Annual Report 2008/2009

The Voith Group in Figures

€ in millions	2008/09	2007/08
Orders received	4 958	6 092
Sales	5 083	4 934
Profit from operations*	356	307
Return on sales in %	7.0	6.2
Income before tax	156	226
Net income	77	144
Total cash flow	370	85
Investments	255	281
Research and development	254	250
in % of sales	5.0	5.1
Equity	954	862
Balance sheet total	5 369	5 148
Employees (without apprentices)	39 329	42 955

* See the segment report in the notes to the consolidated financial statement.

One company, four divisions …

Voith AG

Corporate Central Functions

Voith Hydro

Orders received: € 1 305 million

Sales: € 1 085 million

Employees: 4 681

Head Organization

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

Divisions

Large Hydro
Small Hydro
Automation
Aftermarket Business
Ocean Energies

Voith Industrial Services

Orders received: € 1 018 million

Sales: € 1 018 million

Employees: 19 118

Head Organization

Voith Industrial Services Holding GmbH, Heidenheim/Germany

Divisions

Facility Services Europe
Facility Services Americas
Industrial Services Asia
Process Services
Engineering Services

Voith Paper

Orders received: € 1 338 million

Sales: € 1 743 million

Employees: 9 500

Head Organization

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

Divisions

Fiber & Environmental Solutions
Paper Machines
Automation
Fabric & Roll Systems

Voith Turbo

Orders received: € 1 292 million

Sales: € 1 232 million

Employees: 5 428

Head Organization

Voith Turbo GmbH & Co. KG, Heidenheim/Germany

Divisions

Industry
Rail
Road
Marine

… at home around the world

Europe

178 locations

24 481 employees

€ 2 615 million in sales

North America

35 locations

5 352 employees

€ 702 million in sales

Asia, Australia, Oceania

50 locations

3 729 employees

€ 1 252 million in sales

Central and South America

16 locations

5 652 employees

€ 461 million in sales

Africa

3 locations

115 employees

€ 53 million in sales

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A word from the Board of Management

Ladies and gentlemen,
business partners and friends of Voith AG,

We are pleased to look back at the 2008/09 fiscal year. It was yet another good year for Voith. Sales and operating results were up over last year's figures, setting new record highs for the company. Orders received are at approximately the total value of annual revenues, opening up positive prospects for a balanced fiscal year in 2009/10. Voith continues to maintain sufficient liquidity, a crucial factor in times like these, because it enables us to preserve our business agility. We at Voith are therefore looking to the future with confidence.

Over the last year, we reacted quickly and decisively to changing market conditions resulting from the economic crisis, and adjusted capacities where necessary. Further, the Board of Management worked intensely on refining the Group's strategic direction and improving our portfolio. We plan to increase Voith's international orientation even further and have resolved to grow the added value in the world's regions. Over the long term, we aim to become as deeply rooted in the world's growth regions as we are in Germany and Europe at the moment. Preserving and ensuring our independence as a family-owned company remains a primary objective.

At the same time, we have looked within our own company and know what needs to be done. Many important programs and initiatives were launched over the last year under the banner of our "Excellence at Voith" campaign. Initial successes are already evident in a number of areas throughout the company. One positive example is our job security campaign. Due to our comprehensive, global focus on this issue, we have already achieved significant improvements in a very short time. The job security of our employees, regardless of where in the world they are located, is just as much in our sights as the Group's long-term business success—which creates the only lasting basis for employment and jobs.

Sustainability is a topic that continuously propels us forward. And we are optimistic in this regard as well. Today, Voith is a company with the highest technological expertise and service orientation. This puts us in a much better position than many others, not only for recognizing a broad array of opportunities around the world, but also for seizing and implementing them both for our profit as well as the benefit of society.

This requires us to recognize global developments early on and to act as an expert partner and visionary working on solutions today for the problems and challenges that our customers will face tomorrow. For that reason, Voith has maintained its level of investment in research and development despite the difficult market situation. At more than € 250 million, our investments here were in fact slightly higher than the substantial investments of the previous year. All of our Group Divisions consistently focus their activities in this area to accommodate aspects of sustainability. Environmental friendliness, resource and energy efficiency, clean and renewable energy generation—these are the key challenges facing the 21st century and the central theme of our research and development strategy at Voith.

Many people have contributed to Voith's success over the past year. On behalf of my colleagues on the Board of Management, I would like to thank our shareholders, the Shareholders' Committee and members of the Supervisory Board for their dedicated support and trust. Our gratitude is owed to our customers for their positive collaboration—even in difficult times. We likewise extend a very sincere thank you to our employees for the level of personal commitment they have shown this past year. Another year of major challenges and opportunities lies ahead for us all.

It is only companies offering products and services that enable their customers to remain competitive that will enjoy long-term economic success, in turn enabling them to be a reliable partner for society as a whole. We work every day to ensure that Voith remains just such a business: A company with excellent prospects for the future because it operates proactively today and consistently charts its course anew to meet the important societal megatrends of tomorrow.

Sincerely yours,

Dr. Hubert Lienhard

Determination and depth provide momentum and action

Snapshot of walking the tightrope between dynamic drive and remaining down-to-earth, staying close to home and operating globally: A conversation with parting Supervisory Board Chairman Dr. Michael Rogowski and Voith President and CEO Dr. Hubert Lienhard.

Dr. Rogowski, Dr. Lienhard: Both glancing back and looking forward: What challenges has Voith mastered and which ones lie ahead?

Dr. Rogowski: When I joined the company back in 1974, Voith was a traditional export company: Everything was centered around our headquarters in Heidenheim. We merely had two larger locations outside of Germany, in Austria and Brazil, and those had been established for a long time. We knew, however, that we truly had to do business worldwide in order to be successful. Our growing internationalization, including adding value locally, was one of the two major tasks. The other challenge was expanding our portfolio. We wanted to become less dependent on cyclical business and make Voith more recession-proof and more immune to any crisis. We pursued this objective with great resolve—and our success over the years, including during the current economic crisis, has proved us right.

Dr. Lienhard: Today, we find ourselves in the situation of needing to consolidate in certain regions around the world, while at the same time needing to grow rapidly in other markets. To put it another way: We have to step on the gas and activate the brakes at the same time. Different speeds in global development—that's nothing new. The big difference between now and back then is the actual number of people who are on the same path today: 2.6 billion individuals who all want to participate in that growth at the same time—that has never occurred before. Above all, that requires us to be flexible, adaptable—both as a company and as people. Nowadays, we don't just ship our products out into the world but rather, the world's requirements shape the development of our product portfolio.

Dr. Rogowski: The world is our home, our market.

Dr. Lienhard: Exactly. And in this regard, I predict that Voith will have a number of homes in 2030 or 2040. As such, we will need to redefine the term "home." The company's headquarters will remain in Heidenheim, near Stuttgart. That's where we're from.

Dr. Rogowski: Our roots are here.

Dr. Lienhard: And here is where they'll remain, because they go deep. But we also have to put down new roots. In 20 or 30 years, Voith will have large organizations in Asia, the Americas and in Europe. And we will have developed both regional products and global products. That, too, is merely a question of attitude and approach. We need to chart a course for the future here and now. I'm saying: In the future, Voith will be right at home everywhere that Voithians work for us.

Dr. Rogowski: That's absolutely right. And that takes vision and planning. For me, having vision means drafting ideas of what the future could look like. And planning means setting priorities and pursuing issues with determination, even if you do have to abandon something now and then.

How important is change for entrepreneurial success?

Dr. Rogowski: I am a huge fan of forward action and advocate the philosophy: Something always has to be in motion. Moss can't grow on a rolling stone. If nothing is moving forward, you risk moving backwards. You can become accustomed to things easily and cease to ask questions. That is risky, for the world is constantly changing and confronts us with new issues. During the ups and downs of my 36 years with Voith, I faced new challenges all the time. That was my motivation.

Dr. Lienhard: Companies need to adjust continuously and quickly to the new realities brought about by change. Reevaluate topics and issues regularly. I'll offer one example to illustrate: Back in the 1970s, the environmental movement was primarily focused on the idea of saving energy. Today, our environmental awareness isn't solely concentrated on the topic of oil shortages, but on the global warming effect. It's about CO_2 emissions, and their consequences for our planet. So the topic has taken on a whole new direction and gained urgency as well. That has an impact on our business. With its immense potential as renewable energy, hydroelectric power is seen in a totally new light now than it was back in the 1990s. For me personally, the topic of change makes me think primarily about how I handle issues even better, down to the last detail. Herein, I see opportunities, and that feeds my thirst for action: Moving forward to improve is what drives me.

With all this forward motion and momentum … What holds a company like Voith together worldwide?

Dr. Rogowski: Momentum without determination and depth—without roots—usually runs afoul. Whenever you want to advance, you need to make the effort to dive in, dig deep down and doggedly work your way from the inside out. I think it is very important that people working together in a company recognize: We have a history, we have traditions, we share a common value structure. At Voith, this value structure is founded on an attitude that has been shaped by our background. I'm not one of those people who believe that you can or should do everything the same way in China, Germany or the US. Yet the globally applicable foundation of an organization must be based on certain fundamental values.

Dr. Lienhard: A shared background creates one thing: a common foundation. It's the same as in a family. There is a common consensus about values—essentially the rules of the game—that each family member feels bound by. Acting within those values, each individual can and should develop themselves and grow. Voith is a family-owned company with fundamental values that are clear to everyone. They govern how we deal with one another, what we expect from each other. This self-conception is independent of location,

Conversation in the garden at Eisenhof, the Voith guest house: Dr. Michael Rogowski (right) and Dr. Hubert Lienhard. After 36 years at the family-owned Voith company, Dr. Rogowski will be stepping down from his position in April 2010 and simultaneously assume leadership of the Hanns Voith Foundation.

and it binds us together. I see an immense competitive advantage in our employees' loyalty for Voith. And that dedication keeps Voith together, regardless of any momentum.

Times of crisis, growth periods—both represent challenges for organizations. Are there any sure formulas for good corporate management?

Dr. Rogowski: Corporate management is based on principles and values, but it's always somewhat situational. You need to set different priorities according to each situation. And above all: Mobilize other qualities and characteristics in yourself, and position them up front and center. Sometimes you have to be the guardian of budget cuts, sometimes the driver, sometimes the integrator, and sometimes the provocateur. And naturally in a way that your team can still follow.

Dr. Lienhard: For me, leadership and management means investing my energy. In real-world situations, this almost always means moving ahead and setting a positive example. It helps if you achieve visible success quickly—which also requires a great deal of communication, evaluating and discussing other opinions, and the hard work of persuasion. But above all else: endurance and determination.

Dr. Rogowski, have you any advice to share with your colleagues at Voith?

Dr. Rogowski: I don't think I need to give them any more advice. It's already been internalized. But it is also not a bad idea to repeat the important things once in a while. So on that note: Be determined and don't let up when truly convinced of something, while at the same time retaining the ability to reassess and question matters, as well as letting go when the times demand it.

Of trees, deep roots and great opportunities. On the road for five days in India.

Personal impressions from the members of Voith's Board of Management, as noted by Dr. Hubert Lienhard

The entire Board of Management of Voith AG went on a business trip to India in early November 2009 to gain a first-hand impression of this growth market. In addition to attending a Board meeting, the trip's primary objective was to meet with customers and representatives of government and social institutions.

Sunday, November 1, 2009, Delhi

There is a new freeway from the airport into the city. Cranes and construction equipment are everywhere. My first visit here was 20 years ago and India in 2009 is a completely different country. Making an international call was almost impossible in 1989, for instance. Today I'm sitting in the car and talking on my mobile phone to my office in Germany. But despite all the progress, poverty is pervasive. My impression: Only economic growth can improve the situation. Nowadays, as many as 20 million Indians manage to escape poverty conditions every year.

Monday, November 2, 2009, Noida

Morning: Board meeting in Noida, a suburb of Delhi. We established the Voith location two years ago. Back then we occupied one floor; now our 170 employees take up the entire building. My gaze settled on the tree I planted on the day of our grand opening here. It hasn't grown much taller. Amresh Dhawan, who heads up our operation there, says that the tree is a "deep rooter," which establishes its roots underground first and then grows all the more vigorously.

We discussed a number of topics at the Board meeting, including our plans for India. The established road maps for our divisions are in place for the next few years. Investments in locations and facilities will pay off in the long run.

President and CEO Dr. Hubert Lienhard with Narsim Shenoy, India Advisory Board, Voith.

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Evening: Dinner with customers, government representatives, professors and officials. We've known many of our guests for 20 years. I talked about our strategy, that Voith wants to set down deep roots in India, and have to think of the tree in front of the Voith office. Anchoring Voith in India's business community as firmly as in Germany—our clear objective makes a good impression. We enjoyed the positive atmosphere, talking about subjects including recycling, energy supply, infrastructure, and education. Opportunities for Voith abound.

In speaking with CFO Hermann Jung at the end of the evening, we both feel this successful day confirms our belief that we are on the right path. At the same time, we feel we're moving too slowly. We need to step on it!

Tuesday, November 3, 2009, Delhi

In the morning, Board members Roland Münch, Hans-Peter Sollinger and Bertram Staudenmaier gave technical presentations on hydroelectric power and paper. A great number of top industrial and political figures accepted the invitation to attend. Environmental topics are a high priority here, everyone is well-informed and engaged in a lively discussion. What stood out: Questions kept coming about how projects could be accelerated. How to pick up the pace. We won't be the roadblock.

We spoke with government representatives in the afternoon. These talks focused on key topics for India's economic development: employment, the environment, competitiveness. These are the topics we need to tackle. In every discussion, we made

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1_Peter Edelmann (left), CEO of Voith Turbo and Member of the Management Board, talking with Debashis Basu, Voith Turbo India.

2_Bertram Staudenmaier (left), Member of the Executive Board of Voith Paper and Member of the Management Board, in conversation.

3_Dr. Roland Münch (center), CEO of Voith Hydro and Member of the Management Board, in conversation with Chandrasekhar Panigrahi (left), Voith Paper India, and Amresh Dhawan (right), Voith Hydro India.

it clear that Voith's service and technological expertise can and will make a valuable contribution to solutions in all of these areas.

Wednesday, November 4, 2009, Pune

Board of Management colleagues Martin Hennerici and Peter Edelmann joined the group here at the heart of the Indian automotive industry. Later they both gave positive reports, impressed by the high standards in the manufacturing facilities they visited. The hectic, vibrant everyday life in this megacity is a stark contrast to the clean, streamlined high-tech factories. Nevertheless, they face the same challenges as the rest of the world. The name of the game is to gain customers, win initial reference projects and build trust through excellent implementation.

Thursday, November 5, 2009, Kolkata

We met at the Voith Paper office. Managing Director Chandrasekhar Panigrahi—who has been with Voith for over 30 years—spoke once again of a tree in his welcome speech. This time as a symbol for nourishment, shade and protection, and he used it as a comparison for companies. Businesses that are in for the long haul and set down deep roots. Companies such as the family-owned business Voith, thus offering personal prospects to its employees and their families.

That afternoon we visited our client, West Coast Paper. One thing quickly became clear: There exists a deep-seated relationship between India's Voithians and West Coast. People know each other, respect each other, and need one another. Even more

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"Understanding a country means knowing its people."

PROVERB

1_Martin Hennerici,
CEO of Voith Industrial Services and
Member of the Management Board.

2_Dr. Hans-Peter Sollinger,
CEO of Voith Paper and Member of
the Management Board.

3_From left to right:
Dr. Roland Münch,
Chandrasekhar Panigrahi,
Peter Edelmann,
Martin Hennerici,
Bertram Staudenmaier,
Dr. Hubert Lienhard,
Dr. Hermann Jung.

so because the paper market in India will continue to grow. In our personal conversation, we came right back to the same topic. Customized solutions rule the day. India's paper manufacturers don't want large factories; they prefer smaller high-tech plants to serve regional markets, that require easier financing. Hans-Peter Sollinger presented Voith's concept for this type of facility—with great success. After a few impressive hours in Kolkata, we continued on to Chennai that evening.

Friday, November 6, 2009, Chennai, Mumbai

That morning we paid a visit to Tamil Nadu, another Voith customer for many years. As in the rest of the world, energy-saving technologies drive investments here in India as well: Lower consumption of water, raw materials and energy is in demand. We are perfectly positioned with our environmental technology.

An afternoon flight to Mumbai, where Peter Edelmann and I meet with a high-level representative of Tata Motors. I was impressed by this man's competence and modest demeanor. He works six days a week in the office, and Sundays at home. The company is an absolute priority for him. In his presence I feel something that I sense in conversations with many Indians: The people want to get ahead, and are willing to work hard to that end. And it isn't about getting to the top quickly, but rather developing a healthy basis for long-term stability.

Saturday, November 7, 2009, return flight

We all sorted out our impressions on the flight home. India is growing—it has to grow. But it is growing with substance, founded on clear ideas and firm roots. In that sense, a true "deep rooter." Which also applies to many of our Indian customers. As a family-owned company with 140 years of history, Voith knows what that means. Perhaps that is the reason why we say: Voith and India? It's a perfect fit!


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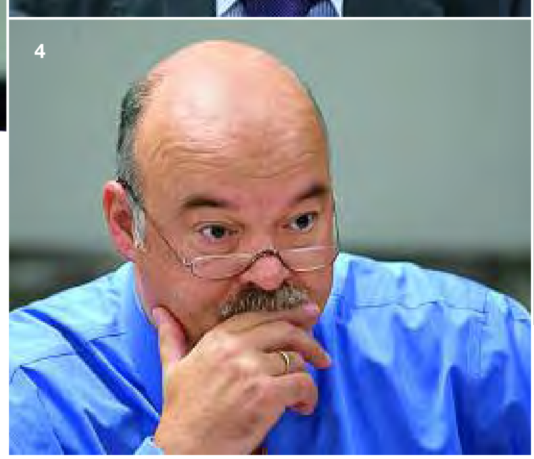
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Impressions of an Executive tour

"Jobs, the environment, competitiveness. These are the three issues we need to tackle, if we want to put down roots in India." 1_DR. HUBERT LIENHARD, PRESIDENT AND CEO

"Even at first glance, it is obvious that India is catching up! The development of the nation's economy and society is advancing, for the political framework is increasingly stabilized." 2_DR. HERMANN JUNG, CFO

"India needs energy in order to grow, and the market for hydro power therefore is huge. As for new projects, environmental issues play a decisive role."
3_DR. ROLAND MÜNCH, CEO VOITH HYDRO, MEMBER OF THE MANAGEMENT BOARD

"I am impressed by the standards of the Indian automotive industry and the vast potential for growth. The expectation for service providers is clearly defined: outstanding quality and reliability." 4_MARTIN HENNERICI, CEO VOITH INDUSTRIAL SERVICES, MEMBER OF THE MANAGEMENT BOARD

"The paper consumption of India will grow, and India's paper industry will respond to rising demand with investments in modern, customized facilities."
5_BERTRAM STAUDENMAIER, MEMBER OF THE EXECUTIVE BOARD OF VOITH PAPER, MEMBER OF THE MANAGEMENT BOARD

"Indian customers do not want standardized products. Our opportunity lies in the flexibility to adapt products to specific requirements and develop them on-site."
6_PETER EDELMANN, CEO VOITH TURBO, MEMBER OF THE MANAGEMENT BOARD

"Our urban paper mill concept is the Nano for India's paper industry. Smaller plants with state-of-the-art environmental and production technology are in demand. These are enormous opportunities."
7_DR. HANS-PETER SOLLINGER, CEO VOITH PAPER, MEMBER OF THE MANAGEMENT BOARD

Energy in flux

The world's demand for electricity will increase by more than 50 percent in the next 20 years. Rivers and oceans hold enormous energy potential—which is renewable and thus inexhaustible.

1_Lock at the Cannelton Dam: Currently only used by ships, they will soon produce electricity.

2_Retrofitting projects on the Ohio River have begun. Whether by hand …

3_… or with large excavators, work is proceeding at full speed. The objective is to convert the river's power into electricity.

The water from the Ohio River flows through lock chambers that pass through the Cannelton Dam located in the State of Indiana. A few tourists gaze upon the splendid spectacle of the mighty river's flow. The power performed by the Ohio River's current at this location is not being used–not yet.

That will change very soon. Mankind can no longer afford to leave the energy contained in rivers such as the Ohio untapped. The world's demand for energy is on the rise–everywhere. Industrialized countries, emerging nations, and developing regions all share a continuously increasing appetite for affordable, reliable, available, renewable energy generated in an environmentally friendly manner. An end to this trend cannot be imagined or foreseen at the moment. The International Energy Agency estimates that the worldwide demand for energy will increase by some 60 percent in the next two decades.

Today, a strategy is needed as to where and how electricity is to be generated in 2030. Much depends on it, for a functioning economy and infrastructure exist primarily due to a reliable energy supply. Supply reliability is one issue, environmental protection is the other. Given the advancing climate change, one must press ahead in using and expanding renewable energies wherever possible. Accordingly, the market for solar, wind, and hydroelectric power plants will continue to grow substantially over the next several years. Given this array of renewable energies, hydroelectric

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The conversion of locks and dams into hydro power plants makes green energy available at greater speed.

power will assume a particular role for various reasons. It is stable and not dependent on weather conditions or the time of day. Wind turbines, for instance, generate no power when there is no wind. And even the best solar power plant does not feed electricity into the grid at night. On the other hand, electricity from hydro power plants is available 24 hours a day. Their output, which can be enormous for some plants, currently supplies cities with heat and light. Even in the realm of energy-intensive

Rotor of a hydro turbine with fish-friendly equipment. With this type of turbine, Voith has made an important contribution to safekeeping the ecosystem in North America.

industries as exemplified by steel mills and automobile plants, providing the huge amounts of electricity they require is no problem.

Converting the water's power into electricity through turbines and generators is a technology that has proven itself for more than 100 years, and Voith has played a major role in shaping this growth market. Today, hydroelectric plants are considered some of the most efficient energy extraction facilities ever. Modern water turbines transfer more than 95 percent of the river's power to generators, and that is an unparalleled world record in terms of conversion efficiency.

It should therefore not be surprising that hydro power is presently used throughout all of the world's regions. Flexibility is its biggest advantage because there is more to hydro power than the name. It adapts to existing conditions. Emerging countries like China and Brazil are currently building very large power plants based upon their respective geographies and the number of major rivers flowing through them. In India, on the other hand, there is greater potential for smaller plants. In Europe, where countries such as Norway already draw 99 percent of their energy from hydroelectricity, the emphasis is primarily on modernizing already existing power plants. The objective here is to obtain maximum output from the existing plants.

Time is of the essence here. In many countries around the world, energy has become a decisive competitive factor. In the meantime, excavators have moved in on the Ohio River, as they have elsewhere. The idea is both simple and ingenious: equip river barriers already in place with turbines and generators to produce electricity—without encroaching again on the riparian environment. "The energy of the water that flows through the existing locks and dams already in place on the Ohio River has simply not been used to date," says Marc Gerken, CEO of American Municipal Power-Ohio. But that will change soon. In cooperation with Voith, AMP-Ohio is manufacturing turbines and generators for four projects on already existing river structures and locks between Pittsburgh and the mouth of the Ohio River. And that is just the beginning. The untapped potential in utilizing river barriers is huge. "We are not talking about a lot of large, new reservoirs. This is a one-time opportunity and currently the most cost-effective option for clean energy," says Steven Chu, the US Secretary of Energy. A study by the Electric Power Research Institute (EPRI) projects that in the US alone, existing dams could produce about 5 000 MW by 2025. That is enough to supply electricity around the clock to five cities with populations of over a million each.

The Ohio River is being roused from its idle state and put to work. It will create clean energy for the benefit of millions of people based on an idea with role model allure.

Voith technology with environmental seal: the fish-friendly turbine

Every region has its own requirements when it comes to the environmentally optimized implementation of hydroelectric plants. In North America, for example, salmon are a critical component of river ecosystems in the Northwest. Over the course of their lives, they migrate from rivers to oceans and back. The challenge posed by this journey is to channel the fish through a hydro power plant on their way upstream without injuring them. In close cooperation with biologists, Voith engineers developed a solution, namely a fish-friendly turbine. The special design of this turbine-type enables 98 percent of the salmon to survive their passage through the power plant.

In the next ten years, many North American hydroelectric plants must be retrofitted in accordance with new environmental guidelines. The demand for fish-friendly turbines made by Voith will grow in this market.

To keep the wheels turning

The ability to focus on core business activities has clear advantages. As experts, industrial service providers ensure the availability of systems and buildings—around the clock.


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Mario Bemerl has one of the windiest workplaces in Germany. Today, the technician is changing the oil in the gearbox of a wind turbine—in a very confined space, 120 meters above the ground. In an office located in northern Germany, Axel Meyer looks at his computer screen where the wing airfoil of a new passenger plane is currently taking shape. It is the result of weeks of deliberation and calculations. At the same time, at a completely different location, Fred Dube enters the paint booth in an automotive manufacturing plant. From the floor grid to the ceiling, the entire area is marked with traces of excess paint. Dube is part of the team that cleans the booth. By the time the next shift comes in, the paint residue must be completely gone.

Three individuals, three workplaces, three different tasks. What do the three have in common? They belong to the almost 20,000 employees of Voith who work as industrial service providers. They are all specialists in their respective areas. In many different countries, segments, and task areas, they work directly on-site and are “out there” with the customer at its business locations. They know its systems and facilities like the back of their hand.

