

“Our long-term business relationships are all based on mutual trust and respect.”

Harry Nieman, Voith Industrial Services

worked seven days a week in order to be ready in good time for our audit. They worked overtime and undertook special tasks," commented the customer on the commitment. "Whenever a customer asked us to do something we found a way to meet their needs," adds Nieman. And this was received quite positively. Or, as another customer puts it: "This was an unprecedented time for the automotive industry, particularly in North America. Ford needed to count on all of our suppliers to move quickly and step up to the many challenges that the economic crisis presented," Steve Jones of Ford says. "We are very proud of our entire supplier base for their contributions under extraordinary pressure, the Voith team included."

Harry Nieman can now look back on a difficult period with relief and pride: "Our long-term business relationships are all based on mutual trust and respect," says Nieman. "We maintain very close contact with our customers," adds Jeff Fahr, Director Business Development at Voith Industrial Services. "The customers must be able to trust that we know what we are doing and they can count on us. Our customers give us this trust." The other side of the coin is that Voith also trusts its customers. Even when the risk of non-payment and insolvencies were increasing, Voith trusted its customers. The partners thanked them for it. Voith's invoices were paid.

"Many of our business relationships go back to the mid-1980s," explains Nieman. He is convinced that such long-lasting and some very close business relationships – with mutual understanding that can only come from domestic companies – made a key contribution to the automotive industry surviving the economic crisis. Now the situation is improving. For example, production in North America this year will rise from just under nine million in 2009 to a forecast of 13 million vehicles. In addition, the US Department of Commerce has made it known that the number of employees in automotive production rose again last year. Although this is an initial increase of just 4.2 percent, compared with the 21.6 percent fall in the previous year, it is a positive sign.

The great commitment of Voith's management and employees has paid off. "Our customers want to reward suppliers who remained flexible in this difficult time and stood up to the storm with additional orders in future," states Nieman with pleasure, and is therefore convinced that Voith Industrial Services will emerge from the crisis stronger as a result of the varied experience it gained: "We are firmly convinced that we will be more important for the automotive industry in the future than ever before." ‹

Management Report of Voith AG*

Pages 56–105

*Voith GmbH since October 1, 2010.

Report of the Supervisory Board

Dear reader,

the Supervisory Board met its duties and responsibilities in fiscal 2009/10 in the course of four meetings during which the Board focused primarily on the strategic and operative challenges to the Voith Group arising from the financial and economic crisis. Meetings took place on October 5, 2009, December 22, 2009, March 5, 2010 and May 18, 2010. Although there was great uncertainty in the business world concerning the duration and depth of the financial and economic crisis at the beginning of the year, the Supervisory Board grew more confident during the course of the fiscal year that Voith would master the crisis far more effectively than had been feared on the basis of initially disconcerting macroeconomic projections. All the meetings of the Supervisory Board were characterized by frank and intensive exchanges of views with the Board of Management.

Discussions were based on detailed reports by members of the Board of Management on the current situation, corporate planning (including financial and investment planning in the economic crisis), the impact of the economic situation on the Group, the anticipated effects on the four Group Divisions, developments in the company's earnings and financial position, and actions to be taken in the context of risk management and crisis management. The strategic orientation of the Group and its Divisions, both in terms of products developed and services offered, as well as collaboration and M&A issues, were discussed in detail. The ensuing financial and capital expenditure planning for the current and subsequent fiscal years was approved unanimously. In addition, the Supervisory Board consistently engaged in detailed discussion of necessary adjustments in light of the varying course of business in the Group Divisions.

The Chairman of the Supervisory Board was also kept constantly informed about significant developments and key decisions by the Board of Management. He consulted regularly with the President and Chief Executive Officer on matters of material importance. For unavoidable reasons, one member of the Supervisory Board attended less than half of its meetings in the fiscal year under review.

The Personnel Committee met twice in the fiscal year under review, on December 22, 2009 and on March 5, 2010. There was no need to convene the Mediation Committee formed pursuant to Section 27 Paragraph 3 of the German Codetermination Act (Mitbestimmungsgesetz, MitBestG).

The Balance Sheet Committee met on December 21, 2009 and May 17, 2010. 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 AG for fiscal 2008/09, and of the report submitted by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. In light of the continuation of the Fast Close process, the Balance Sheet Committee and the auditors also discussed issues regarding the improvement of the year-end closure process. The Balance Sheet Committee was also informed by the Board of Management about the existence, function and effectiveness of the risk management system. 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 explained improvements which had been made during the course of the year. At its second meeting the Balance Sheet Committee considered cash management in the Group, ways of ensuring that the accounting process is comprehensive and effective and the function and effectiveness of Voith's internal control system. The meeting also agreed on further improvement measures.

The Annual General Meeting convened on March 5, 2010 and formally approved both the managerial conduct of the Board of Management and the monitoring activities of the Supervisory Board in fiscal 2008/09. The meeting also elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit the annual financial statements again in fiscal 2009/10. The Supervisory Board subsequently placed the corresponding audit order.

The auditor examined and granted its unqualified audit opinion on the accounting records, the annual financial statements and management report of Voith AG and the consolidated financial statements and management report for the Voith Group as a whole at September 30, 2010. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Ernst & Young GmbH paid special attention to “internal control and risk management structures concerning the accounting process”, “order-related provisions” and “decentralized tax invoicing” in accordance with the mandate laid down by the Supervisory Board. The auditor further granted the following unqualified audit opinion on the report on relationships with affiliated companies:

“Based on our due audit and assessment we confirm (1) that the actual information in the report is correct, (2) that payment by the company for the legal transactions referred to in the report was not inappropriately high.”

In September and October 2010, the Board of Management and the Supervisory Board submitted their reports on corporate governance and the corresponding statements of compliance for fiscal 2009/10.

At its meeting on December 6, 2010, the Audit Committee examined the annual financial statements prepared for Voith AG and the consolidated Group as well as the report on relationships with affiliated companies in light of the audit reports. Thereupon, the committee recommended that the Supervisory Board approve said financial statements, which it did at its meeting on December 7, 2010. In this process, the Supervisory Board also explicitly welcomed the management’s systematic intervention in connection with the accounting irregularities at a subsidiary in the USA. Both meetings were attended by the relevant member of the auditor’s Management Board and the person who led the audit. They explained the material results of the audit and were available to provide additional information. The Supervisory Board also approved the management report of Voith AG and the Group and concurred in the proposal submitted by the Board of Management regarding the appropriation of net income. The Supervisory Board raised no objections to the declaration made by the Board of Management in the report on relationships with affiliated companies.

Significant changes also took place in the membership of the Supervisory Board during the period under review: After a ten-year membership both the shareholder representative Angela Voith and the Chairman, Dr. Michael Rogowski, resigned from the Supervisory Board at the close of the Annual General Meeting on March 5, 2010. The proposal submitted by the family firm J. M. Voith GbR to appoint Sonja Gorsch and Ophelia Nick for a full term of office to the Supervisory Board was accepted by the Annual General Meeting. At its meeting on March 5, 2010, the Supervisory Board unanimously voted Dr. Manfred Bischoff as Chairman.

Angela Voith's work, in and out of the Supervisory Board, played an important role in sustaining the sense of tradition in the family company Voith and upholding its values. During a ten-year period in which the Voith Group doubled its sales and increased the size of its workforce and profits from operations Dr. Michael Rogowski showed great commitment in confidently and skillfully chairing both the Supervisory Board and Shareholders' Committee and significantly influencing the public image of Voith. As the Chairman of the Supervisory Board and Shareholders' Committee he enjoyed the confidence of shareholders in the family. The Supervisory Board is very grateful to Angela Voith and Dr. Michael Rogowski for their successful work.

The Supervisory Board would also like to express its thanks to the employee representatives Florian Haupt and Rudolf Brandhuber, who also opted to leave the Supervisory Board on June 30, 2010 and September 30, 2010 respectively. Both members have a long record of constructive collaborative work on the Supervisory Board. Their places were taken by Rudolf Bädorf on July 1, 2010 and Gerold Schaubmayr on October 1, 2010.

Finally, the Supervisory Board would like to thank the members of the Voith GmbH Board of Management and the management of the subsidiaries, the employees of the Group and the representatives of the workforce for their exemplary commitment and successful endeavors in the fiscal year under review.

Heidenheim, December 7, 2010

Chairman of the Supervisory Board

Dr. Manfred Bischoff

The Supervisory Board

Dr. Manfred Bischoff
Chairman
(since 2010-03-05),
Chairman of the Supervisory Board Daimler AG,
Stuttgart/Germany

Dr. Michael Rogowski
Chairman,
President of the Shareholders' Committee of Voith,
Heidenheim/Germany
(until 2010-03-05)

Gerd Schaible[1)]
Deputy Chairman,
Chairman of the corporate works council
of Voith GmbH[2)],
Heidenheim/Germany

Rudolf Bädorf[1)]
Vice President Manufacturing and Logistics
Voith Paper GmbH & Co. KG,
Heidenheim/Germany
(since 2010-07-01)

Walter Beraus[1)]
Secretary of the Metalworkers' Union,
Regional Organization Baden-Württemberg,
Stuttgart/Germany

Rudolf Brandhuber[1)]
Chairman of the works council of Voith GmbH[2)]
and Voith Dienstleistungen GmbH,
Heidenheim/Germany
(until 2010-09-30)

Thomas Brezina[1)]
Member of the works council
of the common entity of companies
of Voith Paper Heidenheim,
Heidenheim/Germany

Ulrich Eckelmann[1)]
Division Manager for Business, Technology,
Environment on the Board of the Metalworkers' Union,
Frankfurt a. M./Germany

Sonja Gorsch
Teacher,
Erftstadt/Germany
(since 2010-03-05)

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

Florian Haupt[1)]
Legal advisor,
Heidenheim/Germany
(until 2010-06-30)

Dr. Alan Hippe
Member of the Executive Board
of ThyssenKrupp AG,
Essen/Germany

Bernd Kauba[1)]
Chairman of the works council
of Voith Industrial Services Mechanical Engineering,
Radebeul/Germany

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

Reinhard Leigraf[1)]
Process technology engineer for special papers
of Voith Paper GmbH & Co. KG,
Ravensburg/Germany

Ophelia Nick
Veterinarian,
Wülfrath/Germany
(since 2010-03-05)

Dr. F. Oliver Porsche
President and CEO of
Familie Porsche AG Beteiligungsgesellschaft,
Salzburg/Austria

Gerold Schaubmayr[1)]
Chairman of the general works council
Voith Turbo GmbH & Co. KG,
Crailsheim/Germany
(since 2010-10-01)

Ute Schurr[1)]
Chairwoman of the general works council of
companies of Voith Turbo Heidenheim,
Crailsheim, Garching and Essen,
Heidenheim/Germany

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

Andreas Strobel[1)]
1st Representative of the Metalworkers' Union,
Heidenheim branch,
Heidenheim/Germany

Angela Voith
Medical Doctor,
Herdecke/Germany
(until 2010-03-05)

Dr.-Ing. E. h. Jürgen Weber
Chairman of the Supervisory Board
of Deutsche Lufthansa AG,
Cologne/Germany

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

[1)]Selected by the employees.
[2)]Until September 30, 2010, Voith AG.

I. Business and Economic Environment

I.1. Group Structure and Business Activities

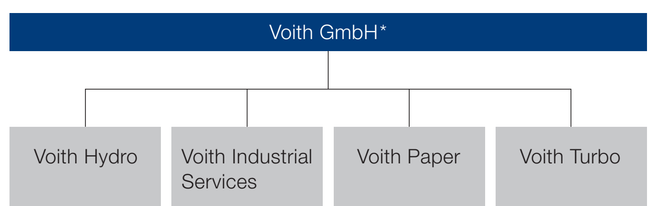
Voith is a global provider of leading-edge technology and industrial services. It offers a broad portfolio of systems, products and services that serve the five essential markets of energy, oil & gas, paper, raw materials, and transport & automotive in all regions of the world. Voith operates in around 50 countries around the globe, maintaining an extensive network of production, sales and service units on every continent on the planet.

Voith GmbH, the Group's holding company which was incorporated as Voith AG until September 30, 2010, is headquartered in Heidenheim/Brenz (Germany). Voith is 100% family owned. The Board of Management of the management holding company shapes and is responsible for the overall strategy of the entire Group. The Supervisory Board oversees the Voith GmbH Board of Management.

Operating business is bundled in four Group Divisions, each of which is run as an independent company: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. In each Group Division, a head organization oversees the activities of the independent subsidiaries.

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 operating result before non-recurring result and the capital employed. All figures and reports submitted to the Group's Board of Management are based on these management ratios.

Organizational Structure of the Voith Group



*Until September 30, 2010, Voith AG.

I.2. Group Strategy

Safeguarding the financial independence of the family-owned company

As one of Europe's major family enterprises Voith GmbH benefits from the stability and long-term view taken by its shareholders. The stated aim is to preserve Voith's independence as a family-owned company. This also explains why the Group's strategy is geared to preserving business agility by ensuring that the company maintains sufficient liquidity and continues to be focused on profitable growth.

Balanced portfolio

A key factor in achieving this objective is a diversified and balanced portfolio. In addition to engineering and industrial systems the portfolio has also been systematically and continuously expanded in recent years to include products and services. In this respect it has proved possible to spread sales fairly evenly between the Group Divisions. Although the share of sales contributed by each line of business varies from year to year, depending on general industry performance, all four Group Divisions now account for a substantial share of Group sales.

Voith addresses a diverse array of industrial core markets and key industries which are subject to very different cycles. While the paper market as well as transport & automotive respond quickly to cyclical fluctuations, energy, oil & gas as well as raw materials tend to respond rather slower to shifting economic cycles. This allows the Group as a whole to absorb cyclical economic fluctuations more effectively. This diversification strategy was put to the test during the last economic crisis: the Voith Group as a whole was able to steer a steady course through the recent global crisis without any losses in sales.

International integration

Another key pillar of Voith's strategy is the consistent internationalization of its business. Voith has served customers all around the world for over 100 years. The first overseas orders in North America and China were acquired in the early 20th century. The company 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 was one of the first German companies to establish production facilities in Brazil in the early 1960s. Voith was also one of the "first movers" on the Asian market. The Group has been producing in India since the 1980s and in China since the 1990s.

Today, around one quarter of consolidated sales are generated in America and Asia, while Germany accounts for 20% and the rest of Europe almost 30%. The Group's strong position in Asia was one of the reasons why Voith was also able to continue increasing its sales during the economic crisis and even managed to improve on last year's performance over the period under review. In the medium term Asia and South America will continue to grow in importance for Voith's business. In this respect Voith has resolved to generate added value and growth in the world's regions as a local player. Voith consequently now aims to become as deeply rooted in the world's growth regions in the future as it currently is in Germany. This entails being perceived as a local company which contributes added value locally and which also fosters ongoing social and economic development. International growth also benefits German locations where research and development, quality control and production are also strengthened.

Solutions to the challenges of tomorrow

As a company with an international outlook and the highest technological competence, Voith is in a position to make the most of a broad array of opportunities. Today the Group works on solutions to global issues and the requirements of modern industrial companies. Voith continuously invests in research and development—even during difficult economic times. Over the past three fiscal years Voith has expended more than a quarter of a billion euros on R&D, geared in particular to the megatrends of the 21st century such as sustainability, globalization, urbanization, mobility and access to resources and raw materials.

I.3. Macroeconomic Situation

Recovery of the global economy

Following the deepest recession since the end of the Second World War, the global economy showed a marked recovery during the course of the Voith fiscal year 2009/10. After the world's gross domestic product shrank by almost 1% in calendar year 2009, the tide changed in the autumn—initially in Asia and then in the USA, followed, with a slight delay, by Japan and Europe. In the course of the first half of 2010 economic recovery really got underway and proved to be surprisingly dynamic. At the same time Germany became the main engine of growth in the eurozone.

At the present time the macroeconomic output of individual countries diverges to varying extents from their long-term performance trends. The gap is particularly wide in countries which were directly hit by the real estate and bank crisis, such as the USA and a number of European countries such as Spain and Ireland. Many emerging countries, on the other hand, were unscathed by the crisis or have already recovered and have returned to their pre-crisis performance.

During the second half of 2010 there were increasing signs of a weaker upward trend. The pace of recovery tailed off in the USA in particular. The faltering dynamism of the upswing in the industrialized countries is being interpreted in many cases as the result of the expiry of temporary government programs to stimulate the economy. The world's economy is also reeling under the debt crisis in some European countries.

The International Monetary Fund (IMF) forecasts growth in the world's gross domestic product for the entire year of 2010 of 4.8%. There are two clear lines of development, however: the developed industrialized nations will probably experience average growth of 2.7%, while emerging countries, in contrast, are forecast to experience average growth of 7.1% for the whole of 2010, primarily in China (10.5%), India (9.7%) and Brazil (7.5%).

Energy: Demand continues to grow

The energy market encompasses the conversion of various primary energy sources, such as coal, oil, gas, wind or water power, into electricity and is served by the Group Divisions Voith Hydro, Voith Industrial Services and Voith Turbo. As anticipated, the energy market responded to the economic crisis with some delay, thereby slowing down the planning and award processes, above all for major power plant construction projects. Some projects due to be awarded in the market for hydro power have been postponed or even put on ice indefinitely. While the thermal power station segment bottomed out in spring 2010 and is now already beginning to grow again, the hydro power market is currently stagnating. Other renewable energies such as solar and wind again developed positively during the year under review, although to some extent with lower growth rates owing to financing difficulties. In the medium and long term, growth perspectives on the overall energy market are positive owing to growing demand around the world for more electricity. Demand for clean and renewable energy is rising all the time, particularly in the world's most populous economies.

Oil & gas: Market bottoms out

The oil and gas market includes both the extraction of crude oil and natural gas as well as the continued processing and transport of these fossil fuels. Voith Turbo and Voith Industrial Services supply the market with diverse products and specialized services. Demand for oil and gas is closely tied—if with a certain time lag—to the development of global gross domestic product. As the oil and gas market is sluggish in its response to economic cycles, it only recovered from the economic crisis very slowly during the period under review. After falling to its lowest level for many years in 2009, worldwide demand expanded again moderately in the spring of 2010. The crash in the oil price was stopped in early 2009 by scalebacks in oil production to a level just below demand.

In the medium and long term, demand for oil and gas will grow substantially in the growth regions, including China in particular. Although the need for oil and gas will also increase in Europe and the USA, tougher climate protection legislation will curb growing demand somewhat.

Paper: Unmistakable upswing

The paper market is served by the Group Divisions Voith Paper and Voith Industrial Services. After two difficult years the paper market, which generally responds very quickly to shifting economic cycles, experienced an unmistakable upswing during the period under review, resulting in a renewed burst of major investment in new plant. Fundamental growth drivers were the Asian market, including China in particular. In contrast, investment in the mature markets of North America and Europe was modest. Per capita consumption of all types of paper in the emerging countries continues to be significantly lower than the average for all industrialized countries. This means that, in the long run, key stimulus for the paper market will emanate from these growth regions. At the same time, demand is growing in all markets for new technologies that will make the paper production process more efficient while consuming fewer resources.

Raw materials: Turnaround completed

The segments of the raw materials market which are relevant to Voith are the mining sector and the steel industry, both of which are supplied by the Voith Turbo Group Division. After the raw materials boom came to an abrupt end in the previous year, the market picked up again markedly in the period under review. The recovery of the global economy was also accompanied by an increase in demand for coal, currently the most important fuel used for electricity generation purposes and the second most vital raw material after iron ore in the steel industry. Demand also rose for the raw materials used in industrial production, such as minerals, copper, nickel and zinc. All in all, investments in the worldwide mining industry increased again in 2010, while remaining significantly below pre-recession levels. The future development of the market for raw materials will primarily be driven by growing demand for energy, on the one hand, and the strong growth of up-and-coming Asian countries on the other. Steel production, which fell dramatically last year owing to the recession, rose significantly again in 2010 and in 2011 will almost certainly return to the levels of the pre-crisis year of 2007.

Transport & automotive: Market segments grow at different rates

The transport and automotive market includes diverse transport routes and the means of transport used on them for moving people and goods. This heterogeneous market is served by two Voith Group Divisions: Voith Turbo supplies products and systems for rail transport, commercial vehicles and ships. In addition to this segment Voith Industrial Services also serves the vehicle manufacturing and aviation sectors. The car and commercial vehicle industry began to expand again in 2010 after the dramatic collapse in the previous year. The rail sector has boomed all around the world in recent years and only suffered a slight setback in 2010 in the wake of the economic crisis. This segment benefits everywhere — and particularly so in Asia — from state infrastructure projects which are intended to facilitate the mobility of people. The marine segment suffered right into Voith's 2009/10 fiscal year from a drop in freight traffic. Passenger vessels, such as ferries and cruisers, were less starkly affected by the recession. After the major recession-driven setbacks suffered by the aviation industry in recent years, the industry gained upward momentum again in the period under review, without, however, managing to recoup the losses reported over the last two years.

II. Business Development and Earnings Position of the Group

II.1. Overall View

Increased sales and profitable operations in spite of the economic crisis

Voith can look back on a very good fiscal year in which it successfully navigated one of the worst economic crises since the Second World War without any losses in sales or results. Group sales in the period under review rose by 2%, following a steep decline in orders during the recession of 2008/2009. The order intake also rose by 7%, bringing total orders on hand at the end of fiscal 2009/10 to a level well above that of the previous year. The Voith Group was again profitable in the year under review. The operational result before non-recurring result was up by 9% while net income increased by 58%.

The excellent results in fiscal 2009/10 are partly due to the Group's successful portfolio strategy, which made it possible to compensate for declines in industries like energy, oil and gas, which respond slowly to shifts in economic cycles, with increased orders in the fast-responding paper, raw materials, transportation and automotive markets. In addition, Voith has benefited from the internationalization of its business, which it embarked on at an early stage and pursued in a systematic manner. Thus, the Group was able to participate in the upswing in growth markets like China, India and Brazil.

Some data for the previous year have been adjusted in the consolidated financial statements 2009/10. Explanations of these changes can be found in the "Adjustments to data for previous year" section in the notes to the consolidated financial statements. These adjustments are taken into account in the following sections.

II.2. Sales

Increased revenues

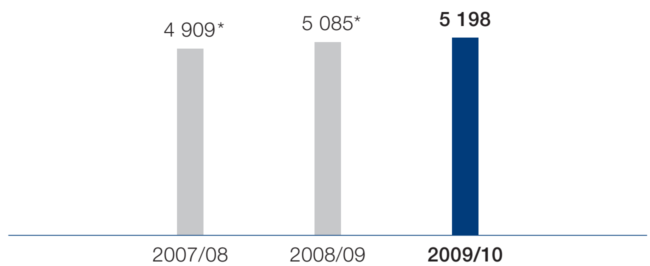
In fiscal 2009/10, the Voith Group's consolidated sales came to €5 198 million, an increase of 2% over the previous period (€5 085 million). Business development varied from division to division. Whereas Voith Hydro and Voith Turbo were able to increase their sales thanks to large stocks of orders from the previous year, Voith Paper and Voith Industrial Services posted slight drops in revenues (see also Section III of this report, Business Development and Earnings Position of the Group Divisions).

The four Group Divisions accounted for between 19% (Voith Industrial Services) and 33% (Voith Paper) of consolidated sales. Thus, each was a strong contributor to the company as a whole.

Sales in the Group show a fairly even geographical distribution, reflecting Voith's balanced business presence in the world's major economic regions. In fiscal 2009/10, roughly a quarter of total sales came from the Americas, Asia, Germany, and Europe excluding Germany respectively. Voith prepared at an early stage for the rising demand from countries like China, India and Brazil. It contributed energetically to the expansion of these economies in order to participate in their growth. The share of sales achieved in Asia has risen again, to 25% (previous year: 24%). The Americas, too, have become increasingly important as a sales region (24% as compared to 23% in the previous year). Germany accounts for 20% of Group sales (previous year: 22%), and for Europe excluding Germany the share remains constant at 29%.

Sales Group

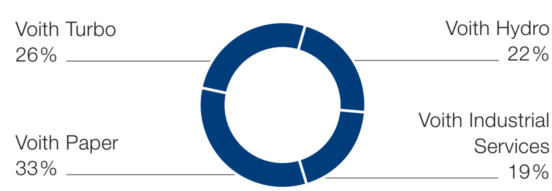
€ in millions



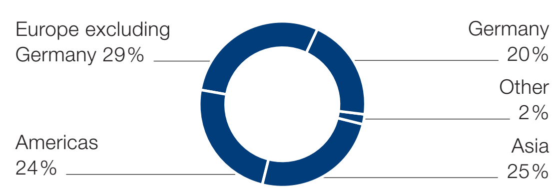
*Data for previous year adjusted.

Sales total €5 198 million

by division



by region



II.3. Orders Received

Orders received surpass the previous year's level

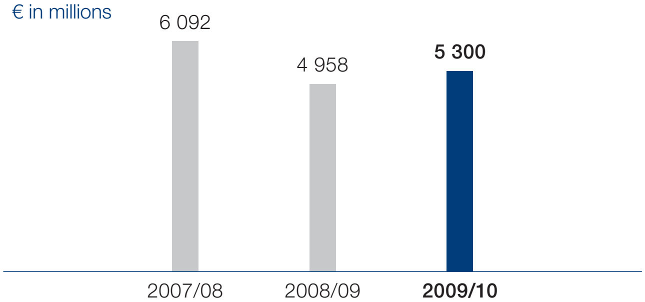
In fiscal 2009/10, the Voith Group received €5 300 million in orders, exceeding the previous year's intake (€4 958 million) by 7%. This brought the total orders on hand at fiscal year-end to €5 436 million, a rise of 8% over the previous year (€5 045 million).

The increase in orders was attributable to Voith Paper and Voith Turbo. Voith Paper, which quickly feels the effects of shifting economic cycles, had been hurt by the crisis in the previous year but was able to increase its order intake by one half in fiscal 2009/10, returning almost to the level of the boom year 2007/08. Thus, Voith Paper was the Group Division with the largest share of the consolidated order intake (38%, previous year: 27%). Voith Turbo contributed 26% (previous year: 26%) to consolidated orders. As a Group Division which responds more slowly to cyclical changes, Voith Hydro did not fully experience the effects of the recession until the period under review, when its new orders fell by about one fourth from the previous year. This division contributed 18% (previous year: 26%) to consolidated orders. Industrial Services likewise accounted for 18% (previous year: 21%) and saw a slight decline in new orders.

The Group continues to have an even regional distribution, reflecting its balanced business engagement in the world's major economic regions. In the fiscal year under review there was a shift in favor of Asia, which accounted for 30% of orders received (previous year: 19%). Orders from the Americas fell to 25% (previous year: 29%). Europe excluding Germany accounted for 24% of orders (previous year: 29%), and Germany itself contributed 20% (previous year: 21%) of the orders received by the Voith Group.

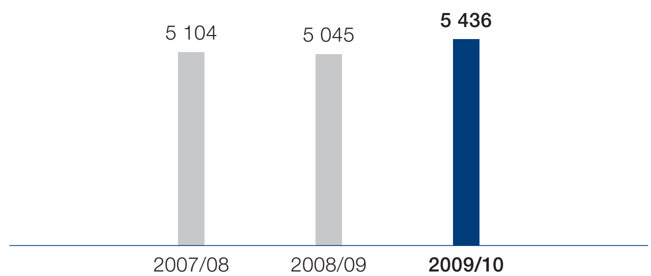
Orders received Group

€ in millions



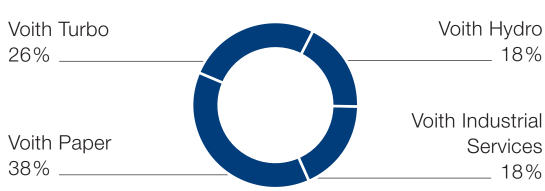
Orders on hand Group

€ in millions

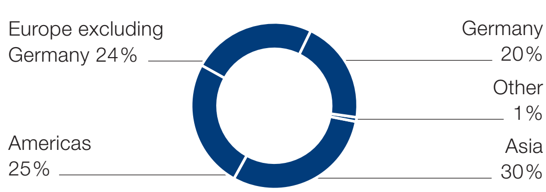


Orders received total €5 300 million

by division



by region



II.4. Capacity Utilization

Moderate personnel build-up

In fiscal 2009/10 the Voith Group moderately increased its personnel capacity in selected areas, after having reduced its capacity by a good 8% in the previous period. The total number of employees in the Group (not including apprentices) on September 30, 2010 rose by about 400 to 39 754 (previous year: 39 329).

All in all, Voith came through the economic crisis with a fairly constant level of staffing. Although it did not employ as many persons at the end of fiscal 2009/10 as in the record year 2007/08, its workforce was significantly larger than on September 30, 2007. It must be borne in mind that Voith made specifically targeted structural adjustments during the last two fiscal years in anticipation of shifting growth patterns in the world economy. These measures, which were designed to reduce overcapacity, were carried out with circumspection and in line with the Voith corporate culture.

New jobs were created primarily in regions of strong growth. Thus, in Asia the number of employees rose by 7% to 3 901 (previous year: 3 647). Thanks to international growth, staffing requirements in Germany have increased, especially in research and development and quality assurance, but also in production. Germany continues to be where Voith has the most employees. At the end of fiscal 2009/10, 16 776 persons were employed here by Voith (previous year: 16 790). In the Americas the number of employees rose by 5% to 11 500 (previous year: 11 004). In Europe (excluding Germany) there was a reduction in personnel capacity. By the end of the period under review, the number of employees had fallen by 4% to 7 387 (previous year: 7 691).

Looking at the four divisions, the following picture emerges. Voith Hydro hired new staff (+557) in order to work off the large volume of orders accumulated in previous periods. Voith Industrial Services (+1) and Voith Turbo (minus 6) remained at the same level. Voith Paper (minus 147) recorded a slight decline in its workforce owing to restructuring measures that had been adopted the previous year and took effect during the period under review.

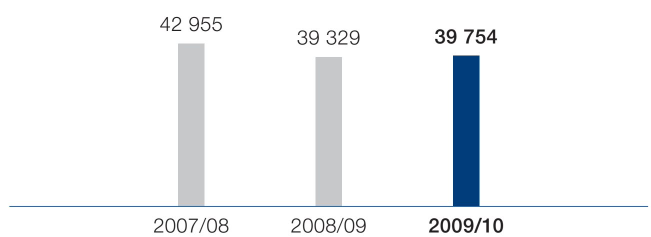
When vacancies needed to be filled, preference was given whenever possible to Voith employees affected by adjustment measures in the same division or other divisions. In this way the Group was able to retain many well-trained employees with strong ties to the company, and the consequences for individuals were mitigated.

Roughly half of Voith's employees (48% at September 30, 2010) are employed by Industrial Services, which offers personnel-intensive services. At the close of fiscal 2009/10 it had 19 119 employees. Voith Paper, the second-largest division in terms of employees, had 9 353 employees at the close of the period under review, equivalent to 23% of the total. Voith Hydro employed 5 238 persons, or 13%. Voith Turbo, with 5 422 employees, accounted for 14% of the Group's total workforce. Regarding the trend in capacity utilization in the divisions see also Section III "Business Development and Earnings Position of the Group Divisions".

Voith continued to invest substantially in its training activities during the recession. It employed a large number of apprentices and maintained consistently high quality in its training. At the close of fiscal 2009/10, 1 232 apprentices and students were employed at Voith locations in Germany (previous year: 1 196). Once again, Voith trained considerably more apprentices than it needed for its own purposes, thus giving many young people good prospects for future employment. In view of the medium-term shortage of suitably qualified specialists to be expected in Germany owing to demographic trends, Voith sees this as an investment in its own future as well as Germany's future as an industrial location. During the period under review, Voith's training and development programs gained further recognition by fulfilling two German quality management standards. In October 2009 Voith was certified according to DIN EN ISO 9001: 2008 and according to the Regulations on the Recognition and Approval for Further Education and Training (AZWV), issued by the Federal Ministry of Labor and Economics. The latter certification officially recognized Voith as an "organization responsible for promoting vocational training according to the law governing employment promotion." As a consequence, at times of low employment Voith is now able to provide extended training to persons from other companies and to its own employees with support from the German Federal Employment Agency. In the period under review, 14 persons from a company in the Heidenheim region received such training from Voith at its Heidenheim location.

