VOITH

Annual Report 2012
Understanding

The Voith Group in Figures

in € millions	2011/12	2010/11
Orders received	**5,703**	6,358
Sales	**5,724**	5,594
Operational result before non-recurring result	**341**	416
Return on sales in %	6.0	7.4
Income before tax	**177**	322
Net income	**114**	200
Cash flow from operating activities	**332**	244
Total cash flow	**-21**	-261
Investments	**272**	211
Research and development	**267**	259
in % of sales	4.7	4.6
Equity	**1,384**	1,287
Equity ratio in %	23.1	22.1
Balance sheet total	**5,992**	5,815
Employees*	**42,327**	40,691

*Without apprentices.

The Voith Group

Understanding—contributions to a changing world

Management Report

Consolidated Financial Statements

Foreword

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

In this annual report we look back on a year that presented major challenges to Voith. In this, our 145th year in business, we worked intensively on our profitability and our future growth. We have taken the critical decisions to put Voith on a course for long-term growth and future profitability.

Our earnings declined in the past year, although our sales rose slightly by 2 %. All Group Divisions are returning a profit. Our equity ratio continues to rise. We have achieved positive free cash flow and defended our position on all significant markets. Our balance sheet remains in extremely good shape, despite the burdens placed on it by the restructuring program at Voith Paper.

There are good reasons for Voith's smooth passage through the challenges of the past fiscal year. We are and have always been a company that pursues a long-term strategy. This basic attitude, which has characterized the company since it was founded by Friedrich Voith in 1867, also means that we respond rapidly and decisively to shifts in the market in order to align the Group to the new circumstances.

This entrepreneurial spirit was particularly called for at Voith Paper in 2012. We are convinced that paper has a future, even if the spreading digitalization of everyday life is a veritable game changer in the segment for graphic papers. On the other hand, this shift in the market offers Voith new opportunities. The boom in online trade and the increasing globalization of markets are driving demand for packaging papers worldwide and, by extension, the machines needed to produce such paper efficiently yet simultaneously conserve resources. In recent months we have done the groundwork needed to secure our present role as a major player in the paper industry as both a trend-setter and a consultant.

In light of this development, our portfolio demonstrated its strengths yet again in 2012. We serve five core industrial markets that are subject to different cycles: energy, oil & gas, paper, raw materials and transport & automotive. This portfolio already allowed us to keep growing during the 2008/09 financial crisis. In recent years, our broad portfolio has enabled us to offset the significant slump of over 80 % in the market for graphic grade paper-making machines and continue the long-term growth trend of the Group without interruption.

„Our basic attitude implies a rapid and decisive response to market shifts in order to align the Group to new circumstances.“

With regard to the megatrends of the 21st century, we perceive opportunities and perspectives for the entire Voith portfolio, as our technologies will play a role in shaping these trends. Even today, Voith makes a major contribution, wherever key industries and infrastructure projects in regional economies are being set up, equipped or modernized. Our technologies supply answers to the challenges facing the world in the coming decades. For example, demand for power generation from renewable resources, such as hydro power, will rise as climate change progresses. In the growing megacities of the planet, millions of people require modern local transport solutions that bring them safely and rapidly to their destinations. In many industries, demand for technologies and service concepts that are both environmentally friendly and conserve resources is rising as industrial production shifts further towards modern and sustainable manufacturing methods.

We are living in a world that is likely to change more radically than ever before. The structure of the global economy and the political balance of power are shifting. New economic regions and new markets are emerging. We are convinced that only those companies which address these shifts will remain relevant to their customers and markets. The ability to become firmly rooted in these markets and regions as a local player will be decisive for business success in future.

In 2012, Voith became more internationally aligned than it has ever been. We have a local presence in all of the major markets around the globe with local added-value to our products. In most countries, we have local management teams who have expert knowledge of local culture, markets, and customer needs.

One of our most important goals is to continue building up the local base of Voith in these markets. We aim to be as locally rooted in all the markets we serve around the world as we are today in Germany. Our corporate culture and Voith values are the cornerstone on which our international and ever more diverse organization is built, as these bind our staff of over 40,000 employees spread across all national and geographic borders. They are our guiding light and a benchmark for our cooperation. They also define our actions. Respect, appreciation and open communication give us the security and freedom to think in new ways without any reservation and allow us to keep developing.