Today, there is hardly a company left that still does everything on its own. Only those who focus on what they do best will create entrepreneurial maneuvering room for themselves and can utilize existing resources in a more efficient and target-oriented manner. Growth potential in the industrial services market is huge. In Europe alone, the manufacturing and process industries award € 100 million worth of contracts per year. There is no end in sight for this

1_Maintenance work in refineries has the upmost level of safety and quality standards.

2_As a service provider, the main credo is expertise. There exists an entire know-how organization behind every Voith employee.

Nowadays, industrial services are closely tied to production processes.

growth, for it has become a success factor for companies to transfer certain parts of their value-added services to experts such as Voith.

Specialists like Voith focus on selected industries where a service provider can accompany and support large sections of the value chain. It extends from designing a system and its components, to the installation and later dismantling of production plants, all the way to the maintenance and servicing of buildings and machines. The services are often closely tied to the companies' production processes. Increasingly, even demanding engineering tasks are assigned as contract work. Companies procure external expertise for highly specialized projects to avoid having to maintain such capacities in-house at all times. Accordingly, employees who work at the customer's location assume a special responsibility.

"The globalized economy offers an opportunity especially to those who are able to offer globally innovative, first-class services at reliable quality—either in conjunction with a product or independently," confirms Professor Dieter Spath, head of the Fraunhofer Institute

1_Only teamwork can accomplish complex tasks anywhere in the world.

2_Surely a determining factor for the quality of the final product: the professional cleaning of automotive paint shop equipment by Voith employees.


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for Industrial Engineering (IAO) in Stuttgart/Germany. In this realm, the primary task of the Voith employees providing customer services is to deliver consistent, reliable quality—regardless of the project, the general conditions at the customer location, or the people who ultimately take over the task. It does not matter where in the world the requested service should be performed. A given assignment could be carried out on a wind energy installation or in front of a computer screen, or in a paint shop located in the United States, Germany, Brazil or China.

Yet services are not provided by machines. A platitude? Perhaps, but with far-reaching consequences for successful industrial service providers. For the driving force behind any success story is the people and their expertise. Interconnectedness and the transfer of knowledge are the keys to quality and worldwide standards, as are improvement tools such as Human Sigma, a variant of the Six Sigma quality management system. This way, Voith can make services transparent and quantifiable for customers in the US auto industry. And it helps to place a figure on the value of services and to define quality standards.

Customers place high expectations on their service providers: For a long time, cost-related discussions dominated meetings with customers. Today, companies expect internationally active service providers like Voith to provide continuing improvements in quality and innovative impulses.

The specialized expertise of the service providers plays a role in the customer's increased productivity when the provider can apply and tap its own experience and capabilities as a globally active partner.

That specifically works on-site at the customer's location and it helps when gaining a foothold in new markets. As one of the leading service partners in the car manufacturing industry, Voith is launching operations in Pune, India. Here, in one of the major centers of the Indian auto industry, more than four million cars will be built annually in the foreseeable future. Many companies, including Volkswagen, Daimler and Tata Motors, are already present with their production facilities. The prospects for service concepts that have successfully proven themselves in Brazil, the Czech Republic, Russia, Germany and the US are substantial. Voith has all the prerequisites to seize the opportunities presented by this future market on the subcontinent over the next few years.


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Three questions for Professor Dieter Spath

Head of the Fraunhofer Institute for Industrial Engineering (IAO) and the Institute for Labor and Technology Management (IAT) at the University of Stuttgart

While outsourcing services was still rather unusual in the early 1990s, the initial skepticism has disappeared. What caused that opinion to change?

Ultimately, this can be attributed back to the fact that in the meantime almost all large-scale companies have selectively outsourced business processes to external providers and have acquired experience doing so. The motives for the steady increase in these outsourcing activities are complex.

What role does the cost argument play in this matter?

Cost reduction certainly plays a decisive role. However, other important factors include focusing on one's own core areas of expertise, filling in any missing internal resources and increasing performance by drawing on external knowledge. That is what our surveys repeatedly point to. In addition, many fast-moving technological fields are having greater difficulty keeping up with developments at the highest level of quality.

How far should outsourcing go?

I believe that outsourcing services becomes critical when it affects a company's core expertise. In order to hold one's ground against the competition over the long term, it is essential to maintain a lead in central areas—be it through lower costs, higher quality or more innovative service offers.

Paper is universal

Modern societies find this important material a requisite to function. Environmental technologies are a smart way to help cover the growing demand, with recycling being one key to success.

1_Cardboard for the packaging industry: one of the types of paper with the fastest growth rates worldwide.

2_Paper conveys information and is essential for learning and literacy.

3_Paper has diverse uses. Every type of specialty paper meets particular requirements.

For almost 2 000 years, paper has accompanied mankind as a cultural medium and has not lost its significance in our digital age. On the contrary, “paper is one of the few tactile things that we even have in the communications realm,” explains Professor Norbert Bolz, a communications theorist at the Technical University of Berlin. Paper makes information tangible in the truest sense of the word.

Yet paper is more than material used for printing or copying purposes and more than purely an information-carrying medium. Only about 40 percent of the 400 million metric tons of paper, board and cardboard produced annually worldwide are utilized for writing, printing or copying. While a certain percentage travels through our hands daily as specialty and household-use papers in the form of tea bags, paper towels and currency bills, almost half of the worldwide paper consumption is attributed to industry. It uses board and cardboard for packaging goods or for noise and heat insulation in home construction. Even dashboards and interior trim in cars are manufactured from paper-based hardboard.

These few examples indicate the diverse uses of this fibrous material and the scope of the worldwide growth potential for paper machine manufacturers. One look at a world map reveals that paper will face a variety of challenges in the future. Experts such as Marja Eskman, head of paper and packaging at Pöyry Forest Industry Consulting, based in Vantaa, Finland, see a lot of untapped business in emerging economies such as Brazil, Russia, India and China. After all, paper consumption in these countries is still nowhere near the levels found in older, fully


2


3

Paper is the material green dreams are made of: degradable, renewable and recyclable to boot.

1_Paper is the basis for spreading information—even in the Internet age.

2_The Leipa Schwedt PM4 produces high-quality magazine paper out of 100 percent recovered paper.

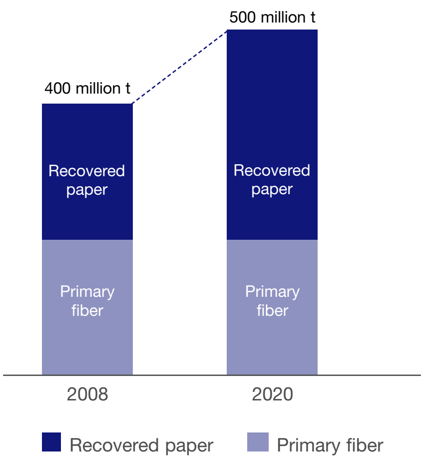
industrialized nations. While India’s population currently consumes just about nine kilos of paper products per person per year, consumption in the United States amounts to more than 260 kilos per person annually. The United Nations assumes that 30 to 40 kilos of paper are required to satisfy just one person’s basic reading and communication requirements alone. That means that in these up-and-coming regions, the demand for graphic paper will grow substantially.

As prosperity rises, the demand for books and magazines for learning and literacy purposes is not the only determining factor. Greater prosperity means more consumption and more production. This in turn increases the demand for industrially processed cardboard, packaging to ship and export goods, the use of household-use papers, and ultimately also the number of currency bills required. For China and India alone, Pöyry is projecting an annual growth of 3 to 4 percent in the future. With this trend, investments made by paper companies will increasingly shift to fast-growing regions, and in the foreseeable short term, China will evolve into the world’s biggest paper producer.

However, even the mature paper markets in today’s industrialized countries still hold tremendous development potential for the paper industry, for the basic conditions associated with paper production are going through fundamental changes. Being sought nowadays are energy-, water-, and raw-material-preserving technologies that make the manufacturing process more environmentally friendly. The use of recovered paper is playing a major role here to spare the consumption of valuable primary paper fiber. By 2020, the projected worldwide paper production will

climb to 500 million metric tons. With a simultaneous increase in the use of recovered paper from today's 50 percent to 64 percent, the quantity of required primary fiber could remain constant (see chart). As one of the pioneers in the area of recovered paper processing and environmental technologies for paper mills, Voith is looking at outstanding market prospects—and all the more so given that environmental considerations have become more significant in emerging nations over the last several years. Take China, for example. In the very country where paper was invented 2 000 years ago, the focus is increasingly on sustainable, resource-preserving paper production. When analyzing the situation, "the use of green technologies is one of the key factors," says Cao Zhen Lei, president of the China National Pulp and Paper Research Institute, and adds: "We still have a long way to go." Yet there is also a Chinese proverb that projects that "a journey of a thousand miles begins with a single step." And that step has been taken already.

Green growth through recycling



No future without mobility

Rapid urban growth and economic globalization mean one thing: People and goods must be moved quickly, safely and reliably. This requires massive investments in infrastructure.

Mumbai never stands still—and most certainly not around noon. For this is when more than 5 000 dabbawallas swarm around the palatial train station and the entire city center. These lunch delivery men balance tiffin boxes in broad carriers and transport them to offices throughout the Indian business metropolis. A daily slalom through stinking, blue clouds of auto exhaust belching from the traffic jam that crawls along, honking all the more loudly because of its slow progress.

Mobility in the Mumbai metropolitan area, or rather the lack thereof, is an urgent problem for the 20 million people who live there. Getting stuck in traffic hampers economic growth and brings industrial centers to near collapse. For Voith, however, this problem is exactly the opposite: It represents a growth driver and challenge to implement intelligent technologies to move the flow of people and freight in a secure and environmentally friendly way. Mumbai is investing € 4.1 billion in the mobility of its inhabitants. That is how much the new monorail system, which should ease the worst of the traffic problems, will cost. And components from Voith Turbo will be part of it all when the new train commences service in late 2014.

And that is just the beginning. In global population centers such as Delhi, Manila, Rio de Janeiro, São Paulo and Shanghai, the transportation infrastructure always lags behind population development. And no wonder. While only three percent of the world's population lived in cities 200 years ago, that number had already risen to one-third some 30 years ago. Experts from the United Nations believe that for the first time in history, more people currently live in cities than in rural areas—which presents the challenge of a century for

1_Everyday life in Mumbai: Millions of residents experience traffic jams on a daily basis. Innovative local transportation systems provide relief.

2_Subway trains such as the Number 1 line in Beijing are the lifelines of a modern metropolis. Without metro systems, major cities with millions of residents would descend into chaos.

Solutions for the future require reliable partners with technology expertise.

EXPERT OPINION IN THE SMI STUDY "FUTURE OF LOGISTICS – GLOBAL SCENARIOS"

urban planners and transportation experts. Modern transportation systems secure more than people's urban mobility, however, but connect a metropolis to its surrounding region. Absolutely essential when the primary objective is to transport people and goods from point A to point B on time, securely and efficiently. They form the foundation for a functioning economy and society in a globalized world that is based on the division of labor, and also contributes significantly to reducing CO_2 emissions.

And the opportunities are equally great for companies offering technologies that can support the mobility industry: The current market for train-technology products alone represents a volume of about € 125 billion in 2009. Experts are predicting an annual growth rate worldwide of about four to five percent over the next few years.

With market size comes the challenge of addressing the multiple facets of mobility in the 21st century. Be it on the road, rail, water or in the skies: Wherever people and goods need to be transported, Voith technology and engineering expertise is most likely involved. Starting with the power plants that supply trains and local transportation systems with energy, Voith components operate in central locations to ensure the power supply. Scarcely a metro train or subway, passenger train or freight train runs without drive systems, control technologies, cooling systems, joint shafts or couplings from Voith. To an increasing degree, there are hybrid

systems for railcars and locomotives that use electrical, hydraulic or mechanical power storage. Cutting energy costs and reducing emissions that damage the environment are just as much objectives as overcoming purely mechanical issues. Automatic transmissions and braking systems from Voith ensure driving comfort in buses and safety in commercial vehicles in major cities and roads all over the world. And Voith technologies support mobility on the high seas where logistics processes interface as well: Voith water tractors safely maneuver oil tankers to terminals; special ships supply drilling platforms even in adverse weather conditions. And in the air? Voith's engineering expertise can be found in tail units, airfoils and rudders on the aircraft that fly business people to their next appointments and carry families on vacation trips.

These are pioneering technologies and services that secure companies top ranking in the highly dynamic mobility market. "Just getting from A to B isn't everything," says Heiko von der Gracht, Director of the Center for Future Studies and Knowledge Management at the Supply Chain Management Institute (SMI) in Wiesbaden/Germany. The authors of the SMI study "Future of Logistics – Global Scenarios" asked experts from the business, political and scientific communities to make predictions about the future. The majority of them anticipate a more flexible and efficient deployment of transportation capacities that saves resources as well. Intelligent traffic control systems and greater automation of transportation systems should revolutionize the transportation of people and freight by the year 2030. Dubai's fully automated metro system, for example, which is the most modern in the world, owes a good deal of its functionality to Voith components. Or as another example, the anticipated concentration of transport capacities through megatrucks with more than 60 tons of load capacity or gigantic container ships. A lot of work for new escort and other ship-handling vessels.

The enormous importance of rail traffic remains undisputed—now and in the future—when the subject matter comes to transporting the growing flow of people and goods in a reliable, cost-effective and environmentally friendly way. Voith believes in these markets of the future, and for that reason has invested around € 40 million in a new production facility in Germany for manufacturing railcar transmissions.

The new facility will come online by the late 2010 and represents an investment in the future at the right time.

1

Three questions for Dr. Hans-Liudger Dienel

Director of the Center for Technology and Society at the Technical University Berlin

The future is globalized. In this context, what does mobility mean today?

Freedom, social participation, social status. In megacities, however, it also means noise, stench and many traffic deaths.

A businessman in the US, an employee in India and a Chinese laborer—all three are mobile. What do they have in common despite all of their differences?

Mobility is the engine of development everywhere. We are currently experiencing another strong urbanization trend in developing and newly industrialized countries. China alone has over 100 cities with more than one million residents. Mobility problems in rapidly growing cities that are not adjusting their transportation infrastructures accordingly, are much worse than mobility problems in Western cities, some of which are actually shrinking. In Berlin, people actually consider it a traffic jam, if they can't make it across an intersection at the first green light.

How can megacities resist a transportation collapse?

Just letting things go and enduring the situation is not a long-term option. We will see a large number of mega-infrastructure projects that will be launched in the coming years.

1_Globalization doesn't stop at the skies. Air freight volumes have increased more than a hundred times since the 1950s.

2_Voith's roll stabilization keeps this supply vessel for oil platforms steady and fully maneuverable in heavy weather conditions.

Management Report

Financial Statement of Voith AG

Report of the Supervisory Board of Voith AG for Fiscal 2008/09

Dear Reader,

The worst global recession since the stock market crash of 1929 and the steepest decline in GDP since the Federal Republic of Germany came into existence have not left the Voith Group unscathed. At three meetings—on October 13, 2008, on January 22, 2009, and on May 18, 2009—the Supervisory Board examined in considerable depth the impact on Voith of the dramatic worldwide slump. In three of Voith's four Group Divisions, the effects of the crisis became increasingly tangible in the course of the fiscal year, albeit to differing degrees.

The discussions conducted by the Supervisory Board were based on detailed reports about 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. Financial and capital expenditure planning for the current and subsequent fiscal years was approved unanimously. In addition, the Supervisory Board constantly 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 once in the fiscal year under review, on January 22, 2009. 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 January 21, 2009, in the presence of the auditors who examined the annual financial statements. This committee conducted an in-depth examination of the financial statements of both the consolidated Group and Voith AG for fiscal 2007/08, and of the report submitted by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. In light of the continuation of the Fast Close project, the Balance Sheet Committee and the auditors also discussed in detail issues regarding the improvement of the year-end closure process. In addition, the Board of Management informed the committee of improvements in cash management. Beyond this, the committee talked at length to the head of the Internal Audit unit about the Group audit report prepared for the fiscal year under review. This discussion also covered organizational changes that the Board of Management has since implemented. By no means least, the Balance Sheet Committee's discussions addressed the anticipated effect of Germany's Modernization of Financial Reporting Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) on the financial statements prepared by Voith AG in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

The Annual General Meeting convened on March 6, 2009, and formally approved both the managerial conduct of the Board of Management and the monitoring activities of the Supervisory Board in fiscal 2007/08. The meeting also elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit the annual financial statements again in fiscal 2008/09. 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, 2009. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). In the course of its audit, Ernst & Young GmbH paid special attention to "inventory valuation" and "purchasing," in accordance with the mandate laid down by the Supervisory Board in light of the requirement for IFRS accounting. The auditor further granted the following unqualified audit opinion on the report on relationships with affiliated companies:

"The report on relationships with affiliated companies prepared by the Board of Management pursuant to Section 312 of the German Stock Corporation Act (Aktiengesetz, AktG) is enclosed as Appendix 1 to our report. Based on the contracts, accounts, correspondence, minutes of Supervisory Board meetings, receipts, invoices, costing calculations, purchasing documents and other documents made available to us, we performed spot checks to validate the statements made in said report about legal transactions conducted with the controlling company and its affiliated companies in fiscal 2008/09. Our examination led to no objections regarding the accuracy of the information provided therein.

"We concur with the assessment of the Board of Management regarding the prices for deliveries and services invoiced by JMV and by companies affiliated with JMV. In our opinion, the payment and other terms and conditions agreed are not inappropriate.

"The prices charged to JMV and its affiliated companies and the terms and conditions granted to these companies also line up with customary practice. Accordingly, the company suffered no disadvantages from legal transactions with the controlling companies and its affiliated companies referred to in the Board of Management's report for which compensation would be required pursuant to Section 311 AktG."

In September and October 2009, the Board of Management and the Supervisory Board submitted their reports on corporate governance and the corresponding statements of compliance for fiscal 2008/09. Furthermore, the Supervisory Board adapted its rules of procedure in line with legal changes resulting from the German Modernization of Financial Reporting Act (BilMoG) and the German Management Compensation Act (Vorstandsvergütungsgesetz, VorStAG). The Supervisory Board also expanded the existing Balance Sheet Committee to form an Audit Committee.

At its meeting on December 21, 2009, 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 22, 2009. 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. On the basis of its own examination, the Supervisory Board also approved the management report prepared for Voith AG and the consolidated Group as well as the proposal for appropriation of net income. The annual financial statements prepared for Voith AG and the consolidated Group have thus received formal approval. The Supervisory Board raised no objections to the declaration made by the Board of Management in the report on relationships with affiliated companies.

The Supervisory Board wishes to thank the Board of Management, all other levels of management, the employees of the Group and the representatives of the workforce for their exemplary commitment and successful endeavors in the fiscal year under review—a year characterized by great uncertainty with regard to ongoing economic developments in all areas.

Heidenheim, December 22, 2009

Chairman of the Supervisory Board

Dr. Michael Rogowski

The Supervisory Board

Dr. Michael Rogowski
Chairman,
President of the Shareholders' Committee of Voith,
Heidenheim/Germany

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

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

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

Rudolf Brandhuber*
Chairman of the works council of Voith AG and
Voith Dienstleistungen GmbH,
Heidenheim/Germany

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

Ulrich Eckelmann*
Division Manager for Business, Technology,
Environment on the Board of the Metalworkers' Union,
Frankfurt am Main/Germany

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

Florian Haupt*
Legal advisor,
Heidenheim/Germany

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

Bernd Kauba*
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*
Process technology engineer for special papers,
Ravensburg/Germany

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

Ute Schurr*
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 Familiengesellschaft
J.M. Voith GbR,
Mannheim/Germany

Andreas Strobel*
1st Representative of
the Metalworkers' Union, Heidenheim branch,
Heidenheim/Germany

Angela Voith
Doctor,
Herdecke/Germany

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

*elected by the employees

Management Report for Voith AG

I. Group Structure and Business Activities

Voith is well-placed to face the future as a global provider of leading-edge technology and industrial services. The Group has consistently developed a portfolio of systems, products and services that serve five essential markets in all regions of the world. Corporate strategy is focused on profitable growth. The stated aim is to preserve Voith's independence as a family-owned company.

Voith AG is headquartered in Heidenheim/Brenz, Germany. The Corporate Board of Management belongs to a management holding company which shapes and is responsible for the overall strategy of the entire Group. 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. Management ratios are calculated on the basis of earnings before tax and interest (EBIT). All figures and reports submitted to the Board of Management are based on these management ratios.

Voith has 280 locations around the globe, maintaining an extensive network of production, sales and service units on every continent on the planet. Historical development made Europe and North and South America the regional focus of Group activities in the past, although Asia already contributes 24% to its sales. The Voith Group explicitly aims to enlarge its footprint in the markets of Asia.

Today, Voith operates worldwide in the markets for energy, oil & gas, paper, raw materials, transportation & automotive.

THE GLOBAL ECONOMY IN RECESSION

II. Macroeconomic Situation

As Voith's fiscal year 2008/09 got underway (beginning on October 1, 2008), the world was confronted by the worst economic crisis since the end of the Second World War. Turbulence on the international financial markets triggered a global economic crisis that very quickly led to a dramatic slump in the real economy worldwide. Around the globe, production and trade dropped sharply. The effects were most pronounced in industrialized countries. The US economy, which depends heavily on domestic consumption, and the Japanese and German economies, both of which are dependent on exports of consumer durables and capital goods, all felt the impact very keenly.

Signs of recovery in a handful of markets began to spread in late summer 2009. In China, for example, growth picked up noticeably after a weak first half. In India, too, growth in the government's current fiscal year will probably be higher than was expected at the start of the year. For the year 2009 as a whole, however, negative economic growth is expected for the entire global economy.

The economic situation in the USA, Japan and the eurozone countries remains very tense. There is no indication that branches of industries that have a strong bias toward exports and/or that respond slowly to economic cycles will turn the corner any time soon. Nor are there currently any signs that it might become easier to source capital on the financial markets. This fact continues to influence the project financing terms that are so important to the investments of Voith's customers.

VARYING DEVELOPMENTS IN THE GROUP'S KEY MARKETS

Growth in global energy demand unbroken

In the period under review, the energy market was shaped primarily by two factors. One was huge demand for clean, renewable energy—a trend that will increase in the long term—especially in the world's most populous economies. The second was the slowdown in planning and award processes, above all for major power plant construction projects. After a time lag, the energy market is responding in this way to the effects of the global economic crisis. In the long run, however, growth prospects remain sound in this market as the worldwide demand for energy is continuing to increase.

Oil & gas at the beginning of a crisis

The oil and gas market is generally sluggish in its response to economic cycles and reacted to the economic crisis only after a considerable delay. The first signs that the market was cooling nevertheless became visible in the course of 2009. Oil and gas still play a pivotal role in the energy mix. Constant production levels and dwindling demand nevertheless caused substantial inventories to accumulate. Many investment decisions in the OPEC countries, for example, were thus postponed. Another downbeat year is to be expected before a gradual recovery becomes apparent, mainly in the component supply and service business.

Paper market bottoms out

In Western countries, paper production collapsed at the start of fiscal 2008/09. Many papermakers in the USA, Japan and Europe responded by switching off their machines for a time to absorb the plunge in sales. In Asia, projects were postponed until spring 2009 or beyond. Since summer, however, orders for new paper machines and substantially brisker service and consumables business have indicated that recovery is on the way. In the long run, key stimulus for the paper market will emanate from the world's growth regions, where consumption of all types of paper remains significantly higher than the average in traditional industrialized nations. At the same time, demand is growing in all markets for new technologies that will make the paper production process more efficient while consuming less energy, pulp and water.

Raw materials market mired in crisis

The global recession and sharp decline in output brought an abrupt end to the multi-year boom in the world's raw materials market. Demand for cyclical materials such as coal, copper, nickel and zinc in particular collapsed very suddenly. Many mining companies scaled production down or are halting it altogether in order to adjust their capacity to weaker demand. Driven by momentum in demand from China, a modest recovery has set in on the raw materials market. Its further development nevertheless hinges directly on what happens to the world economy now.

Transportation & automotive markets patchy

These markets must be examined from different angles. Both the car and commercial vehicle markets suffered dramatic implosions; nor is there any sign of a rapid turn for the better in the Western markets in particular. In the private vehicle market, government subsidy programs merely boosted sales in the short term. Demand for commercial vehicles is expected to remain very flat, however. Compared to the decline in product business, demand for technical services did not fall so sharply. On a brighter note, the prospects in the market for road- and rail-based local public transport remain sound. In this market, government infrastructure projects are having the strongest impact, mostly with a view to improving mobility in the world's growth regions.

III. Business Development

VOITH HYDRO

Voith Hydro is a full-line provider of hydro power stations and, as such, one of the leading industry partners to power plant operators throughout the world. 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 without government subsidies. Hydro power will thus play a prominent role in the energy mix of the future.

A good year for hydro power

After a vigorous first half in which a sizeable volume of large projects was awarded, less projects were up for tender in the second half. This was due to the timing of customers' project development activities. The global market for hydro power thus stabilized at the high level of the previous year. The situation at Voith Hydro reflects this picture. After a flying start to fiscal 2008/09, the award of major projects in particular leveled off noticeably through the end of the period under review. In the Small Hydro segment (hydro power plants that output less than 30 megawatts), the volumes awarded were significantly down in the fiscal year under review. The reason was that it was more difficult for customers and operating companies to find the financing arrangements they needed. Even so, Voith Hydro is very satisfied with the course of business in fiscal 2008/09.