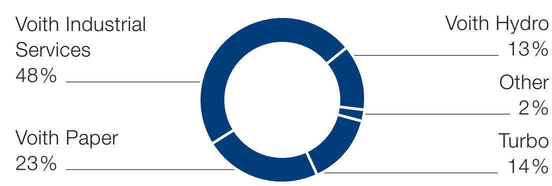
Employees Group

as at September 30

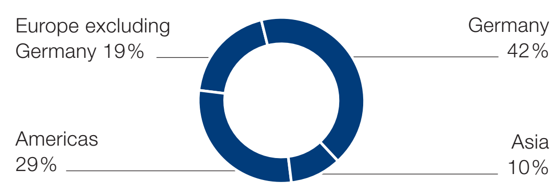


Employees total 39 754

by division



by region



II.5. Results

Highly satisfactory net income

Voith Group earnings developed very positively in fiscal 2009/10. Net income increased substantially to €121 million (previous year: €77 million), equivalent to a plus of 58%.

The increase in total output to €5 193 million (previous year: €5 080 million, +2%) was largely the result of the 2% rise in sales already described.

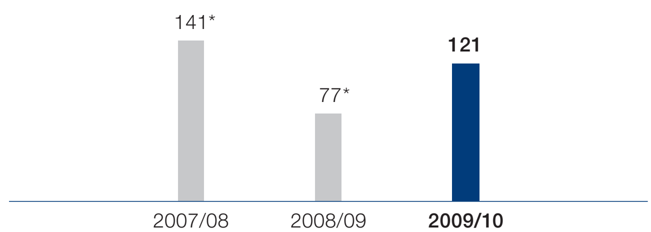
Year on year, the cost of materials was down 2% by €51 million to €2 081 million (previous year: €2 132 million). The material ratio (the relationship between cost of materials and total output) fell to 40% (previous year: 42%). This fall is due in particular to the fact that several orders in plant engineering were going through an implementation phase which was less material intensive. At the moment the portion of service business is dominant in plant engineering, hence, it involves the use of less material. Lower material purchase prices also exercised a positive impact on the material ratio.

Personnel expenses increased to €1 851 million (previous year: €1 768 million). This rise was due to both the increase in the number of company employees to 39 754 (previous year: 39 329) and moderate pay rises. The relationship between personnel expenses and total output is virtually unchanged. The operational result before non-recurring result improved to €353 million (previous year: €324 million, +9%). Return on sales rose to 6.8% (previous year: 6.4%).

The non-recurring result of minus €13 million (previous year: minus €98 million) reflects measures taken by Voith Industrial Services, Voith Paper and Voith Turbo to adjust staffing capacity in both production and administration. The measures taken the previous year as well as during fiscal 2009/10 resulted in further—albeit significantly lower—expenses in the period under review. These measures should be fully implemented over the next two years and are expected to result in further adjustments in specific personnel-related areas.

Net income Group

€ in millions



*Data for previous year adjusted.

Operational result rose to €340 million (previous year: €226 million). The disproportionate growth in operational results compared with sales (+50%) and net income (+58%) is largely due to non-recurring results in the previous year.

The higher volume of invested liquidity pushed interest income up from €28 million in the same period a year ago to €35 million in the period under review. Interest expenses rose €22 million to €105 million (previous year: €83 million). The extra €300 million issue added to the existing bond in the second half of fiscal 2008/09 led to an increase in interest expenses.

The other financial result of minus €39 million (previous year: minus €18 million) includes a one-time charge of minus €39 million (previous year: minus €14 million) due to write-downs on marketable securities held as financial assets.

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

III. Business Development and Earnings Position of the Group Divisions

III.1. Voith Hydro

Reaping the rewards of the boom years

Full-line supplier for hydro power plants
For more than 100 years, hydro power plants throughout the world have used machinery from Heidenheim. Today, Voith Hydro is a leading international supplier of equipment for hydro power plants, including those which generate hydroelectric power by conventional means and those which harness ocean energy. Voith Hydro is also a leading supplier of technologies for storing electric power.

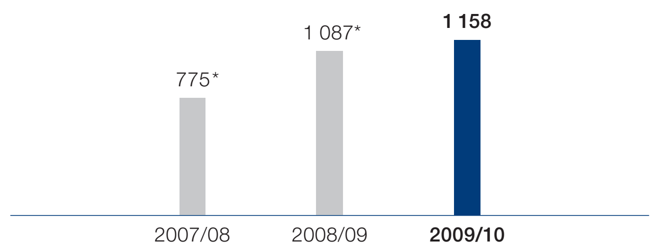
Voith Hydro's portfolio of products and services covers the entire life cycle of large and small hydro plants and includes all major components: generators, turbines, pumps, automation systems (measurement and control systems). It also extends to the after-market business, which includes the supply of spare parts and maintenance services. In the field of ocean energies Voith Hydro develops innovative technologies for utilizing tidal currents and waves.

Global hydro power market remains stable
In fiscal 2009/10, the international hydro power market settled at a medium level after reaching a peak volume in previous years. Thus, the recent worldwide economic crisis made itself felt—with a certain delay, as expected. However, after developing very sluggishly in late 2009 and early 2010, the market began to pick up in the second half of the fiscal year.

The market for large projects showed little growth in the period under review. There were no orders at all for large projects in Brazil or India, two traditionally strong sales regions. In the small hydro segment (power plants with less than 30 megawatts installed capacity) the market showed some recovery but did not return to the high levels of the past. For private project developers, implementation of projects remains very challenging given the difficulty of obtaining financing.

Sales Voith Hydro

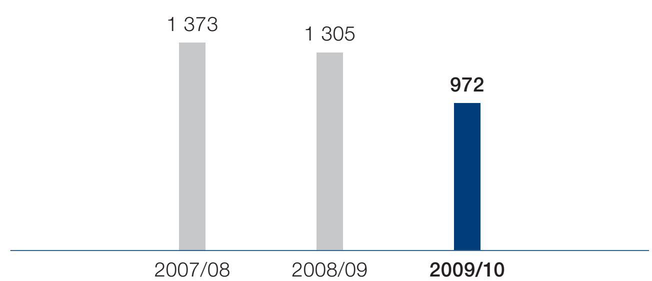
€ in millions



*Data for previous year adjusted.

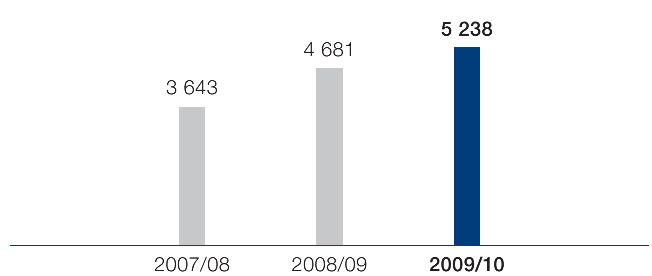
Orders received Voith Hydro

€ in millions



Employees Voith Hydro

as at September 30



High order volume carried over from previous years

In fiscal 2009/10, Voith Hydro increased its sales by 7% to €1 158 million (previous year: €1 087 million). The division owes this excellent result to the high level of orders in previous years. The effect on sales revenues was delayed owing to long order and production lead times.

Most sales in the period under review came from the Americas, with an increasing proportion from South America. As in the previous fiscal year, about one fourth of total sales came from Europe excluding Germany and from Asia respectively.

Still well positioned in a difficult market

Voith Hydro was able to gain a reasonable share of the hydro power projects that were up for tender in the year under review. It gained new orders worth €972 million (previous year: €1 305 million), but owing to market conditions there was no major project among them. Orders received declined year on year by 26%, a result which can be considered satisfactory in view of the prevailing economic conditions. At the close of the fiscal year on September 30, 2010, orders on hand came to €2 821 million (previous year: €2 770 million, +2%).

Projects in the Americas made up a major part of orders on hand in the period under review. Among them was a power plant on the Missouri River for the U.S. Army Corps of Engineers, which Voith Hydro will electrically and mechanically rehabilitate and modernize by 2014. In British Columbia, Canada, the company will overhaul five Francis turbines for the Gordon M. Shrum hydro power plant, each with a rated capacity of 310 MW. The first will go online in 2012. Besides raising the plant's availability, the repair work will boost the power of the turbines. It will then be possible to produce an additional 177 GWh annually, enough electricity for 15,000 households.

Europe excluding Germany likewise made a positive contribution in fiscal 2009/10. In Austria, for example, Voith Hydro won major orders for overhauling pumped-storage power plants, which are important for stabilizing the power grid. The power utility Vorarlberger Illwerke AG ordered a completely new generating unit for the Rodundwerk II plant. Voith Hydro will supply a reversible pump turbine and an air-cooled motor generator set along with auxiliary systems. In addition, for Verbund-Austrian Hydro Power AG it will equip the Reißeck II modernization project with two pump turbines, each delivering 215 megawatts. In addition, the company has an important order from Switzerland, rounding off its excellent supply of orders in these two countries.

In Germany, Voith Hydro sees a potential for the construction of new hydro power plants, especially those involving pumped storage. In view of the increased use of wind power, which is irregular by nature, pumped-storage power plants are essential for securing a constant supply of energy. During the period under review, orders were placed for several such projects.

In fiscal 2009/10, market conditions in Asia led to a smaller order intake than in the previous year. All in all, the market volume in China did not live up to expectations. Voith Hydro sees a development potential in the Indian market and in Southeast Asia, where governments are planning a number of hydro power plants in order to secure the supply of energy.

Personnel build-up in order to cope with the high order volume

To be able to cope with the large number of orders acquired during the boom years and to maintain its customary level of quality, Voith Hydro again added to its personnel capacity during the period under review. At fiscal year end 2009/10, the equipment manufacturer for hydro power plants employed 5 238 persons, 12% more than in the previous year (4 681).

New jobs were created especially in the USA, China and Brazil. Germany was another focal point of job creation. Here, most of the new posts were related to ocean energy research and development.

New production facilities in India and Brazil

During the period under review Voith Hydro again made significant investments in its production capacity in order to handle the large volume of orders. Its total investments in fiscal 2009/10 came to €90 million, which was 56% above the previous year's level (€58 million).

In February 2010, a new factory for small hydro power systems went into operation in Vadodara, India. In Manaus, Brazil, Voith Hydro invested in totally new facilities, which have now begun production. In addition, during the period under review the company invested in a new production hall in St. Pölten, Austria. Construction has been completed, and production will begin at the start of fiscal 2010/11.

Greater emphasis on R&D

In fiscal 2009/10, Voith Hydro continued to invest heavily in research and development in spite of a decline in orders due to economic conditions. It increased its R&D expenditures by 49%, from €53 million in the previous year to €78 million in the period under review. The Group's R&D ratio was thus equal to 6.7% of consolidated sales.

The company made significant efforts in the improvement of both generators and turbines. An important consideration here was the growing share of renewable energy sources in the energy mix of the future. Increasing use will be made of hydro power technology to supplement sources like wind energy and solar energy. Run of river power plants, for example, serve to cover the base load in electrical power generation, thus providing the foundation for other forms of power generation, both conventional and innovative, such as coal, natural gas, wind or solar energy. And pumped-storage power plants are the only commercially available 'battery' in the world for energy management. By storing energy, they provide indispensable support to forms of power generation that depend on the time of day and weather conditions, like wind power and solar power. In addition, Voith's variable-speed motor generators are extremely important for controlling the fluctuations that typically arise when increasing amounts of wind power and solar power are fed into the grid.

Voith Hydro also made progress in harnessing ocean energy during the period under review. For example, it significantly improved its tidal current generator, which can now be tested at the European Marine Energy Centre (EMEC) in the waters off the Orkney Islands. In 2011 it will begin two years of test operations; preparations for installation are currently underway. When this facility is finished, the turbine is expected to feed about 1 800 megawatt hours of electricity into the grid each year. This demonstration facility, built on a commercial scale, is intended to provide valuable experience in the installation and operation of this special marine power generation technology. The government of the United Kingdom is providing £1.7 million in support to the project via the Marine Renewables Proving Fund of the Carbon Trust. Total investments by the project partners Voith Hydro and RWE Innogy, along with Bauer Renewables Ltd., which will anchor the turbines, is about £11.8 million.

In addition, during the period under review the pilot turbine for a tidal current park in South Korea was transported from Germany to its intended location. Operational tests on land and off the Korean coast went according to plan. The gravitation foundation was successfully set down on the seabed and positioned within the required tolerances. The power house was completed and inspected by the local power supply company. As soon as the underwater cable has been laid, the pilot facility will be placed on the ocean foundation, connected to the cable and put into operation.

Significantly improved earnings

Thanks to good sales, Voith Hydro was again able to improve its profit from operations in fiscal 2009/10. The company achieved a profit from operations of €76 million (previous year: €63 million), an increase of 21%. The return on sales improved to 6.6% (previous year: 5.8%).

III.2. Voith Industrial Services

Emerging from the crisis stronger than before

Provider of technical services to industry

Voith Industrial Services is a leading supplier of technical services to the automotive, energy, chemical, petrochemical, mechanical engineering and aerospace industries, all of which are of key importance in today's world. Its portfolio covers everything from maintenance and technical cleaning to facility management, assembly and planning services and complex high-tech engineering.

In the period under review, Voith Industrial Services was organized in five divisions: Facility Services Europe, Facility Services Americas, Industrial Services Asia, Process Services and Engineering Services. The first two divisions provided building and facility management to the markets in their respective countries. The third division provided technical services to the Asian market. Process Services provided product-related services in Europe, and Engineering Services dealt with contract engineering for the aerospace and rail industries.

Improved business climate

Demand for industrial services is closely linked to trends in industrial production. If industrial companies are not working to capacity, fewer services are needed to keep production running. In the first half of fiscal 2009/10, Voith Industrial Services continued to feel the effects of the economic crisis. In the second half of the year, the worldwide economic recovery brought about a noticeable improvement.

In fiscal 2009/10, the situation in the automotive industry was much better than in the previous year. The chemical and mechanical engineering industries likewise showed a strong recovery in 2010, after having suffered a serious slump in the previous year. In the oil and natural gas markets, which traditionally respond more slowly to economic trends, demand remained more reserved.

Focus on profitable activities

In fiscal 2009/10, Voith Industrial Services continued to pursue two major strategic goals. First, it kept its focus on profitable businesses and industries, and it adjusted its service portfolio accordingly. With this purpose in mind, the company also implemented a reorganization, which went into effect on October 1, 2010. Its business activities are now grouped in four new divisions: the Automotive division and the Energy-Petro-Chemicals division offer solutions to their respective industries. The Industries division provides comprehensive regional services related to the operation and management of industrial locations in Europe. The Engineering Services division provides contract engineering to the aerospace industry and to manufacturers of rail vehicles. Besides permitting a better focusing of its activities, this reorganization brings together the company's expertise pertaining to individual industries.

The second strategic goal pursued by Voith Industrial Services during the period under review was to globalize its business, which has been traditionally rooted in Europe, and to increase its diversification in individual regions. Accordingly, it launched new business activities in up-and-coming regions. Examples are the emirate of Qatar, where Voith Industrial Services supplied services to the process industries on the Persian Gulf, and India, where it plans to offer contract engineering for offshore projects.

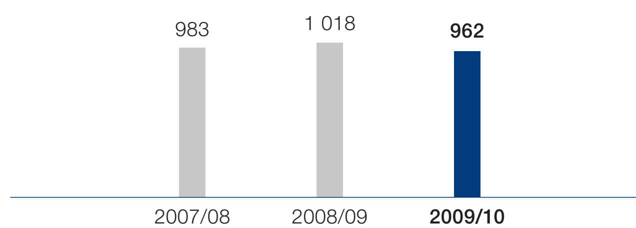
Upturn in the second half of the fiscal year

In keeping with its priorities, Voith Industrial Services deliberately accepted a decline in sales in favor of achieving an increase in profits. After reaching a low point in the first half of fiscal 2009/10 owing to poor economic conditions, the company was able to increase its sales in the second half of the fiscal year. Measured over all of fiscal 2009/10, sales declined by 6% to €962 million (previous year: €1 018 million). As Voith Industrial Services currently has a lower presence in the growth markets of China and India than other Group Divisions, it benefited less from the strong economic recovery in these regions.

Owing to the short processing times of its service contracts, Voith Industrial Services does not record the volume of orders on hand. Consequently, its figures for sales and orders received are identical. Most of the company's orders continue to come from Europe. In the medium term Voith Industrial Services wants to achieve a greater regional balance. In particular, it intends to expand its market position in the USA, Brazil, China and India in order to participate more in the growth of these markets. In the period under review, it achieved some initial successes in this direction. In India, Voith Industrial Services won two orders in August 2010 from automotive manufacturers in Pune. Fiat India gave the company full responsibility for maintaining a paint shop, and Volkswagen (VW) India placed an order for a project to install and modify a number of bodywork and final assembly plants. In China, for a customer in the aircraft industry, Voith Industrial Services took charge of maintaining the production equipment for the final assembly phase, and it added considerably to its stock of orders from VW. In Brazil, Voith Industrial Services, which already has a strong business in the automotive sector, won two important customers in the process industry: Tetra Pak and Petrobras. For the latter, an oil company, it will provide services like maintenance, machine fitting and machine installation.

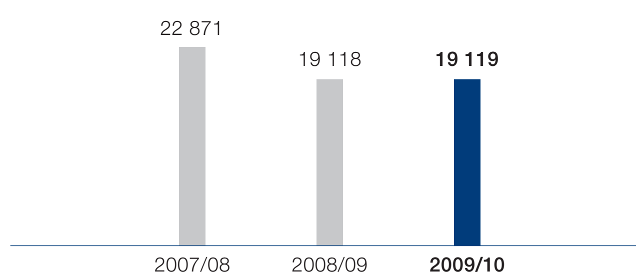
Sales Voith Industrial Services

€ in millions



Employees Voith Industrial Services

as at September 30



Varying developments in the divisions

The trend in the various divisions of Voith Industrial Services was uneven. Facility Services Europe recovered in the period under review, with sales stabilizing after a sharp drop in the previous year. This applied to all of the customer industries served by the division, including the automotive industry, which was still very weak in the previous periods. A significant event was the extension of the service contract with General Motors, which covers multiple factories and countries. The contract, which was concluded in 2007 for a term of three years, was extended in 2010 for another two years.

Facility Services Americas showed a slight increase in sales and was the only division to do so. Here a decline in sales owing to the crisis in the US automotive sector was more than offset by growth in Brazil and Canada.

The Process Services division experienced a drop in sales on account of difficult market conditions but was nevertheless able to improve its operating results. A number of multi-year master agreements with customers from the automotive sector were extended, for example with the MAN factory in Niepolomice, Poland. Ever since this plant opened, Voith Industrial Services has been responsible for maintenance and facility management services relating to the truck assembly line. In addition, the division won a multi-year maintenance contract with BMW in Leipzig. In the refineries sector Voith Industrial Services was able to strengthen its market position by winning a number of important contracts, for example with ExxonMobil in Rotterdam. In the area of shutdowns and turnarounds, this was the most successful business year ever. In the energy sector the trend was also encouraging. Voith Industrial Services concluded two maintenance agreements with operators of wind farms in Germany. For the first time, it also won orders from wind farms outside of Germany. An example is FKI Engineering in the UK, for which Voith Industrial Services will service wind farms with a total output of more than 45 megawatts.

In Engineering Services, business generally declined, owing in particular to reduced demand in the aviation industry. The division won an important new customer in Chemnitz, where Voith Industrial Services will handle the design and production of a control system for VW's Bentley bodywork activities.

Total number of employees is constant

At the end of the period under review, Voith Industrial Services employed a total of 19 119 persons (previous year: 19 118). In this personnel-intensive business, employment trends varied from one region and division to the next depending on business developments. Facility Services Europe remained fairly constant. The Process Services division expanded its personnel capacity in order to provide support to customers from the energy sector but reduced its capacity for the chemical industry and refineries. Engineering Services added new positions.

Investments in internationalization

Investment and development activities focused on internationalization as a strategic goal. In fiscal 2009/10, Voith Industrial Services made investments totaling €10 million (previous year: €14 million, minus 30%).

Profit from operations increases in spite of a decline in sales

During the period under review, Voith Industrial Services systematically concentrated on high-profit business in order to enhance its earnings. As a result, its earnings improved in spite of a small decline in sales: in fiscal 2009/10 it achieved a positive profit from operations amounting to €38 million, thus exceeding the previous year's figure (€36 million) by 7%. The return on sales increased year on year from 3.5% to 4.0%.

III.3. Voith Paper

Taking advantage of the upturn

Leading-edge technology and services for the paper industry

Voith Paper has been a partner to the paper industry for many years. It provides leading-edge technologies and products for the entire papermaking process from a single source: from pulp (derived from wood or wastepaper) to finished paper. It optimizes the papermaking process by means of continuous innovations. Voith Paper focuses on products that use resources economically, thus ensuring maximum efficiency in the consumption of energy, water and fiber.

Worldwide recovery of the paper market

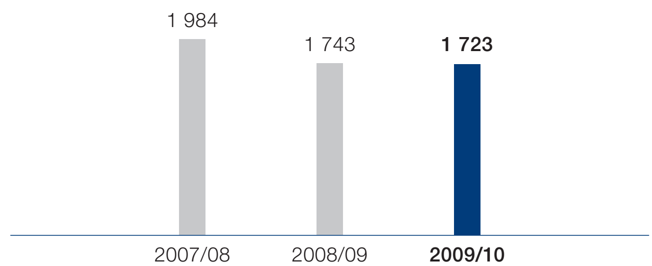
The paper market, which responds quickly to cyclical economic trends, is developing at two speeds. In the Western regions (Europe and North America) its growth remains very sluggish. In Asia, in contrast, the market is now booming following a year of modest performance. All in all, the world market showed a strong recovery in fiscal 2009/10 and pulled out of its slump or the previous year, caused by the general economic downturn. During the period under review, paper manufacturers again invested in new plants. Powerful impetus for growth in the large industrial systems segment came from Asia, especially China. In the mature markets of Europe and North America, paper production increased but there were only a few major investments. With the worldwide upsurge in paper production, demand also picked up for consumables, replacement parts and services.

Sales almost constant

In the period under review, sales at Voith Paper stayed almost constant. The company achieved sales of €1 723 million in fiscal 2009/10 (previous year: €1 743 million, minus 1%). Once again, Asia accounted for the largest share. The second most important market was Europe excluding Germany, followed by the Americas.

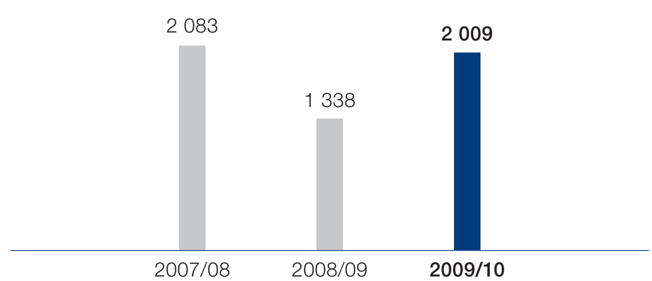
Sales Voith Paper

€ in millions



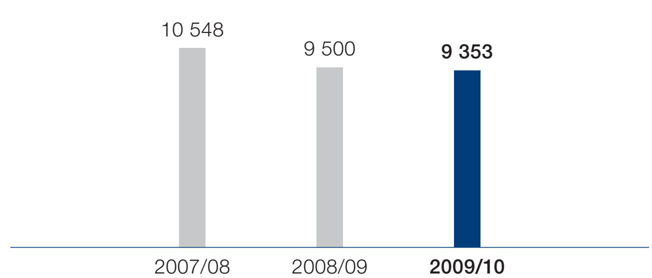
Orders received Voith Paper

€ in millions



Employees Voith Paper

as at September 30



Significant increase in orders received

Orders showed a very encouraging trend. In the period under review, Voith Paper won new orders totaling €2 009 million. Thus orders received increased by 50% year on year (previous year: €1 338 million), almost reaching the record level of fiscal 2007/08. At the end of the fiscal year on September 30, 2010, orders on hand came to €1 333 million (previous year: €992 million), an increase of €341 million or 34% over the level one year before.

The main reason for this was the revival of the market for systems (new systems and major rebuilds). Voith Paper scored well here thanks to its range of water-, energy- and fiber-saving technologies for the papermaking process and to its good customer relationships, which emphasize long-term partnership. The product and service business (products, consumables and services) likewise benefited from the upturn in paper production. In addition, there were one-time benefits owing to pent-up demand from customers who had kept down their inventories of consumables during the recession and needed to restock. Continual development and renewal of the product range, especially in paper machine clothing and roll covers, was very well received by the market. Voith Paper also benefited from its new organizational structure, which it adopted in 2009. By reducing the number of divisions it simplified processes, permitting customer orders to be processed with greater flexibility and efficiency.

In the past fiscal year, Asia was by far the strongest sales region. Projects from China made an especially strong contribution to the order intake. In this country Voith Paper was able to win a number of large orders for new machines. These included systems for manufacturing packaging and for producing graphic wood-free papers and tissue. Zhumadianshi Baiyun Paper, for example, ordered a new plant to produce copy paper and offset paper.

The tissue segment was especially successful for Voith Paper. New tissue machines were ordered by Chinese papermakers like Henan Luohe YinGe and by customers in Brazil and the Kingdom of Bahrain.

Another Chinese manufacturer ordered several systems at once, including a large deinking machine for processing wastepaper. The order underscores Voith Paper's technological leadership in this field and confirms the wisdom of its strategic focus on environmental solutions. In the Asian market, too, recycling is rapidly gaining in importance.

In the mature markets of Europe and North America, most of the orders were for rebuild projects. Orders of this kind were placed in Germany, France, Sweden and the USA.

Slight decline in staffing level

At the end of the period under review, Voith Paper had 9 353 employees (previous year: 9 500), 2% fewer than on September 30, 2009. Utilization of capacity is satisfactory in all regions. Thanks to the large number of orders from China, there is a very high level of capacity utilization in the local Chinese companies.

High volume of investment

The level of investment continued to be high, although not as high as in previous years when Voith Paper invested heavily to establish itself in Asia. All told, Voith Paper's investments came to €52 million in fiscal 2009/10 (previous year: €93 million, minus 43%). The decline is a consequence of targeted cost-cutting measures to improve the division's liquidity situation.

The investments were aimed at ensuring continued high quality, efficiency and safety in production. The biggest single investments were for modernizing the tissue competence center in Brazil and for procuring a new weaving machine in the USA in order to increase the production capacity for paper machine clothing.

In July 2010, a new production plant was officially opened in Nansha, China. The new service center is strategically located in Guangdong province. The Nansha plant makes ultramodern roll covers and provides services related to paper machine clothing, roll covers and other special products for the paper industry.

R&D activities focus on conservation of resources

In fiscal 2009/10, Voith Paper continued to invest heavily in research and development. Expenditures for R&D amounted to €104 million, near the very high level of the previous year (€113 million, minus 7%), and corresponded to an R&D ratio of 6.1%.

As in the past, R&D activities focused on the development of new technologies to save energy, fiber and water. The aim is to make the papermaking process more environmentally compatible and enable resources to be used more efficiently. As a result, Voith Paper is discovering solutions that give due account to ecological considerations, but that also yield significant economic benefits in the form of cost savings for customers.

Voith Paper brought a wide range of new products onto the market in the period under review. When developing new products it was guided by the goal of creating integrated solutions. Here, it benefited from its broad base of products and services, which it was able to combine and fine-tune to generate added value for customers in the form of resource conservation and cost savings. An example is SolarMax, an energy-saving solution for high-speed paper machines. It features a new combination of felt and roll cover in the press section, which significantly improves dewatering. SolarMax was tested on the test paper machine at Voith Paper's Paper Technology Center and is now in service for customers. Another product put on the market by Voith Paper in the period under review is CycloMech, a deaeration machine which extracts air from white water, thereby lowering operating costs and reducing the consumption of various chemicals.

During the period under review, Voith Paper received two awards for its efforts to improve the use of resources in new and existing products. The highly respected Technical Association of Pulp & Paper Industries (TAPPI) conferred the Sasaki Award 2010 on the Japanese joint venture between Voith Paper and the IHI Corporation. The prize was awarded for the LP Screen, an exceptionally energy-efficient sorter that needs only half the specific energy of conventional screens. In February 2010 the Canadian papermaker Cascades presented its supplier Voith Paper with its Sustainable Development Supplier Award, which it gave for the first time. Special emphasis on resource conservation in Voith Paper's business philosophy clinched the decision.

Positive profit from operations

In the period under review, Voith Paper posted a positive profit from operations amounting to €128 million (previous year: €150 million), a decline of 15%. Here it must be kept in mind that valuation influences had a positive impact on the previous year's results. The return on sales was 7.4% (previous year: 8.6%). The decline in profit from operations was largely the result of pressure on profit margins, which developed during the recession.

III.4. Voith Turbo

Constant growth during the crisis

Specialist for power transmission

Thanks to Voith Turbo, people, goods and machines move safely from place to place each day by the millions. Drive components and systems made by Voith Turbo are used in a wide range of industries, wherever power must be converted into controlled movement.

The company is organized in four divisions, each of which focuses on a specific customer sector: Industry, Marine, Rail and Road.

Different recovery trends in the customer sectors

Voith Turbo provides leading-edge technologies to four of Voith's five core markets. In most segments of importance to the company, the business climate improved over the previous year, in which the effects of the economic crisis were severe.

In fiscal 2009/10, the industrial sector was generally on the road to recovery, but the economic situation varied from one line of industry to another. Whereas the steel industry continued to face difficulties, there were marked upswings in mining and power generation, especially in Asia, and in the oil and gas sector.

The Marine division did not experience any improvement at the start of the year under review, when the slump of the previous year still held sway. In the second half of the fiscal year, however, the market picked up considerably. This trend was felt in the oil & gas segment and in the market for special-purpose vessels used in the installation and servicing of offshore wind farms.

The market for rail vehicles showed a consistent growth trend. In Asia, where economic growth is creating increased demand for mobility, work continued on the high-speed rail system and on local public transport systems. In Europe, too, local public transport benefited from government-subsidized infrastructure projects. Freight transportation, which had declined during the recession of the previous year, also picked up again.

The Road division serves the market for trucks, buses and agricultural vehicles. After suffering a severe setback during the previous year's recession, the truck business showed a strong recovery at the start of 2010. In some regions, such as China and South America, there was double-digit growth. The bus market also resumed moderate growth, following a slight decline. In each of these segments the impetus came from outside Western Europe. Western Europe had a steady level of business, following a small drop in the previous year.

Increased sales

Thanks to a strong second half-year, Voith Turbo increased its sales in the period under review by 9% to €1 349 million (previous year: €1 232 million).

This positive development was driven largely by the Rail division, which posted an increase of 25%. The Industry division increased its record result from the previous year by another 6%. The Road division, which had a strong second half-year, grew by 4% following a drop in business the previous year. The Marine division suffered a decline of 13% compared to the previous year's high level.

Owing to the concentration of vehicle manufacturers in Europe, this region again accounted for more than half of total sales. The Asian market, already strong, continued to grow in importance, thanks especially to demand from China. Asia accounted for almost one fourth of sales. The remainder came from the Americas and from increasingly important market regions like Australia and Africa.

Higher order intake

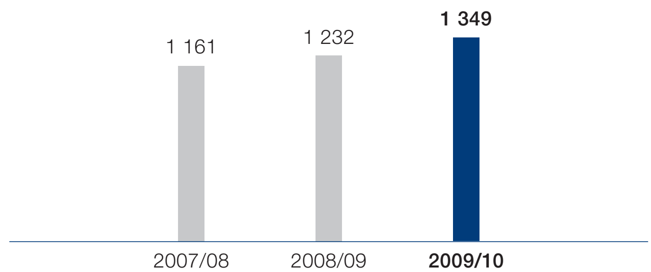
In fiscal 2009/10, Voith Turbo won new orders totaling €1 351 million, corresponding to a gain of 5% over the previous year (€1 292 million). The order situation improved thanks to the economic recovery. At the end of the fiscal year on September 30, 2010, orders on hand amounted to €1 282 million (previous year: €1 283 million).

The Industry division benefited in particular from increased orders from Asia. For example, Voith Turbo won orders for several major projects involving variable-speed Vorecon systems, some of which will be used in Indian power plants. Several new orders were also received from the oil and gas sector in the Middle East and Brazil. ArcelorMittal became the first South American customer to order universal joint shafts with a diameter of more than a meter. The North American market, in contrast, did not show any clear signs of an upturn. Several direct suppliers of wind farms in China, Germany and Korea ordered prototypes of the WinDrive. WinDrive is a Voith Turbo solution that permits more efficient power generation from wind. The Industry division expanded its service business in all sectors.