Orders from all the world's business regions

Voith Hydro landed two major projects in China. One of the country's largest hydro power plants (with a capacity of 12 600 megawatts) is currently being built on the Jinsha ("Gold Sand") River. "Jinsha" is the name given to the Yangtze River in its upper reaches. Voith Hydro has been commissioned to supply generators and turbines. On the same river, the Liyuan hydro power plant, too, is under construction and should deliver a rated output of 2 400 megawatts as of 2012. For this project, Voith Hydro will supply four Francis turbines and additional equipment.

In the USA, Voith Hydro will equip the Captain Meldahl Dam on the Ohio River with generators and turbines. This is already the fourth large rebuild order on the Ohio River to be awarded to Voith by operator American Municipal Power in twelve months.

Acting in the context of a consortium, Voith Hydro was also able to secure two large orders on the Rio Madeira in Brazil. Europe, too, has seen its hydro power market recover vigorously. New projects are currently in progress on the Rio Sil River in Galicia/Spain, in Esslingen/Germany and in Pernegg/Austria, for example.

Production and R&D capacity ramped up further

Voith stepped up efforts to expand its worldwide production facilities in the period under review. Additional production capacity was created in growth markets. At the same time, further measures were taken to improve employees' technical qualifications to ensure that order handling is optimized.

The commissioning of a new generator production plant in Shanghai/China has strengthened the Group Division's position as one of the leading equipment suppliers for hydro power plants in China and the rest of Asia. A new production facility in Varadora/India was set up in fiscal 2008/09 to provide equipment to small hydro plants. Production at the plant in Mississauga/Canada was extensively modernized. This site delivers field coils for generators to all projects around the globe.

Besides expanding and modernizing its production capacity, Voith invested in more research and development capacity, too. Extensive modernization of the Brunnenmühle facility in Heidenheim/Germany has now been completed successfully, giving the company a global leading center for hydro power research and development.

Ocean energy—a new form of hydro power

The Group Division believes collaboration with energy company RWE will bring its tidal current energy technology a crucial step closer to market readiness. Voith Hydro owns an 80% stake and RWE subsidiary RWE Innogy a minority interest of 20% in a joint venture which, since July 2009, has been committed to advancing the development, production and marketing of this innovative technology.

New company name

When Voith Siemens Hydro Power Generation was launched as a joint venture in April 2000, Siemens made its brand name available for a limited period. The right to use this name expired in the period under review. Accordingly, the Group Division changed its name effective April 1, 2009, and now operates as Voith Hydro. Share ownership in the joint venture (a 65% stake for Voith and 35% for Siemens) remains unchanged.

Cooperation with universities expanded

Working closely together with universities and other establishments of higher education is a long-standing tradition at Voith Hydro. Close collaboration with the Institute for Thermodynamics and Energy Conversion at Vienna University of Technology in Austria was agreed in the period under review, for example. Voith Hydro is providing long-term funding for two research assistant posts to press ahead with basic turbine research at the institute. Together with the Institute for Fluid Dynamics and Thermodynamics at the University of Siegen in Germany, Voith Hydro has commissioned a test bed for Wells turbines. The facility will be used for research into noise emission behavior for this type of turbine, which is used primarily in wave power plants.

VOITH INDUSTRIAL SERVICES

Voith Industrial Services provides technical services around the world to big-name companies in the automotive, chemicals, food, aviation and power generation industries, for example. Its broad portfolio covers everything from maintenance and technical cleaning to facility management, assembly and planning services and complex high-tech engineering.

A year of ups and downs

In the period under review, Voith Industrial Services quickly felt the effects of the worldwide economic crisis. At service companies, the order situation is linked directly to the economic situation in the given customer industry. If industrial companies are operating fewer working shifts, less services are needed to keep production running smoothly.

Even under adverse circumstances, however, the Group Division was still able to ramp up its business in certain areas and convince new customers and segments of its capabilities.

The Facility Services Europe and Facility Services Americas divisions provide many of their services to the international automotive industry. For them, the global crisis in this industry largely shaped the course of business. While orders declined in Europe, the Group Division was able to stand its ground in North and South America. General Motors and Ford both placed orders for substantial packages of services at their North American factories. In addition, new orders from Bosch, Ford and Tetra Pak were acquired in Brazil.

Thanks to its powerful market position as the leading provider of refinery services, Process Services saw long-standing contracts renewed in the period under review. Shell, another existing customer, also placed new orders. In the automotive industry, Hörmann Industrietechnik successfully extended important servicing contracts in Poland, Hungary and Germany, for example. A follow-on agreement was also signed with VW in Kaluga/Russia. Development orders for customers such as Bombardier Transport and EADS enabled Hörmann Engineering and CeBeNetwork to demonstrate their expertise as engineering service partners.

Voith Industrial Services Wind successfully advanced the internationalization of its business in the fast-growing market for wind power facility maintenance. Initial orders for the maintenance of wind parks were received from France, Spain and Poland. Voith Railservices signed train maintenance and servicing agreements with one Dutch and one Polish customer, continuing the pattern of growth experienced in the preceding years.

Structures for future growth now in place

At the start of fiscal 2008/09, Voith Industrial Services pooled its entire Asian business in the Voith Industrial Services Asia division. This organizational change leaves the Group

Division well placed to tap market potential for technical services in China and India in particular. To this end, a new subsidiary based in Pune/India had already been set up in the previous year and was consolidated for the first time in the period under review. Pune is one of the production centers for the Indian automobile industry.

At the end of December 2008, Voith Industrial Services Holding GmbH acquired all the shares in DIW Deutsche Industriewartung AG held by EnBW Energie Baden-Württemberg (45.2%). As a result, DIW Deutsche Industriewartung AG and its subsidiaries are now wholly owned by Voith. In fall 2007, EnBW had already announced the intention to withdraw from its equity investment and has now realized this option.

After the end of fiscal 2008/09, the subsidiaries Hörmann Engineering, Voith Industrial Services Engineering and CeBeNetwork were brought together under the name Voith Engineering Services. Bundling the Group's contract engineering activities in this way should in future enable Voith to optimize its penetration of this demanding segment. The new division provides services such as designing products and components, analyzing processes, planning shutdowns, and planning industrial plant and entire industrial facilities. Personnel services for engineers in all industries round off Voith Engineering Services' portfolio.

VOITH PAPER

Voith Paper partners with and prepares the way for the paper industry. For many years, it has been the only provider in the world to supply the entire papermaking process, including the necessary felts, from a single source—from pulp to finished paper.

Technology lead defended in a difficult climate

Mainly in Western sales markets, business in the paper industry was flat in the period under review. Papermakers in Europe and the Americas rolled back their investments as the economy plunged. Inventories of consumables were kept low, while renewal and maintenance work was reduced to an absolute minimum. Initial signs of a market recovery came from Asia in the second half of 2009, i.e. toward the end of fiscal 2008/09 at Voith.

Despite the pronounced decline in orders received, Voith Paper asserted itself well in a difficult market climate and gained a reasonable share of the few major projects that were up for tender. Attractive, large-scale projects were acquired both in Europe and in emerging Asian markets such as China, India and South Korea. This achievement was attributable to Voith's impressive array of water-, energy- and pulp-saving technologies for the papermaking process and to good customer relationships with a focus on long-term partnership.

The importance of modern environmental technology to the award of major projects for the Paper Machines division was exemplified by an order placed by Perlen Papier AG, Perlen/Switzerland, for delivery of a complete production line for newsprint paper. Voith Paper's environmentally friendly overall model for the new production facility ultimately clinched the deal: Significantly improved energy efficiency will enable this facility to consume approximately 10% less energy than comparable paper machines. Tamil Nadu Newsprint and Papers Limited, one of India's leading papermakers, ordered a production facility for high-grade writing, printing and copying papers. A further order from the fast-growing Asian market came from the Moorim Paper Group, which requested delivery of a new production line for its plant in Ulsan/South Korea. These major projects were complemented by orders from Chinese customers for one midsized graphic grade paper machine and two large board machines, plus a new production facility for South America and a tissue machine for a Mexican customer.

Successful start-ups in Lynn/UK and Dunaújváros/Hungary were only two of many in the period under review that once again demonstrated the importance to customers of keeping the entire spread of paper technology—from stock preparation to the finished roll—together under one roof. The result: Start-ups ahead of schedule, steep start-up curves with record speeds, high-quality paper and very satisfactory print results—even in the traditionally difficult phase immediately after a new paper machine has gone into service.

Automation played a part in the major projects referred to above. Voith also stood its ground well in the highly competitive direct business with automation solutions. While Fabric & Roll Systems saw orders drop slightly year on year, the division nevertheless turned in a respectable performance in view of extended plant downtimes as a result of flat demand for paper, and of the corresponding decline in output.

New organizational structure to improve customer satisfaction

Voith Paper effected an extensive reorganization on January 1, 2009. The activities of what used to be seven divisions have now been merged into four divisions: Fiber & Environmental Solutions, Paper Machines, Automation and Fabric & Roll Systems.

Preparation and planning for the roll-out of this new organizational structure already began in 2008. Voith Paper's aim is to simplify processes and handle orders faster, more efficiently and more flexibly in order to better serve the interests of customers—and to sharpen its competitive edge.

For many years, Voith Paper has actively and selectively been working to complete its offerings to the paper industry. The acquisition of PremiAir Technology, Inc., Montréal/Canada, rounds off the Group Division's product and service offerings in all areas of air technology for the cellulose, paper and tissue industry. PremiAir will be integrated in the Voith Paper Air Systems Group, which operates facilities in Bayreuth, Mönchengladbach (both in Germany) and Montréal/Canada.

Actively promoting training for papermakers

Active involvement in training and supporting university graduates for the paper industry is an important issue. Voith Paper has for years accompanied research, lecturing and training activities in a broad spectrum of projects for paper engineers. Its long-standing, intensive and positive partnership with the Faculty of Paper Technology at Munich University of Applied Science was extended still further in 2009. Voith is now instrumental in funding a foundation professorship for the "Paper Technology" research study course, whose content targets international paper engineering students.

VOITH TURBO

Voith Turbo is a recognized specialist that delivers high-tech products for use as drive systems in the Group's five core markets. It also develops mechanical, hydrodynamic, electrical and electronic drive and braking systems for road, rail and marine use. In addition, Voith Turbo is the leading provider of coupler systems for rail vehicles, including high-speed trains.

Business development consolidated following economic crisis

In terms of its order intake in fiscal 2008/09, Voith Turbo was unable to repeat the record performance that had been assisted by a large order from German railway company Deutsche Bahn in the previous year.

At the Road division, year-on-year sales of retarders plunged by more than half. After record earnings in the previous year, business with automatic transmissions for city buses stabilized in fiscal 2008/09. Voith underscored its strong market position by winning orders for international projects in Europe, South America and the Middle East. The Dampers product group primarily serves the agricultural engineering market and saw new orders slide in the period under review. In its new business line, which sells engine components such as exhaust turbochargers and TurboCompounds, the startup phase continued amid difficult conditions.

Marine was clearly not immune to the negative trend in the shipbuilding market. One notable order was received in the forward-looking market for mobile offshore construction equipment. For the first time, Voith is thus fitting five Voith Radial Propellers in a special-purpose vessel for the transportation and installation of offshore wind energy plants. The propellers themselves were developed specially for this purpose.

At the Industry division, only variable-speed drives emulated the record business pattern witnessed in the previous year. A large number of Vorecon orders came in for Australia, Norway, Oman, South Africa and the USA. One other project that deserves a special mention is the order for what is currently the world's most powerful converter (58 megawatts) for General Electric. The converter will be used in the customer's test bed in the USA. In the offshore wind energy plant segment, further 3.25-megawatt prototypes of the WinDrive were sold for installation in Germany's first offshore wind park.

The Rail division experienced a modest anticyclical trend in global demand. Partly due to infrastructure investment programs that are subsidized by the government, local passenger transport is growing even as the recession causes cargo transportation to shrink. In its capacity as a supplier of key components to the international rail industry, the Rail division was able to exploit business opportunities involving components for passenger trains and rail-based local public transport systems. Of the many orders received from all over the world, one highlight was an order for Voith final drives to be fitted in the CHR3, China's high-speed train, which will link Shanghai and Peking as of 2010.

Investing in production capacity lays foundation for growth

Over the past two fiscal years, Voith has invested a total of € 40 million in the construction of a new production facility for mechanical and electromechanical drive system solutions for rail vehicles. Situated in Heidenheim/Germany, the brand-new facility testifies to the long-term nature of the company's forward-looking business policy. The governments in the fast-growing Chinese and Indian markets and in the NAFTA countries are investing particularly heavily to expand local and long-distance passenger rail transport. Voith aims to leverage its solid starting position as a significant supplier to this market and hence participate in its long-term development. The new plant provides optimal conditions to realize this goal.

Initiatives to optimize process flows

In the period under review, Voith Turbo launched numerous initiatives to improve internal processes and organization. These initiatives include factory development projects designed and commenced in the preceding years. Specialists have been appointed in all divisions to accompany these projects and initiatives and keep them moving. Programs to improve operational excellence are in full swing at all Voith Turbo sites around the world. One successful pilot project in Hyderabad/India revealed very positive results within a few months of implementation.

Innovation prize for WinDrive

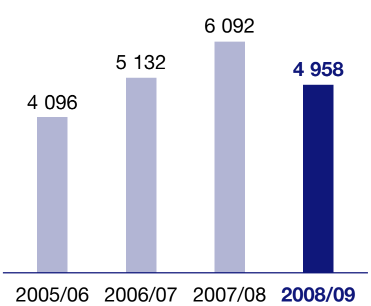
Voith Turbo proudly took receipt of the Hermes Award for its WinDrive at this year's Hannover Messe trade show. The prize is one of the most coveted and widely respected international awards for innovation. This accolade confirms the wisdom of the Group Division's research and development strategy, which aims to tap new areas of application with hydrodynamic technology.

Professional partner for universities

In fiscal 2008/09, Voith Turbo signed a cooperation agreement with the Institute of Energy Technology at the Technical University of Dresden/Germany. Voith is financing scientific posts for a group of researchers who are working on cooling, cryogenic and compressor system projects.

IV. Earnings, Assets and Financial Position

Orders received € in millions



ORDERS RECEIVED

Broad portfolio softens impact of economic crisis

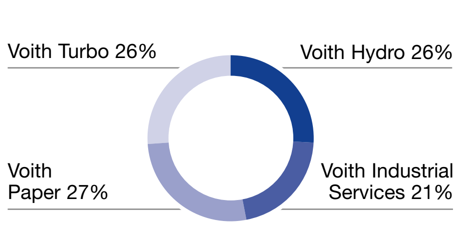
In fiscal 2008/09, Voith was unable to reproduce the previous year's historic peak in new orders, which were down by about 19% to € 5.0 billion (previous year: € 6.1 billion). This figure compares with the level reported in fiscal 2006/07.

The Group's portfolio strategy is reflected in this result. Whereas Voith conceded declining volumes in the paper, raw materials and transportation & automotive markets—all of which quickly feel the effects of economic downturns—the order intake in the energy and oil & gas markets, which respond more slowly to such cycles, remained stable. This enabled the Group as a whole to absorb the blow dealt by the global economic crisis comparatively well.

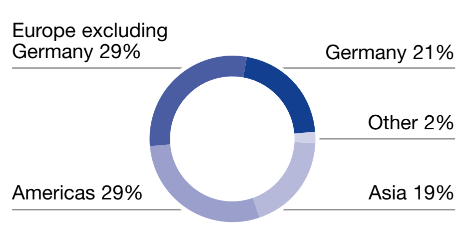
The ERMO Group (Mainhausen/Germany), the CeBeNetwork Group (Bremen/Germany), SIS Skandinavisk Industriservice A/S (Ringstedt/Denmark) and Newtec Kemiteknik AB (Gothenburg/Sweden) were all acquired in fiscal 2007/08 but were fully consolidated for the full 12 months for the first time in the period under review. These companies and other, smaller acquisitions led to a one-time effect totaling € 84 million in fiscal 2008/09. Adjusted for this effect, orders received stood at € 4.87 billion. At fiscal

Orders received total € 4 958 million

by division



by region



year-end (on September 30), the Group as a whole had orders worth € 5.0 billion on hand (previous year: € 5.1 billion).

Voith Hydro contributed € 1.3 billion to new orders (previous year: € 1.4 billion), a 5% year-on-year decline in its contribution to Group orders.

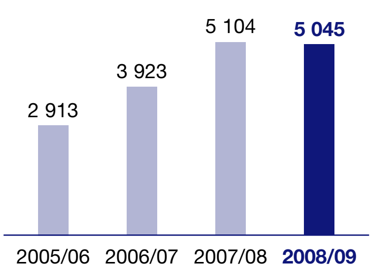
At € 1 018 million, the volume of orders at Voith Industrial Services was slightly up on the previous year (€ 983 million). Adjusted for the effects of first-time consolidation of the ERMO Group (Mainhausen/Germany), the CeBeNetwork Group (Bremen/Germany), SIS Skandinavisk Industriservice A/S (Ringstedt/Denmark) and Newtec Kemiteknik AB (Gothenburg/Sweden), all of which were acquired in fiscal 2007/08, the order intake dropped by 4.6% to € 938 million.

Fiscal 2008/09 brought Voith Paper new orders totaling € 1.3 billion (previous year: € 2.1 billion), a decline of 36%.

Orders received by Voith Turbo came to € 1.3 billion (previous year: € 1.6 billion). This figure was 22% below the record level reported a year earlier, but still considerably higher than sales in the period under review.

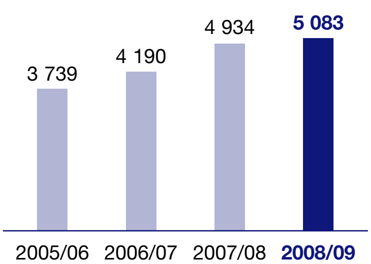
The even regional spread of new orders throughout the Group reflects Voith's balanced, broad-based footprint in all key business and growth regions in the world. In fiscal 2008/09 21% of orders came from Germany, 29% each from the rest of Europe and the Americas and 19% from Asia.

Orders on hand € in millions



SALES

Sales € in millions



Sales slightly up on a year ago

Consolidated sales for the Voith Group stood at € 5.1 billion in fiscal 2008/09 (previous year: € 4.9 billion). The 3% increase in sales reflects the usual time-lag in this industry between orders and sales; it thus mirrors the record order intake achieved in fiscal 2007/08.

These sales figures include the effects of full consolidation of the acquisitions referred to in the section on “Orders received.” Adjusted for this one-time effect, sales stood at € 5.0 billion.

Well-filled order books from previous years caused sales at Voith Hydro to jump significantly 36% to € 1 085 million (previous year: € 800 million).

Sales at Voith Industrial Services totaled € 1 018 million, slightly up on the previous fiscal year (€ 983 million). Again, adjusted for the one-time effect described under “Orders received,” sales were actually down to € 938 million.

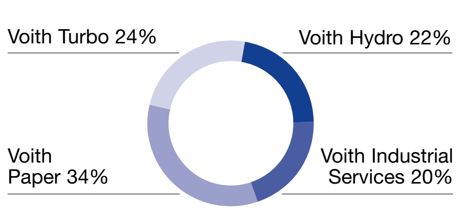
Voith Paper saw its sales decline by 12% to € 1.7 billion (previous year: € 2.0 billion).

Despite the difficult market situation, Voith Turbo increased its sales by 6% to a total of € 1 232 million (previous year: € 1 161 million).

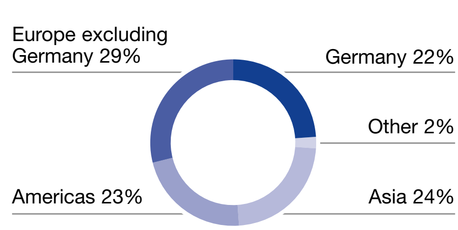
Similar to the trend in orders, consolidated sales, too, were split evenly across all the world’s relevant regional markets. 22% of revenues came from Germany and 29% from the rest of Europe. The Americas accounted for 23% of sales and Asia for 24% in the period under review.

Sales total € 5 083 million

by division



by region



CAPACITY UTILIZATION

Personnel capacity aligned with market development

In fiscal 2008/09, Voith analyzed developments in the markets of relevance to its business—energy, oil & gas, paper, raw materials and transportation & automotive—quickly, continuously and comprehensively. With a view to medium- and long-term planning needs, the personnel situation at each of the Group Divisions was carefully assessed. Where necessary, appropriate action was taken swiftly but circumspectly and in line with the Voith corporate culture. Overcapacity was thus adjusted ahead of time in line with the anticipated market situation.

At September 30, 2009, Voith employed 39 329 people worldwide (previous year: 42 955). That is about 10% fewer staff than in the record 2007/08 fiscal year. Analysis of the individual Group Divisions nevertheless reflects Voith's necessary, market-driven approach. The workforce was ramped up sharply in some Group Divisions and regions, whereas capacity had to be reduced quickly in other segments.

In light of its high order volume, Voith Hydro continued with the ongoing personnel build-up pursued in recent years. At the closing date, the Group Division employed 4 681 people (previous year: 3 643). Around the globe, 1 038 new posts were created and filled in the period under review—a gain of 28%.

Voith Industrial Services directly felt the full force of the global economic crisis, especially the fallout from the automotive industry and its component suppliers. At the balance sheet date, the number of employees was down 16% to 19 118 (previous year: 22 871). Customer industries were able to cushion the blow to some extent by using temporary staffing adjustments such as short-time work in Germany. As a player in the tertiary industry, however, Voith Industrial Services was able to apply such options—both in Germany and abroad—only to a limited extent.

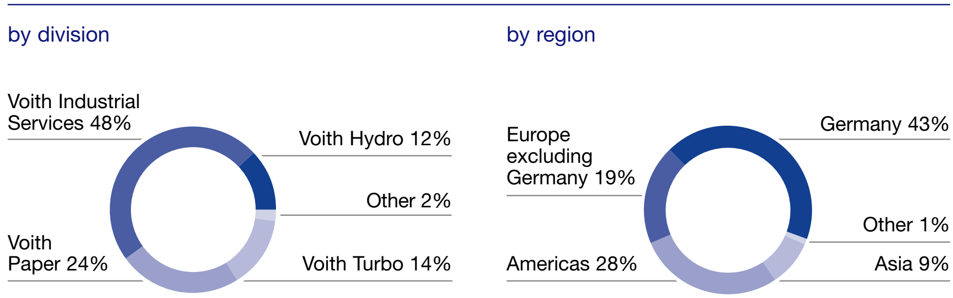
Voith Paper had 9 500 people on its payroll at fiscal year-end (previous year: 10 548). In light of downbeat market development overall and the prospect of weaker demand in the international paper industry, capacity was scaled back quickly and prophylactically. In Germany, short-time work was used to a small extent to help weather the crisis. Worldwide, Voith Paper today employs 10% fewer people than it did at the close of fiscal 2007/08.

At Voith Turbo, staffing levels rose 2% to 5 428 (previous year: 5 307). Some of Voith Turbo's divisions (such as Rail) and regional markets (such as India) are still experiencing growth. A selective personnel build-up ensued, while other divisions experienced moderate headcount adjustments.

At September 30, a total of 16 790 people were employed in Germany and 7 691 in the other European countries. For the reasons cited above, the workforce in both regions thus shrank relative to the previous year by 10% and 20% respectively (previous year: 18 667 in Germany and 9 584 in the rest of Europe). In the Americas, staffing levels remained virtually unchanged year on year at 11 004 (previous year: 11 109). In the growth regions of Asia, the personnel build-up pursued in the previous years continued. By the end of the period under review, 3 647 people were employed by Voith in this region (previous year: 3 399), equivalent to a personnel build-up of 7%.

Irrespective of the global economic crisis, Voith once again gave young people the chance to learn and develop in fiscal 2008/09. As in recent years of strong growth, the Group once again trained considerably more youngsters than it needs for its own purposes. All in all, 1 196 apprentices and students were employed at Voith facilities in fiscal 2008/09.

Employees total 39 329



CAPITAL EXPENDITURE

Investment activity continues unchanged

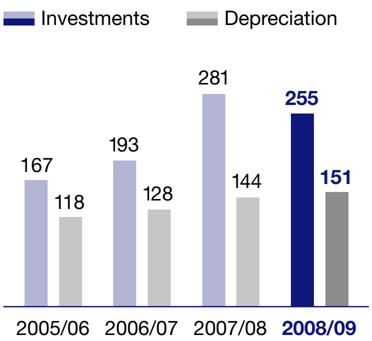
In the period under review, Voith resolutely continued to invest substantially to sharpen its innovative edge. In doing so, the Group once again underscored the long-term, forward-looking nature of its corporate planning strategy.

The volume of capital spending totaled € 255 million in fiscal 2008/09 (previous year: € 281 million), equivalent to 5.0% of consolidated sales (previous year: 5.7%). The sum of these investments was € 101 million higher than the value of depreciation and amortization, which came to € 154 million. Of the € 154 million figure for depreciation and amortization, € 3 million are included in the non-recurrent result. Details of how capital expenditure was split across the Group Divisions is provided in the segment information by business units (see the notes). Regionally, Germany accounted for 53% of capital spending, the rest of Europe 11%, the Americas 20% and Asia 16%.

The money was channeled into technologies and production facilities to make Voith more competitive in the growth markets and regions of tomorrow.

The future of the energy market belongs to technology solutions for renewable energy sources such as hydro power. In the period under review, Voith Hydro, one of the leading full-line providers of hydro power plants, invested in ramping up its generator production operation in Shanghai/China, in setting up a factory for small hydro power systems in Varadora/India, and in modernizing its production facility for generator parts in Mississauga/Canada. Money was also invested into extensive modernization of Voith Hydro's global research and development center at what is known as the "Brunnenmühle" in Heidenheim/Germany.

Investments and depreciation
€ in millions

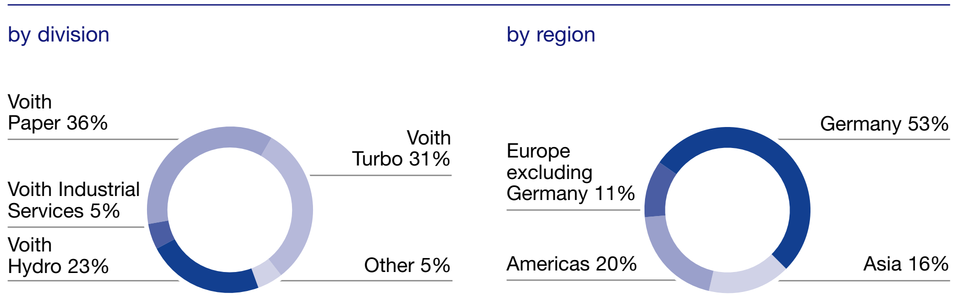


Personal mobility is one of the global megatrends in the 21st century. Voith Turbo is a significant supplier to this market. Its leading-edge technology thus plays an important part in expanding local and long-distance passenger transport. A new transmission plant for rail vehicles is therefore being built in Heidenheim/Germany. The € 40 million spent on this facility will prepare the company's production capacity in Germany for further growth in this segment.

Environmentally friendly technologies that save precious resources are becoming increasingly important in papermaking. In the period under review, Voith Paper therefore invested in a new production hall and optimized processes at its Ravensburg site to stay competitive and maintain its position as technology leader in the Fiber & Environmental Solutions division.

China is one of the most important regional markets for the future of the paper industry. In the course of fiscal 2008/09, a substantial sum was invested to complete Voith Paper City in Kunshan, thus improving the Group Division's ability to gain a stronger foothold in the Chinese and Asian markets.

Investments total € 255 million



FINANCIAL INVESTMENTS AND PARTICIPATING INTERESTS

Apart from the activities discussed above under "Business Development," no major acquisitions were effected in the period under review.

NET INCOME ON A GOOD LEVEL

The Group earned net income of € 77 million in fiscal 2008/09 (previous year: € 144 million) in spite of the difficult global economic situation.

Total output edged up to € 5 078 million (previous year: € 5 058 million) as the large volume of orders accumulated in previous periods was worked off. A number of major products with significant order volumes were handled in the industrial systems segment in particular.

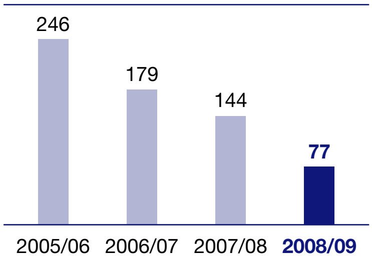
Compared to the previous year, a lower volume of material-intensive add-on services coupled with lower prices on sourcing markets reduced the ratio of the cost of materials to total output. The cost of materials was € 88 million lower than in fiscal 2007/08, declining to € 2 129 million (previous year: € 2 217 million). On the other hand, the ratio of personnel expenses to total output remained virtually unchanged. Personnel expenses rose only slightly to € 1 768 million (previous year: € 1 740 million).

At € 324 million in fiscal 2008/09, operating profits (before adjustment for the non-recurring result) improved by € 40 million year on year (previous year: € 284 million).

The non-recurring result was minus € 98 million (previous year: minus € 8 million). Adverse economic conditions made it necessary to launch measures to adjust staffing capacity in both production and administration. These steps led to one-time charges of minus € 59 million at Voith Paper (previous year: minus € 9 million), minus € 18 million at Voith Turbo (previous year: € 0) and minus € 21 million at Voith Industrial Services (previous year: € 1 million). The action taken by all three of these Group Divisions was a forward-looking response to future market developments. The aim is to bolster profitability and create the conditions to keep the Group competitive and cost-effective in the long run. Some of the measures launched had already been implemented by fiscal year-end. Planned personnel adjustments will be largely completed over the next two years.

Interest income and expenses were both down as interest levels shrank worldwide. In spite of a larger volume of cash and cash equivalents, interest income was thus down € 7 million to € 28 million (previous year: € 35 million). Interest expenses declined to minus

Net income € in millions



€ 83 million (previous year: minus € 91 million). Year on year, the cost of what are essentially floating-rate loans and bonds diminished, as did losses on marketable securities held as short-term assets. The interest result, which nets interest expenses against interest income, remained more or less unchanged at minus € 55 million (previous year: minus € 56 million).

Our present assumption is that certain assets held for sale are permanently impaired. The corresponding € 20 million write-down (previous year: € 0) was recognized in profit and loss. All in all, the other financial result totaled minus € 18 million (previous year: € 1 million).

Broadly speaking, changes in the other items in the consolidated statement of income were in line with business development.

STABLE ASSET AND CAPITAL STRUCTURES REMAIN INTACT

The structure of assets and capital reflected in the consolidated balance sheet for the Voith Group remains healthy. Total assets rose to € 5 369 million (previous year: € 5 148 million).

Non-current assets were up to € 2 259 million (previous year: € 1 962 million). This increase was due primarily to further brisk capital spending on intangible assets, property, plant and equipment and marketable securities. The reclassification of marketable securities from current to non-current assets also contributed to this year's higher figure. Largely as a result of this reclassification, marketable securities held as non-current assets were up € 174 million to € 188 million (previous year: € 14 million).

Since the Group has sufficient liquidity at its disposal, there are no plans to sell off any of these marketable securities over the next 12 months.

Conversely, current assets were down slightly to € 3 110 million (previous year: € 3 186 million). Inventories, trade accounts receivable, marketable securities and cash and cash equivalents were largely responsible for the change in this item.

In particular, improvements in working capital management reduced inventories by € 91 million to € 833 million and scaled trade accounts receivable back to € 960 million (previous year: € 1 142 million).

In our industrial systems business, the decline in receivables is due partly to the billing of long-term construction contracts and partly to higher receipts of customer advances. The latter were netted against existing receivables and thus reduced receivables outstanding.

The decline in marketable securities is explained essentially by the reclassification to non-current assets described above.

In light of persistent uncertainties on the financial markets, it is all the more important to maintain a stable liquidity position. Accordingly, cash and cash equivalents were boosted by € 383 million to € 923 million (previous year: € 540 million). This was done by taking on corresponding financial liabilities.

A further € 300 million was added to the existing € 300 million bond and a note loan totaling € 150 million was acquired in order to increase liquidity. As a result, non-current liabilities rose to € 2 077 million (previous year: € 1 647 million).

Current liabilities declined by € 302 million to € 2 338 million (previous year: € 2 640 million).

Of these liabilities, current financial liabilities were € 66 million lower than in the previous year and stood at € 117 million (previous year: € 183 million). This decline was due to settlement of individual loans in order to give precedence to the longer-term financing alternatives described above.

Trade accounts payable dropped to € 457 million after a figure of € 539 million in fiscal 2007/08 which, relative to the preceding years, was exceptionally high. Other liabilities declined to € 1 318 million (previous year: € 1 514 million), mainly because higher customer advances were deducted from trade accounts receivable (see above) and because the negative market values of derivative financial instruments were lower.

At September 30, 2009, Group equity totaled € 954 million (previous year: € 862 million). The equity ratio was 17.8% (previous year: 16.7%). Alongside net income, effects from the valuation of marketable security positions came to € 41 million (previous year: minus € 46 million) and also had a positive impact on the amount of equity. Dividend payouts totaling € 34 million (previous year: € 22 million) were deducted from equity. The equity figure still includes the profit participation rights totaling € 76.8 million that were issued in fiscal 2006/07. In the period under review, further profit participation rights totaling € 6.6 million were issued. In line with the criteria specified in IAS 32, these rights are also carried as equity. More details of equity are shown in the statement of changes in equity.

POSITIVE CASH FLOW OVERALL

In spite of the adverse economic circumstances, the Voith Group was still able to generate positive cash flow of € 304 million (previous year: € 431 million) from operating activities in fiscal 2008/09. The change in net working capital—in particular the reductions in inventories and trade accounts receivable—contributed to this result.

Net cash used in investing activities increased to minus € 345 million (previous year: minus € 330 million). This change is attributable to the sustained high volume of investment in new plants, plus the purchase of additional marketable securities. A large proportion of the outflows invested in the shares of subsidiaries resulted from the Group's acquisition of the remaining 45.2% stake in DIW Deutsche Industriewartung AG, Stuttgart/Germany.

Net cash provided by financing activities totaled € 411 million (previous year: a net outflow of € 17 million). This change was caused largely by the issue of further bonds and the acquisition of additional liabilities to banks, as discussed above.

Total cash flow amounted to € 370 million (previous year: € 85 million). More details of cash flow are provided in the consolidated statement of cash flows.

V. Research and Development

FOCUS ON TECHNOLOGIES FOR THE MORE EFFICIENT USE OF RESOURCES

Voith can only maintain a future-proof portfolio if it continually develops innovative products and services. Global megatrends must be spotted early on so that solutions to the problems and challenges our customers will face in future can be anticipated. Aware of this, the Group refused to scale back its spending on research and development in the period under review, despite the adverse market climate. On the contrary, its R&D spend was actually slightly higher than a year earlier at € 254 million (previous year: € 250 million). This figure is equivalent to 5.0% of consolidated sales (previous year: 5.1%).

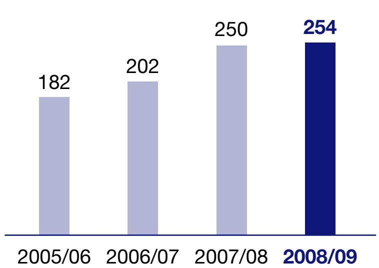
Voith Hydro focused part of its development activities on pump turbines. More and more electricity is now being generated from wind and solar power, both of which are dependent on weather conditions and the time of day. Accordingly, pumped storage methods are taking on increasing significance. At present, this technology is the only way to store large volumes of electrical energy so that it can be made available for commercial applications when it is needed. In other words, pumped storage systems help keep power networks balanced and stable, guaranteeing a steady flow of electricity round the clock. Topographical factors and economic feasibility considerations are increasingly necessitating greater heads (drops) where new pumped storage power plants are built. Voith Hydro is therefore conducting intensive research into ways to optimize hydraulic systems that can cope with these conditions, thereby laying the foundation for further potential applications.

To service the fast-growing hydro markets of Asia, further development of large vertical Pelton turbines was another key focus. This technology can already cope with drop heights of up to 1 200 meters. Carefully targeted use of simulation techniques at Voith Hydro's "Brunnenmühle" research center significantly improved the performance specifications for these machines.

For many years, Voith Hydro has been deeply committed to exploring new ways to harness the power of water in order to generate power. In doing so, it has concentrated heavily on the still largely untapped possibilities afforded by ocean energy. In fiscal 2008/09, work on a pilot turbine with a rated output of 110 kilowatts and a rotor diameter of just under six meters was brought to a successful conclusion. By the end of the period under review, the machine was ready to run and was already on the way to South Korea, where the prototype turbine will be lowered to the seabed for testing.

As in the previous year, Voith Paper again devoted its R&D activities to the development of new technologies to save energy, pulp and water. Its 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.

Research & development € in millions



The Group Division's efforts to research and develop resource-saving products for the paper industry were rewarded with an international prize in fiscal 2008/09. For its development work on technologies to save water, Voith Paper was presented with the Green Apple Award by Britain's Green Organisation.

LowEnergyFlotation is a new deinking flotation system for wastepaper recycling plants that can slash power consumption by as much as 50% compared to conventional systems. The new system can be fitted in both new and existing plants. The first rebuild project was tested successfully at the start of 2009. In the course of the year, two further stock preparation plants fitted with the LowEnergyFlotation system were then sold in China and Europe.

A new automation system, too, is improving efficiency in the production process. The newly developed Voith LSC QuantumSens is the first sensor that measures paper thickness with no contact whatsoever. Marks on the paper surface and tears caused by the measuring systems used to date are thus a thing of the past.

In the period under review, all Voith Turbo divisions concentrated their development efforts on environmentally friendly systems that should help use resources such as fuel more efficiently, reduce energy consumption and diminish noise emissions.

In collaboration with wind power plant manufacturer BARD, Voith Turbo Wind has started work on a 6.5-megawatt (7-MVA) offshore wind farm. The Voith WinDrive will be the central component in the turbines' drivetrain. Output will be up to 6.5 megawatts. In the years ahead, these wind power systems are to be deployed in various offshore projects for the BARD Group. Like WinDrive, the new turbocoupler 274 TN-X is also improving the efficiency of wind power systems. This innovation optimizes the rotor position to face the wind up to 30 times an hour, depending on weather conditions. Even in high winds, this hydrodynamic technology has proven to be robust and reliable—properties that make it particularly well suited to offshore applications.

Voith Turbo's Road division continued work on developing its hybrid application DIWAHybrid in the fiscal year under review. Building on the proven DIWA technology, the key strength of this parallel hybrid transmission system is its universal versatility, especially for buses that run at high average speeds. For buses that operate in heavy urban traffic, Voith is developing ElvoDrive, a serial hybrid transmission system. The core component in either solution is a converter developed specially for hybrid applications in buses. VIAB, the integrated drive and braking element launched successfully in the previous fiscal year, was further improved for a new vehicle series.

Ongoing development of resource-saving components for rail traffic applications continued at the Rail division. The Voith Hydrobrid is a hybrid drive system designed for railcars and locomotives. Depending on requirements, the system can be implemented in micro-hybrid, mild-hybrid and full-hybrid versions, all of which can be retrofitted in existing vehicles without difficulty. EcoScout, the newly developed driver assistance system, is a control and display device. Integrated in the vehicle, it supplies train drivers with useful recommendations. Tests have shown that using this system can reduce fuel consumption by as much as 20%. Also in the period under review, the Voith Maxima 40 CC diesel locomotive was licensed by the German railway authorities to go into service pursuant to Ruling EBA 08-L08 K 001. This brings development of Voith's first ever locomotive—the most powerful diesel engine on Europe's normal gauge network, with a rated output of 3 600 kW (approx. 5 000 hp)—to a successful conclusion. Steps to obtain a license for the Voith Gravita, a locomotive designed for heavy-duty shunting and light freight service, proceeded according to plan.

R&D activities at the Marine division centered around development of the new Voith Radial Propeller. This new application of the Voith Schneider Propeller was developed for use in special-purpose vessels used in the transportation and installation of offshore wind plants.

VI. Events after the Balance Sheet Date

After fiscal 2008/09 had ended, Voith Paper acquired the whole of Voith Paper Technology (India) Ltd., headquartered in Calcutta/India, from its long-standing joint venture partner Larsen & Toubro. The transfer of equity (50%) had been planned well in advance and took effect on October 1, 2009. This move accommodates the growing importance of the Indian paper market and sharpens Voith's competitive edge on the ground.

Apart from this transaction, no significant events have occurred since the end of the period under review.

VII. Report on Risks and Opportunities Facing the Company

RISKS

Risk and Quality Management

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.

Voith's risk management activities are condensed into a comprehensive risk management system whose key principles are as follows:

- Reduce risk potential and the probability that risks will be realized in order to increase the value of the Group and its companies.
- Comply with the legal requirements placed on listed stock corporations.
- Apply practicable rules in order to meet the requirements placed on corporate management.
- Systematically encourage a professional, entrepreneurial mindset on every level, actively involving every individual employee in the process.
- Apply existing management and control instruments and link these to the management of technical risks.

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 distinguishes between two classes of risks: risks to the Group and risks to performance. The process itself breaks down into four steps:

Risk identification

Voith constantly monitors macroeconomic developments, developments in the industries it serves 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 or diversified by suitable actions or transferred 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.

A distinction is drawn between two classes of risks: risks to the Group and risks to performance. These classes break down as follows:

Risks to the Group:
a) External risks
b) Management risks
c) Financial risks
d) Infrastructure risks

Risks to performance:
a) Contractual risks
b) Technical risks

Risks to the Group

External risks

In fall 2009, the world's economy remains in a phase of recession. Voith's products, technologies and services are supplied to the markets for energy, oil & gas, paper, raw materials, transportation & automotive. The future development prospects for these markets vary very considerably. Those industries that respond very quickly to shifting economic cycles—such as paper, raw materials, transportation and automotive engineering—were hit fast and very hard by the global crisis. On the other hand, business development in the energy and oil & gas markets, which are slower to respond, remained stable. Voith has a diversified portfolio in terms of both content and regions. It also boasts healthy finances and a stable liquidity position. Accordingly, the Group believes it is well able to master the forthcoming challenges of another year of recession.

There is no evidence of perceivable, significant external risks at the present time.

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. In the fiscal year under review, Voith AG topped up an existing bond to ensure the availability of extra liquidity. Additional free 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 to Voith AG when its first bond was issued in 1999 was confirmed with Baa1 in February 2009. The outlook was switched from "stable" to "negative."

Voith possesses a multi-asset portfolio for which an external advisor handles risk monitoring based on a defined value-at-risk budget. 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 criterion "sustainable" 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 a fundamental strategy. In the event of conspicuous fluctuations in share prices, outstanding stock market price risks are analyzed immediately and appropriate measures agreed.

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, currency options 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

IT risks

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.

Human resources risks

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.

Consistent with its commitment to good corporate governance, Voith AG has formulated a corporate code of practice whose behavioral standards are valid for every employee in the Voith Group. The code includes guidelines for the behavior of employees to avoid corruption in their business dealings with third parties. Voith 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 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.

Environmental protection risks
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.

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

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

Innovation-related risks
The future profitability of the Voith Group hinges on its ability to develop marketable products and services and use the most modern production technologies and service processes. The Group 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
Sourcing risks are minimized to the greatest extent possible. The processes by which suppliers are selected and dealt with are specified in writing. 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 2008/09, Voith once again used every means at its disposal to contain the risks posed by cost increases. It did so by concluding a mix of fixed-price contracts and other hedging arrangements.

Overall Risk

To the best of our knowledge at the time when this report went to press, there is no material threat to the continued existence of the Voith Group.

OPPORTUNITIES

Macroeconomic Opportunities

Voith ranks as a leading player in the business lines and markets to which it is actively committed. Its product and service offerings contribute leading-edge technology that helps solve problems relating to global megatrends such as renewable energy, personal mobility and outsourcing. In addition, Voith supplies products and machinery that are urgently needed to develop the economic infrastructure in emerging countries. This portfolio includes paper machines, hydro power plants, products and systems to develop local public transport and rail transport networks, products for use in power plants, steel mills and raw materials mining contexts, and technical services for new factories and high-performance industries. Even under difficult macroeconomic conditions, this market constellation still presents Voith with opportunities for further profitable growth.

Strategic Opportunities

Global orientation

At Voith AG, 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 1909. Today, Voith has in-house production facilities and sales centers at more than 280 locations in over 40 countries in all regions of the world. This global orientation gives the Group the chance to participate in dynamic business development with its own capacity on the ground in the world's fast-growing regions.

Long-term corporate development to defend independence

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 a moderate dividend policy, Voith has sufficient financial resources to fuel continuous, attractive growth, the trajectory of which can be planned over extended periods, irrespective of cyclical economic fluctuations.

VIII. Report on Non-Financial Performance Indicators

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 people. 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 and Development

In many areas relating to environmentally friendly technologies, products and processes, Voith stands out as both the technology and opinion leader. This is true in the processing of wastepaper for paper production, for example, in hydro power technology, and in innovative services for the wind power industry. 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 2008/09, 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

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. 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.

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
- Handling waste management

In the course of the current fiscal year, efforts are 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.

Products

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

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. The Group rises to this challenge by deploying technologies that allow Voith products to be returned for reuse/recycling at the end of their life cycle, ideally creating added value for the customer in the process. One pilot project at Voith Paper is indicative of what we mean: The dry fabrics that drain water off the web in the papermaking process are now recycled. During the recycling process, the energy given off is harnessed and put to good use.

IX. Forecast Report

No Sign of Stimulus to Drive a Sustainable Upswing Yet

In fall 2009, the global economy continues to struggle with recession. Although indicators suggest that certain industries and regional markets now have the worst behind them, fundamental economic data still shows no clear signs that the economy will quickly recover. For the first time since the Second World War, the global economy is expected to record negative growth in 2009.

The main risks to a rapid economic recovery remain unchanged: the reluctance of the finance industry to make finance available; the growing mountains of public and private debt; and the increasing challenge of shoring up jobs and social security systems in the major industrialized nations in the long term. For its part, industry is confronted by the problems of overcapacity, high inventories and liquidity issues.

Experience gleaned from the biggest economic crises over the past 50 years points with equal clarity to a generally slow and weak phase of recovery. It will take years before the economy in general, and industrial production in particular, returns to the levels achieved in 2007—the last boom year before the crisis.

Voith Preparing Itself for Second Year of Recession in a Row

In its planning for fiscal 2009/10, Voith anticipates a further year of recession. The effects of the global economic crisis will continue to influence the Group Divisions to differing degrees and at different speeds.

With the exception of incipient signs from Asia, the markets that respond swiftly to cyclical economic trends—such as paper, raw materials and transportation & automotive—as yet give no noticeable indication that a rapid recovery will take place in 2010. Voith will probably not see a substantial jump in its order intake until the following fiscal year (2010/11).

For those markets that respond more slowly—with the exception of public transport—it will presumably take even longer before a recovery sets in. A worldwide return to more adequate demand patterns will not materialize before 2011.

Overall planning for the Voith Group as a whole is based on this rather conservative scenario.

Voith Hydro expects to see new orders come in more slowly in fiscal 2009/10; orders will be below the levels of the preceding years. Large stocks of orders in hand will nevertheless shape the pattern of sales during the coming fiscal year. Hydro power plants remain one of the key technologies for the generation of electricity from renewable sources. Irrespective of global economic developments, therefore, the medium-term outlook remains positive.

By diversifying its spectrum of services, Voith Industrial Services has largely broken free of its heavy dependency on individual markets. The Group Division is now well placed especially in the forward-looking markets for high-tech services and contract engineering services. It also occupies a very strong position in Brazil, China and India, from which initial signs of economic stimulus are already emanating. In light of this situation, Voith Industrial Services expects the market environment to remain difficult and the business volume to decline moderately in fiscal 2009/10.

In the final quarter of fiscal 2008/09, Voith Paper saw a sharp rise in its Asian business. Orders received in fiscal 2009/10 are therefore expected to be higher than in the period under review. This alone does not constitute a fundamental change of direction, however, but should rather be interpreted as an interim peak. Hard-hit by the global financial crisis and regional structural changes, the market environment in the paper industry remains critical.

Voith Turbo will continue to feel the effects of the economic crisis in the current fiscal year, too. New orders are expected to be down in fiscal 2009/10. Sales should nevertheless remain stable at the previous year's level thanks to well-filled order books.

Since the market climate will remain difficult in fiscal 2009/10, consolidated net income is expected to be roughly the same as in the period under review. In light of the macroeconomic situation and with due consideration for the Group's balanced portfolio of products and services, satisfactory earnings are anticipated in fiscal 2009/10 and 2010/11.

Summary

Voith will continue to adapt itself quickly and flexibly to the prevailing economic conditions. Management's aim 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. Adaptability and the will to apply excellent technologies to help solve the problems facing future generations are the hallmark of Voith. Only those companies whose products and services enable customers to compete successfully will experience lasting economic success. And only they can stay the course as reliable partners to society as a whole.

Corporate Governance Report

On September 14 and October 5, 2009, 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 2008/09, explicitly drawing attention to a small number of deviations. This statement of compliance has been made available to Voith's shareholders.

One of the deviations is due to the fact that the consolidated financial statements are not made available to the public within 90 days after the end of the fiscal year (Item 7.1.2). The remaining deviations relate to provisions that are either not required (e.g. Items 3.10 Sentences 2-5, 5.3.3 and 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

Consolidated Statement of Income

for the period from October 1, 2008, through to September 30, 2009

€ in thousands	Notes	2008/09		2007/08	
Sales	(1)	**5 083 370**		4 933 767	
Change in inventories and capitalized costs	(2)	**(5 318)**		123 802	
Total output			**5 078 052**		**5 057 569**
Other operating income [1]	(3)	**356 974**		343 253	
Cost of material	(4)	**(2 129 384)**		(2 217 214)	
Personnel expenses	(5)	**(1 767 960)**		(1 740 160)	
Depreciation		**(151 279)**		(143 979)	
Other operating expenses [1]	(6)	**(1 062 041)**		(1 015 067)	
			324 362		**284 402**
Non-recurring result	(7)	**(97 624)**		(8 027)	
			226 738		**276 375**
Share of profits from associates		**1 652**		4 109	
Interest income [2]		**27 797**		35 288	
Interest expenses [2]		**(82 721)**		(90 893)	
Other financial result	(8)	**(17 772)**		1 469	
Income before taxes			**155 694**		**226 348**
Income taxes	(9)	**(78 316)**		(82 079)	
Net income			**77 378**		**144 269**
Net income attributable to shareholders of parent company		**63 109**		131 574	
Net income attributable to minority interests		**14 269**		12 695	

[1] Data for previous year adjusted; see “Summary of Significant Accounting and Valuation Policies” in the notes to the consolidated financial statements.

[2] The previous year's figures were netted.