In the Marine division the order situation steadily improved, becoming very favorable by the end of the fiscal year. Total orders received in fiscal 2009/10 were above the previous year's level. There was increased demand from South and Central America in particular. In the period under review, Voith Turbo did successful business with tugs and scored especially well with special-purpose vessels for installing offshore wind farms.

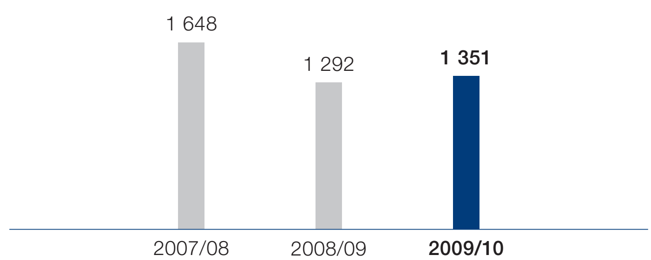
Sales Voith Turbo

€ in millions



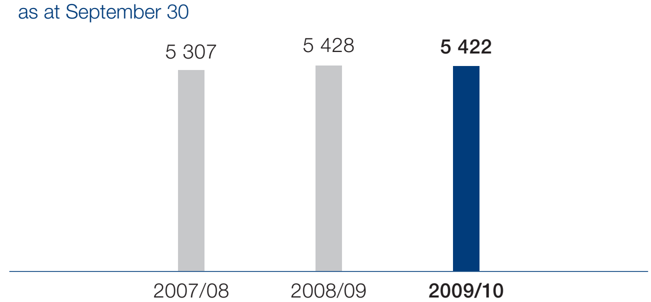
Orders received Voith Turbo

€ in millions



Employees Voith Turbo

as at September 30



Thanks to a steady growth trend, the Rail division was able to win a large number of new orders, exceeding the intake level of the previous year. This growth was driven by the Far East, especially China. A Chinese manufacturer, for example, ordered Voith drive systems for diesel railcars that it intended to export. In Europe the development of rail transport stagnated owing to a lack of funding. Voith Turbo was nevertheless able to secure important orders, for example from ZOS Vrutky and the Slovakian national rail carrier. In the locomotive technology segment there was a marked upturn in project activities in the second half of the fiscal year. Several orders came from South America, where Voith Turbo will deliver Scharfenberg couplers for electric railcars that are to go into service in the suburbs of Rio de Janeiro. In addition, Voith Turbo won a major follow-up order from the Brazilian railcar manufacturer Bom Sinal for DIWAPack drive systems.

In the Road division, business picked up in the second half of the period under review. The cumulative order intake for the year thus slightly exceeded the previous year's level. Following a dramatic slump in the previous year, sales of retarders recovered beginning in the second half of fiscal 2009/10. In a promising development, the Magnetarder was launched, a new kind of permanent magnet retarder for light buses and trucks. Demand also increased for automatic transmissions used in buses. Thanks to its good market position, Voith Turbo picked up a number of new orders for projects in South America and Asia, including Panama and Singapore. Its new DIWAhybrid drive posted initial successes in the US hybrid market. In California, Iowa and Pennsylvania, three companies are now operating DIWAhybrid systems in a total of 22 buses. Business in engine components, including TurboChargers, TurboCompounds and air compressors, showed a positive trend as well.

Staffing at the previous year's level

On September 30, 2010, Voith Turbo had a total of 5 422 employees, nearly as many as in the previous period (September 30, 2009: 5 428). The employment situation varied within the division. In the first half-year there were retrenchments in areas affected by the recession, but in the growth regions and in some areas of growth in Germany, new employees were hired.

Major investments in German production locations

In fiscal 2009/10, Voith Turbo invested a total of €72 million (previous year: €78 million, minus 9%). The decisions for these investments, which were taken during the economic crisis, now enable the company to benefit from the current economic upswing.

One outstanding milestone was the construction of a completely new production facility in Mergelstetten, a district of Heidenheim. The plant will produce mechanical drives for rail vehicles, such as wheelset transmissions for high-speed trains.

The Rail division's existing production facilities, also in Heidenheim, are undergoing extensive modernization, which will be completed mid-2011.

The factory development project in Crailsheim was completed in July 2010. The Crailsheim plant (Industry division) manufactures variable-speed drives for the raw materials, oil and gas industries, couplers for the mining industry, and universal joint shafts for the steel industry.

Modernization was also carried out for the Marine division in Heidenheim during the period under review, bringing about a marked increase in production efficiency. In Rostock, Voith Advanced Propeller Technology GmbH und Co. KG was merged with ship design, thus establishing a second location for the division.

Successful new products introduced

In spite of the difficult economic conditions, Voith Turbo continued to invest heavily in research and development. In the period under review, R&D expenditures amounted to €78 million (previous year: €81 million, minus 5%). Thus spending for R&D was equivalent to 5.7% of sales.

R&D activities focused on increasing efficiency, reducing fuel consumption, and minimizing emissions of CO_2 and other gases. All four divisions performed significant research and put new products on the market. An example is SteamDrive, which is used in all of the divisions. By utilizing exhaust heat, this drive system lowers fuel consumption in internal combustion engines by up to 10%.

In the Industry division, a major area of focus was the development of turbo couplings for use in the mining industry and power plants. Vorecon m+, a modular concept for Vorecon variable-speed drives, was launched, for example.

The Marine division also launched new products. The Voith Radial Propeller, for example, makes it possible to position offshore platforms like drilling vessels while protecting them against forces from currents, winds and waves. The first orders for the Radial Propeller have been received, marking Voith's entry into yet another segment of the offshore market. In addition, a performance class with a rated input power of 1.5 megawatts was added to the portfolio of Inline Thrusters, which are compact units consisting of an electric motor and propeller. This will permit the division to open up new areas of application.

In the Rail division, a front end was developed for high-speed trains that go 380 km/h and faster. Development of the TurboFlexx transmission family continued. New products presented at the Innotrans in Berlin in September 2010 included the Galea series of composite rail vehicle heads, a concept study for a cooling tower and a hybrid version of the DIWAPack.

Development work in the Road division focused on parallel and serial hybrid drives for city buses. DIWAhybrid systems are already being field-tested in buses in several US cities.

Good return on sales

Voith Turbo posted a profit from operations amounting to €135 million (previous year: €113 million), a healthy increase of 20%. Thanks to rapid structural adjustments in the areas affected by the recession, the division's earnings rose markedly when business picked up again. This, along with a good sales mix, brought about an increase in the return on sales to 10.0% (previous year: 9.1%).

IV. Asset and Financial Position

IV.1. Balance Sheet Structure

Structure of assets and capital remains solid

The balance sheet of the Voith Group continues to reflect a stable asset and capital structure. Total assets increased to €5 902 million (previous year: €5 341 million).

Non-current assets were up to €2 408 million (previous year: €2 260 million) largely due to the increase in property, plant and equipment of €1 059 million to €1 155 million arising from consistently stable capital spending. As in previous years, capital spending significantly exceeded depreciation.

The main factors leading to an increase in current assets to €3 494 million (previous year: €3 081 million) were changes in inventories, trade receivables, marketable securities and in cash and cash equivalents. Inventories fell to €784 million (previous year: €833 million). This is attributable to Group Divisions with product and service business. Thanks to a very positive order position, trade receivables increased substantially to €1 140 million (previous year: €930 million), thereby returning to their pre-economic crisis level.

Despite the recovery on the international financial markets Voith continues to give high priority to financial flexibility. Cash and cash equivalents rose again by €252 million to €1 175 million (previous year: €923 million) partly as the result of the start of the liquidation of a multi-asset fund which was reflected in a reduction in short-term marketable securities to €41 million (previous year: €107 million).

Non-current liabilities dropped to €2 015 million (previous year: €2 075 million) mainly due to the drop in non-current financial liabilities to €1 180 million (previous year: €1 285 million). As a euro bond issued by Voith in 2001 will be due for repayment at its current carrying amount of €146 million within the next 12 months, this bond has been reclassified from non-current to current financial liabilities.

The increase in current liabilities to €2 779 million (previous year: €2 316 million) is due not only to the reclassification of the bond referred to, but also to the increase in other liabilities to €1 501 million (previous year: €1 329 million). The customer advances subsumed under this item rose by €137 million to €975 million (previous year: €838 million).

At September 30, 2010, Group equity totaled €1 107 million (previous year: €950 million). The equity ratio rose to 18.8% (previous year: 17.8%).

In addition to net income, exchange rate effects as well as effects arising from the market valuation of securities had a positive impact and dividend payments a negative impact on the amount of equity.

More details of equity are shown in the statement of changes in equity.

IV.2. Liquidity

Positive cash flow trend

In the fiscal year under review Voith generated cash flow from operating activities of €390 million (previous year: €304 million). The marked increase in comparison with the previous period is mainly due to the positive development of operative earnings.

Owing to a reduction since the previous year in investments in property, plant and equipment and in intangible assets, as well as the reclassification of securities as cash and cash equivalents described above, cash flows from investing activities improved to minus €159 million (previous year: minus €286 million).

Factors such as dividend payments and the acquisition of non-controlling interests resulted in cash flows from financing activities in the period under review of minus €32 million. In the previous year, in addition to dividend payments and the acquisition of non-controlling interests, the additions to the existing €300 million bond and the issue of a note loan in particular led to a positive cash flow from financing activities of €352 million.

Total cash flow amounted to €199 million (previous year: €370 million).

More details of cash flow are provided in the section on the consolidated statement of cash flows.

Cash flow

€ in millions	2009/10	2008/09*
Cash flow from operating activities	390	304
Cash flow from investing activities	(159)	(286)
Cash flow from financing activities	(32)	352
Total cash flow	**199**	**370**

*Data for previous year adjusted.

Balanced net debt

Net debt as the internally defined difference between financial liabilities and realizable financial assets is an important ratio for banks, analysts and rating agencies. Net debt on the balance sheet date of September 30, 2010 amounted to €0.4 million (previous year: net debt €132 million). Based on valuation at the repayment amount, financial liabilities are included at an amount which is €23 million higher (previous year €25 million) than the carrying amount.

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.

IV.3. Investments

Continued heavy investments

Voith also made substantial investments in the fiscal year under review in strengthening its productivity and in the strategic orientation of the Group. The total volume of capital spending by the Voith Group in fiscal 2009/10 amounted to €234 million, just below the level for the previous year (€255 million, minus 8%). The investment ratio of 4.5% (previous year: 5.0%) of consolidated sales underscores the long-term and forward-looking nature of the corporate planning of this technology group.

The value of investments in the fiscal year under review was once again significantly higher—in fact by €71 million—than depreciation of €163 million (previous year: €151 million). While the business of Voith Industrial Services requires, by its very nature, lower levels of capital spending (investment ratio: 1.0%), the three manufacturing Group Divisions reinvested a significantly higher share of their sales revenue. The highest investment ratio was reported by Voith Hydro at 7.8%.

In regional terms, 47% or almost half of total capital spending (previous year: 53%) was made in Germany, specifically in new state-of-the-art production facilities and the modernization of several existing productions. 32% (previous year: 20%) of total capital spending was invested in America. Important investments were made in Brazil, in particular, where Voith Hydro built new production facilities and Voith Paper modernized a competence center for tissue paper. 11% (previous year: 16%) of the Group's investments were made in Asia, in China and India in particular. Production facilities were reopened or large new machines commissioned at several Chinese and Indian locations. 10% (previous year: 11%) of total capital spending was invested in the Europe excluding Germany region. Particular mention should be made at this point of the new turbine production plant in St. Pölten in Austria.

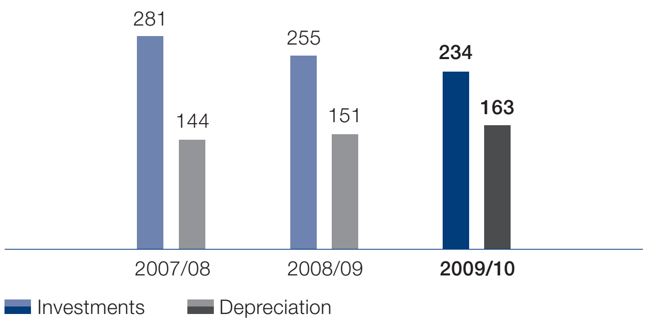
Detailed information on the investing activities of each of the Group Divisions can be found in Section III, Business Development and Earnings Position of the Group Divisions.

IV.4. Financial Investments/ Participating Interests

No acquisitions were undertaken in the period under review.

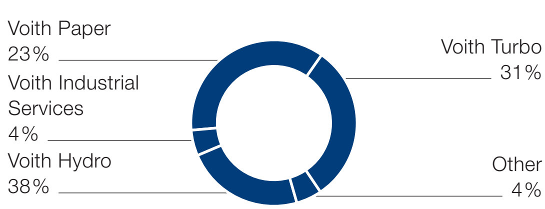
Investments and depreciation

€ in millions



Investments total €234 million

by division



by region

V. Research and Development

Focus on resource-efficient technologies

Innovative products and services have been the cornerstone of future business success over many years. As a technology group Voith traditionally invests a great deal — and significantly more than the industry average — in research and development. This was also true of the recession year of 2008/2009. In fiscal 2009/10 Voith boosted its R&D spending by another 5% up to €266 million (previous year: €254 million).

While the Hydro, Paper and Turbo Group Divisions again reported high R&D ratios during the fiscal year under review of up to 6.7%, research and development again played an important role (naturally at a low level) in Voith Industrial Services as a service company. Consolidated at the Group level, the lower R&D ratio of the service sector reduced the overall R&D ratio. Compared with consolidated sales, the Group's R&D ratio in fiscal 2009/10 was 5.1% (previous year: 5.0%).

Most of Voith's research and development activities take place in Germany. Centers in America, Asia and the Europe excluding Germany region contribute valuable specialized R&D input in the relevant Group Divisions.

It is Voith's ambition to anticipate solutions to future challenges. For this reason the technology group's R&D strategy is consistently focused towards global megatrends and in particular to the requirements of the world's growth regions. Environmental friendliness, resource and energy efficiency as well as clean and renewable energy generation are not only the key challenges facing the 21st century but also the central theme of our research and development strategy at Voith.

Hydro power is the only form of renewable energy that is already able to produce a constant flow of electricity in the quantities needed by industry and at competitive prices, making it the as yet only really "major" source of renewable energy. Hydro power contributes 15% to total electricity production worldwide. If renewable energy sources are looked at separately, hydro power has a share of around 80%. A considerable proportion of Voith's research efforts during the period under review have been directed towards accompanying hydro solutions for a power mix which includes a growing share of wind and solar power. Owing to the dependence of wind and solar power on particular times of the day and weather conditions these sources of energy require storage capacities which at present can only be provided in significant volumes by pumped storage methods. Progress has also been made in the innovative field of ocean energy.

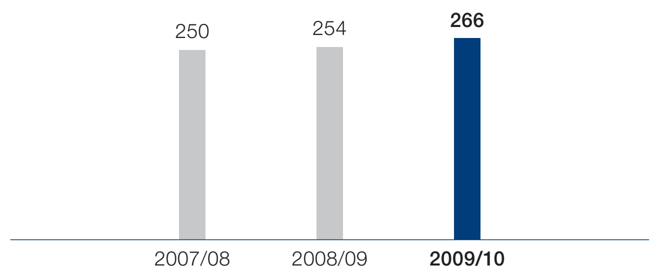
Voith developed diverse new solutions for papermakers during the year under review which offer customers considerable cost benefits as well as taking environmental issues on board. Voith's efforts to develop resource-saving products for the paper industry were rewarded with two international prizes during the year under review.

Voith is also focusing on resource-efficient solutions for drive and braking systems. A drive system has been developed, for example, which uses exhaust heat to significantly reduce the amount of fuel that internal combustion engines use up in diverse fields of application. Hybrid drive systems for buses have been improved and successfully tested in local public transport.

Detailed information on the R&D activities of each of the Group Divisions 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

Social factors: A key element of business success

Voith is a family-owned company whose business model attaches appropriate importance to social factors besides the need to achieve economic goals and increase the value of the company. Satisfied customers are the cornerstone of business success. As such, they lay the foundation on which Voith can offer attractive long-term career and development prospects to its employees. The safety of employees in the context in which they work for Voith is of paramount importance to the company. Accordingly, extensive measures and initiatives devote considerable attention to this key issue.

Research & development: Focus on technologies that conserve resources

In many areas relating to environmentally friendly technologies, products and processes, Voith stands out as both the technology and opinion leader. This is true, for example, in the processing of wastepaper for paper production, in the utilization of ocean energy, in innovative services for the wind power industry and in the development of hybrid drive systems for buses. To defend and improve on this position, the company sharply focuses all its R&D activities on technologies that use resources economically and are kind to the environment. In fiscal 2009/10, Voith once again began work on a whole series of ground-breaking products and system solutions (for more details, refer to Section V, Research and Development, in this management report). Working on these technologies lays the foundation for the Group's continued successful business development in the future. It also helps protect the world around us, as well as creating high-quality jobs.

Production: Quality management that works

All production processes in the Voith Group satisfy strict corporate guidelines on quality, risk management, industrial 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. The corporate guidelines document a consistent understanding of the entire Group, thereby laying the basis for company-specific occupational health and safety and environmental management systems. Internal and external audits in line with international standards verify the application and effectiveness of these management systems.

The respective managers, who are supported by environmental protection officers, are responsible for assessing environmental impact. Their job is to regularly measure and assess how the activities conducted at Voith sites directly and indirectly affect the environment. Their main focus is on examining emissions in accordance with the relevant national laws and regulations, assessing the efficiency of energy and water consumption, monitoring wastewater and the wastewater system, and handling waste management. Efforts are currently being taken to systematically collate and pool all the environmental data that is currently distributed throughout the Group. Once this has been done, the next step will be to define specific targets for further improvement and put together packages of actions to achieve these goals.

The industrial safety campaign, which was launched in fiscal 2008/09 and is being continued, has already had a positive impact: the accident rate has been reduced by over 50%. For Voith, industrial safety is not just a matter of preventing accidents. It is proof of the company's excellence as a manufacturer.

Products: Contributing to environmentally friendly business practices

Many Voith technologies—such as hydro power plants, systems for local public transport, drive systems for wind turbines and wastewater treatment plants—already play an important part in making business more environmentally friendly and helping to conserve resources. In close collaboration with its customers, Voith develops extensive modernization and servicing models to ensure that installed systems stay leading-edge throughout their entire life cycle—in some cases 30 or 40 years or more. In addition, Voith actively seeks dialog with all relevant stakeholders in the context of numerous associations and initiatives. Wherever possible, the Group gives its practical backing to the further development of environmental standards and sustainability criteria. Voith Hydro, for example, does this in its capacity as a member of the International Hydropower Association (IHA).

Recycling: Environmental protection with added value for customers

In recent years, the concept of recycling has become increasingly important in the context of long-lasting capital goods, too—the market in which Voith primarily operates. Voith has therefore begun to carry out life cycle analyses for its products and to subject its product range to a comprehensive analysis. It is working to close material life cycles, both large and small, inside and outside the company. This begins in the planning phase with the selection of materials and the design, it extends to waste avoidance and the reuse of recyclable materials in the production process, and it culminates with proper disposal when products reach the end of their life cycle.

VII. Events after the Balance Sheet Date

No significant events have occurred since the end of fiscal 2009/10.

VIII. Report on Risks and Opportunities

VIII.1. Risks

VIII.1.1. Risk and Quality Management

Focus on increasing the value of the company

Entrepreneurial activity includes making decisions under conditions of uncertainty. As a global enterprise, Voith is exposed to many and varied risks. To guard the Group against risks that could threaten its survival and/or that of its companies, it operates a consistent and binding Group-wide system of risk and quality management. 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 as part of a risk management system. This is geared to increase the value of the Group and its companies by reducing risk potentials and their probability of occurrence. At the same time, the system is also intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities. Risk and quality management are linked together and integrated as part of a comprehensive internal controlling system.

Distributed nature of the risk management system

The Voith Group operates a distributed risk management system. Responsibility is assigned in a way that accommodates the varying risk profiles that exist on all levels and in each different function.

The risk management process itself breaks down into four steps:

Risk identification: Voith constantly monitors macroeconomic developments, developments in specific industries and internal business processes that could affect the situation of the Group. A catalog of risks helps management to identify individual risks.

Risk analysis and assessment: The risks thus identified are assessed in terms of the potential damage they could do and the probability—expressed as a percentage—that they will be realized. Wherever possible, the scope of potential damage is quantified as a cost factor. Worst-case scenarios are assumed and their impact on the Group's financial situation is examined.

Risk control: 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 multitiered set of controlling and reporting tools helps the Board of Management to analyze risks and take well-founded decisions.

Risks are divided into two groups—Group risks and risks to performance. Voith classifies risks to the Group as external risks, management risks, financial risks and infrastructure risks. Risks to performance are regarded by Voith as contractual risks and technical risks.

VIII.1.2. Risks to the Group

External risks

In the autumn of 2010 emerging countries and Western industrial nations are again experiencing an upswing, if at different paces. The planning of the Voith Group for fiscal 2010/11 and 2011/12 is based on the assumption that the recession has now passed. Despite a basically positive economic outlook, Voith nonetheless perceives risks for the recovery of the global economy, in particular the high level of public debt in the Western countries and the heavy dependence of the global upswing on economic growth in China. Voith has a diversified portfolio in terms of both content and regions and also boasts healthy finances and a stable liquidity position and consequently believes it is well placed to master the opportunities attendant on an upswing as well as the challenges of potential phases of recession. In this context the Voith GmbH Board of Management will continue to respond swiftly and decisively to changing market conditions in the future.

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 migrated to International Financial Reporting Standards (IFRS) in fiscal 2005/06. No risks of material Group management errors are perceivable at the present time.

Liquidity and financial risks

The Group's diversified financial structure is designed to safeguard long-term stability. The additional liquidity derived from further bonds issued on the capital market in August 2009 continues to function as a liquidity buffer. Additional free and confirmed credit lines complement a liquidity position that is sufficient at all times. This enables the Group to pursue sustainable growth and remain flexible enough to respond to changes in the market environment.

The investment grade rating given by Moody's Investors Service when the first bond was issued in 1999 was downgraded from "Baa1 negative" to "Baa2 stable" in February 2010.

In September of the fiscal year Voith liquidated assets previously held in a multi-asset portfolio. Risks are monitored by an external advisor. The defined value-at-risk budget has been complied with at all times. In addition, the Group still holds what are mostly isolated direct investments. Fluctuations in the value of these investments as a whole are recognized directly in equity. Market price 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 12 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. In the event of unusual stock price movements, existing stock price risks are analyzed immediately and suitable actions are taken.

To contain risks to cash flows in different currencies, defined foreign currency management procedures are applied consistently throughout the Group. As a basic rule, all Group companies are required to hedge foreign currency items when these occur.

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 hedging relationship in line with the goals of corporate risk management.

To guard against political and economic risks associated with the 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 provisions to cover all other operating risks.

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 field of infrastructure risks Voith identifies IT risks, human resources risks and environmental protection risks against which the company takes specific countermeasures.

Voith's own Group IT unit ensures that reliable data processing services are provided from its own data center. The IT experts at Voith manage the whole IT infrastructure for the entire Group and also maintain the specific application systems used by each Group Division. Redundancy is built into the central systems in two data processing centers. In fiscal 2009/10 a new wide area network substantially improved the quality and integrity of connections between locations and the Group network.

Voith competes with other international players for the services of its highly qualified specialists and managers. Training and development programs, international career development prospects, performance-linked compensation systems, a family-friendly human resources policy and flexible working hours all help to keep Voith's staff highly motivated—a fact evidenced by the Group's traditionally very low fluctuation rate.

The corporate guidelines govern the behavior of employees to avoid corruption in their business dealings with third parties. The existing regulation was reviewed in 2009 and amended and extended as required to reflect the Group's strong international growth. Voith also supports all efforts to contain and eliminate corruption worldwide and calls for integrity in a context of fair competition. The guidelines and values defined by the Group's Board of Management are clear and unambiguous. They are binding for all Voith employees worldwide and provide 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.

All production processes in the Voith Group satisfy strict corporate guidelines on quality, risk management, industrial safety and environmental protection. An integrated management system monitors permanent compliance with these guidelines and ensures that both production and products consistently meet the same high quality and environmental standards. Beginning in the current period under review, environmental aspects and their impact are systematically identified and evaluated for all environmentally-relevant locations as part of a uniform system of accounts with the aim of identifying and thereafter eliminating or minimizing risks by means of suitable measures.

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 are set aside to cover the legal risks that exist 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 the possibility of damages and/or liability risks.

Appropriate provisions are made for special risks arising from existing contracts, insofar as said risks can be reliably quantified.

Technical risks

The technical risks identified by Voith are innovation-related risks and sourcing risks.

Innovation-related risks are a key field of risk 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 modern 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 more than 10,000 patents to its name and over 400 new ones filed on average every year, Voith ranks as one of the most innovative companies in the industries it serves.

Sourcing risks are minimized to the greatest extent possible. Supplier selection and order management processes are agreed in writing with suppliers. Moreover, a permanent Group-wide risk management process has been implemented to identify delivery risks and the risk of insolvency among suppliers at an early stage. A dual sourcing policy largely safeguards the supply of basic materials to Group companies by third parties. Back-up strategies are in place in case suppliers who provide core components for the Group's business processes should default. In fiscal 2009/10, Voith once again used every means at its disposal to contain the risks posed by cost increases. It did so by concluding fixed-price contracts.

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 threaten the survival of the Voith Group.

VIII.2. Opportunities

VIII.2.1. Macroeconomic Opportunities

Emerging from the recession stronger than ever

Voith's product and service offerings contribute leading-edge technology that will help to solve the challenges facing humankind in the future. Voith offers the capital goods and services that are urgently needed to develop the economic infrastructure in emerging countries. This portfolio includes paper machines, hydro power plants, components for the development of local public transport and rail transport networks, products for use in power plants, steel mills and raw materials mining, and technical services for new factories and high-performance industries.

Voith has used the economic crisis in order to tailor both its product and service portfolio as well as its organization to changed post-crisis conditions. Specific structural changes have been made in the Voith workforce which reflect the changing importance of different markets and regions in the global economy. New employees have been taken on and new branches, production facilities and service centers set up in growth regions such as Asia and Brazil in particular. Research and development activities have been pursued with undiminished intensity and focused on the global challenges facing humankind and the needs of growth markets. All these factors have helped Voith to emerge from the economic crisis stronger than ever and put it in a position in which it can exploit the anticipated upswing for its own positive business development. Even under more difficult macroeconomic conditions, this market constellation still presents Voith with opportunities for further profitable growth.

VIII.2.2. Strategic Opportunities

Global orientation

At Voith, internationalization is a long-standing tradition. The company began shipping paper machines to Russia as far back as 1897, and installed the first hydro power plant in China in 1910. Today, Voith has in-house production facilities and sales centers in around 50 countries in all regions of the world. This global orientation gives the Group the chance to participate in and contribute to dynamic business development in the world's growth regions. Voith is becoming even more international in character—by establishing new and expanding existing locations as well as by putting down even deeper roots in the regions.

A diversified, profitability-focused portfolio

Under the umbrella of Voith GmbH the four Group Divisions protect the Group against excessive dependence on business in specific branches of industry. At the same time, the integration of each of the divisions in the Group as a whole enables synergies to be used by bringing together innovative strength and know-how. In this context, Voith endeavors—both in the Group and in each and every Group Division—to achieve diversified sales structures according to product groups, customer industries and regions. Greater attention is paid to profitability aspects as regards the strategic development of the product portfolio.

Strong innovative power

As a global provider of leading-edge technology and industrial services Voith attaches great importance to research and development. Despite adverse economic conditions, Voith has invested over a quarter of a billion euros in R&D each of the last three fiscal years, producing key innovations which lay the groundwork for future business successes.

Long-term corporate development

The Voith company has been owned by the Voith family since its inception in 1867. To this day, the core concern of the Board of Management, the Supervisory Board and the shareholders alike is to create and expand a successful company and pass it on in better shape than ever to the next generation. Thanks to an appropriate dividend 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 18.8% and a stable financial position are the sound basis on which the Group will continue to develop successfully in the future.

VIII.3. Internal Control and Risk Management System for the Group Financial Reporting Process

Proper and reliable accounting

As a company which raises funds on the capital markets, Voith GmbH is required by Section 315 (2), Paragraph 5 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 annual financial statements comply with the applicable regulations.

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

The Board of Management of Voith AG (as of October 1, 2010 the Board of Management of Voith GmbH) bears overall responsibility for the internal control and risk management system with regard to the group financial reporting process. All levels of the company (companies, management companies, Voith GmbH as management holding) are integrated through a firmly defined management and reporting organization.

Accounting is decentrally organized. Accounting entries are recorded individually by the companies in the Group. Assistance is obtained from external experts with regard to the accounting treatment of complex subfields, such as pensions. The consolidated financial statements are prepared by enriching individual financial statements with further information to create standardized reporting packages which are then included in the consolidation system. The boards of management of the companies issue documented declarations stating that the reporting package is complete, accurate and complies with the applicable regulations.

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

Group-wide reconciliation of balances takes place worldwide via an intranet-based platform. The 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 in Voith GmbH.

The control activities designed to ensure that consolidated accounts are prepared properly and reliably include the analytical review as well as processing and inspection of key and complex business transactions by various people. The quality of financial reporting is also ensured by regularly reconciling planning scenarios and external accounts at all levels of the company. Checks on system access based on an authorization concept as well as programmed plausibility checks in the IT systems 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 which may be identified.

IX. Forecast Report

IX.1. Business Environment

Global economy continues to recover

Economists agree that the worldwide recession had come to an end by the autumn of 2010. While many emerging countries have now matched or even exceeded the production levels which they had prior to the crisis, overall production in most Western industrial nations is well below pre-crisis levels. Economic forecasters predict sustained, if perhaps somewhat slower, economic recovery throughout 2010 and 2011. The International Monetary Fund (IMF) predicts global economic growth in 2011 of 4.2%—down from 4.8% in 2010.

The main engine of growth will continue to be the BRIC countries, which remain an important source of consumption and investment. The IMF forecasts 9.6% growth for China, for example, and 8.4% growth for India. Russia is expected to grow 4.3% and Brazil 4.1%. The IMF forecasts much lower rates of growth—2.2%—in the Western industrialized nations. The eurozone continues to suffer from high rates of unemployment and high levels of public debt in many countries and, according to the IMF, will grow by just 1.5%. Germany is something of a special case owing to its strong export base, and its gross domestic product is forecast to grow by 3.3%. With growth of 1.5%, Japan is expected to match the eurozone. Recent forecasts have adjusted the predicted growth of the world's largest economy, the USA, downwards. The US economy is now expected to grow by 2.3% in 2011.

This positive outlook is marred by several risks—primarily high rates of unemployment, public debt and fragile banking systems. While most economists harbor some doubts about the pace of economic recovery, a potential relapse into recession is not regarded as probable.

Markets on upwards trend

Voith expects almost all the markets it currently serves to continue to grow over the next two fiscal years. This applies in particular to industries which respond very quickly to shifting economic cycles—paper, raw materials, transportation and automotive engineering. To some extent, it also applies to industries which respond somewhat more sluggishly—energy, oil and gas. It is only the hydro power segment of the energy market which has not yet been swept along by the upswing.

Expanding global production has injected a modicum of fresh growth into the market for raw materials. However, investing activities in this industry are unlikely to return to their pre-crisis level in fiscal 2010/11 and 2011/12.

Overall growth on the paper market is characterized by substantial regional differences: Europe and America will probably experience moderate growth, primarily from investments designed to boost productivity, while high rates of growth are also anticipated in Asia and China in particular.

The transport and automotive market has managed the turnaround. All the segments which are relevant for Voith are expected to develop positively over the next two years. The market for rail vehicles is growing as strongly as ever, particularly in Asia.

The situation in the energy market is much more varied. There has been a renewed emphasis on the generation of power from thermal energy sources since the spring of 2010. The renewable energy sector is divided: while wind and solar energy continue to grow, Voith assumes that the hydro power segment—which tends to lag behind cyclical developments—will not be able to recover its high pre-crisis volumes in the next two years.

Expanding industrial production is stoking demand for oil and gas. More stringent safety regulations and investments in the new plant needed to extract oil and gas from less easily accessible sources will probably result in more intensive investing activities in the industry.

IX.2. Future Development of the Company

Group Divisions growing at different rates

Based on the assumption that the recession is now over, Voith assumes that all four Group Divisions will be able to increase or at least maintain their sales at a stable level in fiscal 2010/11 and 2011/12. All four Group Divisions will probably also report improved earnings.

Voith Hydro's full order books will ensure positive sales figures in the fiscal years ahead. More new orders are also expected to come in during both fiscal years, although they are not expected to match levels during the boom years of 2007/08 and 2008/09. The implementation of planning figures depends critically on the actual realization of announced major projects. Voith Hydro sees the greatest potential in Brazil, China and India where plans exist for several, in some cases very large, hydro power projects. In North America, plans are afoot for modernization projects and new plants, including pumped-storage power plants in particular, which will reflect the trend towards increasing use of renewable forms of energy. The medium-term outlook for Voith Hydro is also positive. Bearing in mind its production, regulatory and stabilizing capacity for networks, hydro power will continue to play a prominent role in the energy mix of the future. Voith Hydro is going to work hard to ensure that it secures an appropriate slice of this attractive market.

Voith Industrial Services predicts moderate growth in fiscal 2010/11 based on individual customer industries and regions. The Group Division anticipates a very positive order position in the process industries as well as in the regions of Asia, Brazil and the Middle East. The newly founded subsidiaries in India and Qatar will also play a role in exploiting the growth opportunities in these regions. Robust growth in the second planning year is expected to benefit all Group Divisions. Planning is based on the assumption that the relevant markets continue to recover, albeit to different extents.

Although it will struggle with rising raw material and energy prices, the paper industry will probably benefit from a stable upswing in the years ahead. Given the rapid recovery in the number of incoming orders, Voith Paper expects sales to be higher again over the next two years than during the year under review. As some customer projects which were originally planned for fiscal 2010/11 were brought forward in the year under review, Voith Paper now forecasts fewer incoming orders during the first planning year than during the year under review. More orders are then expected to be received during fiscal 2011/12. The regions of China, India and South America, where paper is increasingly in demand from a growing middle class, will again be the largest source of growth. Fiber supplies, energy and water consumption will all prove key challenges for papermakers. With its environmentally friendly solutions, Voith Paper regards itself as excellently positioned in this extremely competitive market and believes it has good chances in the medium term for its technology solutions.

Voith Turbo anticipates a rise in sales in fiscal 2010/11 and 2011/12. There will probably be a slight increase in the number of incoming orders in fiscal 2010/11 and a substantial rise in the reporting period 2011/12. The Industry division expects stable development while the other three divisions, Rail, Road and Marine, anticipate considerable expansion. The Asian region, and China in particular, will continue to be the main engine of growth for the Rail division. However, other countries, too, are planning new high-speed rail links, such as the USA, Brazil, Turkey and Poland. Voith expects the market for commercial vehicles served by the Road division to develop positively, whereby in this context China is the world's most important truck market. Despite the underlying upwards trend in local public transport, there is a danger that the economic crisis could have a negative impact on procurement owing to the parlous state of local government finances in Western Europe, for example. Voith Turbo's hybrid drive systems for buses are the company's response to the increasingly emphatic demand for environmentally friendly inner cities. The Marine division believes that wind power and offshore application segments offer long-term potential for growth.

Profitable growth in the Group

Voith's order books were full at the end of the period under review, and based on this fact along with the steady flow of new orders received for fiscal 2010/11 and a sharp increase in new orders anticipated in 2011/12, Voith expects consolidated sales to go up in fiscal 2010/11 and 2011/12. Thanks to an improved product mix and efficiency gains Voith looks forward to even better results for the planning period ahead, both in terms of profits from its operations and its net income. Voith has a future-proof portfolio, sufficient liquidity, an efficient organization and an outstanding workforce. All of which means that Voith is very well equipped to meet the challenges ahead. Forecasts are always subject to considerable uncertainty. A whole series of macroeconomic and industry-specific factors can impinge on and influence, positively or negatively, the corporate planning of individual divisions or the entire Group. Voith will continue to adapt itself quickly and flexibly to changing economic conditions. 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 first decade of the 21st century.

Corporate Governance Report

On September 13, 2010 and October 4, 2010, the Board of Management and the Supervisory Board submitted a statement of compliance pursuant to Section 161 of the German Stock Corporation Law for fiscal 2009/10, explicitly drawing attention to a small number of deviations. This statement of compliance has been made available to Voith's shareholders.

The deviations are due to provisions that are either not required (e.g. Items 3.10 Sentences from 2, 5.3.3, 6.1 through 6.8) or do not seem appropriate to an unlisted, family-owned business such as Voith (e.g. Items 3.8, Paragraph 2, 4.2.2, 4.2.4, 4.2.5, 5.4.6 and 7.1.1).

Financial Statement of Voith AG*

Pages 107–195

*Voith GmbH since October 1, 2010.

Consolidated Statement of Income

for the period from October 1, 2009, through to September 30, 2010

€ in thousands	Notes	2009/10	2008/09*
Sales	(1)	5 197 606	5 084 937
Changes in inventories and other capitalized costs	(2)	(4 591)	(5 318)
Total output		**5 193 015**	**5 079 619**
Other operating income	(3)	328 868	356 974
Cost of material	(4)	(2 080 888)	(2 131 698)
Personnel expenses	(5)	(1 851 461)	(1 767 960)
Depreciation		(162 927)	(151 279)
Other operating expenses	(6)	(1 073 586)	(1 062 041)
Operational result before non-recurring result		353 021	323 615
Non-recurring result	(7)	(13 277)	(97 624)
Operational result		339 744	225 991
Share of profits from associates		4 219	1 652
Interest Income		34 535	27 797
Interest expenses		(105 167)	(82 721)
Other financial result	(8)	(39 318)	(17 772)
Income before taxes		**234 013**	**154 947**
Income taxes	(9)	(112 545)	(78 017)
Net income		**121 468**	**76 930**
Net income attributable to shareholders of parent company		100 053	62 818
Net income attributable to holders of non-controlling interests		21 415	14 112

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Consolidated Statement of Comprehensive Income

for the period from October 1, 2009, through to September 30, 2010

€ in thousands	2009/10	2008/09*
Net income	**121 468**	**76 930**
Gains/(losses) on available-for-sale financial assets	24 368	40 582
Gains/(losses) on cash flow hedges	(5 619)	(6 637)
Gains/(losses) on currency translation	55 125	15 907
Gains/(losses) on net investments in foreign operations	12 288	(17 415)
Tax on items recognized directly in equity	(979)	7 600
Other comprehensive income	**85 183**	**40 037**
Total comprehensive income	**206 651**	**116 967**
Of which:		
Attributable to shareholders of the parent company	177 949	102 585
Attributable to holders of non-controlling interests	28 702	14 382
	206 651	**116 967**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Consolidated Balance Sheet

as at September 30, 2010

Assets

€ in thousands	Notes	2010-09-30	2009-09-30*	2008-10-01*
A. Non-current assets				
I. Intangible assets	(10)	702 744	702 198	676 165
II. Property, plant and equipment	(11)	1 155 131	1 059 054	977 118
III. Investments in associates	(12)	20 811	17 208	14 643
IV. Investments in securities	(16)	173 198	187 911	13 552
V. Other financial assets	(12)	32 484	29 248	35 085
VI. Other receivables and assets	(15)	167 189	134 544	125 495
VII. Deferred tax assets	(9)	156 256	130 062	122 496
Total non-current assets		**2 407 813**	**2 260 225**	**1 964 554**
B. Current assets				
I. Inventories	(13)	784 051	833 106	924 079
II. Trade receivables	(14)	1 139 697	929 567	1 104 428
III. Marketable securities	(16)	41 401	106 702	215 959
IV. Income tax assets		81 153	59 527	52 581
V. Other receivables and assets	(15)	270 860	229 231	306 443
VI. Cash and cash equivalents	(17)	1 175 359	923 127	539 641
		3 492 521	**3 081 260**	**3 143 131**
VII. Held-for-sale assets	(18)	1 447	0	6 700
Total current assets		**3 493 968**	**3 081 260**	**3 149 831**
Total assets		**5 901 781**	**5 341 485**	**5 114 385**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Equity and Liabilities

€ in thousands	Notes	2010-09-30	2009-09-30*	2008-10-01*
A. Equity				
I. Issued capital		120 000	120 000	120 000
II. Revenue reserves		810 467	737 263	695 062
III. Other reserves		60 601	(17 295)	(57 062)
IV. Profit participation rights		6 600	6 600	0
Equity attributable to shareholders of the parent company		**997 668**	**846 568**	**758 000**
V. Profit participation rights		76 800	76 800	76 800
VI. Other interests		32 788	26 842	23 407
Equity attributable to holders of non-controlling interests		**109 588**	**103 642**	**100 207**
Total equity	(19)	**1 107 256**	**950 210**	**858 207**
B. Non-current liabilities				
I. Accrued pension liabilities and similar obligations	(20)	408 991	404 662	404 255
II. Other provisions	(21)	163 979	151 903	136 871
III. Income tax liabilities		4 660	3 393	3 495
IV. Financial liabilities	(22)	1 180 325	1 284 736	832 371
V. Other liabilities	(23)	122 556	118 074	145 358
VI. Deferred tax liabilities	(9)	134 599	112 188	122 630
Total non-current liabilities		**2 015 110**	**2 074 956**	**1 644 980**
C. Current liabilities				
I. Accrued pension liabilities and similar obligations	(20)	25 839	24 931	11 532
II. Other provisions	(21)	336 130	341 986	290 109
III. Income tax liabilities		94 783	77 671	101 755
IV. Financial liabilities	(22)	296 397	117 287	182 887
V. Trade accounts payable	(23)	525 481	425 284	504 275
VI. Other liabilities	(23)	1 500 785	1 329 160	1 520 640
Total current liabilities		**2 779 415**	**2 316 319**	**2 611 198**
Total equity and liabilities		**5 901 781**	**5 341 485**	**5 114 385**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

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		
2009-10-01	**120 000**	**737 263**	**(442)**	**(1 565)**	**884**
Net income		100 053			
Other comprehensive income			24 606	(3 969)	48 545
Total comprehensive income		**100 053**	**24 606**	**(3 969)**	**48 545**
Allocation of reserves to profit participation rights		(4 405)			
Acquisition of non-controlling interests		(10 439)			
Share of income attributable to profit participation rights					
Dividends		(9 949)			
Contributions from holders of non-controlling interests					
Non-controlling interests—put options		(1 752)			
Other adjustments		(304)			
2010-09-30	**120 000**	**810 467**	**24 164**	**(5 534)**	**49 429**

€ in thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders of the parent company		
2008-10-01	**120 000**	**698 567**	**(42 683)**	**3 602**	**(13 280)**
Adjustment in accordance with IAS 8		(3 505)			25
2008-10-01 (adjusted)*	**120 000**	**695 062**	**(42 683)**	**3 602**	**(13 255)**
Net income		62 818			
Other comprehensive income			42 241	(5 167)	14 139
Total comprehensive income		**62 818**	**42 241**	**(5 167)**	**14 139**
Allocation of reserves to profit participation rights		(4 225)			
Acquisition of non-controlling interests					
Issue of profit participation rights					
Share of income attributable to profit participation rights					
Dividends		(18 089)			
Contributions from holders of non-controlling interests					
Non-controlling interests—put options					
Other adjustments		1 697			
2009-09-30	**120 000**	**737 263**	**(442)**	**(1 565)**	**884**

*Data for the previous year adjusted (refer to "Adjustments to data for previous years").

				Equity attributable to holders of non-controlling interests			
	Net investments in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total equity
	(16 172)	**6 600**	**846 568**	**76 800**	**26 842**	**103 642**	**950 210**
			100 053		21 415	21 415	121 468
	8 714		77 896		7 287	7 287	85 183
	8 714		**177 949**		**28 702**	**28 702**	**206 651**
		181	(4 224)	4 224		4 224	0
			(10 439)		(1 544)	(1 544)	(11 983)
		(181)	(181)	(4 224)		(4 224)	(4 405)
			(9 949)		(10 476)	(10 476)	(20 425)
					505	505	505
			(1 752)		(9 299)	(9 299)	(11 051)
			(304)		(1 942)	(1 942)	(2 246)
	(7 458)	**6 600**	**997 668**	**76 800**	**32 788**	**109 588**	**1 107 256**

				Equity attributable to holders of non-controlling interests			
	Net investments in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total equity
	(4 726)	**76 800**	**838 280**		**23 407**	**23 407**	**861 687**
		(76 800)	(80 280)	76 800		76 800	(3 480)
	(4 726)		**758 000**	**76 800**	**23 407**	**100 207**	**858 207**
			62 818		14 112	14 112	76 930
	(11 446)		39 767		270	270	40 037
	(11 446)		**102 585**		**14 382**	**14 382**	**116 967**
			(4 225)	4 225		4 225	0
					(20 687)	(20 687)	(20 687)
		6 600	6 600				6 600
				(4 225)		(4 225)	(4 225)
			(18 089)		(11 700)	(11 700)	(29 789)
					4 415	4 415	4 415
					19 984	19 984	19 984
			1 697		(2 959)	(2 959)	(1 262)
	(16 172)	**6 600**	**846 568**	**76 800**	**26 842**	**103 642**	**950 210**

Consolidated Cash Flow Statement

€ in thousands	2009/10	2008/09*
Income before tax	234 013	154 947
Depreciation	205 551	174 016
Interest result	70 632	54 924
Other non-cash items	9 999	(3 552)
Result from the disposal of property, plant, equipment and intangible assets	(2 077)	1 225
Income from investments	(2 343)	(1 127)
Changes in provisions and accruals	(20 981)	45 208
Change in net working capital	38 492	35 302
Interest payments	(74 695)	(56 492)
Interest received	33 872	25 222
Dividends received	5 252	1 267
Tax payments	(107 654)	(127 293)
Cash flow from operating activities	**390 061**	**303 647**
Investments in property, plant, equipment and intangible assets	(233 417)	(253 695)
Proceeds from disposal of property, plant, equipment and intangible assets	18 059	17 585
Investments in financial assets	(8 945)	(5 593)
Subsequent payments on purchasing price of previous acquisitions	(117)	(8 009)
Acquisition of subsidiaries	0	(1 508)
Proceeds from the disposal of financial assets	2 215	956
Changes in investments in securities	63 143	(35 517)
Cash flow from investing activities	**(159 062)**	**(285 781)**
Dividend payments	(24 830)	(34 014)
Contributions from holders of non-controlling interests	505	4 415
Acquisition of non-controlling interests	(15 292)	(58 995)
Other changes in equity	0	6 600
New bonds, bank loans and overdrafts	49 675	692 900
Repayment of bonds, bank loans and overdrafts	(8 586)	(298 263)
Changes in financial receivables and financial liabilities	(33 804)	39 262
Cash flow from financing activities	**(32 332)**	**351 905**
Total cash flow	**198 667**	**369 771**
Exchange rate movements, valuation changes and changes in Group structure	53 565	13 715
Cash and cash equivalents at the beginning of the period	923 127	539 641
Cash and cash equivalents at the end of the period	**1 175 359**	**923 127**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

For more information, refer to the “Notes to the Consolidated Cash Flow Statement”.

Notes to the Consolidated Financial Statements for Fiscal 2009/10

General Information

The legal form of Voith AG changed as of October 1, 2010 to Voith GmbH. Voith GmbH continues to operate as a company which raises funds on the capital markets from its headquarters at St. Pöltener Str. 43, Heidenheim/Brenz, Germany, and is required by Sections 290 and 315a of the 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 are filed with the electronic version of the Federal German Gazette.

The Board of Management of Voith GmbH released the consolidated financial statements for presentation to the Supervisory Board on November 22, 2010.

Pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Section 315a of the German Commercial Code (HGB), the consolidated financial statements of Voith AG for fiscal 2009/10 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). This Regulation compels all companies that participate in the capital markets (i.e. whose issued debt is traded on a regulated market in an EU member country) 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 current valid International Accounting Standards (IAS). All binding pronouncements made by the International Accounting Standards Board (IASB) have been taken into account, as have the additional stipulations required in accordance with Section 315a HGB.

The reporting currency for the consolidated financial statements is the euro. Except where explicitly stated otherwise, all amounts are stated in thousands of euros.

In the balance sheet, assets and liabilities are stated either as current or non-current items in line with their maturity. Assets and liabilities that will be realized or will mature within 12 months after the end of the period under review are classed as current. Inventories and trade accounts receivable and payable are always classed as current items. The Consolidated Statement of Income was prepared in accordance with the “total cost” method.

Consolidated Group

The Voith Group is divided into four Group Divisions: 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 report.

In addition to those companies acting as holding companies, the 2009/10 consolidated financial statements also include all the Group’s major manufacturing, service and marketing companies both in Germany and abroad as at September 30 in each fiscal year. Consistent accounting and valuation policies are used to prepare the separate financial statements for subsidiary companies as applied for the parent company at each balance sheet date.

Subsidiaries are consolidated at the time when the Voith Group acquires control over them. Their inclusion in the consolidated financial statements ends when the parent company no longer controls these companies. In two cases, Voith exercises control as defined in IAS 27 owing to a majority of voting rights in the relevant decision-making bodies.

In one case, while Voith has a majority shareholding it does not control the company as shareholders and employees are equally represented in the decision-making bodies.

The following companies are included in the consolidated financial statements:

	2010-09-30	2009-09-30
Voith AG and its fully consolidated subsidiaries:		
Germany	75	82
Abroad	148	170
Total fully consolidated companies	**223**	**252**
Associates accounted for using the equity method:		
Germany	4	3
Abroad	12	12
Total of associates accounted for using the equity method	**16**	**15**

The main companies consolidated for the first time in the fiscal year under review are Voith Paper Fabric & Roll Systems GmbH, Heidenheim, and Voith Middle East FZE, Dubai, United Arab Emirates. The reduction in the number of fully consolidated companies is due to the fact that several companies were merged during the reporting period.

An exhaustive German-language list of the companies and other investments included in the consolidated financial statements has been filed as a section of the consolidated financial statements with the electronic version of the Federal German Gazette.

Companies in which Voith GmbH has the opportunity directly or indirectly to exercise a significant influence on financial and operating policy decisions (associated companies) are measured using the equity method. The development company Schloßberg GmbH & Co. KG, Heidenheim, in which Voith holds a 28.96% stake, was included for the first time in the period under review.

Pursuant to Section 264b HGB, the following limited partnerships are not required to prepare annual financial statements subject to the regulations valid for incorporated firms:

VIEH	Voith Industrial Services Process GmbH & Co. KG, Stuttgart
VIGG	Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart
VIME	Voith Industrial Services Mechanical Engineering GmbH & Co. KG, Stuttgart
VIPH	Voith Industrial Services Paper GmbH & Co. KG, Heidenheim
VIPS	DIW Instandhaltung GmbH & Co. KG, Heidenheim
VISD	DIW Gastro GmbH & Co. KG, Dingolfing (previously Spüldienste Niederbayern GmbH & Co. KG, Dingolfing)
VISK	Voith Industrial Services Energy GmbH & Co. KG, Stuttgart
VISN	Voith Industrial Services Indumont GmbH & Co. KG, Wesseling
VIST	DIW Instandhaltung Ltd. & Co. KG, Stuttgart
VIZ	Voith Industrial Services Holding GmbH & Co. KG, Heidenheim
VPAH	Voith Paper Automation GmbH & Co. KG, Heidenheim
VPES	Voith Paper Environmental Solutions GmbH & Co. KG, Ravensburg
VPFZ	Voith Paper Fabrics GmbH & Co. KG, Heidenheim
VPH	Voith Paper GmbH & Co. KG, Heidenheim
VPLB	Voith Paper Air Systems GmbH & Co. KG, Bayreuth
VPMG	Voith Paper Krieger GmbH & Co. KG, Mönchengladbach
VPR	Voith Paper Fiber & Environmental Solutions GmbH & Co. KG, Ravensburg
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
VTBH	Voith Turbo BHS Getriebe Holding GmbH & Co. KG, Sonthofen
VTGO	Voith Turbo Aufladungssysteme GmbH & Co. KG, Gommern
VTHL	Voith Turbo H+L Hydraulic GmbH & Co. KG, Rutesheim
VTKH	Voith Turbo Hochelastische Kupplungen GmbH & Co. KG, Essen

VTLH Voith Turbo Lokomotivtechnik GmbH & Co. KG, Heidenheim
VTRH Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Rostock
(previously AIR Fertigung-Technologie 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
VOGG Voith Grundstücksverwaltungs GbR, Heidenheim
VOM Voith Materials Holding GmbH & Co. KG, Heidenheim
VOMH Voith Materials GmbH & Co. KG, Heidenheim
VZB J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim

Since they are included in the consolidated financial statements of Voith AG, the following incorporated firms are not required to comply with regular preparation, auditing and disclosure obligations insofar as the conditions defined in Section 264 (3) HGB (reporting duties) are met.

VIH Voith Industrial Services Mechanical Engineering GmbH, Heidenheim
(previously Voith Dienstleistungen GmbH, Heidenheim)
VOFS Voith Financial Services GmbH, Heidenheim
VOFZ Voith Finance GmbH, Heidenheim
VOHA Voith Assekuranz Vermittlung GmbH, Heidenheim
VOHB Voith Dienstleistungsbeteiligungen GmbH, Heidenheim
VOIS Voith IT Solutions GmbH, Heidenheim

Pursuant to Section 264b Paragraph 3 HGB and Section 264 (3) Paragraph 4 HGB, a copy of the consolidated financial statements of Voith AG is filed with the electronic version of the Federal German Gazette.

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 Premier Manufacturing Support Services Inc., Cincinnati (OH)/USA
VIKI Hörmann Industrietechnik GmbH, Kirchseeon
VIW DIW Instandhaltung GmbH, Vienna/Austria
VIWA Premier Manufacturing Support Services (UK) Ltd., Warwick/United Kingdom

Business combinations in fiscal 2008/09

In fiscal 2008/09, Voith Canada Inc. acquired a 100% stake in PremiAir Technology Inc., Hamilton, Canada, effective October 1, 2008. In fiscal 2008/09, PremiAir Technology, Inc. contributed sales totaling €2.8 million and a net loss of €0.5 million to the Voith Group's consolidated statement of income.

Retroactive payments totaling €117 000 were made for acquisitions effected in the previous year.

Business combinations in fiscal 2009/10

There were no business combinations in fiscal 2009/10.

In relation to business combinations in previous years, expenses of €4 995 thousand (previous year: €5 757 thousand) were recognized in the fiscal year under review for write-downs on assets revealed in the context of purchase price allocation.

Acquisition of further shareholdings in interests with control already in place in fiscal 2009/10

In fiscal 2009/10, further shareholdings were acquired in interests with control already in place. The purchase prices totaled €15 292 thousand and resulted in a change in the Group's equity of minus €11 983 thousand.

Principles of Consolidation

For the purposes of capital consolidation and in accordance with the acquisition method prescribed by IFRS 3 (revised) the consideration paid to the selling entity plus the non-controlling interests and the fair value of the previously held equity interests in the acquired company is offset against the balance of the fair value of the acquired assets and liabilities at the time the interest is acquired. Any excess of cost over the carrying amount is capitalized as goodwill. Excesses of the carrying amount over cost are recognized in profit and loss.

Agreed contingent consideration is recognized at the time of acquisition at fair value. In compliance with IAS 39, subsequent changes in the fair value of contingent consideration which represent an asset or liability are recognized in profit or loss or other results. Contingent consideration which is classified as equity is not remeasured and its later compensation is shown in equity.

The effects of subsequent purchases of interests where control already exists as well as the sale of interests without loss of control are to be recorded directly in equity as of fiscal 2009/10.

On the subsequent acquisition of interests that lead to the Group obtaining control or where the sale of interests leads to the loss of control, the remaining interest in the investment is stated at its fair value, with the revaluation effect being recognized immediately in the Statement of Income.

A change in the parent's ownership interest in a subsidiary that does not result in a loss of control is accounted for as a transaction between equity holders.

Business combinations involving companies that are under the common control of one or more parties are presented using the pooling of interest method. Under this method, gains or losses on disposal are, for reasons of immateriality, recognized in equity (in reserves). In the case of acquisitions, excesses of cost over the carrying amount and excesses of the carrying amount over cost are netted in full against reserves.

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

Intercompany transactions and results are eliminated. Unrealized gains in inventories and fixed assets relating to intercompany transactions are eliminated in the consolidated statement of income. Intercompany sales and other intercompany earnings are netted against the corresponding expenses. Deferred tax is calculated for consolidation transactions that are recognized in profit and loss.

Foreign Currency Translation

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

Shareholders' equity for foreign subsidiaries is translated at historical rates. All other items on the balance sheet are normally translated at the rates applicable as at the balance sheet date. Goodwill arising from business combinations before the transition to IFRS is an exception to this rule and is still translated at historical rates.

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

Differences arising from currency translation are netted against other reserves.

Foreign currency transactions in local financial statements are translated at the exchange rate on the effective date of the transactions concerned. At fiscal year-end, the resultant monetary items are measured in the light of the exchange rate at the balance sheet date. Any gains or losses on currency translation are recognized in profit and loss as unrealized gains or losses.

Translation adjustments arising from loans denominated in foreign currencies (where these are used to hedge net investments in foreign business operations) are recognized in equity until the underlying net investment is disposed of. These translation adjustments give rise to deferred tax items that are also recognized in equity.

In the period under review, translation of the currencies that are of significance to the Voith Group was based on the following exchange rates:

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

	Exchange rate at the balance sheet date		Average rate	
	2010-09-30	2009-09-30	2009/10	2008/09
US Dollar	1.3655	1.4619	1.3612	1.3618
Brazilian Real	2.3152	2.6045	2.4136	2.8624
Pound Sterling	0.8666	0.9140	0.8720	0.8738
Swedish Krona	9.1909	10.2194	9.8353	10.5257
Norwegian Krona	7.9946	8.4894	8.1297	8.8282
Canadian Dollar	1.4006	1.5689	1.4293	1.5871
Australian Dollar	1.4102	1.6563	1.5165	1.8426
Chinese Renminbi	9.1345	9.9802	9.2727	9.3262
Japanese Yen	114.0629	130.9306	121.4525	130.2030

Accounting and Valuation Policies

The consolidated financial statements are prepared using the historical cost method. The only exceptions to this rule are derivative instruments, financial instruments held for sale and assets that must be recognized at fair value in profit and loss. All these exceptions are recognized at fair value. Acquisitions and disposals of financial assets are always reported at the settlement date. Available-for-sale marketable securities are recognized on the date of regular market buying and selling transactions.

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

Income and Expenses

Sales revenue (less various cash and other discounts granted to customers) is 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, sales are 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 rate method, i.e. the imputed interest rate, is used to discount estimated future cash inflows over the expected maturity of a financial instrument to the net carrying amount of the underlying financial asset.)

Dividend income is recognized when receipt of payment becomes a legal entitlement.

Operating expenses are recognized as expenditure at the time when a service is used or when other sales-related expenses are incurred. Taxes on income are calculated in accordance with taxation 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 are resulting from valuation or disposal of financial instruments. At Voith, such income and expense items mainly consist of foreign exchange gains and losses, allowances and income/expenses from the sale of financial instruments. Neither current interest income and expenses nor dividend income are included.

Intangible Assets

Acquired intangible assets are capitalized at cost and depreciated in a straight line over their anticipated useful lives. Most of these assets are software programs that are depreciated 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 will, in particular, probably result in future economic benefits for the Group. Production costs include all costs that are directly attributable to the development process. These assets are depreciated in a straight line from the start of production for a defined period, usually between three and ten years. If the requirements for capitalization are not met, expenses are recognized in profit and loss in the fiscal year in which they were incurred.

Unscheduled write-downs (impairments) are effected in accordance with IAS 36 if the recoverable amount (the present value of expected future cash flows from the use of the assets concerned) or the higher net realizable value less selling costs falls below their carrying amount. Should the reasons for impairments effected in previous periods no longer apply, impairments are reversed.

Borrowing costs that could be assigned directly to intangible assets have been capitalized as part of the acquisition costs for the first time in fiscal 2009/10.

Goodwill is subjected to annual impairment tests. To calculate its value, goodwill is assigned to four cash-generating units. In line with the management's internal reporting practices, these four cash-generating units are identified on the basis of the Group's operating activities. Voith has therefore defined the Group Divisions Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo as its four cash-generating units.

At the Voith Group, goodwill is tested for impairment on the basis of its value in use, which itself is based on current management planning data. Planning assumptions are adapted in line with new knowledge. Key assumptions underpinning calculations of value in use 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.

The Board of Management of Voith GmbH assumes that markets will continue to recover in fiscal 2010/11. The assumptions for the four Group Divisions outlined below are posited on this view:

Voith Hydro:
As things currently stand Voith Hydro does not anticipate the high market volumes achieved over the last three years to be reached again in the foreseeable future. In fiscal 2010/11 sales are expected to remain relatively stable compared with fiscal 2009/10. In the long term, this Group Division expects to see a slight increase in new orders and sales.

Voith Industrial Services:
Voith Industrial Services assumes that its relevant markets will continue to recover in the two fiscal years. Higher rates of growth are anticipated in all regions in the medium term. Orders received and sales are planned to be significantly above their current level in the longer term.

Voith Paper:
We anticipate a sustained upswing in the paper industry in the years ahead. New orders and sales will all but match those achieved during the pre-crisis period. Orders received and sales are planned to grow slightly.

Voith Turbo:
Voith Turbo's markets are expected to grow modestly during the first fiscal year and thereafter to expand more rapidly. In the longer term, the Group Division anticipates orders and sales to continue rising above current figures.

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

Cash flow forecasts are based on the detailed financial budget for the coming year, on the financial planning figures for the coming two years and on well-founded top-down planning for a two- to six-year period. Cash flows for periods after the sixth fiscal year are extrapolated at a constant

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 8.6% (previous year: 6.9%) for Voith Hydro, 7.7% (previous year: 6.6%) for Voith Industrial Services, 8.4% (previous year: 7.2%) for Voith Paper and 7.8% (previous year: 6.8%) for Voith Turbo were used to calculate the present value of future net cash inflows. Extrapolation to the pre-tax rate that must be stated pursuant to IAS 36 results in interest rates of 11.8% (previous year 9.3%) for Voith Hydro, 10.5% (previous year: 8.9%) for Voith Industrial Services, 11.4% (previous year: 9.4%) for Voith Paper and 10.8% (previous year: 9.3%) for Voith Turbo.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less scheduled depreciation and, where necessary, impairment losses. Production costs for internally generated property, plant and equipment include all directly attributable production costs and an appropriate share of production overheads. Depreciation is effected in a straight line over the following useful lives:

Useful life

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

The recognized carrying amount of property, plant and equipment is 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.

Repair and maintenance costs are recognized as expenses at the time when they are incurred. Significant renewals and improvements are capitalized. Borrowing costs that could be assigned to property, plant and equipment have been capitalized as part of the acquisition costs for the first time in fiscal 2009/10.

Leased Assets

Whether an agreement represents or involves a lease depends on the substance of the agreement and requires a decision to be made on whether fulfillment of the agreement depends on the use of a particular asset and whether the agreement transfers the right to use the asset.

Leasing transactions that transfer substantially all risks and opportunities incidental to use of the leased property, plant or equipment to the Voith company (the lessee) are classified as finance leases. In such cases, the lessee capitalizes 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 in a straight line over the term of the lease.

Financial Assets and Marketable Securities

Shares carried under financial assets as other investments are normally recognized at fair value. Where no active market exists for individual companies and their fair value cannot be determined at reasonable cost, shares are stated at cost. The carrying amount of such assets is written down if substantial objective evidence indicates that they are impaired.

Where the equity method is applied, associated companies are stated at the amount of equity held by the Voith Group plus any goodwill. Changes in associated companies' equity that are not recognized in profit and loss are likewise recognized directly in equity in the consolidated financial statements.

In accordance with IAS 39, loans are classified as non-current loans under other financial assets and are stated at amortized cost, adjusted (where necessary) for impairments recognized in their carrying amount.

In accordance with IAS 39, distinctions between "held-for-trading", "available-for-sale", "held-to-maturity" and "financial assets at fair value through profit and loss" must be made for marketable securities that are classified as non-current or current assets. Marketable 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 marketable securities that, at initial measurement, are recognized at fair value through profit and loss. The latter securities are structured, non-divisible certificates and convertible bonds that are authorized for stock market trading. Securities are also assigned to this category to eliminate inconsistencies in the valuation for the accounting of long-term employee benefits.

Where market valuations can be obtained, securities are stated at their market value. Where market valuations cannot be obtained, they are measured using alternative methods. Available-for-sale marketable securities are recognized separately in equity, taking due consideration of deferred taxes, until such time as they are realized. These securities are assets that are not held for trading. Where no market value is available and fair value cannot be determined at reasonable cost, marketable securities are recognized at cost.