Consolidated Balance Sheet

as at September 30, 2009

Assets

€ in thousands	Notes	2009-09-30		2008-09-30	
A. Non-current assets					
I. Intangible assets	(10)	**702 198**		676 165	
II. Property, plant and equipment	(11)	**1 059 054**		977 118	
III. Investments in associates	(12)	**17 208**		14 643	
IV. Investments in securities	(16)	**187 911**		13 552	
V. Other financial assets	(12)	**29 248**		35 085	
VI. Other receivables and assets	(15)	**134 544**		125 495	
VII. Deferred tax assets	(9)	**128 533**		120 051	
Total non-current assets			**2 258 696**		**1 962 109**
B. Current assets					
I. Inventories	(13)	**833 106**		924 079	
II. Trade accounts receivable	(14)	**960 488**		1 141 742	
III. Marketable securities	(16)	**106 702**		215 959	
IV. Income tax assets		**57 276**		51 457	
V. Other receivables and assets	(15)	**229 231**		306 443	
VI. Cash and cash equivalents	(17)	**923 127**		539 641	
			3 109 930		**3 179 321**
VII. Held-for-sale assets	(18)	**0**		6 700	
Total current assets			**3 109 930**		**3 186 021**
Total assets			**5 368 626**		**5 148 130**

Equity and liabilities

€ in thousands		Notes	2009-09-30	2008-09-30
A.	**Equity**			
I.	Issued capital		**120 000**	120 000
II.	Revenue reserves		**741 059**	698 567
III.	Other reserves		**(17 406)**	(57 087)
IV.	Profit participation rights		**83 400**	76 800
V.	Minority interests		**26 842**	23 407
Total equity		(19)	**953 895**	**861 687**
B.	**Non-current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	**404 662**	404 255
II.	Other provisions	(21)	**151 903**	136 871
III.	Income tax liabilities		**3 393**	3 495
IV.	Financial liabilities	(22)	**1 286 720**	834 245
V.	Other liabilities	(23)	**118 074**	145 358
VI.	Deferred tax liabilities	(9)	**112 188**	122 630
Total non-current liabilities			**2 076 940**	**1 646 854**
C.	**Current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	**24 931**	11 532
II.	Other provisions	(21)	**341 986**	290 109
III.	Income tax liabilities		**77 671**	101 755
IV.	Financial liabilities	(22)	**117 287**	182 887
V.	Trade accounts payable	(23)	**457 485**	539 299
VI.	Other liabilities	(23)	**1 318 431**	1 514 007
Total current liabilities			**2 337 791**	**2 639 589**
Total equity and liabilities			**5 368 626**	**5 148 130**

Statement of Changes in Equity

€ in thousands	Equity attributable to shareholders in the parent company				Profit participation rights	Minority interests	Total equity
	Issued capital	Revenue reserves	Other reserves	Total			
Balance as at 2008-10-01	**120 000**	**698 567**	**(57 087)**	**761 480**	**76 800**	**23 407**	**861 687**
Gains/(losses) on available-for-sale financial assets			40 587	40 587		(5)	40 582
Gains/(losses) on cash flow hedges			(5 044)	(5 044)		(1 593)	(6 637)
Currency translation differences			14 053	14 053		1 721	15 774
Gains/(losses) on net investments in foreign operations			(17 078)	(17 078)		(337)	(17 415)
Tax on items recognized directly in equity			7 163	7 163		437	7 600
Total income for the year recognized directly in equity			39 681	39 681		223	39 904
Net income		63 109		63 109		14 269	77 378
Total income for the year		63 109	39 681	102 790	0	14 492	117 282
Allocation of profit participation rights		(4 225)		(4 225)	4 225		0
Change in Group structure		1 697		1 697		(23 646)	(21 949)
Issue of profit participation rights				0	6 600		6 600
Share of income attributable to profit participation rights				0	(4 225)		(4 225)
Dividends		(18 089)		(18 089)		(11 700)	(29 789)
Contributions from minority shareholders				0		4 415	4 415
Minority interests' put options				0		19 874	19 874
Balance as at 2009-09-30	**120 000**	**741 059**	**(17 406)**	**843 653**	**83 400**	**26 842**	**953 895**

€ in thousands	Equity attributable to shareholders in the parent company: Issued capital	Revenue reserves	Other reserves	Total	Profit participation rights	Minority interests	Total equity
Balance as at 2007-10-01	**120 000**	**581 955**	**6 412**	**708 367**	**76 800**	**20 046**	**805 213**
Gains/(losses) on available-for-sale financial assets			(45 808)	(45 808)		33	(45 775)
Gains/(losses) on cash flow hedges			(6 112)	(6 112)		(3 005)	(9 117)
Currency translation differences			(10 299)	(10 299)		(83)	(10 382)
Gains/(losses) on net investments in foreign operations			(5 007)	(5 007)		(392)	(5 399)
Tax on items recognized directly in equity			3 727	3 727		1 028	4 755
Total income for the year recognized directly in equity			(63 499)	(63 499)		(2 419)	(65 918)
Net income		131 574		131 574		12 695	144 269
Total income for the year		131 574	(63 499)	68 075	0	10 276	78 351
Allocation of profit participation rights		(11)		(11)	11	0	0
Change in Group structure		(2 601)		(2 601)		(497)	(3 098)
Share of income attributable to profit participation rights				0	(11)	0	(11)
Dividends		(12 350)		(12 350)		(9 381)	(21 731)
Minority interests' put options				0		2 963	2 963
Balance as at 2008-09-30	**120 000**	**698 567**	**(57 087)**	**761 480**	**76 800**	**23 407**	**861 687**

Consolidated Cash Flow Statement

€ in thousands	2008/09	2007/08 [1]
Income before taxes	**155 694**	226 348
Depreciation	**174 016**	144 724
Interest result	**54 924**	55 605
Other non-cash items	**(3 552)**	(1 402)
Result from the disposal of property, plant, equipment and intangible assets	**1 225**	(462)
Investment income	**(1 127)**	(1 554)
Changes in provisions and accruals	**45 208**	1 017
Change in net working capital	**34 555**	125 493
Interest payments	**(56 492)**	(59 931)
Interest received	**25 222**	30 403
Dividends received	**1 267**	2 388
Tax payments	**(127 293)**	(91 130)
Cash flow from operating activities	**303 647**	**431 499**
Investments in property, plant, equipment and intangible assets	**(253 695)**	(281 278)
Proceeds from disposal of property, plant, equipment and intangible assets	**17 585**	13 905
Investments in financial assets	**(5 593)**	(18 150)
Acquisition of minority interests and subsequent payments on purchasing price of previous acquisitions	**(67 004)**	0
Acquisition of subsidiaries	**(1 508)**	(116 093)
Proceeds from the disposal of financial assets	**956**	10 106
Changes in investments in securities	**(35 517)**	61 506
Cash flow from investing activities	**(344 776)**	**(330 004)**
Dividend payments	**(34 014)**	(21 742)
Contributions from minority shareholders	**4 415**	0
Other changes in equity	**6 600**	0
New bonds, bank loans and overdrafts	**692 900**	41 728
Repayment of bonds, bank loans and overdrafts	**(298 263)**	(14 028)
Changes in financial receivables and financial liabilities	**39 262**	(22 866)
Cash flow from financing activities	**410 900**	**(16 908)**
Total cash flow	**369 771**	**84 587**
Exchange rate movements, valuation changes and changes in Group structure	**13 715**	(10 054)
Cash and cash equivalents at the beginning of the period	**539 641**	465 108
Cash and cash equivalents at the end of the period	**923 127**	**539 641**

[1] Data for previous year adjusted; see "Summary of Significant Accounting and Valuation Policies" in the notes to the consolidated financial statements.

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

GENERAL

Voith AG is headquartered at St. Pöltener Strasse 43, Heidenheim/Brenz, Germany. The company participates in the capital markets and is required to prepare consolidated financial statements pursuant to Section 290 of the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with Section 315a HGB. It is entered in the Commercial Register (under the number HRB 661319) at the Registration Court in Ulm, Germany. The consolidated financial statements of Voith AG are filed with the electronic version of the Federal German Gazette.

On November 30, 2009, the Board of Management of Voith AG released the consolidated financial statements for presentation to the Supervisory Board.

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 2008/09 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 nature of expense method.

CONSOLIDATED GROUP

The Voith Group is divided into four Group Divisions: Voith Hydro (formerly Voith Siemens Hydro Power Generation), Voith Industrial Services, Voith Paper and Voith Turbo. In accordance with contractual agreements, the right to use the name “Voith Siemens Hydro Power Generation” expired in the period under review. Where it owns a minority stake, Siemens only ever allows its name to be used for a limited transitional period. In future, this Group Division will therefore operate under the name Voith Hydro. The shareholding ratio—

Voith continues to hold a 65% stake and Siemens a 35% stake—remains unaffected by the change of name. 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 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 three cases, Voith AG exercises control as defined in IAS 27 owing to a majority of voting rights in the relevant decision-making bodies.

The following companies are included in the consolidated financial statements:

	2009-09-30	2008-09-30
Voith AG and its fully consolidated subsidiaries:		
Germany	**82**	78
Abroad	**170**	168
Total fully consolidated companies	**252**	**246**
Associated companies accounted for using the equity method:		
Germany	**3**	1
Abroad	**12**	8
Total associated companies accounted for using the equity method	**15**	**9**

The main companies consolidated for the first time in the fiscal year under review are Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim/Germany, Voith Hydro Limited Sirketi, Sögütözü Ankara/Turkey, Voith Industrial Services Ermo GmbH, Merseburg/Germany, Voith Industrial Services Indumont GmbH & Co. KG, Wesseling/Germany, Voith Industrial Services India Private Limited, Hyderabad/India (A.P.), PremiAir Technology, Inc., Saint-Laurent-Québec/Canada, and Voith Turbo S.A. de C.V., Mexico (D.F.).

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 AG 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. In the period under review, the following companies were measured using the equity method and included in the consolidated financial statements for the first time: Ox-traction N.V. and Ox-traction (Locomotives) N.V., Roosendaal/Netherlands, in each of which Voith holds a 46% interest; and SVK-Beteiligungen GmbH & Co. KG, Heidenheim/Germany, in which Voith holds a 39.41% interest.

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	Spüldienste Niederbayern GmbH & Co. KG, Dingolfing
VISI	Voith Industrial Services Ermo GmbH & Co. KG, Stuttgart
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
VPAH	Voith Paper Automation GmbH & Co. KG, Heidenheim
VPDN	Voith Duria GmbH & Co. KG, Heidenheim
VPEU	Voith Paper GmbH & Co. KG, Euskirchen
VPES	Voith Paper Environmental Solutions GmbH & Co. KG, Ravensburg
VPFH	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
VPSH	Voith Paper Rolls GmbH & Co. KG, Heidenheim
VPT	Voith Paper Holding GmbH & Co. KG, Heidenheim
VPWE	Voith Paper Rolls GmbH & Co. KG, Weissenborn
VHH	Voith Hydro Kraftwerkstechnik 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
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
VTRH	AIR Fertigung-Technologie GmbH & Co. KG, Hohen Luckow
VTZS	Voith Turbo Verdichtersysteme GmbH & Co. KG, Zschopau

VZB	J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim
VOGG	Voith Grundstücksverwaltungs GbR, Heidenheim
VOM	Voith Materials Holding GmbH & Co. KG, Heidenheim
VOMH	Voith Materials GmbH & Co. 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 disclosure obligations insofar as the conditions defined in Section 264 (3) HGB (reporting duties) are met.

VIH	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:

VFWS	Voith Paper Fabrics US Sales, Inc., Wilson (NC)/USA
VPA	Voith Paper, Inc., Appleton (WI)/USA
VPIT	Voith IHI Paper Technology Co., Ltd., Tokyo/Japan
VPKR	Voith Paper GmbH, Krefeld/Germany
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/Germany
VIW	DIW Instandhaltung GmbH, Vienna/Austria
VIWA	Premier Manufacturing Support Services (UK) Ltd., Warwick/UK

BUSINESS COMBINATIONS IN FISCAL 2007/08

The main business combinations in fiscal 2007/08 involved the acquisition of a 100% stake in Ermo Holding GmbH, Mainhausen/Germany (effective February 29, 2008), a 100% stake in SIS Skandinavisk Industriservice AS, Ringsted/Denmark (at the end of November 2007), a 90% stake in CeBeNetwork Holding GmbH, Bremen/Germany (effective June 1, 2008), and a 100% stake in Ing. Erich Kössler Gesellschaft m.b.H., St. Pölten/ Austria (at the end of December 2007). Taken together, business combinations in fiscal 2007/08 contributed a total of € 116.5 million to sales and net income of € 1.1 million to the Voith Group's consolidated statement of income. Also in fiscal 2007/08, retroactive payments totaling € 7.8 million were made for acquisitions effected in the previous year.

BUSINESS COMBINATION IN FISCAL 2008/09

Acquisition of PremiAir Technology, Inc., Montréal/Canada

Effective October 1, 2008, Voith Canada, Inc., Hamilton/Canada, acquired all shares in PremiAir Technology, Inc. This company primarily serves the US market and Europe, where its main focus is Germany. PremiAir Technology, Inc. operates in the market for air and drying technology for cellulose, paper and tissue production and will be integrated in Voith Paper Air Systems.

All acquired assets were recognized at fair value. The difference between the purchase price and acquired equity that could not be assigned to any particular asset was stated as goodwill.

Some of the acquired intangible assets (such as the employee base) could not be recognized as they did not meet the recognition criteria. Goodwill derives from positive effects anticipated for Air Systems when Voith Paper's existing activities in this segment are combined with those of the newly acquired company.

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.

The fair value of the acquired assets and liabilities is shown in the table below:

Balance sheet item

€ in thousands	Fair values at time of acquisition	Carrying amounts immediately before combination
Intangible assets	1 028	18
Property, plant and equipment	34	34
Current assets	1 480	1 480
Provisions	(60)	(60)
Liabilities	(1 249)	(1 016)
Carrying amount	**1 233**	**456**
Goodwill	364	
Purchase price of acquired shares	**1 597**	
Cash and cash equivalents	(89)	
Debt-financed amount	0	
Cash in-/outflow	**1 508**	
Thereof: Incidental costs	38	

Incidental costs related to acquisition essentially include the cost of contractual negotiation and design and the cost of consulting services used in the course of acquisition.

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

Principles of Consolidation

For the purposes of capital consolidation and in accordance with the purchase method prescribed by IFRS 3, the cost of the combination is netted against the corresponding shareholders' equity acquired, which is stated at its value as at the acquisition date. 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.

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 purchase method is applied in cases where the Voith Group subsequently purchases additional shares in companies in which it already exercises control. Hidden reserves and liabilities are not disclosed in such cases.

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 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 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. Only after disposal are they recognized in the consolidated statement of income. 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	
	2009-09-30	**2008-09-30**	**2008/09**	**2007/08**
US Dollar	**1.4619**	1.4340	**1.3618**	1.5044
Brazilian Real	**2.6045**	2.8191	**2.8624**	2.5938
Pound Sterling	**0.9140**	0.7961	**0.8738**	0.7623
Swedish Krona	**10.2194**	9.7930	**10.5257**	9.4052
Norwegian Krona	**8.4894**	8.3080	**8.8282**	7.9738
Canadian Dollar	**1.5689**	1.5010	**1.5871**	1.5102
Australian Dollar	**1.6563**	1.7814	**1.8426**	1.6610
Chinese Renminbi	**9.9802**	9.8350	**9.3262**	10.6664
Japanese Yen	**130.9306**	150.5600	**130.2030**	161.9200

Summary of Significant 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 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.

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 AG 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 believes that the recession will continue through fiscal 2009/10. Only then is an initial slight improvement expected. The assumptions outlined below are posited on this view.

Voith Hydro

Voith Hydro expects the order intake to slow to about the level of previous years in the first year of its planning period. In spite of global economic developments, the medium-term outlook for the hydro power plant business is rated as good. In the long term, this Group Division therefore expects to see a slight increase in new orders and sales.

Voith Industrial Services

In fiscal 2009/10, Voith Industrial Services expects the adverse market climate to lead to a moderate decline in its business volume. The recession is expected to continue on through fiscal 2010/11; a recovery should then ensue. Orders received and sales are planned to be slightly above their current level in the longer term.

Voith Paper

As its market context remains critical, Voith Paper anticipates a modest year-on-year gain in new orders in fiscal 2009/10. The market is not expected to recover until the second year of this Group Division's planning horizon. In the longer term, the plan is for new orders and sales to increase again to a similar level as in the past.

Voith Turbo

A declining order intake is projected at Voith Turbo in fiscal 2009/10, followed by a mild recovery. In the longer term, the Group Division thus anticipates slightly more orders and sales compared to the 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 debt/equity structure at Voith and the financing costs of comparable competitors for each of the cash-generating units. The discount rates applied reflect the equity risk specific to each cash-generating unit. After-tax interest rates of 6.9% (previous year: 7.9%) for Voith Hydro, 6.6% (previous year: 7.4%) for Voith Industrial Services, 7.2% (previous year: 8.0%) for Voith Paper and 6.8% (previous year: 7.6%) 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 9.3% (previous year: 11.2%) for Voith Hydro, 8.9% (previous year: 10.6%) for Voith Industrial Services, 9.4% (previous year: 11.4%) for Voith Paper and 9.3% (previous year: 11.8%) 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. Interest on borrowed funds is not capitalized.

Leased Assets

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.

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 amount of available-for-sale marketable securities and financial assets is written down and recognized in profit and loss if it becomes probable that their market value will permanently remain lower than their 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. If fair value falls more than 30% below cost, this is classed as a significant decline. 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—usually forward exchange contracts, currency options 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.

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.

Changes in the Reporting of Non-Order-Related Provisions

Up to and including fiscal 2007/08, income from the use of provisions was recognized in cases where use was made of certain non-order-specific provisions. This income was stated under other operating income as “Income from the use and reversal of provisions.” Expenses actually incurred were then recognized under other operating expenses to cancel out the income. Starting in fiscal 2008/09, any such use is recognized directly in the provisions concerned, since such usages can be assigned unambiguously to the corresponding costs. In the period under review, this change reduced both other operating income and other operating expenses by € 13 292 thousand (previous year: € 18 445 thousand).

Where use is made of order-specific provisions, income from this use is still recognized, as the effort involved in establishing an accurate assignment to individual cost types would be inordinate. In future, this income will be recognized as a separate item under other operating income and will cancel out the cost types concerned (mainly material costs, personnel expenses and/or other operating 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 at their fair value. 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. Cost-related grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate. Up to and including fiscal 2007/08, cost-related grants were recognized as other operating income. Starting in fiscal 2008/09, these grants will be netted against the costs for which they are granted.

As a result, other operating income and other operating expenses were each reduced by € 11 037 thousand in the period under review. Due to materiality considerations, the corresponding adjustment of € 8 500 thousand to the previous year's data has not been made. The Voith Group believes that this change in presentation gives a clearer picture of the earnings position, as only those costs that are borne by Voith are now shown.

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 Minority Interest Holders' Capital in Limited Partnerships and Due to 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. Put options create a similar obligation pursuant to IAS 32.

a) Put options
Where the right to terminate minority interests exists in the form of a put option, the corresponding portion of minority 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 minority interests. At every closing date, it is assumed that the put option will be exercised; the corresponding minority 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 minority interests as a share of equity is treated as an ongoing business combination and is stated as goodwill.

b) Limited partnerships
As with the procedure adopted for put options, these interests are also treated as components of equity during a given fiscal year. A share of net income is also allocated to minority interests. At the balance sheet date, it is assumed that the right to terminate the investment will be exercised. The corresponding minority interests are therefore reclassified from equity to financial liabilities, which are measured at amortized cost.

If minority 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.

Presentation Changes in the Consolidated Statement of Income

In the fiscal year under review, presentation of the interest result was for the first time split into interest income and interest expenses items. This was done to show more clearly the cost of financing in the consolidated statement of income.

Presentation Changes in the Consolidated Cash Flow Statement

In fiscal 2008/09, interest received, interest payments, tax payments and dividends received were for the first time presented as separate items in the consolidated cash flow statement (under cash flow from operating activities). In addition, non-cash valuation effects relating to bonds, liabilities due to banks, other financial receivables and other financial liabilities were for the first time subsumed under “Other non-cash items.” In the past, cash inflows and outflows relating to bonds and liabilities due to banks were netted. Now, however, they are shown as separate items.

These changes necessitated adjustments to the consolidated cash flow statement for the previous fiscal year. Cash flow from operating activities increased by € 817 thousand, cash flow from investing activities declined by € 1 324 thousand and cash flow from financing activities increased by € 507 thousand.

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 Hydro and Voith Paper 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 companies 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

There were no new standards or interpretations that had to be taken into account for the first time in fiscal 2008/09.

Adoption of the following new and amended IFRSs and IFRICs was not yet compulsory in fiscal 2008/09 and/or had not yet been endorsed by the European Commission for adoption in the European Union.

Amendments to IAS 1: Presentation of Financial Statements

The amendment to IAS 1 is intended to make financial statements more readily comparable and to make it easier for the users of these statements to analyze them. IAS 1 lays out the ground rules for the presentation and structure of financial statements. It has also revised the minimum requirements for the content of financial statements. Adoption of the revised version of this standard is compulsory for fiscal years beginning on or after January 1, 2009.

Amendments to IAS 23: Borrowing Costs

Essentially, the revised version eliminates the option of recognizing borrowing costs as expenses for certain assets. As a result, borrowing costs that can be assigned directly to qualifying assets are to be capitalized as acquisition and production costs. This amendment is to be adopted for borrowing costs assignable to qualifying assets that are to be capitalized beginning on or after January 1, 2009. Since Voith currently recognizes borrowing costs as expenses, the carrying amounts of qualifying assets are expected to increase in future.

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. Adoption of the amendments to IAS 32 and IAS 1 is compulsory for fiscal years beginning on or after January 1, 2009.

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.

Amendments to IFRS 3: Business Combinations and IAS 27: Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The revised version of IFRS 3 alters the way in which the purchase method is applied to business combinations. Significant changes concern the measurement of minority interests, the recognition of step acquisitions, and the accounting treatment of conditional components of the purchase price, as well as incidental costs. Significant changes to IAS 27 concern the accounting treatment of transactions in which one company maintains control and of transactions in which control is lost. Adoption of the revised standards is compulsory for fiscal years beginning on or after July 1, 2009. Voith is currently investigating how adoption of these amendments will affect presentation of the Group's assets, financial and earnings position, especially with regard to the accounting treatment of put options and minority interests in limited partnerships.

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 scope of liabilities to be displayed in tables of maturities. Adoption of these amendments is compulsory for fiscal years that begin on or after January 1, 2009.

IFRS 8: Operating Segments

IFRS 8 replaces IAS 14 (Segment Reporting). The main difference to IAS 14 is the use of the full management approach to distinguish between and present relevant segment information. As a result, segment reporting will in future reflect Group-internal reporting structures. By contrast, IAS 14 required relevant information to be prepared in line with the accounting policies used to prepare the consolidated financial statements. Adoption of this standard is compulsory for fiscal years beginning on or after January 1, 2009.

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. Adoption of these amendments is compulsory for fiscal years beginning on or after June 30, 2009. Voith is not affected by these changes.

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. Adoption of this standard is compulsory for fiscal years beginning on or after March 29, 2009.

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. Adoption of IFRIC 13 is compulsory for fiscal years beginning on or after December 31, 2008.

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. Adoption of IFRIC 14 is compulsory for fiscal years beginning on or after December 31, 2008.

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 fiscal years beginning on or after January 1, 2009.

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. Adoption of IFRIC 16 is compulsory for fiscal years that begin on or after June 30, 2009.

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 July 1, 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 transactions conducted on or after July 1, 2009. The interpretation must be applied prospectively.

Annual improvements process—May 2008 and April 2009

In May 2008 and April 2009, IASB published an assortment of isolated amendments to various IFRS in the context of its annual improvements process. The changes essentially concern terminological and editorial issues. Adoption of the May 2008 amendments is compulsory for fiscal years beginning on or after January 1, 2009. Adoption of the April 2009 amendments is compulsory for fiscal years beginning on or after July 1, 2009, or, in some cases, on or after January 1, 2010.

Adoption of IFRS 8 will lead to modifications and extensions to the notes to the consolidated financial statements. IFRIC 12, 13, 14, 15, 16, 17 and 18 will probably have no material impact on the Group's assets, financial and earnings position. Voith is currently investigating how adoption of the other new standards will affect its consolidated financial statements.

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

(1) SALES

By division

€ in thousands	2008/09	2007/08
Core Business		
Voith Hydro	**1 084 559**	799 921
Voith Industrial Services	**1 018 483**	983 441
Voith Paper	**1 743 216**	1 984 338
Voith Turbo	**1 232 234**	1 161 362
	5 078 492	**4 929 062**
Other	**4 878**	4 705
	5 083 370	**4 933 767**

By region

€ in thousands	2008/09	2007/08
Germany	**1 133 960**	1 187 415
Europe excluding Germany	**1 480 752**	1 408 026
Americas	**1 163 025**	1 102 964
Asia	**1 216 366**	1 152 524
Others	**89 267**	82 838
	5 083 370	**4 933 767**

Services totaling € 1 794 million (previous year: € 1 795 million) are included in the sales figure.