The carrying amounts of financial assets and available-for-sale securities are regularly tested for objective evidence that they are impaired. Such evidence can take the form of substantial financial difficulties on the part of the debtor or changes in the technological, economic and legal environment. Objective evidence that equity instruments may be impaired is given if their fair value drops permanently or significantly. The sustainability criterion is met if the impairment 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 impairment. If this happens, the amounts hitherto recognized in equity are recognized in profit and loss.

Fair Value

The fair value of financial investments for which an organized market exists is determined by the listed market price at the balance sheet date. Where no active market exists, measurement methods are used to determine the fair value. The methods 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

Raw materials and supplies, merchandise, work in progress and finished goods are all stated under inventories at the lower of cost and net realizable value. Production costs include both direct costs and an appropriate share of material and production overheads and production-related depreciation that can be attributed directly 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. Suitable allowances are made for inventory risks arising from the period in stock, lower realizable values, etc. These allowances are reversed if the reasons for the initial impairment of inventories no longer exist.

Long-Term Construction Contracts

Long-term construction contracts are recognized based on the percentage-of-completion (PoC) method. The cost-to-cost method is used to calculate the ratio of costs already incurred to forecast total costs in order to determine the percentage of completion. Realized earnings are then stated as sales and, after deducting customer advances, as trade accounts receivable. If the outcome of a construction contract cannot be forecast with any degree of certainty, it is not possible to calculate the percentage of completion based on project revenues and costs. In such cases, sales revenues in the amount of costs incurred for the construction contract to date are recognized immediately as income, while the costs incurred by the construction contract in the reporting period are immediately recognized in full as expenses. Appropriate provisions are formed to cover anticipated losses on such contracts in light of perceivable risks.

Accounts Receivable and Other Assets

Accounts receivable and other assets (with the exception of financial derivatives) are stated at face value or at cost and are regularly tested for individual impairment. Where objective indications of possible default exist (if the debtor is experiencing substantial financial difficulties, if it is highly probable that insolvency proceedings will be opened against the debtor, if the debtor defaults on or delays interest or loan repayments, if changes in the technological, economic or legal environment put the contractual partner at a significant disadvantage, if the fair value of a financial instrument falls significantly or permanently below its cost, or if legal proceedings are opened, for example), then individual allowances are effected in an impairment account to allow for these factors. Where write-downs are calculated from historical default rates on the basis of the portfolio, any decline in the volume of receivables leads to a corresponding decline in such allowances, and vice versa. Accounts receivable that are classed as irrecoverable are derecognized. Accounts receivable that bear little or no interest and that have maturities of more than one year are stated at their discounted present value.

Financial Derivatives and Hedging Relationships

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 both the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategy for undertaking the hedge. The 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 attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting the risk of changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have indeed 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 follows:

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 fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value, and gains and losses from both are recognized in profit or loss.

For fair value hedges relating to 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 cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. Changes in the fair value of the hedging instrument are also recognized in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment to the carrying amount of a hedged financial instrument is made using the effective interest method to amortize it in the statement of income. Amortization may begin as soon as an adjustment exists 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 highly probable forecast transaction and could affect profit or loss.

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 initially recognized directly in equity are transferred to the statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is 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. If the hedging instrument expires, is sold, terminated or exercised without replacement or rollover, or if the designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not 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), financial derivatives are classified as held-for-trading instruments. Changes in the fair value of these instruments are recognized in profit and loss.

Financial derivatives with positive values are stated under other assets, those with negative values are stated under other liabilities.

A treasury tool is used to manage all external hedges.

The same treasury tool 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 balance sheet date. The difference is discounted to the balance sheet date. The forward rate is calculated based on interest rates for the two currencies determined by linear approximation on the basis of current LIBOR rates. The fair value of options, interest rate swaps and interest rate caps is based on information supplied by banks. This information is calculated on the basis of certain assumptions and using recognized valuation models (Black-Scholes and Heath-Jarrow-Morton).

Embedded Derivatives

At the time when the Group becomes party to a contract, the Group determines whether any embedded derivatives have to be accounted for separately from the host contract. Revaluation takes place only in the event of significant amendments to the contractual terms where these amendments lead to significant changes in the cash flows that would otherwise have resulted from the contract. Where embedded derivatives exist, they are recognized at fair value as financial assets held for trading. Embedded financial derivatives with positive values are stated under other assets, those with negative values are stated under other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and checks in hand, balances in bank accounts and other cash equivalents. Under this item, balances in bank accounts include both daily deposits and time deposits with fixed maturities of up to three months.

Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Deferred and Current Taxes

In accordance with IAS 12, deferred tax assets and liabilities are formed for timing differences resulting from valuation differences arising between tax reporting and reporting for IFRS purposes. Deferred tax items are also formed for tax losses carried forward 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 themselves recognized in equity. Deferred taxes are calculated based on the tax rates that, in light of the current legal position, will be or are expected to be valid in the countries concerned at the time of realization. Deferred tax assets 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 impaired or not recognized at all. Deferred tax assets and deferred tax liabilities may be netted if the Group has an enforceable legal claim to offset actual tax refund entitlements against actual tax liabilities, or if they concern the same tax-paying entity.

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

Profit Participation Rights

Pursuant to IAS 32, the conditions defined for the issue of profit participation rights in fiscal 2006/07 and fiscal 2008/09 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.

Accrued Pension Liabilities and Similar Obligations

Actuarial measurement of pension provisions is based on the projected unit credit method prescribed by IAS 19. This method takes into account known pensions and acquired vested rights at the balance sheet date, as well as factors such as expected future increases in salaries and pensions. Defined benefit obligations are measured based on the proportion of future benefits accrued at the balance sheet date. Measurement makes due provision for 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 and 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 reporting period 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. 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.

Other Provisions

In accordance with IAS 37, provisions are formed for all perceivable risks and obligations of uncertain timing in the amount that is likely to be realized. These provisions are not netted against recourse claims. Provisions are formed where the Group has present obligations in respect of third parties resulting from past events that will probably lead to a future outflow of resources 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, anticipated losses on orders and other order-related obligations are measured based on services still to be rendered, usually in the amount of the production costs expected to be incurred.

Provisions that will not lead to an outflow of resources in the subsequent period are stated at their discounted present value at fiscal year-end. The discount rate is derived from market interest rates. The present value also includes anticipated cost increases. If an amount set aside as a provision is expected to be refunded (through an insurance claim, for example), the refunded amount is stated separately as an asset if it is almost certain to be realized. Income from refunds is not netted against expenses.

Liabilities

Current liabilities are stated at their repayment amount. Financial liabilities are measured at their amortized cost. Amortized cost consists of the acquisition cost less repayments, issue charges and the amortization of any premium or discount. Where liabilities serve as underlying transactions in the context of hedging relationships, they are stated according to the fair value of the hedged risk. Gains and losses are recognized in profit and loss.

Liabilities arising from leasing contracts 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 repayment component. The interest component of each payment is recognized as an expense in profit and loss.

Government Grants

Government grants are recognized if there is reasonable assurance that they will be received and if the Group complies with the conditions attached to the grants. 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 for which they are intended to compensate. Cost-related grants are netted against the costs for which they are granted.

Government grants relating to assets are recognized on the balance sheet as deferred income, and are recognized as income in equal annual installments over the estimated useful lives of the related assets.

If the Group receives non-monetary government grants, both the assets and the non-monetary grants are recorded at face value and then recognized as income in equal annual installments over the estimated useful lives of the assets concerned.

Classification of Non-Controlling Interests in Limited Partnerships and Due to 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, shareholders have the right (under German law) to demand repayment of the capital they have made available to the company. This right cannot be excluded by the shareholders' agreement. This provision also extends to other comparable repayment rights of minority shareholders 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 portion of the non-controlling interests is not derecognized but is treated as a component of equity during the fiscal period. Accordingly, a share of net income for the fiscal year is also allocated to non-controlling interests. At every closing 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 probable 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 equity holders and recognized from fiscal 2009/10 as an increase or decrease in equity. Until fiscal 2008/09 transactions were regarded as an ongoing business combination and the difference stated as goodwill. By choosing to apply the transitional rule under IAS 27 these amounts were retained in fiscal 2009/10.

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 the procedure adopted for put options. The liabilities are measured at amortized costs taking into account the due share of net income.

If non-controlling interests in the share capital of 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 (non-interest-bearing) liabilities.

Estimates and Discretionary Assessments by Management

Some accounting methods require critical estimates that involve complex and subjective assessments and the use of assumptions, some of which are inherently uncertain and prone to change. These critical accounting estimates can vary from period to period and significantly impact a company's financial situation 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 adapted.

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

Realization of sales revenues on long-term construction contracts

Much of the business done by Voith Paper and Voith Hydro takes the form of construction contracts. By contrast, this happens only in special cases at Voith Industrial Services. The Group generally accounts for construction contracts using the percentage-of-completion (PoC) method, according to which sales are recognized to the extent that contractual performance is realized. Accurate estimates of the percentage of completion are of vital importance to this method. Depending on the method used to measure the progress of the contract, the most significant estimates concern the total cost of the contract, the remaining costs up to completion, the total value of the order, and order-related risks.

The management of Voith's operating subsidiaries constantly screens all estimates that are essential to the accounting of construction contracts and adapts 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 accounts receivable and other receivables

Allowances for doubtful receivables require extremely good 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.

Impairments of goodwill

Calculating the recoverable amount for a Group Division to which a certain amount of goodwill is assigned requires management to make estimates. To calculate the value in use, planning for the next six periods 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.

Development costs

Development costs are capitalized if the recognition criteria in IAS 38 are met. Initial capitalization is based on management's estimate of whether there is reasonable evidence of 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

Significant estimates influence the formation of provisions for anticipated losses on construction contracts, warranty-related costs and litigation. Voith forms provisions in all cases where current estimates of the total cost of an order exceed expected revenues from the order. Such estimates are subject to change in light of new information regarding project progress. Onerous contracts are identified by monitoring project progress and constantly updating estimates of total costs, all of which requires good 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 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 actual and deferred taxes on income must be calculated for each individual taxable entity. To calculate deferred tax assets on losses carried forward and temporary differences, for example, assumptions must be made about the possibility of realizing sufficient taxable income in the future. It is also necessary to rightly interpret complex tax legislation. For details of carrying amounts, refer to note 9.

Outside Germany, Voith has substantial refund claims with regard to sales tax (value-added tax) that has already been paid. These payments can normally be netted against the sales tax that is charged on domestic sales. 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 revenue 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, a cautious valuation has been adopted.

Adoption of Amended and New Standards and Interpretations

In fiscal 2009/10, the following revised and recently issued IFRS and IFRIC were applied for the first time:

Amendments to IAS 1: "Presentation of Financial Statements"

The changes in IAS 1 result in the inclusion of a "Statement of Total Comprehensive Income" in the financial statements. This statement contains the net income or loss for the period taken from the separately reported Consolidated Statement of Income, as well as the components of other comprehensive income.

Within the statement of changes in equity, the individual components of other reserves are required to be shown separately as of now, i.e. the equity attributable to shareholders in the parent company that relates to other comprehensive income is disclosed separately.

Amendments to IAS 32: "Financial Instruments: Presentation" and IAS 1: "Presentation of Financial Statements"

These amendments concern the distinction between equity and debt and the way in which both are to be reported. In future, certain instruments that can be "put" by the holder will have to be classified as equity rather than debt if they meet specified conditions. The changes have no effect on the financial position or results of the Group.

Amendments to IFRS 7: "Financial Instruments: Disclosures"

The provisions of IFRS 7 regarding how to report the fair value of financial instruments have been expanded. This amendment concerns the introduction of a three-tiered fair value hierarchy for reporting purposes. Distinctions are drawn 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 calculation of fair values. The updated provisions also aim to improve disclosures concerning liquidity risks by clearly delimiting the items to be displayed in tables of maturities.

Amendments to IFRS 3: "Business Combinations"

In IFRS 3 the acquisition method for business combinations is revised. The significant changes include the definition of components of the purchase price, the treatment of non-controlling interests and goodwill, as well as the scope of the assets, liabilities and contingent liabilities to be recognized. The changes in IFRS 3 have no effect on the financial position or results of the Group, as the Group did not undertake any business combinations in fiscal 2009/10.

Amendments to IAS 27: "Consolidated and Separate Financial Statements"

The effects of subsequent purchases of interests where control already exists as well as the sale of interests without loss of control are to be recorded directly in equity as of now. IAS 27 requires that by the subsequent purchase of interests that lead to the Group obtaining control or where the sale of interests leads to the loss of control, the remaining interest in the investment be stated at its fair value, with the revaluation effect being recognized immediately in the statement of income.

The changes in IAS 27 have the following effects on the treatment of put options and non-controlling interests in limited partnerships:

In line with the treatment in previous years, where the right to terminate non-controlling interests exists in the form of a put option, the corresponding portion of non-controlling interests is not derecognized but is treated as a component of equity during the fiscal period. Accordingly, a share of net income for the fiscal year is also allocated to non-controlling interests. At every closing 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 probable compensation obligation and measured at fair value.

The difference between this liability and the book value of the related non-controlling interest is treated as a transaction between equity holders. Up to this point in time, this amount was recorded as goodwill. The changes in IAS 27 now require this to be recorded directly in equity, under revenue reserves. Goodwill which has existed to date will be retained under the transitional rule.

The interests held in limited partnerships as well as non-controlling interests with comparable termination rights are treated in the same way as the procedure adopted for put options. The liabilities are measured at amortized costs taking account of the due share of net income. Where differences arise between the valuation of the liability and the non-controlling interest, this amount will be posted directly against revenue reserves in equity and no longer as goodwill.

Amendments to IAS 7: "Statements of Cash Flows"

In the course of making the changes in IAS 27, IAS 7 was also changed, requiring cash flows related to the purchase or sale of interests without the loss of control to be shown under financing activities. In the past, these cash flows were shown as investing activities.

With these changes, the cash flows from financing activities decreased by €15 292 thousand in fiscal 2009/10. In the consolidated cash flow statement for the comparative period, the cash flows from financing activities decreased by €58 995 thousand. Cash flows from investing activities increased in both fiscal years accordingly.

IFRS 8: “Operating Segments”

IFRS 8 replaces IAS 14 “Segment Reporting”. The major difference from IAS 14 is the classification and presentation of relevant segment information on the basis of the “Full-Management Approach” which results in the segment reporting being based in the future on the company’s internal reporting structure. In contrast, IAS 14 required the preparation of relevant information in line with the accounting policies applied for the preparation of the Group’s financial statements. The initial application of IFRS 8 does not lead to any changes in the composition of the reportable segments. The amendments to IFRS 8.23 were applied earlier. Further information on this topic is provided under the paragraph “Operating Segments”.

IFRIC 9 and IAS 39: “Embedded Derivatives”

The changes made to IFRIC 9 clarify the accounting treatment of embedded derivatives for companies that make use of the amendment to reclassification practices published in October 2008. Pursuant to the latter amendment, companies are now permitted, under certain circumstances, to reclassify certain financial instruments that were formally categorized as “fair value through profit and loss”. The changes made to IFRIC 9 and IAS 39 clearly state that all embedded derivatives that were reclassified from the category “fair value through profit and loss” must be revalued and, where necessary, stated separately in the financial statements. Voith is not affected by these changes.

Amendments to IAS 39: “Eligible Hedged Items”

The changed version of the standard specifies the exposures which qualify for hedge accounting and also clarifies when an entity may designate a portion of the cash flows of a financial instrument as a hedged item. The amendments to IAS 39 have no effect on the financial position or results of the Voith Group.

Amendments to IAS 23: “Borrowing Costs”

Borrowing costs that could be assigned directly to qualifying assets have been capitalized as part of the acquisition costs for the first time in fiscal 2009/10.

IFRIC 12: “Service Concession Arrangements”

IFRIC 12 deals with arrangements whereby government organizations grant contracts to private enterprises for the supply of public services. IFRIC 12 governs the ways in which private-sector companies must account for the rights and duties arising from these arrangements.

IFRIC 13: “Customer Loyalty Programs”

This interpretation concerns itself with the reporting of customer loyalty programs in which customers are awarded points (credits) that allow them to obtain free or discounted goods or services.

IFRIC 14: “IAS 19—The Limit on Defined Benefit Asset Minimum Funding Requirements and Their Interaction”

This interpretation governs the measurement of assets that arise when plan assets exceed pension obligations. It also specifies how companies are to account for obligations to make minimum contributions to pension plans.

IFRIC 16: “Hedges of Net Investment in a Foreign Operation”

This interpretation applies to companies that hedge the foreign currency risk arising from their net investments in foreign operations. In particular, IFRIC 16 states that this interpretation is not to be applied by analogy to other types of transaction that are carried as hedge relationships.

Annual Improvements Project—May 2008

The amendments encompass specific corrections and clarification of content and terminology.

The initial application of the changes in IAS 23, the new interpretations IFRIC 12, 13, 14, 15 and 16, as well as the changes arising from the annual improvements process in May 2008, have no major effect on the financial position and result of the Voith Group.

Adoption of the following new and amended IFRSs and IFRICs was not yet compulsory in fiscal 2009/10 and/or had not yet been endorsed by the European Commission for adoption in the European Union.

Amendments to IAS 24: "Related Party Disclosures"
The amendments to IAS 24 clarify in particular the definition of a related entity or person. Adoption of these amendments is compulsory for fiscal years that begin after December 31, 2010. The amendments are unlikely to impact the scope of disclosure obligations in the Voith Group.

Amendments to IAS 32: "Financial Instruments: Classification of Rights Issues"
The amendments to IAS 32 are intended to clarify the recognition of rights issues which are denominated in a currency other than an entity's functional currency. Adoption of these amendments is compulsory for fiscal years that begin after January 31, 2010. The amendments are unlikely to have any influence. No impact on the Voith Group is currently expected.

Amendments to IFRS 2: "Share-Based Payment"
The changes made to IFRS 2 concern the reporting of the conditions governing exercise and cancellations and changes to cash-settled share-based payments. Since the Group does not use share-based compensation, these amendments have no impact on the financial statements of the Voith Group. Adoption of IFRS 2 is compulsory for fiscal years beginning after December 31, 2009.

Amendments to IFRS 7: "Enhancing Disclosures About Transfers of Financial Assets"
The amendments improve users' understanding of transfer transactions of financial assets (for example, securitizations), including the understanding of possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if substantial transfers are undertaken towards the end of the reporting period.

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 publication 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 from January 1, 2013; earlier application is permitted.

Amendments to IFRIC 14: "Prepayment of a Minimum Funding Requirement"
The amendment applies when an entity is subject to minimum funding requirements and pays the amounts in advance. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment shall take obligatory effect on January 1, 2011. This amendment is not currently expected to impact the Voith Group.

IFRIC 15: "Agreements for the Construction of Real Estate"
IFRIC 15 addresses the issue of when revenue and the related costs arising from the sale of units of real estate are to be realized in cases where agreements have been reached between the project developer and the buyer before completion of the construction phase. Adoption of IFRIC 15 is compulsory for the first time for fiscal years beginning on or after January 1, 2010.

IFRIC 17: “Distributions of Non-Cash Assets to Owners”

IFRIC 17 governs the reporting of the liabilities that must be formed for non-cash dividends when distribution of such dividends is no longer a discretionary decision on the part of the company. Adoption of this interpretation is compulsory for fiscal years beginning on or after October 31, 2009.

IFRIC 18: “Transfers of Assets from Customers”

This interpretation deals with the accounting treatment of arrangements whereby a company receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Adoption of IFRIC 18 is compulsory for the first time for fiscal years beginning on or after October 31, 2009.

IFRIC 19: “Extinguishing Financial Liabilities with Equity Instruments”

IFRIC 19 clarifies the requirements when a debtor renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 is compulsory at the latest at the beginning of the fiscal year after June 30, 2010.

Annual Improvements Project— April 2009 and May 2010

The amendments encompass specific corrections and clarification of content and terminology. The amendments must be adopted for fiscal years which begin on or after January 1, 2010 (April 2009) and for the first time for fiscal years which begin on or after January 1, 2011 (May 2010).

The adoption of IFRIC 17,18 and 19 as well as amendments derived from the annual improvements process will probably have no material impact on the financial and earnings position.

At present, the Voith Group does not plan to adopt the new standards prematurely.

Adjustments to Data for Previous Years

(1) The profit participation rights included in equity have been allocated for the first time to shareholders in the parent company and holdings of non-controlling interests. This results in an increase in the value of non-controlling interests shown in equity at September 30, 2010 and for the same dates in fiscal 2008/09 and 2007/08 by €76 800 thousand. Total equity in the applicable fiscal years does not change as a result.

(2) In the consolidated cash flow statement for the comparative period the amendment to IAS 7 referred to above resulted in a decrease in cash flows from financing activities of €58 995 thousand. Cash flows from investing activities increased accordingly.

(3) Owing to a violation in fiscal 2009/10 of the accounting rule relating to the percentage-of-completion method in previous years, Voith AG has determined the need for corrections for one subsidiary.

With the aim of achieving the greatest possible degree of transparency and in the interests of providing comprehensive and accurate information Voith AG has decided to change the comparative data in the framework of the consolidated financial statements as at September 30, 2010 in accordance with IAS 8. The adjustment amounts for fiscal years prior to 2008/09 have been recognized in the opening balance sheet as at October 1, 2008 in compliance with IAS 8.42 b).

Based on the available knowledge and current assessments, the Board of Management assumes that no further substantial changes will be required in addition to the corrections already made.

In detail the following changes were made in the comparable periods:

Opening balance sheet as at October 1, 2008:

€ in thousands	2008-10-01 Prior to change	Change	2008-10-01 Changed
Trade receivables	1 141 742	(37 314)	1 104 428
Income tax assets	51 457	1 124	52 581
Deferred tax assets	120 051	2 445	122 496
Revenue reserves	698 567	(3 505)	695 062
Other reserves (adjustment for currency translations)	(57 087)	25	(57 062)
Trade accounts payable	539 299	(35 024)	504 275
Non-current financial liabilities	834 245	(1 874)	832 371
Current other liabilities	1 514 007	6 633	1 520 640

Fiscal 2008/09

€ in thousands	2009-09-30 Prior to change	Change	2009-09-30 Changed
Trade receivables	960 488	(30 921)	929 567
Income tax assets	57 276	2 251	59 527
Deferred tax assets	128 533	1 529	130 062
Revenue reserves	741 059	(3 796)	737 263
Other reserves (adjustment for currency translations)	(17 406)	111	(17 295)
Trade accounts payable	457 485	(32 201)	425 284
Non-current financial liabilities	1 286 720	(1 984)	1 284 736
Current other liabilities	1 318 431	10 729	1 329 160

€ in thousands	2008/09 Prior to change	Change	2008/09 Changed
Sales	5 083 370	1 567	5 084 937
Cost of material	(2 129 384)	(2 314)	(2 131 698)
Income taxes	(78 316)	299	(78 017)
Net income	77 378	(448)	76 930
Net income attributable to shareholders of the parent company	63 109	(291)	62 818
Net income attributable to non-controlling interests	14 269	(157)	14 112

The corresponding disclosures have been altered accordingly. The changes in the balance sheet and statement of income result in reclassifications of certain items in the cash flow statement under cash flow from operating activities. Certain ratios in the Segment Report have also been adjusted.

Notes to the Consolidated Statement of Income

(1) Sales

By division

€ in thousands	2009/10	2008/09*
Core Business		
Voith Hydro	1 157 431	1 086 126
Voith Industrial Services	962 329	1 018 483
Voith Paper	1 723 234	1 743 216
Voith Turbo	1 349 027	1 232 234
	5 192 021	**5 080 059**
Other	**5 585**	**4 878**
	5 197 606	**5 084 937**

By region

€ in thousands	2009/10	2008/09*
Voith Group		
Germany	1 058 129	1 133 960
Europe excluding Germany	1 496 448	1 480 752
Americas	1 230 462	1 164 592
Asia	1 296 940	1 216 366
Other	115 627	89 267
	5 197 606	**5 084 937**

Services totaling €1 837 million (previous year: €1 794 million) are included in the sales figures.

(2) Decrease/Increase in Inventories and Other Capitalized Costs

€ in thousands	2009/10	2008/09
Change in inventory of finished goods and work in progress	(23 049)	(25 187)
Other capitalized costs	18 458	19 869
	(4 591)	**(5 318)**

(3) Other Operating Income

€ in thousands	2009/10	2008/09
Income from the use of order-specific provisions	86 304	78 048
Income from the reversal of provisions	99 608	86 977
Foreign exchange gains	54 314	100 469
Recovered bad debts	10 193	9 521
Gains on the disposal of non-current and current assets	9 563	2 644
Other income	68 886	79 315
	328 868	**356 974**

Gains on the disposal of non-current and current assets include no gains (previous year: €0) from the disposal of assets held for sale.

(4) Cost of Material

€ in thousands	2009/10	2008/09*
Expenditure for raw materials, supplies and purchased goods	1 632 766	1 688 104
Expenditure for purchased services	448 122	443 594
	2 080 888	**2 131 698**

(5) Personnel Expenses

€ in thousands	2009/10	2008/09
Wages and salaries	1 498 432	1 435 971
Social security, employee benefits and related charges	353 029	331 989
	1 851 461	**1 767 960**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Number of employees

	Annual average		At the balance sheet date	
	2009/10	**2008/09**	**2010-09-30**	**2009-09-30**
Industrial employees	23 268	24 981	23 781	23 850
Salaried employees	15 934	15 311	15 973	15 479
	39 202	40 292	39 754	39 329
Apprentices and trainees	1 232	1 196	1 232	1 196
	40 434	**41 488**	**40 986**	**40 525**

Number of employees by region

	Annual average		At the balance sheet date	
	2009/10	**2008/09**	**2010-09-30**	**2009-09-30**
Germany	16 643	17 628	16 776	16 790
Europe excluding Germany	7 270	8 070	7 387	7 691
Americas	11 361	10 861	11 500	11 004
Asia	3 738	3 542	3 901	3 647
Other	190	191	190	197
	39 202	**40 292**	**39 754**	**39 329**

(6) Other Operating Expenses

€ in thousands	2009/10	2008/09
Increase in provisions	222 483	210 101
Other selling expenses	342 527	313 368
Other administrative expenses	245 156	227 040
Foreign exchange losses	72 548	123 892
Rent for buildings and machinery	67 634	63 116
Provisions for bad debts	12 015	23 481
Loss on sale of non-current and current assets	7 207	3 866
Other expenses	104 016	97 177
	1 073 586	**1 062 041**

(7) Non-Recurring Result

Non-recurring results primarily include expenses arising from major restructuring activities as well as measures addressing personnel capacity.

The measures taken the previous year as well as during fiscal 2009/10 resulted in further—albeit significantly lower—expenses in the period under review. These affect the Voith Industrial Services, Voith Paper and Voith Turbo Group Divisions.

The following expenses have been incurred:

€ in thousands	2009/10	2008/09
Personnel expenses	(16 199)	(91 485)
Depreciation	(561)	(3 176)
Other expenses	(2 010)	(3 813)
Income from the reversal of provisions	5 493	702
Other income	0	148
	(13 277)	**(97 624)**

(8) Other Financial Result

€ in thousands	2009/10	2008/09
Income from investments	2 343	1 127
Write-downs on investments in shares	(582)	(6 067)
Depreciation of investments in associated companies	(1 227)	0
Write-downs/write-ups on long-term loans	0	310
Write-downs on marketable securities	(40 254)	(13 804)
Income from marketable securities and loans	402	662
	(39 318)	**(17 772)**

Write-downs on investments in shares concern available-for-sale financial instruments that are measured at amortized cost.

(9) Income Taxes

€ in thousands	2009/10	2008/09*
Effective taxes	(112 814)	(87 601)
Deferred taxes	269	9 584
	(112 545)	**(78 017)**

*Data for the previous year adjusted
(refer to “Adjustments to data for previous years”).

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

For individual Group companies, deferred tax items are recognized for timing differences between carrying amounts for tax purposes reporting and the carrying amounts recognized in IFRS, as well as for consolidation measures recognized in profit and loss. Deferred tax assets are also recognized for tax losses carried forward 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.

In the period under review, deferred tax expenses arising from timing differences amounted to minus €21 795 thousand (previous year: minus €18 474 thousand). Deferred tax income from losses carried forward amounts to €22 064 thousand (previous year: expense: €7 957 thousand). This includes expenses amounting to €7 509 thousand (previous year: €21 790 thousand) from reduced deferred tax assets due to the realization of losses carried forward in the current fiscal year, adjustments arising from tax audits and reduced future potential for the realization of existing losses carried forward. Income of €29 573 thousand (previous year: €13 833 thousand) was also reported for adjustments to recognized losses carried forward resulting from tax audits, loss allocations where corresponding realization opportunities exist and greater realization potential for existing losses carried forward.

As at September 30, 2010, tax losses carried forward of €87 347 thousand (previous year: €301 729 thousand) for German corporate taxes, plus €407 050 thousand (previous year: €283 905 thousand) for German trade tax, plus €108 965 thousand (previous year: €59 756 thousand) for interest expenses that were hitherto not tax-deductible under German law, and €62 621 thousand (previous year: €55 318 thousand) for foreign taxes were not recognized as deferred tax assets as there was no reasonable expectation that the related deferred tax assets would be realized in the future. Owing to the ongoing tax audit of the German companies, further changes may be made to the losses carried forward.

In Germany, losses carried forward do not expire. Outside Germany, losses carried forward can normally be realized within no more than five to ten years. In the period under review, tax losses carried forward in the amount of €3 148 thousand (previous year: €2 948 thousand) were realized for which no deferred tax assets were formed in the previous year.

The following table provides a detailed overview of deferred tax items at the balance sheet date:

€ in thousands	2010-09-30		2009-09-30*		2008-10-01*	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	9 785	70 127	11 810	62 432	13 234	30 923
Property, plant and equipment	17 406	65 094	3 378	52 462	7 892	83 592
Investments and marketable securities	7 536	1 400	10 595	760	3 552	1 466
Inventories and receivables	51 708	84 616	33 509	51 073	53 168	87 602
Other assets	3 698	29 409	14 182	23 038	9 069	34 700
Pension provisions	37 287	2 674	38 836	1 439	36 707	2 174
Financial liabilities	5 488	8 470	192	17 697	15 613	2 688
Other provisions and liabilities	99 128	11 340	89 919	15 427	78 489	19 857
Write-down on deferred tax assets arising from timing differences	(13 603)		(12 853)		(17 007)	
Tax losses carried forward	76 354		52 634		62 151	
Netting	(138 531)	(138 531)	(112 140)	(112 140)	(140 372)	(140 372)
Balance sheet figure	**156 256**	**134 599**	**130 062**	**112 188**	**122 496**	**122 630**

Reconciliation of expected and actual tax expenses:

The income of Voith AG and its subsidiaries in Germany is subject to corporation income tax and trade tax. Profits earned outside Germany are taxed at the current rates valid in the countries concerned. Expected tax expenses in the period under review were calculated based on a tax rate of 29.84% (unchanged from the previous year), which takes into account the structure of the Voith Group.