(2) DECREASE/INCREASE IN INVENTORIES AND OTHER CAPITALIZED COSTS

€ in thousands	2008/09	2007/08
Change in inventory of finished goods and work in progress	**(25 187)**	102 162
Other capitalized costs	**19 869**	21 640
	(5 318)	**123 802**

(3) OTHER OPERATING INCOME

€ in thousands	2008/09	2007/08
Income from the use of order-specific provisions	**78 048**	84 058
Income from the reversal of provisions	**86 977**	92 633
Foreign exchange gains	**100 469**	91 113
Recovered bad debts	**9 521**	10 004
Gains on the disposal of non-current and current assets	**2 644**	3 346
Other income	**79 315**	62 099
	356 974	**343 253**

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	2008/09	2007/08
Expenditure for raw materials, supplies and purchased goods	**1 685 790**	1 747 186
Expenditure for purchased services	**443 594**	470 028
	2 129 384	**2 217 214**

(5) PERSONNEL EXPENSES

€ in thousands	2008/09	2007/08
Wages and salaries	**1 435 971**	1 425 745
Social security, employee benefits and related charges	**331 989**	314 415
	1 767 960	**1 740 160**

Number of employees

	Average for the fiscal year		At the balance sheet date	
	2008/09	**2007/08**	**2009-09-30**	**2008-09-30**
Industrial employees	**24 981**	25 958	**23 850**	27 949
Salaried employees	**15 311**	14 252	**15 479**	15 006
	40 292	40 210	**39 329**	42 955
Apprentices and trainees	**1 196**	1 174	**1 196**	1 174
	41 488	**41 384**	**40 525**	**44 129**

Number of employees by region

	Average for the fiscal year		At the balance sheet date	
	2008/09	**2007/08**	**2009-09-30**	**2008-09-30**
Germany	**17 628**	17 844	**16 790**	18 667
Europe excluding Germany	**8 070**	8 969	**7 691**	9 584
Americas	**10 861**	10 034	**11 004**	11 109
Asia	**3 542**	3 168	**3 647**	3 399
Others	**191**	195	**197**	196
	40 292	**40 210**	**39 329**	**42 955**

(6) OTHER OPERATING EXPENSES

€ in thousands	**2008/09**	**2007/08**
Increase in provisions	**210 101**	178 949
Other selling expenses	**313 368**	316 039
Other administrative expenses	**227 040**	228 562
Foreign exchange losses	**123 892**	83 206
Rent for buildings and machinery	**63 116**	56 832
Allowances for bad debts	**23 481**	9 268
Losses on disposal of non-current and current assets	**3 866**	2 884
Other expenses	**97 177**	139 327
	1 062 041	**1 015 067**

(7) NON-RECURRING RESULT

The non-recurring result includes expenses incurred for major restructuring activities and retrenchments.

The reported effects are essentially the result of actions initiated in fiscal 2008/09. Voith Industrial Services, Voith Paper and Voith Turbo are the affected segments which have reacted to the changed market conditions to maintain profitability and also to create conditions for a sustained increase in their competitiveness.

To a small extent, the reported effects also include the effects of actions initiated in previous fiscal years whose ongoing progress led to further expenses for which provisions could not be formed in preceding years.

The table below provides a detailed breakdown of these expenses:

€ in thousands	2008/09	2007/08
Personnel expenses	**(91 485)**	(9 432)
Depreciation	**(3 176)**	(42)
Other expenses	**(3 813)**	(7 848)
Income from reversal of provisions	**702**	4 147
Other income	**148**	5 148
	(97 624)	**(8 027)**

(8) OTHER FINANCIAL RESULT

€ in thousands	2008/09	2007/08
Income from investments	**1 127**	1 554
Write-downs on investments in shares	**(6 067)**	(144)
Write-downs/write-ups on long-term loans	**310**	(549)
Write-downs on marketable securities	**(13 804)**	(10)
Income from marketable securities and loans	**662**	618
	(17 772)	**1 469**

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

(9) INCOME TAXES

€ in thousands	2008/09	2007/08
Effective taxes	**(88 833)**	(91 576)
Deferred taxes	**10 517**	9 497
	(78 316)	**(82 079)**

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 temporary differences amounted to minus € 18 474 thousand (previous year: € 10 627 thousand). The reversal of write-downs on deferred tax assets on losses carried forward resulted in deferred tax income of € 13 223 thousand (previous year: € 19 885 thousand).

As at September 30, 2009, tax losses carried forward of € 301 729 thousand (previous year: € 198 300 thousand) for German corporate taxes, plus € 283 905 thousand (previous year: € 326 090 thousand) for German trade tax, plus € 59 756 thousand (previous year: € 0) for interest expenses that were hitherto not tax-deductible under German law, and € 55 318 thousand (previous year: € 55 983 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. 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 € 2 948 thousand (previous year: € 3 266 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	2009-09-30 Deferred tax assets	2009-09-30 Deferred tax liabilities	2008-09-30 Deferred tax assets	2008-09-30 Deferred tax liabilities
Intangible assets	**11 810**	**62 432**	13 234	30 923
Property, plant and equipment	**3 378**	**52 462**	7 892	83 592
Investments and marketable securities	**10 595**	**760**	3 552	1 466
Inventories and receivables	**33 509**	**51 073**	53 168	87 602
Other assets	**14 182**	**23 038**	9 069	34 700
Pension provisions	**38 836**	**1 439**	36 707	2 174
Financial liabilities	**192**	**17 697**	15 613	2 688
Other provisions and liabilities	**89 919**	**15 427**	78 489	19 857
Write-down on deferred tax assets arising from temporary differences	**(12 853)**		(17 007)	
Tax losses carried forward	**51 105**		59 706	
Netting	**(112 140)**	**(112 140)**	(140 372)	(140 372)
Balance sheet figure	**128 533**	**112 188**	**120 051**	**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	2008/09	2007/08
Income before taxes	**155 694**	**226 348**
Expected tax expenses	**46 459**	67 542
Deviations from expected tax rates	**(5 465)**	5 497
Effects of changes in tax rates	**1 033**	3 377
Tax-free income	**(17 649)**	(38 480)
Non-deductible expenses	**38 389**	30 557
Taxes relating to other reporting periods	**(5 498)**	3 651
Change in write-downs on deferred tax assets	**24 644**	5 693
Other tax effects	**(3 597)**	4 242
Taxes on income	**78 316**	**82 079**
Effective tax rate (%)	**50.3%**	36.3%

Deferred taxes of € 11 049 thousand (previous year: € 9 668 thousand) relating to temporary differences of € 736 569 thousand (previous year: € 664 871 thousand) arising on investments in subsidiaries were not recognized in the balance sheet, since the criteria specified in IAS 12.39 were met.

Notes to the Consolidated Balance Sheet

(10) INTANGIBLE ASSETS

Development of intangible assets from October 1, 2007, to September 30, 2008

€ in thousands	Franchises, trademarks, patents, licenses and similar rights (including licenses to such rights)	Goodwill	Development costs	Advances paid for intangible assets	Total
Cost as at 2007-10-01	**124 325**	**540 013**	**54 353**	**144**	**718 835**
Changes in Group structure	18 228	92 579	0	0	110 807
Currency translation differences	(404)	(3 677)	(73)	0	(4 154)
Additions	10 006	0	17 021	263	27 290
Disposals	(1 555)	0	(72)	0	(1 627)
Other adjustments	2 229	(13 154)	0	0	(10 925)
Transfers	3 122	(2 761)	0	0	361
Cost as at 2008-09-30	**155 951**	**613 000**	**71 229**	**407**	**840 587**
Accumulated depreciation as at 2007-10-01	**(66 680)**	**(54 179)**	**(15 702)**	**(2)**	**(136 563)**
Currency translation differences	431	0	49	(1)	479
Current depreciation	(17 625)	0	(11 613)	0	(29 238)
Disposals	821	0	0	0	821
Transfers	79	0	0	0	79
Accumulated depreciation as at 2008-09-30	**(82 974)**	**(54 179)**	**(27 266)**	**(3)**	**(164 422)**
Carrying amounts as at 2008-09-30	**72 977**	**558 821**	**43 963**	**404**	**676 165**

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	Advances paid for intangible assets	Total
Cost as at 2008-10-01	**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 2009-09-30	**164 746**	**631 040**	**82 729**	**3 230**	**881 745**
Accumulated depreciation as at 2008-10-01	**(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 2009-09-30	**(93 146)**	**(54 179)**	**(32 222)**	**0**	**(179 547)**
Carrying amounts as at 2009-09-30	**71 600**	**576 861**	**50 507**	**3 230**	**702 198**

The “other adjustments” in the table above essentially reflect changes to goodwill arising from the accounting treatment of put options for minority interests.

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

Impairment losses of € 3 762 thousand (previous year: € 4 796 thousand) were recognized on development costs, as sufficient potential for use within the framework given by calculations of the recoverable amount no longer exists. Of these impairments, € 3 682 thousand (previous year: € 4 209 thousand) concerned Voith Paper and € 80 thousand (previous year: € 0) concerned Voith Industrial Services. In the previous fiscal year, impairment losses totaling € 587 thousand also affected Voith Turbo.

(11) PROPERTY, PLANT AND EQUIPMENT

Development of property, plant and equipment from October 1, 2007, to September 30, 2008

€ 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 2007-10-01	**582 518**	**1 109 153**	**399 503**	**68 240**	**2 159 414**
Changes in Group structure	7 021	4 590	3 862	228	15 701
Currency translation differences	(4 107)	(16 467)	(2 846)	326	(23 094)
Additions	34 758	57 844	63 063	98 323	253 988
Disposals	(13 796)	(18 823)	(13 921)	(2 210)	(48 750)
Transfers	24 997	23 243	4 993	(53 594)	(361)
Other adjustments	(776)	(3 380)	993	22	(3 141)
Cost as at 2008-09-30	**630 615**	**1 156 160**	**455 647**	**111 335**	**2 353 757**
Accumulated depreciation as at 2007-10-01	**(274 380)**	**(757 212)**	**(285 789)**	**0**	**(1 317 381)**
Currency translation differences	2 484	12 209	2 006	0	16 699
Current depreciation	(15 162)	(57 771)	(41 849)	0	(114 782)
Disposals	5 978	15 916	11 706	0	33 600
Transfers	(109)	(873)	903	0	(79)
Write-ups	0	1 224	238	0	1 462
Other adjustments	776	3 633	(567)	0	3 842
Accumulated depreciation as at 2008-09-30	**(280 413)**	**(782 874)**	**(313 352)**	**0**	**(1 376 639)**
Carrying amount as at 2008-09-30	**350 202**	**373 286**	**142 295**	**111 335**	**977 118**

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 2008-10-01	**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 2009-09-30	**679 446**	**1 204 907**	**474 689**	**101 754**	**2 460 796**
Accumulated depreciation as at 2008-10-01	**(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 2009-09-30	**(288 026)**	**(784 983)**	**(328 733)**	**0**	**(1 401 742)**
Carrying amount as at 2009-09-30	**391 420**	**419 924**	**145 956**	**101 754**	**1 059 054**

Impairment losses of € 7 990 thousand due to the restructuring of locations and the shutdown/scrapping of plants were recognized during the fiscal year under review (previous year: € 10 199 thousand). A significant portion of this amount related to machinery, office equipment and buildings. Of the total impairment loss, € 3 176 thousand (previous year: € 42 thousand) was recognized in the non-recurring result in profit and loss. Impairment losses in the fiscal year under review affected Voith Paper in the amount of € 6 923 thousand (previous year: € 5 071 thousand), Voith Hydro in the amount of € 0 (previous year: € 159 thousand), Voith Turbo in the amount of € 87 thousand (previous year: € 0) and Voith Industrial Services in the amount of € 980 thousand (previous year: € 133 thousand). No impairment losses affected the Group's holding companies in fiscal 2008/09 (previous year: € 4 836 thousand).

Advance payments and construction in progress relate to the following assets: € 34 718 thousand for buildings (previous year: € 34 069 thousand), € 65 264 thousand for technical equipment, plant and machinery (previous year: € 70 803 thousand) and € 1 772 thousand for non-production equipment (previous year: € 6 463 thousand).

The other adjustments include assets that were stated as held-for-sale assets in the previous year. Since they were not sold in the course of the past 12 months, they have now been reclassified as property, plant and equipment. Write-downs totaling € 84 thousand affected these capitalized assets in the period under review. Had they been capitalized in the previous fiscal year, write-downs totaling € 59 thousand would have been incurred.

Land in the amount of € 2 417 thousand (previous year: € 0) is held in pledge.

Property, plant and equipment includes the following assets:

Finance leases

€ in thousands	2009-09-30	2008-09-30
Land	**3 736**	4 976
Technical equipment, plant and machinery	**664**	925
Fixtures, furniture and office equipment	**1 719**	2 453
	6 119	**8 354**

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 € 1 133 thousand (previous year: € 1 325 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, 2007, to September 30, 2008

€ in thousands	Investments in associated companies	Other investments	Long-term loans	Total
Cost as at 2007-10-01	**4 818**	**59 119**	**10 857**	**74 794**
Changes in Group structure	390	1 141	0	1 531
Currency translation differences	0	(30)	(229)	(259)
Additions	9 435	10 308	1 180	20 923
Disposals	0	(12 448)	(4 136)	(16 584)
Transfers	0	0	0	0
Other adjustments	0	(8 230)	0	(8 230)
Cost as at 2008-09-30	**14 643**	**49 860**	**7 672**	**72 175**
Accumulated depreciation as at 2007-10-01	**0**	**(27 985)**	**(2 934)**	**(30 919)**
Currency translation differences	0	10	80	90
Current depreciation	0	(144)	(549)	(693)
Disposals	0	9 075	0	9 075
Accumulated depreciation as at 2008-09-30	**0**	**(19 044)**	**(3 403)**	**(22 447)**
Carrying amount as at 2008-09-30	**14 643**	**30 816**	**4 269**	**49 728**

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

€ in thousands	Investments in associated companies	Other investments	Long-term loans	Total
Cost as at 2008-10-01	**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 2009-09-30	**17 208**	**47 481**	**9 866**	**74 555**
Accumulated depreciation as at 2008-10-01	**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 2009-09-30	**0**	**(25 032)**	**(3 067)**	**(28 099)**
Carrying amount as at 2009-09-30	**17 208**	**22 449**	**6 799**	**46 456**

The disposal of other investments generated book profits of € 211 thousand (previous year: € 490 thousand). Since their fair value could not be reliably estimated, these investments had previously been recognized at amortized cost.

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

€ in thousands	Enova Premier [1] 2009-09-30	Enova Premier [1] 2008-09-30	Imfuyo Projects [1] 2009-09-30	Imfuyo Projects [1] 2008-09-30	Terne AS 2009-09-30	Terne AS 2008-09-30
Equity	**5 441**	5 917	**3 596**	2 481	**2 591**	1 526
Liabilities	**41 111**	40 037	**2 978**	4 356	**3 800**	3 566
Total equity and liabilities	**46 552**	**45 954**	**6 574**	**6 837**	**6 391**	**5 092**
Sales	**227 056**	246 296	**10 435**	10 380	**19 755**	13 510
Net income	**1 511**	4 457	**855**	1 180	**940**	1 190

€ in thousands	SMI Technologies 2009-09-30	SMI Technologies 2008-09-30	GAW Pildner 2009-09-30	GAW Pildner 2008-09-30	Ox-traction [1] 2009-09-30	Ox-traction [1] 2008-09-30	SVK [1] 2009-09-30
Equity	**953**	686	**9 486**	13 559	**935**	73	**29 845**
Liabilities	**607**	499	**18 302**	12 715	**4 807**	1 178	[2]
Total equity and liabilities	**1 560**	**1 185**	**27 788**	**26 274**	**5 742**	**1 251**	
Sales	**59**	6	**27 419**	38 525	**165**	3	**9 456**
Net income	**(932)**	(414)	**927**	871	**(551)**	(836)	**3 328**

[1] Including associated companies.

[2] Liabilities data not available at September 30.

(13) INVENTORIES

Inventories consist of the following items:

€ in thousands	2009-09-30	2008-09-30
Raw materials and supplies	**251 463**	293 667
Work in progress	**326 613**	343 856
Finished goods and merchandise	**116 152**	154 611
Payment in advance to suppliers	**138 878**	131 945
	833 106	**924 079**

Inventories totaling € 112 800 thousand were stated at their net realizable value (previous year: € 240 369 thousand).

Impairments on inventories amounted to € 21 388 thousand (previous year: € 53 578 thousand) and were recognized as expenses. Write-ups (reversals prescribed by IFRS) totaling € 8 747 thousand (previous year: € 1 856 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: € 2 113 thousand).

(14) TRADE RECEIVABLES

Trade receivables consist of the following items:

€ in thousands	2009-09-30	2008-09-30
Trade receivables	**717 544**	758 506
Write-downs on receivables	**(45 735)**	(32 361)
Receivables from customer-specific contracts	**288 679**	415 597
	960 488	**1 141 742**

Trade receivables are classified as current assets. As at September 30, 2009, the volume of receivables that was not expected to be realized within one year was € 89 889 thousand (previous year: € 81 369 thousand).

No trade receivables were interest-bearing either in the period under review or the previous fiscal year.

No trade receivables (previous year: € 2 527 thousand) serve as securities for liabilities.

Write-downs on trade accounts receivable developed as follows:

€ in thousands	2009-09-30	2008-09-30
Write-downs at start of fiscal year	**(32 361)**	**(38 735)**
Additions	**(20 299)**	(7 683)
Utilization	**2 321**	7 705
Reversals	**4 489**	6 435
Changes in Group structure/ translation adjustments	**115**	(83)
Write-downs at end of fiscal year	**(45 735)**	**(32 361)**

All additions in the amount of € 20 299 thousand (previous year: reversals in the amount of € 6 435 thousand) consist of individual allowances totaling € 19 057 thousand (previous year: reversals totaling € 5 413 thousand) and general allowances totaling € 1 242 thousand (previous year: reversals totaling € 1 022 thousand).

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

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

€ in thousands	2009-09-30	2008-09-30 [1]
Aggregate amount of costs incurred and profits/losses incurred on customer-specific projects in progress	**3 835 144**	2 314 619
Progress billings to date	**(2 343 462)**	(863 969)
Gross amount due from customers	**1 491 682**	**1 450 650**
Advances received ("progress billings")	**(1 240 260)**	(1 052 268)
	251 422	**398 382**
Thereof receivables from construction contracts	**270 631**	414 833
Thereof liabilities from construction contracts	**(19 209)**	(16 451)

[1] Data for the previous year adjusted. (The portion relating to customer-specific service contracts has been eliminated from the presentation.)

Receivables from customer-specific service contracts total € 18 048 thousand. In the previous year, net liabilities totaling € 355 thousand were recognized.

Advances received amounting to € 686 101 thousand (previous year: € 710 533 thousand[1]) for which no contract costs have been incurred to date are included in liabilities. None of these advances were received for service contracts.

[1] Data for the previous year adjusted.

Sales relating to customer-specific contracts totaled € 2 049 179 thousand (previous year: € 1 653 402 thousand). Sales relating to service contracts accounted for € 67 419 thousand of this amount (previous year: € 32 973 thousand). Amounts billed to customers are shown under trade receivables.

An amount of € 3 912 thousand (previous year: € 3 071 thousand) in trade receivable 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.

(15) OTHER RECEIVABLES AND ASSETS

€ in thousands	2009-09-30	2008-09-30
Derivatives with hedged operational transactions	**64 148**	36 561
Derivatives with hedged financial transactions	**30 828**	19 011
Financial receivables	**40 434**	107 367
Other financial assets	**2 002**	2 675
Prepaid expenses	**32 895**	33 711
Other assets	**193 468**	232 613
	363 775	**431 938**

Since a significant portion of the other financial receivables are subject to variable interest rates, their market values are largely equivalent to their carrying amounts.

At the balance sheet date, other assets totaling € 32 420 thousand (previous year: € 30 353 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.

Write-downs on other receivables developed as follows:

€ in thousands	2009-09-30	2008-09-30
Write-downs at start of fiscal year	**(6 237)**	**(4 672)**
Additions	**(1 248)**	(2 237)
Utilization	**148**	316
Reversals	**2 112**	166
Changes in Group structure/translation adjustments	**39**	190
Write-downs at end of fiscal year	**(5 186)**	**(6 237)**

Reversals totaling € 2 112 thousand (previous year: € 166 thousand) consist of the reversal of itemized allowances in the amount of € 1 990 thousand (previous year: € 331 thousand) and general allowances in the amount of € 122 thousand (previous year: minus € 165 thousand).

(16) MARKETABLE SECURITIES

In fiscal 2008/09, unrealized gains and losses of € 28.3 million (previous year: minus € 51.7 million) on available-for-sale securities were recognized in equity in revenue reserves. Due to the realization of transactions in the course of the period under review, the relevant accumulated expenses and incomes in the amount of € 1.5 million (previous year: € 5.9 million) had to be reclassified from revenue reserves to profit and loss. At the balance sheet date, a write-down of € 13.8 million (previous year: € 0) on available-for-sale securities was recognized in profit and loss.

Available-for-sale securities totaling € 9 679 thousand (previous year: € 8 071 thousand) cover future pension obligations.

(17) CASH AND CASH EQUIVALENTS

This item mainly consists of time deposits held at banks.

€ in thousands	2009-09-30	2008-09-30
Checks	**20**	53
Cash in hand	**721**	844
Notes receivable	**16 894**	6 338
Cash at banks	**905 492**	532 406
	923 127	**539 641**

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, and earn interest at the respective short-term deposit rates.

At the balance sheet date, the fair value of cash and cash equivalents was € 923 127 thousand (previous year: € 539 641 thousand).

At the balance sheet date, no cash at banks (previous year: € 446 thousand) served as security for liabilities.

(18) NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

In the period under review, no assets were held for sale (previous year: € 6 700 thousand). In the previous fiscal year, held-for-sale assets broke down as follows: developed land in the amount of € 5 758 thousand belonging to Voith Industrial Services and machinery in the amount of € 942 thousand belonging to Voith Hydro.

(19) EQUITY

Subscribed capital and revenue reserves

Since September 30, 2006, subscribed capital 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 table below lists the components of other reserves:

€ in thousands	2009-09-30	2008-09-30	2007-09-30
Unrealized gains/(losses)	**(1 713)**	**(35 658)**	**19 234**
Market valuation of marketable securities	**(1 676)**	(42 258)	3 517
Cash flow hedges	**(37)**	6 600	15 717
Foreign exchange differences	**(17 163)**	**(15 522)**	**259**
Currency translation	**5 670**	(10 104)	278
Net investments in foreign subsidiaries	**(22 833)**	(5 418)	(19)
Deferred taxes on items recognized directly in equity	**5 759**	**(1 841)**	**(6 596)**
Minority interests	**(4 289)**	(4 066)	(6 485)
Other reserves	**(17 406)**	**(57 087)**	**6 412**

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: € 76 800 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 the fiscal year under review were issued by Voith AG. The profit participation rights that already existed in the previous year were issued by a subsidiary in fiscal 2006/07. Subject to the approval of the appropriate governing body, profits totaling € 4.4 million are scheduled to be distributed pursuant to profit participation rights.

Minority interests

The major portion of minority 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 Technology (India) Ltd., India, 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 € 21 154 thousand to the current fiscal year.

The dividend of € 18 089 thousand paid in the period under review (previous year: € 12 350 thousand) was equivalent to a dividend of € 0.6 per share (previous year: € 0.4).

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. This also involves optimizing the ratio of equity to financial liabilities (debt). Equity and financial liabilities are those elements of Group capital that are of relevance to capital management activities.

€ in thousands	2009-09-30	2008-09-30
Equity	**953 895**	861 687
Financial liabilities	**1 404 007**	1 017 132
	2 357 902	**1 878 819**

Year on year, equity rose by 11% in the period under review. Net income and the fact that securities were marked to market made a positive contribution to the development of equity. Dividend payouts were the main negative factor. Financial liabilities increased essentially because Voith added a further € 300 million to the € 300 million bond already in issue and due to mature in 2017, as well as issuing a note loan in the amount of € 150 million.

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) PROVISIONS FOR PENSIONS 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 pensions 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 2008/09, they amounted to € 117 619 thousand for the Group as a whole (previous year: € 106 376 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, under which the future obligations are measured based on the pro rata benefit entitlements earned as of 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 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	2009-09-30	2008-09-30	2007-09-30	2006-09-30	2005-09-30
Present value of funded obligations	**190 976**	180 915	199 407	185 602	204 419
Fair value of plan assets	**(118 429)**	(125 058)	(137 260)	(137 199)	(137 751)
Shortfall	**72 547**	55 857	62 147	48 403	66 668
Present value of unfunded obligations	**418 976**	369 810	373 292	404 184	367 538
Unrecognized actuarial gains and losses	**(61 592)**	(9 880)	(31 152)	(51 406)	(29 958)
Unrecognized past service costs	**(338)**	0	92	0	0
Provision in the balance sheet	**429 593**	**415 787**	**404 379**	**401 181**	**404 248**
Thereof current	24 931	11 532	22 122	19 076	11 322

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

€ in thousands	2009-09-30	2008-09-30
Defined benefit obligation at the beginning of the period	**550 725**	**572 700**
Current service costs	**12 551**	13 202
Interest expenses (pursuant to IAS 19)	**32 150**	28 346
Actuarial losses (+)/gains (-)	**40 295**	(32 724)
Past service costs	**5 964**	(58)
Changes in Group structure	**(19)**	4 055
Plan curtailments or settlements	**241**	120
Benefits paid	**(32 386)**	(31 260)
Other	**5 719**	912
Currency translation differences	**(5 288)**	(4 568)
Defined benefit obligation at the end of the period	**609 952**	**550 725**

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

€ in thousands	2009-09-30	2008-09-30
Fair value of plan assets at the beginning of the period	**125 058**	**137 260**
Expected return on plan assets	**9 397**	9 343
Actuarial gains(+)/losses(-)	**(11 637)**	(11 290)
Contributions	**7 105**	3 124
Benefits paid	**(9 608)**	(9 878)
Other	**2 377**	0
Currency translation differences	**(4 263)**	(3 501)
Fair value of plan assets at the end of the period	**118 429**	**125 058**

The actual loss on invested plan assets amounted to € 2 240 thousand (previous year: € 1 947 thousand).

The contributions that are expected to be paid into the plans in the next reporting period amount to € 6 304 thousand (previous year: € 5 959 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 %	2009-09-30	2008-09-30
Stocks	**43%**	43%
Bonds	**41%**	40%
Real estate	**4%**	6%
Other	**12%**	11%
	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	2009-09-30	2008-09-30
Current service costs	**12 551**	13 202
Interest expenses on pension obligations	**32 150**	28 346
Expected return on plan assets	**(9 397)**	(9 343)
Past service costs	**5 626**	34
Losses on plan curtailments or settlements	**241**	120
Realized actuarial gains or losses	**514**	(38)

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. In the period under review, part of past service costs is recognized in the non-recurring result. Expected returns on plan assets and realized actuarial gains and losses that relate to the plan assets are 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 %	2009-09-30	2008-09-30	2009-09-30	2008-09-30
Discount rate	**5.5%**	6.0%	**5.25%**	6.0%
Expected return on plan assets	**4.5%**	4.5%	**8.0%**	8.0%
Salary increases	**3.0%**	3.0%	**2.28%**	2.6%
Pensions increases	**2.0%**	2.0%	**0%**	0%
Annual increase in healthcare costs				
Initial medical trend rate (pre-65/post-65)			**8.0%/8.5%**	8.0%/9.5%
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 € 58 thousand (previous year: € 59 thousand), while the present value of pension obligations would increase by € 572 thousand (previous year: € 583 thousand). If healthcare costs decreased by 1%, current service costs and interest expenses would decrease by a total of € 47 thousand (previous year: € 48 thousand), while the present value of pension obligations would decrease by € 503 thousand (previous year: € 513 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 %	2009-09-30	2008-09-30	2007-09-30	2006-09-30	2005-09-30
Difference between projected assumptions and actual values: (+ gains/- losses)					
- As a percentage of the present value of defined benefit obligations	**(0.6%)**	(0.2%)	0%	(0.5%)	+2.8%
- As a percentage of the fair value of plan assets	**(9.8%)**	(8.2%)	+1.9%	(0.5%)	+3.0%

(21) OTHER PROVISIONS

The development of other provisions is shown below:

€ in thousands	as at 2008-09-30	Changes in Group structure	Utilization	Additions	Reversals	Transfers	Discounting effect	Currency translation differences	as at 2009-09-30
Personnel-related provisions	105 324	8	(28 645)	35 115	(17 290)	(330)	374	(108)	94 448
Other tax provisions	9 561	819	(5 178)	3 086	(1 213)	(16)	0	228	7 287
Warranty provisions	186 675	(217)	(53 946)	106 214	(43 829)	52	75	453	195 477
Other order-related provisions	80 078	301	(28 204)	86 840	(28 863)	(569)	249	(152)	109 680
Other provisions	45 342	(130)	(24 910)	77 787	(10 888)	863	0	(1 067)	86 997
	426 980	**781**	**(140 883)**	**309 042**	**(102 083)**	**0**	**698**	**(646)**	**493 889**

	2009-09-30		2008-09-30	
€ in thousands	< 1 year	> 1 year	< 1 year	> 1 year
Personnel-related provisions	**33 305**	**61 143**	40 534	64 790
Other tax provisions	**2 948**	**4 339**	6 946	2 615
Warranty provisions	**147 719**	**47 758**	137 449	49 226
Other order-related provisions	**100 234**	**9 446**	74 376	5 702
Other provisions	**57 780**	**29 217**	30 804	14 538
	341 986	**151 903**	**290 109**	**136 871**

Refund claims totaling € 5 172 thousand for order-related provisions were capitalized in the period under review (previous year: € 0).

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	2009-09-30	2008-09-30
Bonds	966 112	679 145
Bank loans	291 649	175 285
Lease liabilities	4 915	5 860
Notes payable	17 936	12 675
Financial derivatives with hedged financial transactions	2 814	217
Other financial liabilities	120 581	143 950
	1 404 007	1 017 132

In the current period, liabilities totaling € 388 thousand (previous year: € 538 thousand) are secured by mortgages. Financial liabilities totaling € 869 thousand are secured by other assets (previous year: € 900 thousand).

The Voith Group's current and non-current bonds and its bank loans are denominated in the following currencies:

	2009-09-30	2008-09-30
Euros	981 837	576 611
US Dollars	252 092	250 570
Swedish Krona	20 842	21 400
Other currencies	2 990	5 849
	1 257 761	854 430

Interest-bearing loans

	Effective interest rate in %	Maturity	Carrying amount as at 2009-09-30 € in thousands	Carrying amount as at 2008-09-30 € in thousands
Current				
SEK loan	0.25% + 0.25%	Indefinite	**10 500**	21 400
NOK loan	Floating; currently 2.3%	2009-11-30	**1 184**	0
Overdraft	Floating; currently 4%	Indefinite	**0**	1 686
Multi-currency pool	Interbank offering rates w/o margins (currently Stibor)	Indefinite	**9 813**	29 705
RUB loan	Floating; currently 11.5%	2-month revolving	**0**	2 542
Industrial Revenue Bond	Floating; currently 7.65%	2009-06-01	**0**	5 465
USD loan	USD LIBOR	3 installments in 08/09 (Dec., Mar., Sep.)	**0**	3 085
Others			**4 479**	4 649
Total current			**25 976**	**68 532**
Non-current				
€ 300 million bond, 2007/2017 / € 300 million bond top-up, 2009/2017	5.50% 1)/6.642% 1)	2017-06-21	**574 910**	297 424
€ 200 million bond, 2001/2011	EURIBOR +1.65% 2)	2011-07-18	**146 115**	145 631
USD 180 million private placement, first tranche, 2004/2014	USD LIBOR in arrears +0.785% 2)	2014-08-17	**134 996**	130 763
USD 85 million private placement, second tranche, 2004/2016	USD LIBOR in arrears +0.94% 2)	2016-08-17	**64 290**	61 792
USD 60 million private placement, third tranche, 2004/2019	USD LIBOR in arrears +1.145% 2)	2019-08-17	**45 801**	43 535
EUR 100 million loan	4.509% 1)	2012-05-11	**100 000**	100 000
EUR 150 million note loan	6.671% 1)/2)	2014-05-06	**149 445**	0
10 million bilateral bank loan	5.950% 1)	2014-09-28	**10 000**	0
Industrial revenue bond	Floating; currently 0.6% p. a.	2017-01-01	**5 233**	5 335
Others			**995**	1 418
Total non-current			**1 231 785**	**785 898**
			1 257 761	**854 430**

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.

In the period under review, the € 300 million bond running from 2007 through 2017 was increased by a further € 300 million less a € 21 705 thousand discount. The market value of this bond is € 579 270 thousand (previous year: € 278 250 thousand). This market value is a stock market valuation.

The market value of the € 100 million loan was € 102 191 thousand (previous year: € 93 177 thousand) at the balance sheet date. A market interest rate of 4.42% (previous year: 7.43%) was used to discount future cash flows when calculating the loan's market value.

The Voith Group took out five-year bank loans in the amount of € 160 million in fiscal 2008/09. The market value of these loans was € 171 598 thousand at the balance sheet date. A market interest rate of 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.

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	2009-09-30	2008-09-30
Total future minimum lease payments (gross)	**5 991**	**6 846**
Under 1 year	**1 611**	2 051
1 to 5 years	**2 451**	3 006
Over 5 years	**1 929**	1 789
Present value of future minimum lease payments	**4 915**	**5 860**
Under 1 year	**1 402**	1 936
1 to 5 years	**2 078**	2 679
Over 5 years	**1 435**	1 245
Interest component of future minimum lease payments	**1 076**	**986**

(23) TRADE ACCOUNTS PAYABLE/OTHER LIABILITIES

€ in thousands	2009-09-30	2008-09-30
Trade accounts payable	**438 276**	521 728
Liabilities from customer-specific construction contracts	**19 209**	17 570
Financial derivatives with hedged operational transactions	**11 410**	57 083
Personnel and social security liabilities	**225 280**	218 119
Tax liabilities	**126 398**	136 788
Customer advances received	**827 539**	873 876
Deferred income	**24 761**	23 272
Other liabilities	**221 117**	350 228
	1 893 990	**2 198 664**

€ 1 690 thousand (previous year: € 3 410 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	2008/09	2007/08
As at October 1	**10 570**	**6 723**
Granted during the fiscal year	**1 839**	4 759
Amortized in profit and loss	**(1 516)**	(912)
As at September 30	**10 893**	**10 570**

Subsidies totaling € 10 699 thousand (previous year: € 10 365 thousand) were granted for capital spending on property, plant and equipment. Subsidies totaling € 194 thousand (previous year: € 205 thousand) were granted for other expenses.

Government assistance totaling € 4 718 thousand (previous year: € 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: 8 500 thousand) was recognized in profit and loss.

In addition, further subsidies totaling € 1 988 thousand (previous year: € 0) were netted against cost items.

In Brazil, government-subsidized export credits are granted to local Voith companies.

Notes to the Consolidated Cash Flow Statement

In fiscal 2008/09, the change in investments in marketable securities were made up of cash inflows totaling € 237 636 thousand (previous year: € 426 093 thousand) and cash outflows totaling € 273 153 thousand (previous year: € 364 587 thousand).

Required information relating to the acquisition of consolidated companies is provided in the section on “Business combinations in fiscal 2008/09.”

Cash and cash equivalents include checks, notes receivable, cash in hand and balances in bank account.

Notes to the Segment Report

INFORMATION ON THE SEGMENT DATA:

Besides the renaming of the Voith Hydro segment mentioned above, the fiscal year under review also brought a change in segment presentation. The Group’s segments will in future be presented in alphabetical order. However, these changes have no effect on the delimitation of the Voith Group’s segments, which remains unchanged from the structure presented effective September 30, 2008.

Segment data is essentially compiled using the same accounting and valuation methods as the consolidated financial statements. Intercompany sales are effected at market prices.

Segment assets and segment liabilities contain assets and liabilities that contributed to realizing the operating result in the period under review.

To ensure that the figures for each segment remain comparable, interest-bearing receivables and payables that cannot be assigned to a specific segment are not included. Accordingly, income and expenditure arising from these items did not affect the operating result.

Investments include intangible assets and property, plant and equipment.

The regional breakdown of orders received and sales is based on the customer's domicile. Investments and segment assets are assigned to the location at which they exist or are effected. In line with internal controlling and reporting practices, four specific regions – Germany, Europe excluding Germany, the Americas and Asia – are defined. All other regional activities are reported under "Other."

INFORMATION ON ACTIVITIES IN THESE SEGMENTS

Voith Hydro (formerly Voith Siemens Hydro Power Generation) – 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. As 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 specialty 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.

Segment Information by Division

€ in millions	Voith Hydro 2008/09	Voith Hydro 2007/08	Voith Industrial Services 2008/09	Voith Industrial Services 2007/08	Voith Paper 2008/09	Voith Paper 2007/08
External sales	**1 085**	800	**1 018**	983	**1 743**	1 984
Sales with other segments	**1**	3	**61**	56	**65**	44
Total segment sales	**1 086**	803	**1 079**	1 039	**1 808**	2 028
Profit from operations	**63**	31	**36**	35	**150**	155
Operating interest income [2]	**(15)**	(12)	**0**	0	**(9)**	(9)
Other adjustments	**0**	0	**0**	(1)	**(6)**	0
Non-recurring result	**0**	0	**(21)**	1	**(59)**	(9)
Segment result [3]	**48**	19	**15**	35	**76**	137
Depreciation on intangible assets and property, plant and equipment	**17**	14	**20**	20	**70**	63
Share of profits from associates	**0**	0	**1**	2	**0**	1
Investments [4]	**58**	47	**14**	28	**93**	107
Investments from newly acquired subsidiaries	**0**	8	**0**	117	**1**	0
Total investments	**58**	55	**14**	145	**94**	107
Segment goodwill	**14**	13	**207**	192	**218**	218
Segment assets	**775**	684	**524**	599	**1 378**	1 635
Investments in associates	**0**	0	**4**	4	**10**	9
Segment liabilities	**850**	737	**237**	307	**1 062**	1 278
Capital employed [5]	**345**	314	**220**	186	**801**	835
ROCE [6]	**18.3%**	10.0%	**16.4%**	18.8%	**18.7%**	18.6%
Employees [7]	**4 681**	3 643	**19 118**	22 871	**9 500**	10 548

1) Subtotal for Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.

2) Operating interest income from ordinary activities is defined as interest received by the company on the long-term financing of receivables from customers or on that portion of customer advances that is not used to finance inventories and PoC receivables.

3) Segment result in accordance with IAS 14.

4) Excluding additions due to new acquisitions and financial assets.

5) Segment assets (excluding goodwill, including set-off of advances received for inventories) less segment liabilities (excluding provisions, accruals and advances received), averaged out of cut-off date values from previous year, half year and financial statement.

6) ROCE: Return on capital employed (profit from operations divided by capital employed.)

7) Statistical number of persons employed at fiscal year-end.

Voith Turbo		Total Core Business [1)]		Reconciliation		Total	
2008/09	**2007/08**	**2008/09**	**2007/08**	**2008/09**	**2007/08**	**2008/09**	**2007/08**
1 232	1 161	**5 078**	4 928	**5**	6	**5 083**	4 934
7	5	**134**	108	**(134)**	(108)	**0**	0
1 239	1 166	**5 212**	5 036	**(129)**	(102)	**5 083**	4 934
113	115	**362**	336	**(6)**	(29)	**356**	307
(1)	(1)	**(25)**	(22)	**0**	0	**(25)**	(22)
0	0	**(6)**	(1)	**0**	0	**(6)**	(1)
(18)	0	**(98)**	(8)	**0**	0	**(98)**	(8)
94	114	**233**	305	**(6)**	(29)	**227**	276
39	38	**146**	135	**8**	9	**154**	144
0	1	**1**	4	**1**	0	**2**	4
78	83	**243**	265	**12**	16	**255**	281
0	3	**1**	128	**0**	0	**1**	128
78	86	**244**	393	**12**	16	**256**	409
138	136	**577**	559	**0**	0	**577**	559
1 114	1 063	**3 791**	3 981	**54**	48	**3 845**	4 029
2	2	**16**	15	**1**	0	**17**	15
549	519	**2 698**	2 841	**120**	200	**2 818**	3 041
718	653	**2 084**	1 988	**85**	64	**2 169**	2 052
15.7%	17.5%	**17.4%**	16.9%			**16.4%**	14.9%
5 428	5 307	**38 727**	42 369	**602**	586	**39 329**	42 955

Segment Information by Region

Voith Group

€ in millions	Orders received 2008/09	Orders received 2007/08	External sales 2008/09	External sales 2007/08	Investments 2008/09	Investments 2007/08	Segment assets 2008/09	Segment assets 2007/08
Germany	**1 056** 21%	1 391 23%	**1 134** 22%	1 187 24%	**133** 53%	155 55%	**1 959** 51%	2 090 52%
Europe excl. Germany	**1 408** 29%	1 721 28%	**1 481** 29%	1 408 29%	**29** 11%	44 16%	**701** 18%	803 20%
Americas	**1 445** 29%	1 225 20%	**1 163** 23%	1 103 22%	**52** 20%	27 10%	**815** 21%	812 20%
Asia	**949** 19%	1 476 24%	**1 216** 24%	1 153 23%	**40** 16%	54 19%	**351** 9%	309 8%
Other	**100** 2%	279 5%	**89** 2%	83 2%	**1** 0%	1 0%	**19** 1%	15 0%
Total	**4 958**	**6 092**	**5 083**	**4 934**	**255**	**281**	**3 845**	**4 029**

Voith – Core Business

€ in millions	Orders received 2008/09	Orders received 2007/08	External sales 2008/09	External sales 2007/08	Investments 2008/09	Investments 2007/08	Segment assets 2008/09	Segment assets 2007/08
Germany	**1 052** 21%	1 387 23%	**1 130** 22%	1 183 24%	**123** 51%	141 53%	**1 910** 51%	2 048 52%
Europe excl. Germany	**1 407** 29%	1 721 28%	**1 481** 29%	1 408 29%	**28** 12%	42 16%	**697** 18%	798 20%
Americas	**1 445** 29%	1 224 20%	**1 162** 23%	1 102 22%	**51** 21%	27 10%	**814** 21%	811 20%
Asia	**949** 19%	1 476 24%	**1 216** 24%	1 152 23%	**40** 16%	54 21%	**351** 9%	309 8%
Other	**100** 2%	279 5%	**89** 2%	83 2%	**1** 0%	1 0%	**19** 1%	15 0%
Total	**4 953**	**6 087**	**5 078**	**4 928**	**243**	**265**	**3 791**	**3 981**

The Segment Result Can Be Reconciled to the Figures in the Consolidated Financial Statements as Follows:

€ in millions	2008/09	2007/08
Total segment results	**227**	**276**
Share of profit from associates	**2**	4
Interest result	**(55)**	(56)
Other financial result	**(18)**	2
Income before tax	**156**	**226**

The Segment Assets and Liabilities Can Be Reconciled to the Figures in the Consolidated Financial Statements as Follows:

€ in millions	2008/09	2007/08
Total segment assets	**3 845**	**4 029**
Financial assets and non-current securities	**234**	63
Income tax assets	**57**	51
Financial receivables	**74**	129
Cash and cash equivalents	**1 030**	756
Deferred tax assets	**129**	120
Total assets	**5 369**	**5 148**
Total segment liabilities	**2 818**	**3 041**
Financial liabilities	**1 404**	1 017
Income tax liabilities	**81**	105
Deferred tax liabilities	**112**	123
Total liabilities	**4 415**	**4 286**

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. 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.

The Voith Group has contingent tax assets totaling approximately € 10 million (previous year: € 5 million) outside Germany. In addition, the recognition for tax purposes of expenses outside Germany totaling € 7 million is uncertain.

CONTINGENT LIABILITIES

The contingent liabilities listed below are stated at face value. No provisions were formed to cover these contingencies as the risk of their realization is regarded as low.

€ in thousands	2009-09-30	2008-09-30
Guarantee obligations	**32 652**	23 050
Warranties	**804**	665
Assets pledged as security for third-party obligations	**2 347**	2 940
	35 803	**26 655**

Most of the guarantee obligations mature until 2015.

OTHER FINANCIAL OBLIGATIONS

In addition to liabilities, provisions and contingent liabilities, the Voith Group also has other financial obligations, in particular those arising from rental and leasing agreements for buildings, land, equipment, plant, machinery, and other non-production-related tools and equipment.

€ in thousands	2009-09-30	2008-09-30
Purchasing commitments for capital expenditure	**35 634**	54 954
Obligations arising from non-cancelable operating rental and leasing agreements	**132 317**	118 945
Other obligations	**2 106**	1 083
	170 057	**174 982**

Assets leased within the framework of operating rental and leasing agreements led to cash outflows totaling € 63 116 thousand (previous year: € 56 832 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 maturity of future minimum lease payments for non-cancelable operating rental and leasing agreements is shown below:

€ in thousands	2009-09-30	2008-09-30
Nominal value of future minimum lease payments		
– Due in under 1 year	**39 711**	39 831
– Due in 1 to 5 years	**61 204**	66 813
– Due in over 5 years	**31 402**	12 301
	132 317	**118 945**

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 2009-09-30	Balance sheet measurement policy in accordance with IAS 39			
			Amortized cost	Cost	Fair value in equity	Fair value in profit and loss
Assets:						
Cash and cash equivalents	LaR	**923 127**	923 127			
Trade accounts receivable	LaR	**671 809**	671 809			
Receivables from construction contracts	LaR	**288 679**	288 679			
Other financial assets and marketable securities		**323 861**				
Loans	LaR	**6 799**	6 799			
Financial assets available-for-sale	AfS	**300 165**		22 449	277 716	
Financial assets held-for-trading	FAHfT	**1 564**				1 564
Financial assets at fair value through profit and loss	FAfvtpl	**15 333**				15 333
Financial derivatives [2]		**94 976**				
Derivatives without hedges	FAHfT	**14 301**				14 301
Derivatives with hedges	n.a.	**80 675**			2 217	78 458
Other receivables [2]		**119 764**				
Financial receivables	LaR	**40 434**	40 434			
Other financial assets	LaR	**2 002**	2 002			
Other operating assets	LaR	**77 328**	77 328			
Liabilities:						
Trade accounts payable	FLAC	**438 276**	438 276			
Bonds/bank loans/notes payables	FLAC	**1 275 697**	1 275 697			
Financial liabilities from leasing contracts	n.a.	**4 915**				
Financial derivatives [2]		**14 224**				
Derivatives without hedges	FLHfT	**6 945**				6 945
Derivatives with hedges	n.a.	**7 279**			2 895	4 384
Other financial liabilities [3]	FLAC	**120 581**	120 581			
Other liabilities [2]	FLAC	**369 465**	369 465			
IAS 39 measurement categories						
Loans and receivables (LaR)	LaR	**2 010 178**	2 010 178			
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)	FAfvtpl	**15 333**				15 333
Financial liabilities measured at amortized cost (FLAC)	FLAC	**2 204 019**	2 204 019			
Financial liabilities held-for-trading (FLHfT)	FLHfT	**6 945**				6 945

Footnotes for 2008/09 [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/€ 1 436 505 thousand reported in the balance sheet include financial assets/financial liabilities totaling € 214 740 thousand/€ 383 689 thousand.

Balance sheet measurement policy in accordance with IAS 17	**Fair value 2009-09-30**	**Carrying amount as at 2008-09-30**	**Balance sheet measurement policy in accordance with IAS 39**				Balance sheet measurement policy in accordance with IAS 17	**Fair value 2008-09-30**
			Amortized cost	Cost	Fair value in equity	Fair value in profit and loss		
	923 127	539 641	539 641					539 641
	671 809	726 145	726 145					726 145
	288 679	415 597	415 597					415 597
		264 596						
	6 799	4 269	4 269					4 269
	277 716[1)]	236 015		30 816	205 199			205 199[1)]
	1 564	11 232				11 232		11 232
	15 333	13 080				13 080		13 080
		55 572						
	14 301	18 203				18 203		18 203
	80 675	37 369			2 778	34 591		37 369
		227 586						
	40 434	107 367	107 367					107 367
	2 002	2 675	2 675					2 675
	77 328	117 544	117 544					117 544
	438 276	521 728	521 728					521 728
	1 294 401	867 105	867 105					841 108
4 915		5 860					5 860	
		57 300						
	6 945	7 064				7 064		7 064
	7 279	50 236			378	49 858		50 236
	120 581	143 291	143 291					143 291
	369 465	487 160	487 160					487 160
		1 913 238	1 913 238					
		236 015		30 816	205 199			
		29 435				29 435		
		13 080				13 080		
		2 019 284	2 019 284					
		7 064				7 064		

Footnotes for 2007/08

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/€ 1 659 365 thousand reported in the balance sheet include financial assets/financial liabilities totaling € 283 158 thousand/€ 544 460 thousand.

3) Other financial liabilities totaling € 143 950 thousand reported in the notes include customs duties totaling € 659 thousand.

Net gains and losses for each category of instrument:

2008/09 € in thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	**(50 613)**	**(7 787)**	**(58 400)**
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**

2007/08 € in thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	(38 598)	(4 317)	(42 915)
Available-for-sale financial assets	(260)	5 177	4 917
Held-for-trading financial assets	0	4 842	4 842
Financial liabilities at amortized cost	0	2 330	2 330

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 pursue appropriate operating and financial activities in order to manage and contain these market risks.

The principles of the Group's financial policy are laid down by the Corporate Board of Management and monitored by the Supervisory Board. The Corporate Treasury implements the financial policy and regularly reports to the Chief Financial Officer on the financial position of the Group, informing him of current risk exposures. Certain financial transactions require special approval by the Corporate Board of Management.

External hedging tools are used depending on the risk situation. As a general rule, only cash flow risks relating to existing transactions are hedged. 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. The Group-wide guidelines define different levels of risk that necessitate the varied use of risk prevention measures. 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

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 (ratings/deposit protection) and by spreading cash and cash equivalents across multiple counterparties. Rating-linked limits are set for each bank. Compliance with these limits is monitored.

Group companies trade in marketable securities only subject to the approval of Voith AG, and even then only in the form of risk-averse cash equivalents.

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 accounts receivable

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 € 671 809 thousand (previous year: € 726 145 thousand). The maximum default risk for receivables arising from long-term construction contracts is € 288 679 thousand (previous year: € 415 597 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.

As of a defined level based on Euler Hermes, steps must always be taken to hedge political export risks. Further risk assessment is also activated for orders upward of defined values. Necessary securities are obtained via export credit agencies (ECAs) or on the private insurance market.

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:

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 accounts receivable	**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**

2008-09-30 € 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 accounts receivable	**758 506**	556 119	130 802	18 400	17 685
Other financial assets and marketable securities	**264 596**	263 754		698	144
Other receivables	**233 823**	220 105	1 481	144	447

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 short-term needs arising from fluctuations in 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 3.5 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. In addition to the existing bond in the USA, Voith also issued a euro-denominated note loan in Germany to private investors in the period under review.