€ in thousands	2009/10	2008/09*
Income before taxes	234 013	154 947
Expected tax expenses	69 830	46 236
Deviations from expected tax rates	655	(5 541)
Effects of changes in tax rates	(2 396)	1 033
Tax-free income	(8 906)	(17 649)
Non-deductible expenses	67 843	38 389
Taxes relating to other reporting periods	12 949	(5 498)
Change in write-downs on deferred tax assets	(22 238)	24 644
Other tax effects	(5 192)	(3 597)
Income taxes	**112 545**	**78 017**
Effective tax rate (%)	48.1%	50.4%

Deferred taxes of €9 982 thousand (previous year €11 049 thousand) relating to timing differences of €665 453 thousand (previous year: €736 569 thousand) arising on investments in subsidiaries were not recognized in the balance sheet, since the criteria specified in IAS 12.39 were met.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Notes to the Consolidated Balance Sheet

(10) Intangible Assets

Development of intangible assets from October 1, 2008, to September 30, 2009

€ in thousands	Franchises, trademarks, patents, licenses and similar rights (including licenses to such rights)	Goodwill	Development costs	Payment in advance to suppliers	Total
Cost as at October 1, 2008	**155 951**	**613 000**	**71 229**	**407**	**840 587**
Changes in Group structure	1 027	364	0	0	1 391
Currency translation differences	256	(2 784)	(21)	0	(2 549)
Additions	9 448	0	18 320	2 937	30 705
Disposals	(8 119)	0	(6 799)	(53)	(14 971)
Other adjustments	86	21 029	0	0	21 115
Transfers	6 097	(569)	0	(61)	5 467
Cost as at September 30, 2009	**164 746**	**631 040**	**82 729**	**3 230**	**881 745**
Accumulated depreciation as at October 1, 2008	**(82 974)**	**(54 179)**	**(27 266)**	**(3)**	**(164 422)**
Currency translation differences	(269)	0	2	(1)	(268)
Current depreciation	(16 603)	0	(11 588)	0	(28 191)
Disposals	7 270	0	6 630	0	13 900
Transfers	(570)	0	0	4	(566)
Accumulated depreciation as at September 30, 2009	**(93 146)**	**(54 179)**	**(32 222)**	**0**	**(179 547)**
Carrying amounts as at September 30, 2009	**71 600**	**576 861**	**50 507**	**3 230**	**702 198**

Development of intangible assets from October 1, 2009, to September 30, 2010

€ in thousands	Franchises, trademarks, patents, licenses and similar rights (including licenses to such rights)	Goodwill	Development costs	Payment in advance to suppliers	Total
Cost as at October 1, 2009	**164 746**	**631 040**	**82 729**	**3 230**	**881 745**
Changes in Group structure	0	0	0	0	0
Currency translation differences	2 013	3 607	110	0	5 730
Additions	7 363	0	20 089	304	27 756
Capitalized interest	0	0	31	0	31
Disposals	(4 334)	0	(3 262)	(18)	(7 614)
Other adjustments	0	(776)	0	0	(776)
Transfers	3 430	0	20	(3 075)	375
Cost as at September 30, 2010	**173 218**	**633 871**	**99 717**	**441**	**907 247**
Accumulated depreciation as at October 1, 2009	**(93 146)**	**(54 179)**	**(32 222)**	**0**	**(179 547)**
Currency translation differences	(1 393)	0	(78)	0	(1 471)
Current depreciation	(18 013)	0	(11 780)	0	(29 793)
Disposals	2 864	0	3 390	0	6 254
Transfers	54	0	0	0	54
Accumulated depreciation as at September 30, 2010	**(109 634)**	**(54 179)**	**(40 690)**	**0**	**(204 503)**
Carrying amounts as at September 30, 2010	**63 584**	**579 692**	**59 027**	**441**	**702 744**

No impairment losses were required in respect of goodwill on the basis of impairment tests performed.

Impairment losses of €2 892 thousand (previous year: €3 762 thousand) were recognized on development costs and licences, as sufficient potential for use within the framework given by calculations of the recoverable amount no longer exists.

Of these impairments, €1 647 thousand (previous year: €3 682 thousand) concerned Voith Paper and €1 245 thousand (previous year: €0) concerned Voith Turbo. In the previous fiscal year, impairment losses totaling €80 thousand also affected Voith Industrial Services.

Capitalized interest is based on an interest rate of 4.75%.

(11) Property, Plant and Equipment

Development of property, plant and equipment from October 1, 2008, to September 30, 2009

€ in thousands	Land, leasehold rights and buildings (including buildings on third-party land)	Technical equipment, plant and machinery	Fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Cost as at October 1, 2008	**630 615**	**1 156 160**	**455 647**	**111 335**	**2 353 757**
Changes in Group structure	0	0	33	0	33
Currency translation differences	(3 964)	(9 512)	(2 508)	(448)	(16 432)
Additions	40 558	65 854	45 465	71 980	223 857
Disposals	(12 368)	(54 283)	(29 772)	(5 629)	(102 052)
Transfers	18 522	47 786	5 178	(76 953)	(5 467)
Other adjustments	6 083	(1 098)	646	1 469	7 100
Cost as at September 30, 2009	**679 446**	**1 204 907**	**474 689**	**101 754**	**2 460 796**
Accumulated depreciation as at October 1, 2008	**(280 413)**	**(782 874)**	**(313 352)**	**0**	**(1 376 639)**
Currency translation differences	2 320	9 484	2 191	0	13 995
Current depreciation	(16 890)	(66 349)	(43 025)	0	(126 264)
Disposals	7 117	51 869	25 145	0	84 131
Transfers	(160)	418	308	0	566
Write-ups	0	0	0	0	0
Other adjustments	0	2 469	0	0	2 469
Accumulated depreciation as at September 30, 2009	**(288 026)**	**(784 983)**	**(328 733)**	**0**	**(1 401 742)**
Carrying amounts as at September 30, 2009	**391 420**	**419 924**	**145 956**	**101 754**	**1 059 054**

Development of property, plant and equipment from October 1, 2009, to September 30, 2010

€ in thousands	Land, leasehold rights and buildings (including buildings on third-party land)	Technical equipment, plant and machinery	Fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Cost as at October 1, 2009	**679 446**	**1 204 907**	**474 689**	**101 754**	**2 460 796**
Changes in Group structure	0	0	0	0	0
Currency translation differences	17 088	45 450	7 557	6 361	76 456
Additions	20 526	62 053	43 477	79 877	205 933
Disposals	(6 046)	(40 260)	(23 071)	(1 870)	(71 247)
Transfers	29 563	40 066	5 345	(75 349)	(375)
Other adjustments	0	(1 502)	(153)	315	(1 340)
Cost as at September 30, 2010	**740 577**	**1 310 714**	**507 844**	**111 088**	**2 670 223**
Accumulated depreciation as at October 1, 2009	**(288 026)**	**(784 983)**	**(328 733)**	**0**	**(1 401 742)**
Currency translation differences	(5 426)	(27 783)	(4 741)	0	(37 950)
Current depreciation	(16 843)	(71 998)	(44 854)	0	(133 695)
Disposals	3 710	32 246	20 308	0	56 264
Transfers	(56)	(308)	310	0	(54)
Write-ups	0	0	0	0	0
Other adjustments	0	1 223	862	0	2 085
Accumulated depreciation as at September 30, 2010	**(306 641)**	**(851 603)**	**(356 848)**	**0**	**(1 515 092)**
Carrying amounts as at September 30, 2010	**433 936**	**459 111**	**150 996**	**111 088**	**1 155 131**

Impairment losses of €1 259 thousand (previous year: €7 990 thousand) mainly due to reduced fair values of land and buildings as well as machinery and resulting from restructuring of locations were recognized during the fiscal year under review. Of the total impairment loss, €562 thousand (previous year: €3 176 thousand) was recognized in the non-recurring result in profit and loss. Of these impairments, €588 thousand (previous year: €6 923 thousand) concerned Voith Paper, €432 thousand (previous year: €87 thousand) concerned Voith Turbo and €239 thousand (previous year: €980 thousand) concerned Voith Industrial Services. No impairment losses affected the Group's holding companies.

Advance payments and construction in progress relate to the following assets: €34 401 thousand for buildings (previous year: €34 718 thousand), €69 581 thousand for technical equipment, plant and machinery (previous year: €65 264 thousand) and €7 106 thousand for non-production equipment (previous year: €1 772 thousand).

Land in the amount of €2 376 thousand (previous year: €2 417 thousand) is held in pledge.

Property, plant and equipment includes the following assets:

Finance leases

€ in thousands	2010-09-30	2009-09-30
Land	3 683	3 736
Technical equipment, plant and machinery	800	664
Fixtures, furniture and office equipment	1 239	1 719
	5 722	**6 119**

Buildings, plant, machinery and office and other equipment classified as finance leases are stated under this item. The corresponding leasing liabilities are shown as financial liabilities. Depreciation totals €1 018 thousand (previous year: €1 133 thousand).

No contingent rents were recognized in profit and loss.

(12) Investments in Associated Companies/Other Investments

Development of investments in associated companies/other investments from October 1, 2008, to September 30, 2009

€ in thousands	Investments in associates	Other investments	Long-term loans	Total
Cost as at October 1, 2008	**14 643**	**49 860**	**7 672**	**72 175**
Changes in Group structure	0	0	0	0
Currency translation differences	105	(13)	(4)	88
Additions	3 391	2 885	3 120	9 396
Disposals	(1 420)	(209)	(922)	(2 551)
Transfers	0	0	0	0
Other adjustments	489	(5 042)	0	(4 553)
Cost as at September 30, 2009	**17 208**	**47 481**	**9 866**	**74 555**
Accumulated depreciation as at October 1, 2008	**0**	**(19 044)**	**(3 403)**	**(22 447)**
Currency translation differences	0	0	6	6
Current depreciation	0	(6 067)	309	(5 758)
Disposals	0	79	21	100
Accumulated depreciation as at September 30, 2009	**0**	**(25 032)**	**(3 067)**	**(28 099)**
Carrying amounts as at September 30, 2009	**17 208**	**22 449**	**6 799**	**46 456**

Development of investments in associated companies/other investments from October 1, 2009, to September 30, 2010

€ in thousands	Investments in associates	Other investments	Long-term loans	Total
Cost as at October 1, 2009	**17 208**	**47 481**	**9 866**	**74 555**
Changes in Group structure	0	0	0	0
Currency translation differences	213	0	334	547
Additions	6 634	5 896	2 055	14 585
Disposals	(4 389)	(1 211)	(754)	(6 354)
Transfers	2 532	(2 532)	0	0
Other adjustments	(109)	(216)	0	(325)
Cost as at September 30, 2010	**22 089**	**49 418**	**11 501**	**83 008**
Accumulated depreciation as at October 1, 2009	**0**	**(25 032)**	**(3 067)**	**(28 099)**
Currency translation differences	(51)	265	(19)	195
Current depreciation	(1 227)	(582)	0	(1 809)
Disposals	0	0	0	0
Accumulated depreciation as at September 30, 2010	**(1 278)**	**(25 349)**	**(3 086)**	**(29 713)**
Carrying amounts as at September 30, 2010	**20 811**	**24 069**	**8 415**	**53 295**

The disposal of other investments generated book profits of €141 thousand (previous year: €211 thousand). Since their fair value could not be reliably estimated, these investments had previously been recognized at amortized cost.

The table below summarizes the aggregate key data for the associated companies measured using the equity method.

€ in thousands	2010-09-30	2009-09-30
Equity	68 180	52 847
Liabilities	141 607	129 796
Total equity and liabilities	**209 787**	**182 643**
Sales	474 601	294 345
Net income	10 287	6 078

(13) Inventories

Inventories consist of the following items:

€ in thousands	2010-09-30	2009-09-30
Raw materials and supplies	246 977	251 463
Work in progress	270 259	326 613
Finished goods and merchandise	131 645	116 152
Payment in advance to suppliers	135 170	138 878
	784 051	**833 106**

Impairments on inventories amounted to €19 320 thousand (previous year: €21 388 thousand) and were recognized as expenses. Write-ups (reversals prescribed by IFRS) totaling €2 502 thousand (previous year: €8 747 thousand) were effected. These amounts are included in the cost of materials.

No inventories were assigned as collateral in the period under review (carrying amount in the previous year: €0).

(14) Trade Receivables

Trade receivables consist of the following items:

€ in thousands	2010-09-30	2009-09-30*	2008-10-01*
Trade receivables	826 718	717 544	758 506
Provisions for bad debts	(42 660)	(45 735)	(32 361)
Receivables from customer-specific contracts	355 639	257 758	378 283
	1 139 697	**929 567**	**1 104 428**

Trade receivables are classified as current assets. As at September 30, 2010, the volume of receivables that was not expected to be realized within one year was €20 438 thousand (previous year (adjusted): €11 601 thousand).

€7 165 thousand (previous year: €0) of trade receivables are interest bearing.

As was the case the previous year, no trade receivables serve as securities for liabilities.

Provisions for bad debts developed as follows:

€ in thousands	2010-09-30	2009-09-30
Write-downs at start of fiscal year	**(45 735)**	**(32 361)**
Additions	(11 772)	(20 299)
Utilization	6 256	2 321
Reversals	8 755	4 489
Changes in Group structure/ translation adjustments	(164)	115
Write-downs at end of fiscal year	**(42 660)**	**(45 735)**

Reversals totaling €8 755 thousand (previous year: €4 489 thousand) consist of the reversal of itemized allowances in the amount of €7 778 thousand (previous year: €4 489 thousand) and general allowances in the amount of €977 thousand (previous year: €0). Additions of €11 772 thousand (previous year: €20 299 thousand) consist of additions of itemized allowances in the amount of €11 772 thousand (previous year: €19 057 thousand) and general allowances in the amount of €0 (previous year: €1 242 thousand).

Credit insurance is used to manage default risk in trade receivables. In particular, Hermes cover is used to secure receivables from foreign customers.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Future receivables from customer-specific construction contracts recognized using the percentage-of-completion method are determined as follows:

€ in thousands	2010-09-30	2009-09-30*	2008-10-01*
Aggregate amount of costs incurred and profits/losses incurred on customer-specific projects in progress	4 044 952	3 793 494	2 270 672
Progress billings to date	(2 185 829)	(2 343 462)	(863 969)
Gross amount due from customers	1 859 123	1 450 032	1 406 703
Advances received ("progress billings")	(1 542 032)	(1 229 531)	(1 045 635)
	317 091	**220 501**	**361 068**
Thereof receivables from construction contracts	344 343	239 710	377 519
Thereof liabilities from construction contracts	(27 252)	(19 209)	(16 451)

Receivables from customer-specific service contracts total €11 295 thousand (previous year: €18 048 thousand). Liabilities from service contracts total €2 087 thousand (previous year: €0).

Advances received amounting to €794 252 thousand (2009-09-30: €696 830 thousand, 2008-10-01: €717 166 thousand)* for which no contract costs have been incurred to date are included in liabilities. None of these advances were received for customer-specific service contracts.

Sales relating to customer-specific contracts totalled €2 180 446 thousand (previous year: €2 050 746 thousand). €91 913 thousand of this amount is from service contracts (previous year: €67 419 thousand). Amounts billed to customers are shown under trade receivables.

An amount of €7 712 thousand (previous year: €3 912 thousand) in trade receivables is held as retentions by customers. Retentions are amounts of progress billings that are not paid until conditions specified in the contract have been met. This includes €425 thousand (previous year: €0) for service contracts.

(15) Other Receivables and Assets

€ in thousands	2010-09-30	2009-09-30
Derivatives with hedged operational transactions	55 797	64 148
Derivatives with hedged financial transactions	40 950	30 828
Financial receivables	54 868	40 434
Other financial assets	4 591	2 002
Deferred income	33 959	32 895
Other assets	247 884	193 468
	438 049	**363 775**

Financial receivables include fixed-interest receivables with a market value of €16 567 thousand. The remaining financial receivables are subject to variable interest rates such that the carrying amounts are equal to market values.

At the balance sheet date, other assets totaling €38 348 thousand (previous year: €32 420 thousand) served to secure liabilities and contingent liabilities. Recourse will be made to this security if the underlying obligations are not fulfilled or if the contingent liabilities are realized.

*Data for the previous year adjusted (refer to "Adjustments to data for previous years").

Write-downs on financial receivables, other financial assets and other assets developed as follows:

€ in thousands	2010-09-30	2009-09-30
Write-downs at start of fiscal year	**(5 186)**	**(6 237)**
Additions	(243)	(1 248)
Utilization	55	148
Reversals	1 438	2 112
Changes in Group structure/ translation adjustments	(101)	39
Write-downs at end of fiscal year	**(4 037)**	**(5 186)**

Reversals totaling €243 thousand (previous year: €1 248 thousand) consist of additions of itemized allowances in the amount of €237 thousand (previous year: €1 248 thousand) and general allowances in the amount of €6 thousand (previous year: €0). Reversals totaling €1 438 thousand (previous year: €2 112 thousand) consist of reversals of itemized allowances in the amount of €1 425 thousand (previous year: €1 990 thousand) and general allowances in the amount of €13 thousand (previous year: €122 thousand).

(16) Marketable Securities

Available-for-sale securities totaling €9 930 thousand (previous year: €9 679 thousand) cover future pension obligations.

(17) Cash and Cash Equivalents

This item mainly consists of time deposits held at banks.

€ in thousands	2010-09-30	2009-09-30
Checks	37	20
Cash in hand	635	721
Cash equivalents	7 356	16 894
Cash at banks	1 167 331	905 492
	1 175 359	**923 127**

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.

At the balance sheet date, the fair value of cash and cash equivalents was €1 175 359 thousand (previous year: €923 127 thousand).

As in the previous year, no cash at banks served as security for liabilities.

(18) Non-Current Assets and Disposal Groups Held for Sale

The non-current assets and disposal groups held for sale of €1 447 thousand (previous year: €0) represent exclusively developed land held by Voith Paper.

(19) Equity

Issued Capital and Revenue Reserves

Since September 30, 2006, issued capital in Voith AG of €120 000 thousand has, without change, been held by shareholders in the form of 30 149 100 ordinary shares.

The revenue reserves consist of retained earnings generated by Voith AG and its consolidated subsidiaries.

Other Reserves

Other reserves include the effects of currency translation of foreign subsidiaries, the effects of the valuation of marketable securities and cash flow hedges (pursuant to IAS 39) and gains on the hedging of net investments (pursuant to IAS 21).

The statement of total comprehensive income shows the valuation effects of individual components of "other reserves" which are recognized directly in equity.

The items recognized directly in equity consist of:

€ in thousands	2009/2010	2008/2009
Gains/(losses) on available-for-sale financial assets	**24 368**	**40 582**
Gains/(losses) in the current period	(14 417)	28 300
Transfers to profit and loss	38 785	12 282
Gains/(losses) on cash flow hedges	**(5 619)**	**(6 637)**
Gains/(losses) in the current period	1 357	(4 873)
Transfers to profit and loss	(6 976)	(1 764)
Gains/(losses) on currency translation	**55 125**	**15 907**
Gains/(losses) in the current period	55 125	3 722
Other effects	0	12 185
Gains/(losses) on net investments in foreign operations	**12 288**	**(17 415)**
Gains/(losses) in the current period	12 288	(5 423)
Transfers to profit and loss	0	193
Other effects	0	(12 185)
Tax on items recognized directly in equity	**(979)**	**7 600**
Other comprehensive income	**85 183**	**40 037**

Deferred taxes on the components of the other comprehensive income are as follows:

€ in thousands	2010			2009		
	Pre tax	Deferred tax	Post tax	Pre tax	Deferred tax	Post tax
Gains/(losses) on available-for-sale financial assets	24 368	163	24 531	40 582	1 654	42 236
Gains/(losses) on cash flow hedges	(5 619)	1 584	(4 035)	(6 637)	314	(6 323)
Gains/(losses) on currency translation	55 125	-	55 125	15 907	-	15 907
Gains/(losses) on net investments in foreign operations	12 288	(2 726)	9 562	(17 415)	5 632	(11 783)
Other gains/(losses)	**86 162**	**(979)**	**85 183**	**32 437**	**7 600**	**40 037**

Profit Participation Rights

Pursuant to the criteria defined in IAS 32, the Group's profit participation rights, with a nominal volume of €83 400 thousand (previous year: €83 400 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. The profit participation rights totaling €6 600 thousand granted in fiscal 2008/09 were issued by Voith AG. Profit participation rights amounting to €76 800 thousand were issued by a subsidiary as early as fiscal 2006/07. Subject to the approval of the appropriate governing body, profits totaling €4 406 thousand are scheduled to be distributed pursuant to profit participation rights.

Non-Controlling Interests

The major portion of non-controlling interests is attributed to the co-owners of the companies Rif Roll Cover Srl, Italy, Voith Fuji Hydro K.K., Japan, Voith IHI Paper Technology Co, Ltd., Japan, Voith Hydro Shanghai, Ltd., China, Voith Paper Fabrics India Ltd., India, and VG Power AB, Sweden.

Appropriation of Net Income at Voith AG

The Board of Management proposes to pay a dividend of €0.33 per share (€9 949 thousand in total) out of the unappropriated retained earnings of Voith AG, and to carry forward the remaining €38 821 thousand to the current fiscal year.

The dividend of €9 949 thousand paid in the period under review (previous year: €18 089 thousand) is equivalent to a dividend of €0.33 per share (previous year: €0.6).

Additional Capital Management Disclosures

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 financial liabilities are those elements of Group capital that are of relevance to capital management activities.

€ in thousands	2010-09-30	2009-09-30*	2008-10-01*
Equity	1 107 256	950 210	858 207
Financial liabilities	1 476 722	1 402 023	1 015 258
	2 583 978	**2 352 233**	**1 873 465**

*Data for the previous year adjusted
(refer to “Adjustments to data for previous years”).

Year on year, equity rose by 16.5% in the period under review. Net income, exchange rate effects and the fact that securities were marked to market made a positive contribution to the development of equity. Dividend payments had a negative impact on the amount of equity. Financial liabilities increased by 5.3%. For details on the composition of financial liabilities, refer to note 22.

Voith AG is not listed on a stock exchange and does not have any share-based compensation plans. No specific capital requirements are defined in its Articles of Association.

(20) Accrued Pension Liabilities and Similar Obligations

Provisions for pensions are recognized for benefits in the form of retirement, invalidity and dependents’ benefits payable under pension plans. The benefits provided by the Group vary depending on the legal, tax and economic circumstances of the country concerned and usually depend on the length of service and remuneration of the employees.

Group companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the company makes contributions to state or private pension schemes based 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 2010, they amounted to €117 550 thousand for the Voith Group as a whole (previous year: €117 619 thousand).

Defined benefit plans make up the major portion of the pension plans. A distinction is drawn between funded and unfunded plans.

The pension provisions for defined benefit plans are determined in accordance with IAS 19 (Employee Benefits) using the projected unit credit method. Defined benefit obligations are measured based on the proportion of future benefits accrued at the balance sheet date. Measurement reflects assumptions as to the trends in the relevant variables affecting the level of benefits. 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 the cost of healthcare.

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 shares in Voith AG.

The following amounts related to defined benefit plans are recognized in the Balance Sheet.

€ in thousands	2010-09-30	2009-09-30	2008-09-30	2007-09-30	2006-09-30
Present value of funded obligations	220 334	190 976	180 915	199 407	185 602
Fair value of plan assets	(150 552)	(118 429)	(125 058)	(137 260)	(137 199)
Shortfall	69 782	72 547	55 857	62 147	48 403
Present value of unfunded obligations	510 021	418 976	369 810	373 292	404 184
Effect of limits on the capitalizable plan assets	9	0	0	0	0
Adjustment for minimum funding requirements	935	0	0	0	0
Unrecognized actuarial gains and losses	(145 903)	(61 592)	(9 880)	(31 152)	(51 406)
Unrecognized past service costs	(14)	(338)	0	92	0
Provision in the balance sheet	**434 830**	**429 593**	**415 787**	**404 379**	**401 181**
Thereof current	25 839	24 931	11 532	22 122	19 076

The present value of defined benefit obligations comprises the following items:

€ in thousands	2010-09-30	2009-09-30
Defined benefit obligation at the beginning of the period	**609 952**	**550 725**
Current service costs	12 583	12 551
Interest expenses (pursuant to IAS 19)	32 622	32 150
Actuarial losses(+)/gains(-)	89 114	40 295
Past service costs	137	5 964
Changes in Group structure	0	(19)
Gains/losses from plan curtailments or settlements	0	241
Benefits paid	(33 553)	(32 386)
Other	5 727	5 719
Currency translation differences	13 773	(5 288)
Defined benefit obligation at the end of the period	**730 355**	**609 952**

The development of plan assets is shown in the table below:

€ in thousands	2010-09-30	2009-09-30
Fair value of plan assets at the beginning of the period	**118 429**	**125 058**
Expected return on plan assets	8 801	9 397
Actuarial gains(+)/losses(-)	3 663	(11 637)
Contributions	20 183	7 105
Benefits paid	(10 822)	(9 608)
Other	2 010	2 377
Currency translation differences	8 288	(4 263)
Fair value of plan assets at the end of the period	**150 552**	**118 429**

The actual gains on invested plan assets amounted to €12 464 thousand (previous year: loss €2 240 thousand).

The contributions that are expected to be paid into the plans in the next reporting period amount to €5 356 thousand (previous year: €6 304 thousand).

The expected long-term interest yield on fund assets is calculated based on the portfolio's actual long-term yields, 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 yield expectations 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.

Plan assets consist of the following components:

in %	2010-09-30	2009-09-30
Stocks	42%	43%
Bonds	41%	41%
Real estate	4%	4%
Other	13%	12%
	100%	**100%**

Actuarial gains and losses are the result of changes in portfolios and in actual trends (e.g. increases in income and pensions and changes in interest rates) that differ from underlying assumptions.

The following amounts are recognized in profit and loss:

€ in thousands	2010-09-30	2009-09-30
Current service costs	12 583	12 551
Interest expenses on pension obligations	32 622	32 150
Expected return on plan assets	(8 801)	(9 397)
Past service costs	261	5 626
Gains/losses from plan curtailments or settlements	0	241
Realized actuarial gains or losses	2 683	514
Effect of limits on the capitalizable plan assets	589	0

Current service costs, past service costs, 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 capitalizable plan assets 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 expenses on pension obligations are stated in the interest result.

The following assumptions underlie Voith Group's calculation of pension provisions:

	Germany and Austria		USA	
in %	2010-09-30	2009-09-30	2010-09-30	2009-09-30
Discount rate	4.25%	5.5%	4.5%	5.25%
Expected return on plan assets	4.5%	4.5%	7.5%	8.0%
Salary increases	3.0%	3.0%	2.12%	2.28%
Pensions increases	1.96%	2.0%	0%	0%
Annual increase in healthcare costs				
Initial medical trend rate (pre-65/post-65)			8.0%/8.5%	8.0%/8.5%
Ultimate medical trend rate (pre-65/post-65)			5.0%	5.0%

If healthcare costs increased by 1%, current service costs and interest expenses would increase by a total of €60 thousand (previous year: €58 thousand), while the present value of pension obligations would increase by €913 thousand (previous year: €572 thousand). If costs decreased by 1%, current service costs and interest expenses would fall by a total of €47 thousand (previous year: €47 thousand) and the present value of pension obligations by €793 thousand (previous year: €503 thousand).

Experience-based adjustments—i.e. the effects of deviations between previous actuarial assumptions and what actually occurred—are shown in the table below:

in %	2010-09-30	2009-09-30	2008-09-30	2007-09-30	2006-09-30
Difference between projected assumptions and actual values: (+ gains/- losses)					
– As a percentage of the present value of defined benefit obligations	(1.7%)	(0.6%)	(0.2%)	0%	(0.5%)
– As a percentage of the fair value of plan assets	+2.4%	(9.8%)	(8.2%)	+1.9%	(0.5%)

(21) Other Provisions

The development of other provisions is shown below:

€ in thousands	As at 2009-09-30	Changes in Group structure	Utilization	Additions	Reversals	Transfers	Discounting effect	Currency translation differences	As at 2010-09-30
Personnel-related provisions	94 448	4	(31 217)	36 345	(4 743)	(600)	66	1 375	95 678
Other tax provisions	7 287	0	(1 321)	4 548	(1 154)	(11)	0	723	10 072
Warranty provisions	195 477	(8)	(55 186)	107 496	(37 511)	1 164	2 831	4 345	218 608
Other order-related provisions	109 680	(52)	(44 011)	72 511	(41 761)	180	72	1 959	98 578
Other provisions	86 997	(182)	(33 665)	37 398	(15 670)	(733)	533	2 495	77 173
	493 889	**(238)**	**(165 400)**	**258 298**	**(100 839)**	**0**	**3 502**	**10 897**	**500 109**

€ in thousands	2010-09-30		2009-09-30	
	< 1 year	> 1 year	< 1 year	> 1 year
Personnel-related provisions	25 673	70 005	33 305	61 143
Other tax provisions	3 975	6 097	2 948	4 339
Warranty provisions	171 367	47 241	147 719	47 758
Other order-related provisions	88 639	9 939	100 234	9 446
Other provisions	46 476	30 697	57 780	29 217
	336 130	**163 979**	**341 986**	**151 903**

Refund claims totaling €0 (previous year: €5 172 thousand) for order-related provisions were capitalized in the period under review.

Early retirement and anniversary/long service provisions comprise the major portion of the personnel-related provisions. In the case of provisions for early 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 extended warranty. Other order-related provisions include obligations for services still to be rendered on customer orders, for service contracts and for commission provisions. In these cases, the amount and timing of future expenses hinges on completion of the orders concerned. Other provisions include items such as obligations arising from retrenchments and restructuring measures. The latter activities are expected to be completed within the next two fiscal years.

(22) Financial Liabilities

Financial liabilities include the following items:

€ in thousands	2010-09-30	2009-09-30*	2008-10-01*
Bonds	999 273	966 112	679 145
Bank loans	337 747	291 649	175 285
Financial liabilities from leasing contracts	4 133	4 915	5 860
Notes payable	7 522	17 936	12 675
Derivatives with hedged financial transactions	7 136	2 814	217
Other financial liabilities	120 911	118 597	142 076
	1 476 722	**1 402 023**	**1 015 258**

In the current period, liabilities totaling €0 (previous year: €388 thousand) are secured by mortgages. Financial liabilities totaling €546 thousand (previous year: €869 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:

	2010-09-30	2009-09-30
Euros	983 605	981 837
US Dollars	277 630	252 092
Swedish Krona	70 775	20 842
Other currencies	5 010	2 990
	1 337 020	**1 257 761**

*Data for the previous year adjusted (refer to "Adjustments to data for previous years").

Interest-bearing loans:

	Effective interest rate in %	Maturity	Carrying amount as at 2010-09-30 € in thousands	Carrying amount as at 2009-09-30 € in thousands
Current				
€200 million bond, 2001/2011	EURIBOR +1.65%[2]	2011-07-18	145 731	0
Multi-currency pool	Interbank offering rates w/o margins (currently Stibor)	indefinite	36 252	9 813
SEK loan	0.75% +0.25%	indefinite	34 075	10 500
INR loan	10.00%	indefinite	1 789	0
NOK loan	7.25%	indefinite	1 251	0
NOK loan	Floating; currently 2.3%	2009-11-30	0	1 184
Others/checks			4 294	4 479
Total current			**223 392**	**25 976**
Non-current				
€300 million bond, 2007/2017/ €300 million top-up, 2009/2017	5.50%[1]/6.642%[1]	2017-06-21	577 498	574 910
€200 million bond, 2001/2011	EURIBOR +1.65%[2]	2011-07-18	0	146 115
USD 180 million private placement, first tranche, 2004/2014	USD LIBOR arrears +0.785%[2]	2014-08-17	150 515	134 996
USD 85 million private placement, second tranche, 2004/2016	USD LIBOR arrears +0.94%[2]	2016-08-17	72 914	64 290
USD 60 million private placement, third tranche, 2004/2019	USD LIBOR arrears +1.145%[2]	2019-08-17	52 615	45 801
€100 million loan	4.509%[1]	2012-05-11	100 000	100 000
€150 million note loan	6.671%[1)/2]	2014-05-06	149 549	149 445
10 million bilateral bank loan	5.950%[1]	2014-09-28	10 000	10 000
Industrial revenue bond	Floating; currently 0.6% p.a.	2017-01-01	0	5 233
Others			537	995
Total non-current			**1 113 628**	**1 231 785**
			1 337 020	**1 257 761**

1) Yield/effective interest rate.

2) Including the effect of related interest rate swaps.

The bonds and the USD private placement all have bullet maturities.

The market value of the €300 million bond 2007/2017 and €300 million top-up 2009/2017 is €644 082 thousand (previous year: €579 270 thousand). This market value is a stock market valuation.

The market value of the €100 million loan was €104 219 thousand (previous year: €102 191 thousand) at the balance sheet date. A market interest rate of 2.95% (previous year: 4.42%) was used to discount future cash flows when calculating the loan's market value.

The market value of the five-year 150 million note loan and 10 million bilateral bank loan is €181 131 thousand (previous year: €171 598 thousand). A market interest rate of 3.35% (previous year: 5.43%) was used to discount future cash flows when calculating the loan's market value.

Since most other loans and financial liabilities have floating interest rates, their market values roughly correspond to the carrying amounts.

Notes on Net Debt

Net debt as the difference between financial liabilities and realizable financial assets is an important figure for banks, analysts and rating agencies. This figure 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 figure is calculated by measuring financial liabilities at their higher nominal repayment amount.

Net debt as defined in the company includes the following items:

€ in thousands	2010-09-30	2009-09-30
Bank loans	337 747	291 649
Bonds[1]	1 021 775	991 203
Other financial liabilities	137 493	144 261
Stocks[2]	(214 599)	(291 721)
Cash and cash equivalents	(1 175 359)	(923 127)
Other financial claims and loans	(106 615)	(80 064)
	442	**132 201**

[1] Based on valuation at the repayment amount, bonds are included at an amount which is €23 million higher (previous year €25 million) than the carrying amount.

[2] In the previous year, non-current securities not included in the available-for-sale category were eliminated.

Lease liabilities relate solely to finance lease obligations. Most of the underlying lease contracts include a buy option. Finance lease liabilities are settled during the contractual period and had the following maturities as at the balance sheet date:

€ in thousands	2010-09-30	2009-09-30
Total future minimum lease payments (gross)	**5 049**	**5 991**
Due in under one year	1 144	1 611
Due between one and five years	2 080	2 451
Due in over five years	1 825	1 929
Present value of future minimum lease payments	**4 133**	**4 915**
Due in under one year	995	1 402
Due between one and five years	1 760	2 078
Due in over five years	1 378	1 435
Interest component of future minimum lease payments	**916**	**1 076**

(23) Trade Accounts Payable/ Other Liabilities

€ in thousands	2010-09-30	2009-09-30*	2008-10-01*
Trade accounts payable	496 142	406 075	486 705
Liabilities from construction contracts	29 339	19 209	17 570
Derivatives with hedged operational transactions	32 797	11 410	57 083
Personnel and social security liabilities	251 233	225 280	218 119
Tax liabilities	114 219	126 398	136 788
Customer advances received	975 085	838 268	880 508
Deferred income	26 910	24 761	23 272
Other liabilities	223 097	221 117	350 228
	2 148 822	**1 872 518**	**2 170 273**

€3 604 thousand (previous year: €1 690 thousand) of trade accounts payable are not due within a year.

At fiscal year-end, personnel and social security liabilities included outstanding vacation benefits, overtime, annual bonus payments, and unpaid wages, salaries and social security contributions.

Sales tax (VAT) liabilities, whose fair value essentially corresponds to the carrying amount, formed the main item in tax liabilities.

Government Grants

€ in thousands	2009/10	2008/09
As at October 1	**10 893**	**10 570**
Granted during the fiscal year	1 805	1 839
Amortized in profit and loss	(1 336)	(1 516)
As at September 30	**11 362**	**10 893**

Subsidies totaling €10 270 thousand (previous year: €10 699 thousand) were received in cash for capital spending on property, plant and equipment. Subsidies totaling €1 092 thousand (previous year: €194 thousand) were granted for other expenses.

Subsidies totaling €4 017 thousand (previous year: €4 747 thousand) were granted. Of this amount, €2 396 thousand (previous year: €2 893 thousand) was for capital spending on property, plant and equipment and €1 621 thousand (previous year: €1 854 thousand) was for other expenses.

Government assistance totaling €4 718 thousand (previous year 2007/08: €13 400 thousand) was received in fiscal 2008/09 in the context of the relocation of Voith subsidiaries in China. Of this amount, €9 049 thousand (previous year 2007/08: €8 500 thousand) was recognized in profit and loss. No such government grants were received or recognized in the course of the current fiscal year.

In addition, further subsidies totaling €1 395 thousand (previous year: €1 988 thousand) were netted against cost items.

In Brazil, government-subsidized export credits are granted to local Voith companies.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Notes to the Consolidated Cash Flow Statement

In fiscal 2009/10, the change in investments in marketable securities was made up of cash inflows totaling €250 506 thousand (previous year: €237 636 thousand) and cash outflows totaling €187 363 thousand (previous year: €273 153 thousand).

Required information relating to the acquisition of consolidated companies is provided in the section on “Business combinations in fiscal 2009/10”.

Cash and cash equivalents include checks, cash in hand, cash equivalents and balances in bank accounts.

Notes to the Segment Report

Information on the Segment Data

According to IFRS 8, which is applied for the first time, segment reporting reflects group-internal reporting structures. In the past the reportable segments were already defined according to group-internal structures. Consequently, there will be no changes in the definition of reportable segments with the implementation of IFRS 8. Business continues to be managed according to the different products and industries and for this reason the segments and structures are the same as they were on September 30, 2009.

Segment data is essentially compiled using the same accounting and valuation 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 uniform set of accounting and valuation policies used for the consolidated financial statements.

In the Voith Group the key figure to valuate and control the individual segments is Return on Capital Employed (ROCE). The calculation of ROCE is defined as Profit from Operations in relation to Capital Employed.

Based on the calculation of ROCE the key result figure in controlling is Profit from Operations. Basically, it is an operational figure derived from external accounting, the operational result before non-recurring result. In line with the calculation of Profit from Operations the following result components are taken into consideration:

Operating interest income

Operating interest income from ordinary activities is defined as interest received by the company on the long-term financing of receivables from customers or as the imputed interest effect assigned on that portion of customer advances that is not used to finance inventories and PoC receivables.

Other adjustments

Other adjustments include effects which, based on their operating character, are normally shown as other income and other expenses in the Statement of Income. In line with the calculation of the Profit from Operations these adjustments are eliminated as exceptions and therefore a better evaluation of the operating business activities by segment is achieved.

The Profit from Operations was also shown on a voluntary basis in previous periods. Consequently, no adjustment is required to this figure due to the first time application of IFRS 8. The segment result according to IAS 14 which had been shown in previous years is not applicable in the future.

The Capital Employed is defined as operating net assets and consists of the sum 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 accounts payable, non-interest-bearing liabilities and income tax liabilities as well as deferred income and advances received deducted up to the amount of inventories and PoC receivables.

The Capital Employed on the reference date is an average value derived from the values on the current year-end, the reference date for the previous half year-end and the reference date for the previous year-end. In contrast to the provisions of IAS 21 the assets and liabilities of foreign subsidiaries are translated at the average exchange rate for the reporting period. Owing to the use of averages the employed capital cannot be reconciled to the figures in the consolidated financial statements on a single closing date.

Consolidation entries were taken into account in full for the first time when the employed capital was calculated on September 30, 2010. Consolidation entries were not taken fully into account when calculating the employed capital in the previous year as internal reporting did not provide for a corresponding adjustment owing to the unreasonable cost.

Investments concern intangible assets (excluding goodwill) and property, plant and equipment. Additions due to new acquisitions are not included.

Sales are broken down regionally, based on the customer's domicile. Non-current assets, consisting of property, plant and equipment and other intangible assets, are assigned to the asset location.

Information on Activities in the Segments

Voith Hydro is a joint venture company that combines the strength of two leading 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 converters, 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 that for every type of paper: graphic grades, board, packaging papers, tissue paper and special-purpose papers. Voith is also one of the global leading manufacturers of forming fabrics, wet felts and dryer fabrics for the world's cellulose 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.

Business and reportable segments as defined in IFRS 8 are identical.

Segment Information by Division

€ in millions	Voith Hydro 2009/10	Voith Hydro 2008/09*	Voith Industrial Services 2009/10	Voith Industrial Services 2008/09	Voith Paper 2009/10	Voith Paper 2008/09
External sales	1 158	1 087	962	1 018	1 723	1 743
Sales with other segments	6	1	67	61	43	65
Total segment sales	1 164	1 088	1 029	1 079	1 766	1 808
Profit from Operations	76	63	38	36	128	150
Depreciation on property, plant and equipment & intangible assets[2)]	21	17	18	20	70	67
Investments[3)]	90	58	10	14	52	93
Segment goodwill	14	14	209	207	219	218
Capital Employed	440	346	193	220	796	801
ROCE	17.3%	18.2%	19.9%	16.4%	16.0%	18.7%
Employees[4)]	5 238	4 681	19 119	19 118	9 353	9 500

[1)]Subtotal for Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.
[2)]Excluding depreciation included in the non-recurring result, 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.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

	Voith Turbo		Total Core Business[1)]		Reconciliation		Total	
	2009/10	2008/09	2009/10	2008/09*	2009/10	2008/09	2009/10	2008/09*
	1 349	1 232	5 192	5 080	6	5	5 198	5 085
	5	7	121	134	(121)	(134)	0	0
	1 354	1 239	5 313	5 214	(115)	(129)	5 198	5 085
	135	113	377	362	5	(6)	382	356
	46	39	155	143	8	8	163	151
	72	78	224	243	10	12	234	255
	138	138	580	577	0	0	580	577
	703	718	2 132	2 085	96	85	2 228	2 170
	19.2%	15.7%	17.7%	17.3%			17.1%	16.4%
	5 422	5 428	39 132	38 727	622	602	39 754	39 329

The defined components “Operating Interest Income” and “Other Adjustments” are not directly shown in the statement of income and are therefore separately disclosed in the following reconciliation starting with the total of Profit from Operations to Income before taxes.

Profit from Operations can be reconciled to the figures in the consolidated financial statements as follows:

€ in millions	2009/10	2008/09*
Profit from Operations	**382**	**356**
Operating interest income	(32)	(26)
Other adjustments	3	(6)
Non-recurring result	(13)	(98)
Share of profits from associates	4	2
Interest result	(71)	(55)
Other financial result	(39)	(18)
Income before tax	**234**	**155**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Segment Information by Regions

External sales (Customer's domicile)

€ in millions	2009/10	2008/09*
Germany	1 058	1 134
Abroad	4 140	3 951
of which Europe	1 496	1 481
of which Americas	1 231	1 165
of which Asia	1 297	1 216
of which China	698	657
of which Others	116	89
Total	**5 198**	**5 085**

Non-current assets

€ in millions	2009/10	2008/09
Germany	992	985
Abroad	866	776
of which Europe	274	275
of which Americas	402	336
of which USA	223	216
of which Asia	187	163
of which Others	3	2
Total	**1 858**	**1 761**

*Data for the previous year adjusted (refer to "Adjustments to data for previous years").

Other Information

Contingent Liabilities, Contingent Assets and Other Financial Obligations

Appropriate provisions have been formed in the relevant Group companies to cover contingent liabilities arising from taxation, court and arbitration proceedings.

Possible tax risks exist outside Germany concerning the tax recognition of expenses amounting to a maximum of €13 million (previous year: €7 million). Following a successful action before the court of first instance, the chances of winning proceedings before an appeal court are good. A court case is also underway in connection with the recognition of an amount of €5 million for transfer prices outside Germany and for €9 million for legal disputes. As things stand, both the cases in both fields are expected to end successfully.

Owing to a 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. The maximum risk is currently €39 million, although the assessment undertaken by the engaged lawyers suggests that there is a good chance of the tax privileges being recognized and the maximum risk will not therefore materialize.

Neither Voith AG nor any of its consolidated companies are involved in any current or foreseeable taxation, court or arbitration proceedings that could materially influence their economic situation.

Owing to the ongoing tax audit of the German companies, further changes may be made to tax items.

The Voith Group has contingent tax assets totaling approximately €10 million (previous year: €10 million) outside Germany.

Warranties and Guarantees

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	2010-09-30	2009-09-30
Guarantee obligations	36 910	32 652
Warranties	901	804
Assets pledged as security for third-party obligations	0	2 347
	37 811	**35 803**

Most of the guarantee obligations mature in 2015.

Other Financial Obligations

In addition to liabilities, provisions and warranties and guarantees, the Voith Group also has other financial obligations, in particular those arising from rental and leasing agreements for buildings, land, equipment, plant, machinery, and other non-production-related tools and equipment.

€ in thousands	2010-09-30	2009-09-30
Purchasing commitments for capital expenditure	19 989	35 634
Obligations arising from non-cancelable operating rental and leasing agreements	136 024	132 317
Other obligations	740	2 106
	156 753	**170 057**

Assets leased within the framework of operating rental and leasing agreements led to cash outflows totaling €67 634 thousand (previous year: €63 116 thousand) in the period under review. These payments were recognized as expenses and mostly related to leased vehicles, machinery and buildings. The majority of leases run for between one and 17 years. Some companies have the option of extending their rental contracts.

The total of future minimum lease payments for non-cancelable operating rental and leasing agreements is shown below:

	2010-09-30	2009-09-30
Nominal value of future minimum lease payments		
Due in under one year	47 665	39 711
Due between one and five years	62 110	61 204
Due in over five years	26 249	31 402
	136 024	**132 317**

Future minimum lease payments include an amount of €5 319 thousand from sale and lease-back transactions.

A negligible amount is expected as sublease cash inflows from assets under operating rental and lease agreements within the Group.

The “Other obligations” item consists essentially of maintenance agreements.

Additional Information on Financial Instruments

Carrying amounts, measurements and fair values for each category of instrument.

€ in thousands	IAS 39 measurement category	Carrying amount as at 2010-09-30	IAS 39 balance sheet measurement policy: Amortized cost	Cost	Fair value in equity	Fair value in profit and loss	IAS 17 balance sheet measurement policy	Fair value 2010-09-30
Assets:								
Cash and cash equivalents	LaR	1 175 359	1 175 359					1 175 359
Trade receivables	LaR	784 058	784 058					784 058
Receivables from construction contracts	LaR	355 639	355 639					355 639
Other financial assets and marketable securities		247 083						
Financial assets loans and receivables	LaR	30 918	30 918					30 918
Financial assets available-for-sale	AfS	206 993		24 069	182 924			182 924[1]
Financial assets held-for-trading	FAHfT	0				0		0
Financial assets at fair value through profit and loss	FAfvtpl	9 172				9 172		9 172
Financial derivatives[2]		96 747						
Derivatives without hedges	FAHfT	9 450				9 450		9 450
Derivatives with hedges	n.a.	87 297			797	86 500		87 297
Other receivables[2]		170 376						
Financial receivables	LaR	54 868	54 868					54 868
Other financial assets	LaR	4 591	4 591					4 591
Other operating assets	LaR	110 917	110 917					110 917
Liabilities:								
Trade accounts payable	FLAC	496 142	496 142					496 142
Bonds/bank loans/notes	FLAC	1 344 542	1 344 542					1 436 927
Financial liabilities from leasing contracts	n.a.	4 133					4 133	
Financial derivatives[2]		39 933						
Derivatives without hedges	FLHfT	9 984				9 984		9 984
Derivatives with hedges	n.a.	29 949			8 040	21 909		29 949
Other financial liabilities	FLAC	120 910	120 910					120 910
Other liabilities[2]	FLAC	365 508	365 508					365 508
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2 516 350	2 516 350					
Available-for-sale (AfS)	AfS	206 993		24 069	182 924			
Financial assets held-for-trading (FAHfT)	FAHfT	9 450				9 450		
Financial assets at fair value through profit and loss	FAfvtpl	9 172				9 172		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2 327 102	2 327 102					
Financial liabilities held-for-trading (FLHfT)	FLHfT	9 984				9 984		

[1]Financial assets available-for-sale (AfS) include investments whose fair value could not be determined reliably.

[2]Other receivables and assets/other liabilities totaling €438 049 thousand/€1 623 341 thousand reported in the balance sheet include financial assets/financial liabilities totaling €267 123 thousand/€405 441 thousand.

€ in thousands	IAS 39 measurement category	Carrying amount as at 2009-09-30*	IAS 39 balance sheet measurement policy				IAS 17 balance sheet measurement policy	Fair value 2009-09-30*
			Amortized cost	Cost	Fair value in equity	Fair value in profit and loss		
Assets:								
Cash and cash equivalents	LaR	923 127	923 127					923 127
Trade receivables	LaR	671 809	671 809					671 809
Receivables from construction contracts	LaR	257 758	257 758					257 758
Other financial assets and marketable securities		323 861						
Financial assets loans and receivables	LaR	6 799	6 799					6 799
Financial assets available-for-sale	AfS	300 165		22 449	277 716			277 716[1]
Financial assets held-for-trading	FAHfT	1 564				1 564		1 564
Financial assets at fair value through profit and loss	FAfvtpl	15 333				15 333		15 333
Financial derivatives[2]		94 976						
Derivatives without hedges	FAHfT	14 301				14 301		14 301
Derivatives with hedges	n.a.	80 675			2 217	78 458		80 675
Other receivables[2]		119 764						
Financial receivables	LaR	40 434	40 434					40 434
Other financial assets	LaR	2 002	2 002					2 002
Other operating assets	LaR	77 328	77 328					77 328
Liabilities:								
Trade accounts payable	FLAC	406 075	406 075					406 075
Bonds/bank loans/notes	FLAC	1 275 697	1 275 697					1 294 401
Financial liabilities from leasing contracts	n.a.	4 915					4 915	
Financial derivatives[2]		14 224						
Derivatives without hedges	FLHfT	6 945				6 945		6 945
Derivatives with hedges	n.a.	7 279			2 895	4 384		7 279
Other financial liabilities	FLAC	118 597	118 597					118 597
Other liabilities[2]	FLAC	369 465	369 465					369 465
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	1 979 257	1 979 257					
Available-for-sale (AfS)	AfS	300 165		22 449	277 716			
Financial assets held-for-trading (FAHfT)	FAHfT	15 865				15 865		
Financial assets at fair value through profit and loss	FAfvtpl	15 333				15 333		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2 169 834	2 169 834					
Financial liabilities held-for-trading (FLHfT)	FLHfT	6 945				6 945		

1) Financial assets available-for-sale (AfS) include investments whose fair value could not be determined reliably.

2) Other receivables and assets/other liabilities totaling €363 775 thousand/€1 447 234 thousand reported in the balance sheet include financial assets/financial liabilities totaling €214 740 thousand/€383 689 thousand.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

€ in thousands	IAS 39 measure-ment category	Carrying amount as at 2008-10-01*	IAS 39 balance sheet measurement policy				IAS 17 balance sheet measure-ment policy	Fair value 2008-10-01*
			Amortized cost*	Cost	Fair value in equity	Fair value in profit and loss		
Assets:								
Cash and cash equivalents	LaR	539 641	539 641					539 641
Trade receivables	LaR	726 145	726 145					726 145
Receivables from construction contracts	LaR	378 283	378 283					378 283
Other financial assets and marketable securities		264 596						
Financial assets loans and receivables	LaR	4 269	4 269					4 269
Financial assets available-for-sale	AfS	236 015		30 816	205 199			205 199[1]
Financial assets held-for-trading	FAHfT	11 232				11 232		11 232
Financial assets at fair value through profit and loss	FAfvtpl	13 080				13 080		13 080
Financial derivatives[2]		55 572						
Derivatives without hedges	FAHfT	18 203				18 203		18 203
Derivatives with hedges	n.a.	37 369			2 778	34 591		37 369
Other receivables[2]		227 586						
Financial receivables	LaR	107 367	107 367					107 367
Other financial assets	LaR	2 675	2 675					2 675
Other operating assets	LaR	117 544	117 544					117 544
Liabilities:								
Trade accounts payable	FLAC	486 704	486 704					486 704
Bonds/bank loans/notes	FLAC	867 105	867 105					841 108
Financial liabilities from leasing contracts	n.a.	5 860					5 860	
Financial derivatives[2]		57 300						
Derivatives without hedges	FLHfT	7 064				7 064		7 064
Derivatives with hedges	n.a.	50 236			378	49 858		50 236
Other financial liabilities[3]	FLAC	141 417	141 417					141 417
Other liabilities[2]	FLAC	487 160	487 160					487 160
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	1 875 924	1 875 924					
Available-for-sale (AfS)	AfS	236 015		30 816	205 199			
Financial assets held-for-trading (FAHfT)	FAHfT	29 435				29 435		
Financial assets at fair value through profit and loss	FAfvtpl	13 080				13 080		
Financial liabilities measured at amortized cost (FLAC)	FLAC	1 982 386	1 982 386					
Financial liabilities held-for-trading (FLHfT)	FLHfT	7 064				7 064		

[1] Financial assets available-for-sale (AfS) include investments whose fair value could not be determined reliably.

[2] Other receivables and assets/other liabilities totaling €431 938 thousand/€1 665 998 thousand include financial assets/financial liabilities totaling €283 158 thousand/€544 460 thousand.

[3] The other financial liabilities of €142 076 thousand corrected in the notes include customs totaling €659 thousand.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

IFRS 7.2 measurement categories

€ in thousands	2010-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and marketable securities	192 096	192 096	0	0
Financial derivatives	96 747	0	96 747	0
Liabilities				
Financial derivatives	39 933	0	39 933	0

€ in thousands	2009-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and marketable securities	294 613	294 613	0	0
Financial derivatives	94 976	0	94 976	0
Liabilities				
Financial derivatives	14 224	0	14 224	0

The three-phase 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 calculation of fair values. Three measurement categories are distinguished:

Level 1:
Fair values are determined on the basis of publicly listed market prices.

Level 2:
Fair values are determined using measurement methods in which the input factors are based on directly observable market data.

Level 3:
Fair values are determined using measurement methods in which the input factors are based on indirectly observable market data.

Net gains and losses for each category of instrument:

2009/10 € in thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	1 740	(1 205)	535
Available-for-sale financial assets	(40 836)	(469)	(41 305)
Financial assets at fair value through profit and loss	0	978	978
Held-for-trading financial assets	0	(4 288)	(4 288)
Financial liabilities at amortized cost	0	(15 065)	(15 065)

2008/09 € in thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	(14 627)*	(7 787)	(22 414)
Available-for-sale financial assets	(19 873)	1 908	(17 965)
Financial assets at fair value through profit and loss	0	513	513
Held-for-trading financial assets	0	(10 295)	(10 295)
Financial liabilities at amortized cost	0	313	313

*Data for previous year adjusted.

Risk Management

Principles of Financial Risk Management

The Voith Group is a global player. In the course of its 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 assets, financial and earnings position. The aim of financial risk management is therefore to manage and contain 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. As at October 1, 2009 the previous Voith AG Corporate Finance division in Heidenheim was reassigned to Voith Finance GmbH, Heidenheim, a 100% subsidiary of Voith GmbH, although external refinancing continues to be contracted via Voith GmbH.

Voith Finance 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 Corporate Board of Management.

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, uniform, Group-wide guidelines. Compliance with these guidelines is verified on an ongoing basis. Hedge transactions and highly liquid 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 all customers who wish to do credit-based business with us.

Liquid funds:
For the purposes of risk management liquid funds consist essentially of cash, cash equivalents and marketable securities. Default risks associated with term deposits are contained by selecting banking partners that are verifiably solvent and by spreading cash and cash equivalents across multiple counterparties. A creditworthiness limit (derived from credit default swaps/rating/deposit protection) is established for each bank and compliance continuously verified.

Securities may only be traded by consolidated companies with the approval of Voith Finance.

In addition, Voith invests in marketable securities in the context of its strategic liquidity reserve and has the associated risks monitored by an external advisor on the basis of a defined value-at-risk budget. Daily changes in the value of marketable securities are monitored internally.

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. Credit risk is limited to the carrying amount of trade accounts receivable, which is €784 058 thousand (previous year: €671 809 thousand). The maximum default risk for receivables arising from long-term construction contracts is €355 639 thousand (amounts adjusted for previous years: 2009: €257 758 thousand and 2008: €378 283 thousand).

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 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 at 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 securities are obtained via export credit agencies (ECAs), on the private insurance market or by means of bank contacts.

If counterparties default in respect of the Group's other financial assets (cash and cash equivalents, available-for-sale financial assets and certain financial derivatives), the credit risk is limited to the carrying amount of the instruments concerned. For details of financial guarantees, please refer to the discussion of contingent liabilities. This kind of asset loss can occur if individual business partners fail to meet their contractual obligations. As a rule, no security exists for such eventualities.

The Voith Group is exposed to no material concentration of risks. Corporate policy is to avoid limiting credit risk to a single financial institution. Instead, the Group invests with a variety of creditworthy financial institutions. Nor is the Group's customer structure materially concentrated in any particular geographic region. The Group tests for the impairment of doubtful accounts in light of certain customers, historic trends, branches of industry and various other information.

The following credit risks are factored into financial assets:

2010-09-30 € in thousands	Gross value	Thereof neither impaired nor overdue	Thereof not impaired but, at the balance sheet date, overdue for: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**826 718**	559 886	136 042	20 220	32 597
Other financial assets and marketable securities	**247 083**	247 083			
Other receivables	**174 413**	168 562	2 244	31	213

2009-09-30 € in thousands	Gross value	Thereof neither impaired nor overdue	Thereof not impaired but, at the balance sheet date, overdue for: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**717 544**	488 322	119 399	19 450	18 276
Other financial assets and marketable securities	**323 861**	323 590	271		
Other receivables	**124 950**	119 425	827	57	221

Receivables of €770 thousand (previous year: €0) subject to amended contract terms which were otherwise impaired or overdue were recognized at the balance sheet date.

The carrying amount of liquid funds, receivables from construction contracts and derivatives is neither impaired nor overdue.

Liquidity Risk

To ensure that it can always meet its financial obligations, Voith has adequate cash lines and has negotiated a syndicated credit facility with its banking partners.

Cash lines are used to cover the short-term financing of working capital. By contrast, the syndicated credit facility serves as a reserve out of which temporary funding can be provided for significant investments. The long-term syndicated credit facility is available for a remaining 2.5 years and had not been drawn on at the balance sheet date. To safeguard internal and external growth, Voith procures long-term funding on the capital markets by issuing bonds and note loans and by private placements.

Cash pools, intercompany loans and the allocation of external bank credit lines to individual operating units protect Group companies' liquidity. Voith Finance produces liquidity status reports for the entire Group once a month. Balances of central bank and cash pool accounts and guarantees are available daily.

The table below lists the undiscounted, contractually agreed cash outflows arising from financial instruments:

€ in thousands	Balance as at 2010-09-30	Cash flows < 1 year			Cash flows 1-5 years			Cash flows > 5 years		
		Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment
Trade accounts payable	496 142	0	0	492 539	0	0	3 748	0	0	0
Bonds/bank loans/notes	1 344 542	49 873	8 866	230 728	159 997	11 089	392 087	56 438	3 541	706 581
Financial liabilities from leasing contracts	4 133	0	0	1 144	0	0	2 080	0	0	1 825
Other financial liabilities	120 910	1 180	366	64 507	127	0	1 719	0	0	54 684
Other liabilities	365 508	0	0	333 873	0	0	28 335	0	0	3 988
Financial derivatives	39 933									
Outflows		0	0	242 979	0	0	92 809	0	0	771
Inflows		0	0	(208 282)	0	0	(81 478)	0	0	(795)
	2 371 168	**51 053**	**9 232**	**1 157 488**	**160 124**	**11 089**	**439 300**	**56 438**	**3 541**	**767 054**

€ in thousands	Balance as at 2009-09-30*	Cash flows < 1 year			Cash flows 1-5 years			Cash flows > 5 years		
		Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment
Trade accounts payable	406 075	0	0	404 385	0	0	1 690	0	0	0
Bonds/bank loans/notes	1 275 697	50 259	9 630	43 785	177 183	18 079	531 621	88 688	5 285	704 980
Financial liabilities from leasing contracts	4 915	0	0	1 611	0	0	2 451	0	0	1 929
Financial derivatives (adjusted)	14 224	0	0	91 339	0	0	44 503	0	0	0
Other financial liabilities	118 597	1 236	591	72 003	286	0	3 872	0	0	42 722
Other liabilities	369 465	0	0	313 700	0	0	51 312	0	0	4 950
	2 188 973	**51 495**	**10 221**	**926 823**	**177 469**	**18 079**	**635 449**	**88 688**	**5 285**	**754 581**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

€ in thousands	Balance as at 2008-10-01*	Cash flows < 1 year Fixed rate	Floating rate	Repay-ment	Cash flows 1-5 years Fixed rate	Floating rate	Repay-ment	Cash flows > 5 years Fixed rate	Floating rate	Repay-ment
Trade accounts payable	486 704	0	0	483 294	0	0	3 410	0	0	0
Bonds/bank loans/notes	867 105	23 713	20 569	81 020	81 768	56 743	246 658	60 487	28 130	532 627
Financial liabilities from leasing contracts	5 860	0	0	2 051	0	0	3 006	0	0	1 789
Financial derivatives (adjusted)	57 300	0	0	173 299	0	0	80 729	0	0	0
Other financial liabilities	141 417	1 232	1 318	99 090	320	80	4 562	0	0	37 765
Other liabilities	487 160	0	0	417 598	0	0	67 750	0	0	2 413
	2 045 546	**24 945**	**21 887**	**1 256 352**	**82 088**	**56 823**	**406 115**	**60 487**	**28 130**	**574 594**

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Other potential payment obligations, which can materialize at any time, exist in the form of financial guarantees of €37 811 thousand (previous year: €35 803 thousand).

Solvency is ensured and liquidity can be managed using marketable securities and cash equivalents which can be transformed into cash at any time.

Derivatives include cash outflows on financial derivatives with negative market values for which a gross cash flow 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 flow settlement is effected, cash outflows are netted against cash inflows.

Only cash outflows were shown in previous years. If the corresponding cash inflows were taken into account, the cash flows shown in the maturity analysis would be significantly lower.

Financial Market Risks

Foreign exchange risks:

Global production and business 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 (firm commitments/planned transactions) are or will be denominated in a currency other than the presentation currency of the Group company concerned.

For the Voith Group, this happens above all with the US Dollar. Changes in the exchange rate affect both earnings and Group equity. If the US Dollar rises by 5%, this reduces our pretax profits by €7 259 thousand (previous year: €14 380 thousand) and equity (including the effect from pretax profits) by €1 389 thousand (previous year: €8 908 thousand). If in contrast the US Dollar falls by 5%, this increases our pretax profits by €6 554 thousand (previous year: €12 996 thousand) and equity (including the effect from pretax profits) by €1 241 thousand (previous year: €7 914 thousand).

Most currency hedging is undertaken by Voith Finance. Transaction risks arising from the international delivery of goods and services are mainly contained by forward exchange contracts, currency swaps and combinations of interest rate and currency swaps. Essentially, all foreign currency transactions at the Voith Group must be hedged. Major items and orders on the balance sheet (upward of a value of €1 million) are hedged individually within the framework of hedge accounting.

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 before external hedge transactions are agreed.

Hedges must be highly effective if they are to satisfy Voith's risk management strategy. Where hedge relationships are verifiably effective, the transactions achieve a hedge accounting status. As a result, fluctuations in the exchange rate do not affect profit and loss, nor do they influence project costing.

In the Voith Group, financial derivatives are traded externally by Voith Finance on behalf of consolidated companies. Consolidated companies in countries subject to foreign exchange restrictions hedge their currency risks locally. The enterprise-wide treasury management tool is used for central scheduling, monitoring and documentation of all foreign currency hedges entered into by Voith Finance or consolidated companies.

Interest rate risks:
The Voith Group's exposure to interest rate risks arising from external refinancing is centrally analyzed and managed by Voith Finance. 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 payables are hedged on a case-by-case basis. Risks to market value are hedged by interest rate swaps and combined interest rate/currency swaps, usually in the context of hedge accounting.

The relevant asset positions are essentially balances in bank accounts that are invested in the money market and/or are used to fund the existing cash pool. The consolidated companies that participate in the cash pool operate a daily zero-balancing policy and therefore have no exposure to external interest rate risks.

The Group raises funds by drawing on financial instruments with both fixed and floating rates of interest which are hedged against interest rate risks.

On the cost side, interest rate risks arise from bonds placed on the capital market, a private placement in the USA, a euro note loan and a variety of bank loans. The US private placement was swapped from a fixed to a floating rate and the resulting cash flow risk hedged by interest rate caps accordingly. Part of the 2001/2011 bond has been swapped from fixed to floating rates. Ongoing analysis of effective interest payments and the trend in mid-swap rates with similar maturities form the basis for the option of realigning fixed- and floating-rate obligations. By contrast, the newly issued euro note loan has been swapped from a floating to a fixed rate.

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:

2010-09-30 € in thousands	Under 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Floating interest rates							
Cash and cash equivalents	1 175 359	0	0	0	0	0	**1 175 359**
Bonds	145 731	0	0	150 515	0	125 529	**421 775**
Bank loans	77 443	34	34	34	34	269	**77 848**
Fixed interest rates							
Bonds	0	0	0	0	0	577 498	**577 498**
Bank loans	218	100 093	13	159 562	13	0	**259 899**

2009-09-30 € in thousands	Under 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Floating interest rates							
Cash and cash equivalents	923 127	0	0	0	0	0	**923 127**
Bonds	0	146 115	0	0	134 996	110 091	**391 202**
Bank loans	25 976	211	93	150	110	5 664	**32 204**
Fixed interest rates							
Bonds	0	0	0	0	0	574 910	**574 910**
Bank loans	0	0	100 000	0	159 445	0	**259 445**

If the market rate of interest had been 100 bps higher (lower) at September 30, 2010, earnings would have been €6.8 million (previous year: €5 million) higher (lower). Equity would have changed accordingly.

Risks relating to marketable securities and stock prices:

Towards the end of the fiscal year Voith began liquidating assets previously held in a multi-asset portfolio. At the balance sheet date there was still a portfolio of remaining unsold securities. The total value of the portfolio at the balance sheet date was still €11 million (previous year: €100 million). Risk monitoring takes place via an external advisor using a defined value-at-risk budget. The value at risk (VaR) indicates the maximum loss at a defined probability level over a defined holding period. A rolling 260-day window supplies the information about future returns and volatility levels that is needed to calculate the value at risk.