Cash pools, intercompany loans and the allocation of external bank credit lines to individual operating units protect Group companies' liquidity. Voith AG produces liquidity status reports for the entire Group once a month. The Corporate Treasury has daily access to the balances of central bank and cash pool accounts and guarantees.

The table below lists the undiscounted, contractually agreed cash outflows arising from financial instruments:

		Cash flows < 1 year			Cash flows 1–5 years			Cash flows > 5 years		
€ in thousands	Balance as at 2009-09-30	Fixed rate	Floating rate	Repayment	Fixed rate	Floating rate	Repayment	Fixed rate	Floating rate	Repayment
Trade accounts payable	438 276			436 586			1 690			
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			1 611			2 451			1 929
Financial derivatives	14 224			25 705			7 462			
Other financial liabilities	120 581	1 236	591	72 003	286		3 872			44 706
Other liabilities	369 465			313 700			51 312			4 950
	2 223 158	51 495	10 221	893 390	177 469	18 079	598 408	88 688	5 285	756 565

		Cash flows < 1 year			Cash flows 1–5 years			Cash flows > 5 years		
€ in thousands	Balance as at 2008-09-30	Fixed rate	Floating rate	Repayment	Fixed rate	Floating rate	Repayment	Fixed rate	Floating rate	Repayment
Trade accounts payable	521 728			518 318			3 410			
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			2 051			3 006			1 789
Financial derivatives	57 300			61 758			29 647			40
Other financial liabilities	143 291	1 232	1 318	99 090	320	80	4 562			39 639
Other liabilities	487 160			417 598			67 750			2 413
	2 082 444	24 945	21 887	1 179 835	82 088	56 823	355 033	60 487	28 130	576 508

Derivatives include cash outflows on financial derivatives with negative market values for which a gross cash flow settlement has been agreed. For these derivatives, cash outflows stand against corresponding cash inflows. The previous table merely presents the cash outflows. If the corresponding cash inflows were taken into account, the cash flows shown in the maturity analysis would be significantly lower. On the other hand, where a net cash flow settlement is effected, cash outflows are netted against cash inflows.

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 € 14 380 thousand (previous year: € 14 618 thousand) and equity by € 8 908 thousand (previous year: € 11 302 thousand). Conversely, if the US dollar falls by 5%, our pretax profits increase by € 12 996 thousand (previous year: € 13 226 thousand) and Group equity by € 7 914 thousand (previous year: € 9 869 thousand).

Most foreign exchange risks are recorded and managed centrally by Corporate Finance. Transaction risks arising from the international delivery of goods and services are contained by forward exchange contracts, plain vanilla currency options, 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.

At the Voith Group, financial derivatives are traded externally by Voith AG on behalf of its subsidiaries. The enterprise-wide treasury management tool is used for the central scheduling, monitoring and documentation of internal and external foreign currency hedges.

Interest rate risks

The Voith Group's exposure to interest rate risks is centrally analyzed and managed by Corporate 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 banks accounts that are invested in the money market and/or are used to fund the existing cash pool. The Voith companies that participate in the cash pool operate a daily zero-balancing policy and therefore have no exposure to external interest rate risks.

At Voith, marketable securities that are sensitive to interest rates are part of an investment strategy and are thus subject to strict risk monitoring (see the above discussion of liquidity risk).

The Group raises funds by drawing on financial instruments with both fixed and floating rates of interest.

On the cost side, interest rate risks arise from bonds placed on the capital market, a private placement in the USA, a euro-denominated note loan and a variety of bank loans. The risk to cash flow arising from the private placement in the USA is hedged by interest rate caps. Some of the bond coupons have 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 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:

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**	**-**	**-**	**-**	**-**	**-**	**923 127**
Bonds	**-**	**146 115**	**-**	**-**	**134 996**	**110 091**	**391 202**
Bank loans	**25 976**	**211**	**93**	**150**	**110**	**5 664**	**32 204**
Fixed interest rates							
Bonds	**-**	**-**	**-**	**-**	**-**	**574 910**	**574 910**
Bank loans	**-**	**-**	**100 000**	**-**	**159 445**	**-**	**259 445**

2008-09-30 € 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	539 641	-	-	-	-	-	539 641
Bonds	-		145 631			236 090	381 721
Bank loans	68 532	220	218	398	150	5 767	75 285
Fixed interest rates							
Bonds	-	-	-	-	-	297 424	297 424
Bank loans	-	-	-	100 000		-	100 000

If the market rate of interest had been 100 bps higher (lower) at September 30, 2009, earnings would have been € 5.0 million (previous year: € 0.8 million) higher (lower). Equity would have changed accordingly.

Risks relating to marketable securities and stock prices

Voith holds assets totaling € 100 million (previous year: € 99 million) in a multi-asset portfolio. An external advisor monitors the risks to this portfolio based on 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 ten days and, in a second method, 260 days. The parameter settings indicate a probability of 95% that losses to the portfolio after ten days (260 days) will not exceed the defined value at risk. The current 95% value at risk is 0.28% (previous year: 4.1%) of the portfolio's market value.

In addition, the Group holds mostly individual stocks with a total value of € 179 million (previous year: € 105 million). These investments are normally reported in the category "available-for-sale." 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.

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.

Commodity price risks

Voith is indirectly exposed to risks arising from changes in commodity prices, as these also affect the semimanufactures that we usually need. Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's material requirements. Workgroups analyze this information in collaboration with the Corporate Treasury and identify commodity volumes that require hedging. On request by Corporate Purchasing, suitable forward commodity contracts are arranged to contain any latent commodity price risks. In addition, increases in the price of materials can be passed on to customers to some extent.

Hedge Relationships

The following items hedge the Group's foreign exchange and interest rate risks:

2009-09-30 € in thousands	Nominal values[1)]		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**

2008-09-30 € in thousands	Nominal values[1)]		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	714 232	590 773	14 053	10 117	30 155	19 703
Forward exchange contracts (cash flow hedges)	10 364	8 935	1 457	1 321	378	0
Interest rate swaps (fair value hedges)	0	326 639	0	10 421	0	0
Other derivatives	188 350	270 339	3 786	14 417	6 485	579
Total	**912 946**	**1 196 686**	**19 296**	**36 276**	**37 018**	**20 282**

[1)] 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 2008/09, a gain of € 77 822 thousand (previous year: a loss of € 61 718 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 2008/09 or 2007/08.

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

At September 30, 2009, the Group held forward exchange contracts to hedge expected future sales and purchases through 2011. 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 € 4 873 thousand (previous year: € 9 402 thousand) was recognized in Group equity in revenue reserves.

Due to the realization of transactions in the course of the period under review, the relevant accumulated gains in the amount of € 1 764 thousand (previous year: losses of € 285 thousand) were reclassified from revenue reserves to profit and loss.

RESEARCH AND DEVELOPMENT COSTS

In fiscal 2008/09, research and development costs totaled € 253 860 thousand (previous year: € 250 473 thousand).

Of this amount, € 18 320 thousand (previous year: € 17 021 thousand) was capitalized as development expenditure in the balance sheet. The remaining expenses consist of € 171 229 thousand (previous year: € 170 465 thousand), which includes both scheduled depreciation on these capitalized development expenses and activities for non-customer-specific new developments and improvements, as well as € 64 311 thousand (previous year: € 62 987 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, 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 € 153 thousand (previous year: € 164 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	2008/09	2007/08
Liabilities to family members who are shareholders	**37 769**	34 637
Services purchased from associated companies	**1 511**	1 386
Services rendered to associated companies	**4 741**	5 818
Receivables from associated companies	**2 758**	726
Liabilities to associated companies	**3 939**	1 342
Services purchased from other investments	**705**	3 886
Services rendered to other investments	**13 354**	14 869
Receivables from other investments	**10 314**	15 293
Write-downs on receivables from other investments	**(1 181)**	(1 623)
Liabilities to other investment	**20 804**	28 966
Services purchased from the parent company	**7 824**	7 738
Services rendered to the parent company	**599**	325
Receivables from the parent company	**514**	538
Liabilities to the parent company	**1 193**	1 181
Liabilities to minority interests	**65 466**	103 625
Receivables from minority interests	**7 697**	36 908
Services purchased from minority interests	**69 439**	51 678
Services rendered to minority interests	**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 € 1 688 thousand (previous year: € 1 800 thousand) were provided and charged to the Group by one related party.

A guarantee in the amount of € 12 146 thousand was assumed in fiscal 2008/09 on behalf of an associated company.

COMPENSATION OF GOVERNING BODIES

Total compensation for members of the Board of Management of Voith AG, including pension expenses, came to € 11 596 thousand in the period under review (previous year: € 13 917 thousand). This amount includes long-term compensation components totaling € 3 373 thousand (previous year: € 4 497 thousand). These long-term compensation components include service costs totaling € 1 409 thousand (previous year: € 2 820 thousand).

The members of the Supervisory Board received compensation in the amount of € 406 thousand (previous year: € 388 thousand).

The present value of all defined benefit obligations in respect of current members of the Board of Management was € 14 497 thousand at the balance sheet date (previous year: € 11 692 thousand). The present value of all defined benefit obligations in respect of former members of the Board of Management was € 17 432 thousand (previous year: € 16 885 thousand). Plan assets totaling € 10 246 thousand (previous year: € 10 340 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.

€ 1 601 thousand (previous year: € 1 449 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 2008/09:

€ in thousands	2008/09	2007/08
Audit of the consolidated financial statements	**2 182**	2 126
Other auditing and valuation services	**143**	248
Tax advice	**84**	149
Other services	**142**	268
	2 551	**2 791**

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 2008/09.

Heidenheim/Brenz, November 30, 2009

Voith AG
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, 2009, in the version for publication.

Responsibility Statement

We hereby state that, to the best of our knowledge, the consolidated financial statements present a fair and accurate picture of the assets, financial, and earnings position of the Group in accordance with relevant accounting principles, and that the management report presents a fair and accurate picture of the Group's business development, its earnings, and the position of the Group, as well as clearly portraying material opportunities and risks to the future development of the Group.

Heidenheim/Brenz, November 30, 2009

Voith AG
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 2009-09-30

Significant Associated Companies and Shareholdings	Capital in local currency		Group share in %
Voith AG, Heidenheim/Germany	**120 000 000**	**EUR**	
Voith IT Solutions GmbH & Co KG, St. Pölten/Austria	35 000	EUR	100.0
J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim/Germany	44 600 000	EUR	100.0
Voith Assekuranz Vermittlung GmbH, Heidenheim/Germany	51 129	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	99.9
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
Voith Hydro s.r.o., Pilsen/Czech Republic	200 000	CZK	100.0
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., Lima – San Isidro/Peru	1 000	PEN	100.0
Voith Hydro S.R.L., Bucharest/Romania	680	RON	100.0
Kössler Renewable Energy s.r.o., Trebisov/Slovakia	100 000	EUR	100.0
Voith Hydro Tidal Co. Ltd., Seoul/South Korea	600 000 000	KRW	51.0
Voith Hydro S.L., Ibarra (Guipúzcoa)/Spain	345 575	EUR	100.0
VG Power AB, Västeras/Sweden	1 200 000	SEK	51.0
Voith Hydro Limited Sirketi, Sögütözü Ankara/Turkey	1 000 000	TRY	100.0
Voith Hydro Wavegen Limited, Inverness/United Kingdom	1 349 496	GBP	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, 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	90.0
Hörmann Mapal Fabricação e Afiação de Ferramentas Ltda., Pinhais – PR/Brazil	4 500 000	BRL	75.0
Premier Manufacturing Support Services of Canada Ltd., Markham (ON)/Canada	100	CAD	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

*) In the case of the Hydro companies, share held refers to Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany.

Significant Associated Companies and Shareholdings	Capital in local currency		Group share in %
Skandinavisk Industriservice A/S, Ringsted/Denmark	5 501 000	DKK	100.0
CeBeNetwork France SARL, Blagnac/France	75 000	EUR	89.6
CeBeNetwork Services GmbH, Bremen/Germany	25 000	EUR	90.0
CeBeNetwork WERUCON GmbH, Bremen/Germany	50 000	EUR	90.0
Voith Engineering Services GmbH, Bremen/Germany	250 000	EUR	90.0
Voith Engineering Services Holding GmbH, Bremen/Germany	250 000	EUR	90.0
Hörmann Engineering Personnel Services GmbH, Chemnitz/Germany	25 000	EUR	100.0
Voith Engineering Services GmbH, Chemnitz/Germany	950 000	EUR	100.0
Spüldienste Niederbayern GmbH & Co. KG, Dingolfing/Germany	100	EUR	100.0
DIW Instandhaltung GmbH & Co. KG, Heidenheim/Germany	41 312	EUR	100.0
Voith Dienstleistungen 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	1 600 000	EUR	100.0
Voith Industrial Services Ermo GmbH, Merseburg/Germany	357 904	EUR	100.0
Voith Industrial Services Industriefertigung GmbH, Radebeul/Germany	25 000	EUR	100.0
DIW Deutsche Industriewartung AG, Stuttgart/Germany	20 500 000	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
Voith Industrial Services Energy GmbH & Co. KG, Stuttgart/Germany	250 000	EUR	100.0
Voith Industrial Services Ermo GmbH & Co. KG, Stuttgart/Germany	3.550 000	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	1 529 000	EUR	100.0
Voith Industrial Services Wind GmbH, Stuttgart/Germany	25 000	EUR	100.0
Voith Industrial Services Indumont GmbH & Co. KG, Wesseling/Germany	100	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, Hyderabad (A.P.)/India	19 600 000	INR	100.0
Voith Railservices B.V., Twello/Netherlands	20 000	EUR	100.0
Terne AS, Mongstad/Norway	1 000 000	NOK	40.0
Premier Manufacturing Support Services Poland Sp. z. o.o., Gliwice/Poland	500 000	PLZ	100.0
Hörmann Serwis Polska Sp. z. o.o., Poznan/Poland	2 250 000	PLZ	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
DIW Wheel and tyre assembly s.r.o., Bratislava/Slovakia	6 639	EUR	100.0
Hörmann Slovakia spol. s.r.o., Bratislava/Slovakia	200 000	SKK	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 Industrial Services S.L., Coslada (Madrid)/Spain	10 000	EUR	100.0
CeBeNetwork Dardo, S.L., Madrid/Spain	3 006	EUR	67.6
Newtec Kemiteknik AB, Gothenburg/Sweden	1 000 000	SEK	100.0
Premier Manufacturing Support Services AB, Trollhättan/Sweden	100 000	SEK	100.0
Voith Industrial Services Endüsti Hizmetleri Limited Sirketi, Yesilköy (Istanbul)/Turkey	5 000	TRY	100.0
CeBeNetwork UK Ltd., Bristol/United Kingdom	1	GBP	90.0
Premier Manufacturing Support Services (UK) Ltd., Warwick/United Kingdom	50 000	GBP	100.0
Premier Manufacturing Support Services Inc., Cincinnati (OH)/United States	10	USD	100.0
EnovaPremier LLC, Louisville (KY)/United States	3 000 000	USD	40.0

Significant Associated Companies and Shareholdings	Capital in local currency		Group share in %
Voith Paper Holding GmbH & Co. KG, Heidenheim/Germany	**30 703 400**	**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
GAW Handel & Consulting GmbH, Graz/Austria	109 009	EUR	35.0
GAW technologies GmbH, Graz/Austria	44 722	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 Unterstützungskasse GmbH, St. Pölten/Austria	36 400	EUR	100.0
Voith Verfahrenstechnik GmbH & Co KG, St. Pölten/Austria	1 453 457	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
GAW Sistemas e Technologia Ltda., São Paulo (SP)/Brazil	50 000	BRL	29.8
Meri Sistemas e Tecnologia Ltda., São Paulo (SP)/Brazil	50 000	BRL	55.3
Voith Fabrics do Brasil Representação Comercial Ltda., São Paulo (SP)/Brazil	128 390	BRL	100.0
Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP)/Brazil	37 269 872	BRL	100.0
Voith Fabrics Canada Holdings Ltd., Charlottetown/Canada	14 775 275	CAD	100.0
Voith Canada Inc., Hamilton (ON)/Canada	14 775 275	CAD	100.0
PremiAir Technology Inc., Saint-Laurent-Québec/Canada	540 000	CAD	100.0
GAW Paper Coating Systems Limited, Vancouver (BC)/Canada	200	CAD	35.0
Servicios y Suministros Voith Chile Ltda., Concepción, Coronel/Chile	12 500 000	CLP	100.0
Voith Paper Rolls Guangzhou Co., Ltd., Guangzhou/China	5 500 000	USD	100.0
GAW Trading (Kunshan) Ltd., Kunshan, Jiangsu/China	210 000	USD	35.0
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 Technology (China) Co., Ltd., Liaoyang City/China	13 320 000	USD	100.0
Voith Paper International Trading Co., Ltd., Shanghai/China	300 000	USD	100.0
Pikoteknik Oy, Parhalahti/Finland	33 638	EUR	100.0
Voith Paper Fabrics Oy, Vantaa/Finland	5 046	EUR	100.0
Voith Paper Oy, Vantaa/Finland	200 000	EUR	100.0
Voith Paper Fabrics SAS, Montbron/France	8 675 100	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 GmbH & Co. KG, Euskirchen/Germany	1 300 000	EUR	100.0
VF Auslandsbeteiligungen GmbH, Heidenheim/Germany	52 000	EUR	100.0
Voith Paper Automation GmbH & Co. KG, Heidenheim/Germany	25 000	EUR	100.0
Voith Paper GmbH & Co. KG, Heidenheim/Germany	36 003 000	EUR	100.0
Voith Paper Rolls GmbH & Co. KG, Heidenheim/Germany	580 000	EUR	100.0
Voith Patent GmbH, Heidenheim/Germany	26 000	EUR	100.0
VPS Auslandsbeteiligungen GmbH, Heidenheim/Germany	53 000	EUR	100.0
VPT Auslandsbeteiligungen GmbH, Heidenheim/Germany	27 000	EUR	100.0
Voith Paper GmbH, Krefeld/Germany	603 000	EUR	100.0
Voith Paper Unterstützungskasse GmbH, Krefeld/Germany	26 000	EUR	100.0
Voith Paper Krieger GmbH & Co. KG, Mönchengladbach/Germany	1 587 561	EUR	85.0
LSC Process- und Laborsysteme GmbH, Neuwied/Germany	26 076	EUR	100.0
Aquatyx Wassertechnik GmbH, Ravensburg/Germany	25 000	EUR	100.0
MERI Environmental Solutions GmbH, Ravensburg/Germany	51 129	EUR	65.0
TechniDoc GmbH, Ravensburg/Germany	25 000	EUR	35.0

Significant Associated Companies and Shareholdings	Capital in local currency		Group share in %
Voith Paper Environmental Solutions GmbH & Co. KG, Ravensburg/Germany	500 000	EUR	100.0
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 Technology (India) Ltd., Calcutta/India	29 999 900	INR	50.0
Voith Paper Fabrics India Ltd., Faridabad (Haryana)/India	43 925 590	INR	74.0
PT. Voith Paper, Jakarta/Indonesia	750 000	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	100 000 000	JPY	100.0
Voith Paper Fabrics Japan Co. Ltd., Tokyo/Japan	10 000 000	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 Fabrics de Mexico SA de CV, Puebla, Pue Mexico/Mexico	3 409 533	MXN	100.0
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 Fabrics Ltd., Coimbra/Portugal	7 482	EUR	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	28 589 000	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 (Thailand) Co., Ltd., Bangkok/Thailand	7 500 000	THB	99.9
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
LSC Process & Laboratory Systems UK Ltd., Crieff/Perthshire/United Kingdom	100	GBP	51.0
Voith Paper Ltd., Manchester/United Kingdom	1 000 000	GBP	100.0
Meri Papertec Inc., Appleton (WI)/United States	2 000	USD	65.0
Voith Paper Fabrics Appleton, Inc., Appleton (WI)/United States	625 750	USD	100.0
Voith Paper Inc., Appleton (WI)/United States	2 006 975	USD	100.0
GAW Paper Coating Systems Inc., Chicago (IL)/United States	10	USD	35.0
Voith Papertec Green Bay Corporation, Green Bay (WI)/United States	1 150 000	USD	100.0
Voith Paper Rolls Central Inc., Neenah (WI)/United States	100 000	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
Voith Paper Fabrics Shreveport, Inc., Shreveport (LA)/United States	26 050 348	USD	100.0
Voith Paper Rolls West Inc., Springfield (OR)/United States	11 327 802	USD	100.0

Significant Associated Companies and Shareholdings	Capital in local currency		Group share in %
Syn Strand Inc., Summerville (SC)/United States	641 649	USD	100.0
Voith Paper Fabrics Waycross, Inc., Waycross (GA)/United States	200	USD	100.0
Voith Paper Rolls South Inc., West Monroe (LA)/United States	5 626 990	USD	100.0
VAM Finance LLC, Wilmington (DE)/United States	178 412 527	USD	100.0
Voith Fabrics Wilson LLC, Wilson (NC)/United States	240 081 443	USD	100.0
Voith Paper Fabrics US Sales Inc., Wilson (NC)/United States	300	USD	100.0
Voith Paper Fabrics Wilson Limited Partnership, Wilson (NC)/United States	2 000	USD	100.0
Voith Paper Rolls Inc., Wilson (NC)/United States	2 857 891	USD	100.0
Voith Turbo GmbH & Co. KG, Heidenheim/Germany	**25 601 000**	**EUR**	**100.0**
Voith Turbo Pty. Ltd., Wetherill Park (NSW)/Australia	650 000	AUD	100.0
Voith Turbo Scharfenberg Pty. Ltd., Wetherill Park (NSW)/Australia	400 000	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 Automotive Ltda., São Paulo (SP)/Brazil	1 000	BRL	99.9
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 S. A., Santiago de Chile (Conchali)/Chile	38 250 000	CLP	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 Colombia Limitada, Bogota D.C./Colombia	540 000 000	COP	100.0
Voith Turbo d.o.o., Zagreb/Croatia	20 000	HRK	100.0
Voith Turbo Ltd., Limassol/Cyprus	16.617	EUR	100.0
Voith Turbo s.r.o., Brno/Czech Republic	1 000 000	CZK	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
Amovis Forschung und Entwicklung GmbH, Berlin/Germany	25 000	EUR	25.2
Amovis GmbH, Berlin/Germany	25 000	EUR	25.2
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	96.0
LZH Logistic Zollservice Heidenheim GmbH, Heidenheim/Germany	51 000	EUR	32.6
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	2 500 000	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 Zollzweckgemeinschaft GbR, Heidenheim/Germany	1	EUR	100.0
ACIDA GmbH, Herzogenrath/Germany	200 000	EUR	99.0
AIR Fertigung-Technologie GmbH & Co. KG, Hohen Luckow/Germany	50 000	EUR	85.0
Voith Turbo Marine Engineering GmbH & Co. KG, Rostock/Germany	100 000	EUR	100.0
Micromat Spannhydraulik GmbH, Rutesheim/Germany	154 000	EUR	50.0
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
Devisoris Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden/Germany	5 000	EUR	94.0

Significant Associated Companies and Shareholdings	Capital in local currency		Group share in %
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
Nippon Retarder System Co., Ltd., Osaka/Japan	50 000 000	JPY	50.0
Voith Turbo Sdn. Bhd., Kuala Lumpur/Malaysia	1 000 000	MYR	100.0
Voith Turbo S.A. de C.V., Mexico (D.F.)/Mexico	2 474 095	MXN	100.0
Voith Turbo S.A., Casablanca/Morocco	4.000 000	MAD	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 Railservices B.V., Twello/Netherlands	20 000	EUR	100.0
Voith Turbo B.V., Twello/Netherlands	18 000	EUR	100.0
Voith Turbo Drive Systems B.V., Twello/Netherlands	29 220	EUR	100.0
Voith Turbo Holding B.V., Twello/Netherlands	703 813	EUR	100.0
Voith Turbo AS, Oslo/Norway	273 600	NOK	100.0
Voith Turbo sp. z o.o., Wola Krzysztoporska/Poland	250 000	PLZ	100.0
Voith Turbo S.R.L., Bucharest/Romania	183 950	RON	100.0
Voith Turbo Kazan GmbH, Kazan/Russian Federation	14 400 000	RUB	91.0
Voith Turbo O.O.O., Moscow/Russian Federation	10 000	RUB	100.0
Voith Turbo d.o.o., Belgrade/Serbia	151 015	RSD	50.0
Conquest Timber-Tec PTE Limited, Singapore/Singapore	30 000	SGD	100.0
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 Co., Ltd., Seodaemun-Gu (Seoul)/South Korea	337 500 000	KRW	80.0
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
H + L Holding AG, Baar/Switzerland	200 000	CHF	100.0
Hartmann + Lämmle AG, Neuheim/Switzerland	250 000	CHF	100.0
Voith Turbo Co. Limited, Kaohsiung/Taiwan	5 500 000	TWD	100.0
Voith Turbo Güç Aktarma Teknigi Ltd. Sti., Çankaya-Ankara/Turkey	100 000	TRL	100.0
Voith Turbo Ukraine TOW, Kiev/Ukraine	50 000	EUR	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
BHS Getriebe Inc., Cincinnati (OH)/United States	1 500	USD	100.0
Voith Turbo Inc., York (PA)/United States	2 150 000	USD	100.0

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