The confidence level is set at 95%. The holding period is set at 10 days and, in a second method, 260 days. The parameter settings indicate a probability of 95% that losses to the portfolio after 10 days (260 days) will not exceed the defined value at risk. The 95% VaR for 10 days was 0.38% (previous year: 0.28%) of the market values at the balance sheet date.

In addition, the Group holds mostly individual stocks with a total value of €158 million (previous year: €179 million). Accordingly, stock price risks are reflected on the balance sheet and not in the consolidated statement of income, provided the criteria for impairment are not met. A 10% change in the underlying stock prices would cause equity to change by 10% of the carrying amount of the stocks concerned.

Stocks and other securities worth €23 million (previous year: €14 million) were also held which may be subject to a price risk.

It should be noted that all investment decisions are based on thorough analysis of fundamental data. In the event of unusual stock price movements, existing stock price risks are analyzed immediately and suitable actions taken.

Commodity price risks:

Voith is indirectly exposed to risks arising from changes in commodity prices, as these also affect the semi-manufactures that we usually need. Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's material requirements. On request by Corporate Purchasing, and in consultation and agreement with consolidated companies, suitable forward commodity contracts can be arranged by Voith Finance to contain any latent commodity price risks. No forward commodity contracts were arranged 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 hedge foreign exchange and interest rate risks:

2010-09-30 € in thousands	Nominal values*		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	588 767	219 114	35 738	12 127	16 426	5 484
Forward exchange contracts (cash flow hedges)	20 327	0	797	0	1 030	0
Interest rate swaps (fair value hedges)	100 000	238 008	261	38 374	0	0
Interest rate swaps (cash flow hedges)	0	148 000	0	0	0	7 009
Other derivatives	154 708	265 635	4 448	5 002	8 710	1 274
Total	**863 802**	**870 757**	**41 244**	**55 503**	**26 166**	**13 767**

2009-09-30 € in thousands	Nominal values*		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	515 497	255 114	39 148	15 331	3 494	890
Forward exchange contracts (cash flow hedges)	7 825	4 207	1 694	523	155	120
Interest rate swaps (fair value hedges)	0	321 661	0	23 979	0	0
Interest rate swaps (cash flow hedges)	0	148 000	0	0	0	2 620
Other derivatives	192 770	286 079	5 856	8 445	4 963	1 982
Total	**716 092**	**1 015 061**	**46 698**	**48 278**	**8 612**	**5 612**

*Nominal value refers to the volume of the hedged transactions in the local currency, translated at the exchange rate on the balance sheet date.

The reported interest rate swaps were concluded to hedge the fair value of the €200 million bond running from 2001 through 2011, to hedge the fair value of the private placements (fair value hedge) and to hedge the risk of changes in the rate of interest for the note loan (cash flow hedge). As a result, the fixed interest rates agreed for the bonds were converted to floating rates and the floating rate agreed for the note loan was converted to a fixed rate. The main terms and conditions agreed for the bonds and interest rate swaps are identical.

Fair value hedges

The Group uses fair value hedges primarily to hedge interest rate and foreign exchange risks.

In fiscal 2009/10, a loss of €5 449 thousand (previous year: a gain of €77 822 thousand) was recorded for financial derivatives classified as fair value hedges. Since the hedges were classified as highly effective, measurement of the hedged transactions at the balance sheet date produced contrary results in the same amount.

The ineffective portions of hedges did not affect earnings in fiscal 2010 or 2009.

Changes in the value of financial derivatives that do not meet the requirements defined for hedge accounting by IAS 39 are recognized in profit and loss at the balance sheet date.

Cash flow hedges

On September 30, 2010, the Group held forward exchange contracts to hedge expected future sales and purchases. These contracts relate to firm commitments. Since 2009, the Group has also been using interest rate swaps to hedge interest rate risks through 2014. Since the hedge relationships are documented, these forward exchange contracts are classified as hedges in the context of cash flow hedging.

The main terms and conditions of the forward exchange contracts were negotiated in line with the terms and conditions agreed for the underlying transactions.

Hedge relationships designed to hedge cash flows from expected future sales were classified as highly effective. Accordingly, an unrealized loss of €1 357 thousand (previous year: €4 873 thousand) was recognized in Group equity in revenue reserves on September 30, 2010.

Due to the realization of transactions in the course of the period under review, the relevant accumulated losses in the amount of €6 976 thousand (previous year: gains of €1 764 thousand) were reclassified from other reserves to profit and loss.

Research and Development Costs

In fiscal 2009/10, research and development costs totaled €265 861 thousand (previous year: €253 860 thousand).

Of this amount, €20 121 thousand (previous year: €18 320 thousand) was capitalized as development expenditure in the balance sheet. The remaining expenses consist of €172 628 thousand (previous year: €171 229 thousand), which includes both scheduled depreciation on these capitalized development expenses and activities for non-customer-specific new developments and improvements, as well as €73 112 thousand (previous year: €64 311 thousand) for development activities capitalized in the context of customer-specific orders.

Related Party Disclosures

In the course of its ordinary business activities, Voith AG maintains relationships both with the subsidiaries listed in these consolidated financial statements and with other related enterprises and individuals (holders of minority interests, family members who are shareholders, and members of the Supervisory Board and the Board of Management).

In fiscal 2007/08, one subsidiary of Voith AG was sold to family members who are shareholders in the context of a transaction under common control. This company, JMV GmbH & Co. KG, Heidenheim, is now the parent company of the Voith Group.

All business transactions with related enterprises and individuals are conducted at arm's length on regular market terms and conditions.

Members of the Board of Management or members of the Supervisory Board of Voith AG and family members who hold shares in the Group 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 on the same terms and conditions as business with any unrelated third parties.

A total of €76 thousand (previous year: €153 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 enterprises and individuals are shown in the table below:

€ in thousands	2009/10	2008/09*	2007/08*
Liabilities to family members who are shareholders	37 123	37 769	34 637
Services purchased from associated companies	7 508	1 511	1 386
Services provided for associated companies	20 122	4 741	5 818
Receivables from associated companies	5 057	2 758	726
Liabilities to associated companies	707	3 939	1 342
Services purchased from other investments	665	705	3 886
Services provided for other investments	24 380	13 354	14 869
Receivables from other investments, incl. advance payments	11 140	10 314	15 293
Write-downs on receivables from other investments	(448)	(1 181)	(1 623)
Liabilities to other investments	25 030	20 804	28 966
Services purchased from the parent company	8 842	7 824	7 738
Services rendered to the parent company	467	599	325
Receivables from the parent company	214	514	538
Liabilities to the parent company	1 904	1 193	1 181
Liabilities to holders of non-controlling interests	61 590	63 482	101 751
Receivables from holders of non-controlling interests	31 496	7 697	36 908
Services purchased from holders of non-controlling interests	68 601	69 439	51 678
Services provided for holders of non-controlling interests	60 927	45 951	44 449

Liabilities to family members who are shareholders include current floating-rate clearing accounts and pension obligations.

For more information on the profit participation rights granted in fiscal 2006/07 (€76 800 thousand) and in fiscal 2008/09 (€6 600 thousand) to family members who are shareholders, please refer to note 19.

Research and development services in the amount of €1 692 thousand (previous year: €1 688 thousand) were provided and charged to the Group by one related party.

Guarantees in the amount of €12 146 thousand and €1 684 thousand were assumed on behalf of an associated company and other investments.

*Data for the previous year adjusted (refer to “Adjustments to data for previous years”).

Remuneration of Governing Bodies

Total compensation for members of the Board of Management of Voith AG, including pension expenses, came to €11 458 thousand in the period under review (previous year: €11 596 thousand). This amount includes long-term compensation components totaling €3 603 thousand (previous year: €3 373 thousand). These long-term compensation components include service costs totaling €1 548 thousand (previous year: €1 409 thousand).

The members of the Supervisory Board received compensation in the amount of €507 thousand (previous year: €406 thousand).

The present value of all defined benefit obligations in respect of current members of the Board of Management was €20 430 thousand (previous year: €14 497 thousand) at the balance sheet date. The present value of all defined benefit obligations in respect of former members of the Board of Management was €18 676 thousand (previous year: €17 432 thousand). Plan assets totaling €12 567 thousand (previous year: €10 246 thousand) have been formed for current and former members of the Board of Management. These amounts are stated in section 20 of the notes to the consolidated financial statements.

€1 275 thousand (previous year: €1 601 thousand) was spent on pension and other payments to former members of the Board of Management.

Auditor's Fees and Services

The following fees (including compensation for expenses) were paid to the independent auditor for services rendered in fiscal 2009/10:

€ in thousands	2009/10	2008/09
Annual audit	1 797	2 182
Other auditing and valuation services	18	143
Tax advice	145	84
Other services	57	142
	2 017	**2 551**

Events after the Balance Sheet Date

Apart from the transactions outlined in this report, no further developments of material importance have occurred since the close of fiscal 2009/10.

Heidenheim/Brenz, November 22, 2010

Voith GmbH

The Board of Management

Dr. Hubert Lienhard

Dr. Hermann Jung

Dr. Hans-Peter Sollinger

Peter Edelmann

Martin Hennerici

Bertram Staudenmaier

Dr. Roland Münch

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, gave an unqualified audit opinion on the consolidated financial statements of Voith AG for the fiscal year to September 30, 2010 and the German version was filed with the electronic version of the 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 22, 2010

Voith GmbH

The Board of Management

Dr. Hubert Lienhard

Dr. Hermann Jung

Dr. Hans-Peter Sollinger

Peter Edelmann

Martin Hennerici

Bertram Staudenmaier

Dr. Roland Münch

The Voith Group and Its Shareholdings

as at 2010-09-30

Significant Associated Companies and Shareholdings

	Capital in local currency		Group share in %
Voith GmbH (formerly Voith AG), Heidenheim/Germany	**120 000 000**	**EUR**	
Voith IT Solutions GmbH & Co KG, St. Pölten/Austria	35 000	EUR	100.0
Voith Composites GmbH & Co. KG, Garching/Germany	200 000	EUR	100.0
J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim/Germany	44 601 000	EUR	100.0
Voith Assekuranz Vermittlung GmbH, Heidenheim/Germany	51 129	EUR	100.0
Voith Finance GmbH, Heidenheim/Germany	25 000	EUR	100.0
Voith Financial Services GmbH, Heidenheim/Germany	25 000	EUR	100.0
Voith IT Solutions GmbH, Heidenheim/Germany	50 000	EUR	100.0
Voith Theta GmbH, Heidenheim/Germany	50 100	EUR	100.0
Voith IT Solutions Inc., Wilson (NC)/United States	1	USD	100.0

Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany*	**23 519 500**	**EUR**	**65.0**
Kössler Gesellschaft m.b.H., St. Georgen (Stfd.)/Austria	363 364	EUR	100.0
Voith Hydro GmbH & Co KG, St. Pölten/Austria	3 633 642	EUR	100.0
Voith Hydro da Amazonia Ltda., Manaus/Brazil	10 000	BRL	100.0
Voith Hydro Ltda., São Paulo (SP)/Brazil	42 962 560	BRL	100.0
Voith Hydro Services Ltda., São Paulo (SP)/Brazil	1 000 000	BRL	100.0
Voith Hydro Inc., Brossard (QC)/Canada	16 114 850	CAD	100.0
Voith Hydro S.A., Santiago de Chile (Las Condes)/Chile	25 000 000	CLP	100.0
Voith Hydro Shanghai Ltd., Shanghai/China	43 333 667	USD	80.0
VH Auslandsbeteiligungen GmbH, Heidenheim/Germany	26 000	EUR	100.0
VHG Auslandsbeteiligungen GmbH, Heidenheim/Germany	25 565	EUR	100.0
Voith Hydro GmbH & Co. KG, Heidenheim/Germany	15 441 100	EUR	100.0
Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim/Germany	100 000	EUR	80.0
Voith Hydro Private Limited, Noida/India	200 000 000	INR	100.0
Voith Hydro S.P.A., Cinisello Balsamo (MI)/Italy	120 000	EUR	100.0
Voith Fuji Hydro K. K., Kawasaki-shi, Kanagawa/Japan	200 000 000	JPY	50.0
Voith Hydro Mexico, S. de R.L. de C.V., Huixquilucan, Edo de Mexico/Mexico	3 000	MXN	100.0
Voith Hydro AS, Oslo/Norway	3 000 000	NOK	100.0
Voith Hydro Sarpsborg AS, Sarpsborg/Norway	530 000	NOK	100.0
Voith Hydro Lima S.A.C., San Isidro - Lima/Peru	1 000	PEN	99.0
Voith Hydro S.R.L., Bucharest/Romania	680	RON	100.0

*The proportionate holding for the Hydro companies relates to Voith Hydro Holding GmbH & Co. KG, Heidenheim.

	Capital in local currency		Group share in %
Voith Hydro S.L., Ibarra (Guipúzcoa)/Spain	345 575	EUR	100.0
VG Power AB, Västerás/Sweden	1 200 000	SEK	51.0
Voith Hydro Limited Sirketi, Sögütözü Ankara/Turkey	1 000 000	TRY	100.0
Peak Hydro Services, Inc., Chattanooga (TN)/United States	1	USD	100.0
Voith Hydro Inc., York (PA)/United States	43 344 100	USD	100.0
Voith Industrial Services Holding GmbH & Co. KG, Heidenheim/Germany	**500 000**	**EUR**	**100.0**
Hörmann Industrietechnik GmbH, Steyr/Austria	35 000	EUR	100.0
DIW Instandhaltung GmbH, Vienna/Austria	1 500 000	EUR	100.0
Voith Industrial Services Ermo Benelux N.V., Kapellen (Antwerp)/Belgium	1 137 500	EUR	100.0
Voith Industrial Services do Paraná Ltda., Pinhais - PR/Brazil	4 500 000	BRL	100.0
Voith Serviços Industriais do Brasil Ltda., São Paulo (SP)/Brazil	12 245 142	BRL	100.0
Premier Manufacturing Support Services of Canada Ltd., Markham (ON)/Canada	100	CAD	100.0
Voith Industrial Services (Shanghai) Co., Ltd., Shanghai/China	500 000	USD	100.0
Hörmann CZ spol. s.r.o., Kosmonosy/Czech Republic	1 500 000	CZK	100.0
DIW Service s.r.o, Prague/Czech Republic	2 000 000	CZK	100.0
Skandinavisk Industriservice A/S, Ringsted/Denmark	5 501 000	DKK	100.0
Voith Engineering Services Sarl, Colomiers/France	75 000	EUR	99.5
Voith Engineering Services GmbH, Bremen/Germany	250 000	EUR	100.0
Voith Engineering Services Holding GmbH, Bremen/Germany	250 000	EUR	100.0
Voith Engineering Services GmbH, Chemnitz/Germany	950 000	EUR	100.0
DIW Gastro GmbH & Co. KG, Dingolfing/Germany	100	EUR	100.0
Voith Engineering Services GmbH, Hamburg/Germany	25 000	EUR	100.0
DIW Instandhaltung GmbH & Co. KG, Heidenheim/Germany	41 312	EUR	100.0
Voith Industrial Services Mechanical Engineering GmbH, Heidenheim/Germany	1 000 000	EUR	100.0
Voith Industrial Services Paper GmbH & Co. KG, Heidenheim/Germany	48 000	EUR	100.0
Hörmann Industrietechnik GmbH, Kirchseeon/Germany	12 071 500	EUR	100.0
Voith Engineering Services GmbH, Ludwigshafen/Germany	200 000	EUR	100.0
Voith Industrial Services Ermo GmbH, Mainhausen/Zellhausen/Germany	1 600 100	EUR	100.0
Voith Industrial Services Ermo GmbH, Merseburg/Germany	400 000	EUR	100.0
DIW Instandhaltung Ltd. & Co. KG, Stuttgart/Germany	15 525 000	EUR	100.0
DIW Service GmbH, Stuttgart/Germany	50 000	EUR	100.0

	Capital in local currency		Group share in %
Voith Industrial Services Beteiligungen GmbH, Stuttgart/Germany	25 600	EUR	100.0
Voith Industrial Services Beteiligungsverwaltungs GmbH, Stuttgart/Germany	20 500 000	EUR	100.0
Voith Industrial Services Energy GmbH & Co. KG, Stuttgart/Germany	251 000	EUR	100.0
Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart/Germany	25 000	EUR	100.0
Voith Industrial Services Mechanical Engineering GmbH & Co. KG, Stuttgart/Germany	657 631	EUR	100.0
Voith Industrial Services Process GmbH & Co. KG, Stuttgart/Germany	1 530 000	EUR	100.0
Voith Industrial Services Wind GmbH, Stuttgart/Germany	25 000	EUR	100.0
Voith Industrial Services Indumont GmbH & Co. KG, Wesseling/Germany	1 000	EUR	100.0
Hörmann Györ Kft, Györ/Hungary	9 220 000	HUF	100.0
DIW Service Kft., Veszprém/Hungary	20 000 000	HUF	100.0
Voith Industrial Services India Private Limited, Pune/India	59 600 000	INR	100.0
Premier Manufacturing Support Services de Mexico S. de R.L. de C.V., Saltillo Coahuila/Mexico	23 419 381	MXN	100.0
Voith Railservices B.V., Twello/Netherlands	20 000	EUR	100.0
Premier Manufacturing Support Services Poland Sp. z. o.o., Gliwice/Poland	500 000	PLN	100.0
Hörmann Serwis Polska Sp. z. o.o., Poznan/Poland	2 250 000	PLN	100.0
Voith Industrial Services O.O.O, St. Petersburg/Russian Federation	1 700 000	RUB	100.0
DIW Service s.r.o, Bratislava/Slovakia	66 388	EUR	100.0
Hörmann Slovakia spol. s.r.o., Bratislava/Slovakia	6 639	EUR	100.0
DIW Service d.o.o., Maribor/Slovenia	125 188	EUR	100.0
Premier Manufacturing Support Services Spain S.L., Coslada (Madrid)/Spain	803 006	EUR	100.0
Voith Engineering Services SL, Madrid/Spain	3 006	EUR	100.0
Newtec Kemiteknik AB, Trollhättan/Sweden	1 000 000	SEK	100.0
Premier Manufacturing Support Services AB, Trollhättan/Sweden	100 000	SEK	100.0
Voith Engineering Services Limited, Bristol/United Kingdom	1	GBP	100.0
Premier Manufacturing Support Services (UK) Ltd., Warwick/United Kingdom	50 000	GBP	100.0
Premier Manufacturing Support Services Holding (UK) Ltd., Warwick/United Kingdom	11 000 000	GBP	100.0
Premier Manufacturing Support Services Inc., Cincinnati (OH)/United States	10	USD	100.0
Voith Paper Holding GmbH & Co. KG, Heidenheim/Germany	**30 703 500**	**EUR**	**100.0**
Voith Paper Argentina S.A., Carapachay - Buenos Aires/Argentina	12 000	ARS	100.0
Voith Paper Australia and New Zealand Pty. Ltd., North Ryde (NSW)/Australia	100	AUD	100.0
Voith Paper Fabrics GmbH, Frankenmarkt/Austria	374 265	EUR	99.8

	Capital in local currency		Group share in %
GAW technologies GmbH, Graz/Austria	1 000 000	EUR	35.0
Voith Paper Rolls GmbH & Co KG, Laakirchen-Oberweis/Austria	726 728	EUR	100.0
Voith Paper Automation GmbH & Co KG, St. Pölten/Austria	1 000 000	EUR	100.0
Voith Paper GmbH, St. Pölten/Austria	13 994 750	EUR	100.0
Voith Paper Rolls GmbH & Co KG, Wimpassing/Austria	3 270 278	EUR	100.0
Voith Mont Montagens e Serviços Ltda., Barueri (SP)/Brazil	3 389 223	BRL	100.0
Meri Sistemas e Tecnologia Ltda., São Paulo (SP)/Brazil	50 000	BRL	55.3
Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP)/Brazil	37 269 872	BRL	100.0
Voith Paper Fabric & Roll Systems Canada Inc., Hamilton (ON)/Canada	14 775 275	CAD	100.0
PremiAir Technology Inc., Saint-Laurent-Québec/Canada	540 000	CAD	100.0
Servicios y Suministros Voith Chile Ltda., Concepción, Coronel/Chile	12 500 000	CLP	100.0
Voith Paper Rolls Guangzhou Co., Ltd., Guangzhou City/China	5 500 000	USD	100.0
Voith Paper (China) Co., Ltd., Kunshan, Jiangsu/China	6 250 000	USD	100.0
Voith Paper Fabrics (China) Co., Ltd., Kunshan, Jiangsu/China	15 000 000	USD	100.0
Voith Paper Rolls (China) Co., Ltd., Kunshan, Jiangsu/China	16 050 000	USD	100.0
Voith Paper International Trading Co., Ltd., Shanghai/China	300 000	USD	100.0
Pikoteknik Oy, Parhalahti/Finland	34 000	EUR	100.0
Voith Paper Oy, Vantaa/Finland	200 000	EUR	100.0
Voith Paper Fabrics SAS, Montbron/France	4 050 000	EUR	100.0
Voith Paper SAS, Orsay/France	40 000	EUR	100.0
Voith Paper Air Systems GmbH & Co. KG, Bayreuth/Germany	100	EUR	100.0
Voith Paper Automation GmbH & Co. KG, Heidenheim/Germany	25 000	EUR	100.0
Voith Paper Fabric & Roll Systems GmbH, Heidenheim/Germany	26 000	EUR	100.0
Voith Paper Fabrics GmbH & Co. KG, Heidenheim/Germany	500 000	EUR	100.0
Voith Paper GmbH & Co. KG, Heidenheim/Germany	36 004 000	EUR	100.0
Voith Paper Rolls GmbH & Co. KG, Heidenheim/Germany	580 000	EUR	100.0
VPT Auslandsbeteiligungen GmbH, Heidenheim/Germany	29 000	EUR	100.0
Voith Paper Fabrics Düren GmbH, Krefeld/Germany	270 000	EUR	100.0
Voith Paper Krieger GmbH & Co. KG, Mönchengladbach/Germany	1 587 561	EUR	85.0
MERI Environmental Solutions GmbH, Munich/Germany	51 129	EUR	65.0
LSC Process- und Laborsysteme GmbH, Neuwied/Germany	26 076	EUR	100.0
Voith Paper Environmental Solutions GmbH & Co. KG, Ravensburg/Germany	500 000	EUR	100.0

	Capital in local currency		Group share in %
Voith Paper Fiber & Environmental Solutions GmbH & Co. KG, Ravensburg/Germany	30 303 134	EUR	100.0
Voith Paper Hybrid Fiber GmbH, Ravensburg/Germany	26 000	EUR	100.0
Voith Paper Karton- und Verpackungspapiere Forschungs GmbH, Ravensburg/Germany	5 338 800	EUR	100.0
Voith Paper Rolls GmbH & Co. KG, Weissenborn/Germany	26 000	EUR	100.0
Voith Paper Fabrics India Ltd., Faridabad (Haryana)/India	43 925 590	INR	74.0
Voith Paper Technology (India) Ltd., Kolkata/India	29 999 900	INR	100.0
PT. Voith Paper, Jakarta/Indonesia	1 182 875	USD	100.0
PT. Voith Paper Rolls Indonesia, Karawang - West Java/Indonesia	3 570 000	USD	76.0
Rif Roll Cover SRL, Basaldella (Udine)/Italy	102 960	EUR	51.0
Voith Paper S.r.L., Schio (Vicenza)/Italy	258 000	EUR	100.0
Voith IHI Paper Technology Co., Ltd., Tokyo/Japan	490 000 000	JPY	49.0
Voith Paper Co., Ltd., Tokyo/Japan	28 000 000	JPY	100.0
Voith Paper Fabrics Asia Pacific Sdn. Bhd., Ipoh, Perak Darul Ridzuan/Malaysia	10 000 000	MYR	100.0
Voith Paper Fabrics Ipoh Sdn. Bhd., Ipoh, Perak Darul Ridzuan/Malaysia	56 000 000	MYR	100.0
Meri Sistemas Ambientales S.A. de C.V., Monterrey/Mexico	250 000	MXN	45.5
Voith Paper Fabrics B.V., Haaksbergen/Netherlands	113 445	EUR	100.0
Voith Paper B.V., Vaassen/Netherlands	18 200	EUR	100.0
Voith Paper AS, Lier/Norway	4 401 000	NOK	100.0
Voith Paper Fabrics AS, Tranby/Norway	100 000	NOK	100.0
Voith Paper Technology Russia GmbH, St. Petersburg/Russian Federation	10 000	RUB	100.0
Voith Paper Fabrics, S.A., Guissona (Lérida)/Spain	1 202 024	EUR	100.0
Voith Paper S.A., Ibarra (Guipúzcoa)/Spain	1 887 715	EUR	100.0
Voith Paper Services S.L., La Puebla de Alfinden, Saragossa/Spain	3 100	EUR	100.0
Voith Paper Fabrics Gusum AB, Gusum/Sweden	2 000 000	SEK	100.0
Voith Paper Fabrics Högsjö AB, Högsjö/Sweden	28 425 000	SEK	100.0
Voith Paper Fabrics Holding AB, Högsjö/Sweden	100 000	SEK	100.0
Voith Paper AB, Karlstad/Sweden	100 000	SEK	100.0
Voith Paper Rolls AB, Lessebo/Sweden	500 000	SEK	100.0
Voith Paper Walztechnik AG, Zurich/Switzerland	150 000	CHF	100.0
Voith Paper Fabrics Blackburn Ltd., Blackburn (Lancashire)/United Kingdom	14 400 000	GBP	100.0
Voith Paper Fabrics Holding Ltd., Blackburn (Lancashire)/United Kingdom	11 000 000	GBP	100.0
Voith Paper Fabrics Stubbins, Ltd., Bury (Lancashire)/United Kingdom	160 000	GBP	100.0

	Capital in local currency		Group share in %
Voith Paper Ltd., Manchester/United Kingdom	1 000 000	GBP	100.0
Voith Meri Environmental Solutions, Inc., Appleton (WI)/United States	2 000	USD	65.0
Voith Paper Inc., Appleton (WI)/United States	2 006 975	USD	100.0
PFR, Inc., Newark (DE)/United States	100	USD	100.0
Massachusetts PFE, Inc., Orange (MA)/United States	100 000	USD	100.0
PFS I, Inc., Salisbury (NC)/United States	100 000	USD	100.0
Syn Strand Inc., Summerville (SC)/United States	641 649	USD	100.0
Voith Paper Fabrics Waycross, LLC, Waycross (GA)/United States	200	USD	100.0
VAM Finance LLC, Wilmington (DE)/United States	178 412 527	USD	100.0
Voith Paper Fabric & Roll Systems Inc., Wilson (NC)/United States	300	USD	100.0
Voith Turbo GmbH & Co. KG, Heidenheim/Germany	**25 602 000**	**EUR**	**100.0**
Voith Turbo Pty. Ltd., Wetherill Park (NSW)/Australia	650 000	AUD	100.0
Voith Turbo GmbH, St. Pölten/Austria	3 300 000	EUR	100.0
Voith Turbo Vertriebs GmbH, St. Pölten/Austria	40 000	EUR	100.0
Voith Turbo S.A./N.V., Brussels/Belgium	300 000	EUR	100.0
Voith Turbo Ltda., São Paulo (SP)/Brazil	5 250 568	BRL	100.0
Voith Turbo Inc., Mississauga (ON)/Canada	1 021	CAD	100.0
Voith Turbo Limited, Hong Kong/China	650 000	HKD	100.0
Voith Schaku KTK Coupler Technology Co., Ltd., Shanghai/China	2 000 000	EUR	50.0
Voith Turbo Power Transmission (Shanghai) Company Ltd., Shanghai/China	6 916 000	CNY	100.0
Voith Turbo A/S, Gadstrup/Denmark	700 000	DKK	100.0
Voith Turbo SAS, Noisy-le-Grand Cedex/France	2 072 000	EUR	100.0
Voith Turbo Hochelastische Kupplungen GmbH & Co. KG, Essen/Germany	200 000	EUR	100.0
Voith Turbo Aufladungssysteme GmbH & Co. KG, Gommern/Germany	2 500 000	EUR	100.0
Voith Turbo Antriebstechnik Beteiligungen GmbH, Heidenheim/Germany	25 565	EUR	100.0
Voith Turbo Auslandsbeteiligungen GmbH, Heidenheim/Germany	51 129	EUR	100.0
Voith Turbo Lokomotivtechnik GmbH & Co. KG, Heidenheim/Germany	2 501 000	EUR	100.0
Voith Turbo Schneider Propulsion GmbH & Co. KG, Heidenheim/Germany	2 582 050	EUR	100.0
Voith Turbo SMI Technologies GmbH & Co. KG, Heidenheim/Germany	100 000	EUR	51.0
Voith Turbo Vertriebsgesellschaft mbH, Heidenheim/Germany	5 114 000	EUR	100.0
Voith Turbo Wind GmbH & Co. KG, Heidenheim/Germany	1 000 000	EUR	100.0
Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Rostock/Germany	50 000	EUR	85.0

	Capital in local currency		Group share in %
Voith Turbo H+L Hydraulic GmbH & Co. KG, Rutesheim/Germany	6 100 000	EUR	100.0
Voith Turbo Scharfenberg GmbH & Co. KG, Salzgitter/Germany	5 113 000	EUR	100.0
Voith Turbo BHS Getriebe GmbH, Sonthofen/Germany	3 038 000	EUR	100.0
Voith Turbo BHS Getriebe Holding GmbH & Co. KG, Sonthofen/Germany	283 000	EUR	100.0
Voith Turbo Verdichtersysteme GmbH & Co. KG, Zschopau/Germany	125 000	EUR	100.0
Voith Turbo Kft., Biatorbágy/Hungary	285 250 000	HUF	100.0
Voith Turbo Private Limited, Hyderabad (A.P.)/India	7 349 986	INR	100.0
Voith Turbo Drive Systems s.r.l., Montichiari (BS)/Italy	100 000	EUR	100.0
Voith Turbo s.r.l., Reggio Emilia/Italy	1 200 000	EUR	100.0
Voith Turbo Co., Ltd., Kawasaki-shi, Kanagawa/Japan	38 000 000	JPY	100.0
Voith Turbo Co., Ltd., Seoul/Korea	337 500 000	KRW	80.0
Voith Turbo S.A. de C.V., Mexico (D.F.)/Mexico	2 474 095	MXN	100.0
Ox-traction (Locomotives) N.V., Roosendaal/Netherlands	45 000	EUR	46.0
Ox-traction N.V., Roosendaal/Netherlands	200 000	EUR	46.0
Voith Turbo B.V., Twello/Netherlands	18 000	EUR	100.0
Voith Turbo Holding B.V., Twello/Netherlands	703 813	EUR	100.0
Voith Turbo sp. z o.o., Wola Krzysztoporska/Poland	250 000	PLN	100.0
Voith Turbo Kazan GmbH, Kazan/Russian Federation	14 400 000	RUB	91.0
Voith Turbo Pte. Ltd., Singapore/Singapore	507 330	SGD	100.0
Imfuyo Air Products (Proprietary) Limited, Bedfordview/South Africa	10 000	ZAR	23.6
Imfuyo Projects (Pty) Ltd., Benoni/South Africa	100	ZAR	47.0
Imfuyo Locomotives (Proprietary) Limited, Parktown/South Africa	100	ZAR	47.0
Voith Property Company (Pty) Ltd., Witfield (Boksburg)/South Africa	100	ZAR	100.0
Voith Turbo (Pty) Ltd, Witfield (Boksburg)/South Africa	127 572	ZAR	100.0
Voith Turbo S.A., Coslada (Madrid)/Spain	1 500 000	EUR	100.0
Voith Turbo Safeset AB, Hudiksvall/Sweden	2 000 000	SEK	100.0
Voith Turbo AB, Spanga-Stockholm/Sweden	3 475 000	SEK	100.0
Voith Turbo Co. Limited, Kaohsiung/Taiwan	5 500 000	TWD	100.0
Voith Middle East FZE, Dubai/United Arab Emirates	1 000 000	AED	100.0
H + L Hydraulic Ltd., Croydon (Surrey)/United Kingdom	260 000	GBP	100.0
Voith Turbo Limited, Croydon (Surrey)/United Kingdom	5 000 000	GBP	100.0
Voith Turbo Rail Systems Ltd., Croydon (Surrey)/United Kingdom	12 000	GBP	100.0
Voith Turbo Inc., York (PA)/United States	2 150 000	USD	100.0

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