I would like to thank everybody who contributed to our success at mastering the challenges faced by Voith in the year under review. My heartfelt appreciation goes first and foremost to our staff of over 40,000 employees spread around the globe, whose expertise, commitment to the task and loyalty enabled Voith to reach its goals in the year. My thanks also goes to our customers and business partners who put their trust in Voith in 2012, and to all others who accompanied and supported us throughout 2012.

The environment facing us in 2013 remains unpredictable. At present nobody can make any serious forecast of how the financial and sovereign debt crisis in Europe will develop. Voith has good reason to be optimistic about the future. We view the coming changes as an opportunity. We will muster all our forces to keep pace with the dynamic changes ahead and nurture continued growth of Voith as a family-owned company in 2013. We have everything on board that we need: more than 140 years of experience and the associated expertise, young ideas and the ambition to keep the company growing from generation to generation.

I would be very happy if you continued to share this journey with us.

Best regards,

Dr Hubert Lienhard

„In our 145th year of operations, we have taken important steps to ensure that Voith is able to continue growing in the future and remains profitable in the longer term.“

The Corporate Board of Managment

1 Hubert Lienhard, President and CEO
2 Hermann Jung, Finance and Controlling
3 Hans-Peter Sollinger, Voith Paper
4 Martin Hennerici, Voith Industrial Services
5 Bertram Staudenmaier, Voith Paper
6 Roland Münch, Voith Hydro
7 Carsten J. Reinhardt, Voith Turbo (since July 2012)


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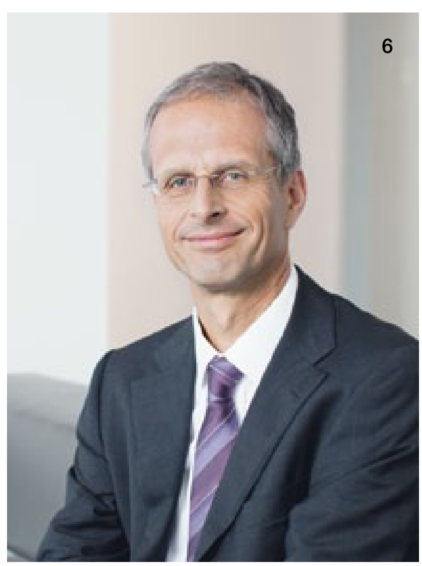
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Report of the Supervisory Board

Dear reader,

the 2011/12 fiscal year of the Voith Group was marked by the uncertain prospects of the global economy and the situation on the financial markets, in particular in the face of continuing, unpredictable developments within the euro area. In addition to examining strategic matters, the Supervisory Board dealt in four ordinary meetings with the challenges facing Voith as a result of the uncertainties of fiscal policy and the consequences for the Group's operations. A further focus of discussions was on structural changes in the markets relevant to Voith, in particular Voith Paper. The ordinary meetings took place on October 10, 2011, December 8, 2011, March 1, 2012, and May 21, 2012, while an extraordinary meeting was held on June 13, 2012. As usual, all the meetings of the Supervisory Board saw a lively and open exchange of opinions with the management.

Discussions were based on detailed written and oral reports by members of the Corporate Board of Management on the current situation, corporate planning (including financial and investment planning), the development of the Group's economic situation and the anticipated effects on the four Group Divisions, developments in the Company's earnings and financial position, and an assessment of existing business risks. At its meeting on December 8, 2011, the Supervisory Board received a detailed explanation by the Management Board of the risk management system, including the internal audit system and the compliance organization. The necessary and continuing global orientation of the Group and its individual divisions, in particular in China and India, both in terms of product development and adjustment as well as the focus of services offered, including considerations relating to cooperation and acquisitions, were discussed in detail. The ensuing financial and capital expenditure planning for the current and subsequent year was unanimously approved at the meeting in October. For to gain its own picture of Voith's development on the core Chinese market, the Board held its meeting of March 1, 2012 in China and took the opportunity of visiting the four Group Divisions in Kunshan, Shanghai, and Loutang, receiving detailed information from the local management on their respective activities, challenges, and prospects.

In continuation of the sustainability strategy, the management regularly informed the Supervisory Board of further progress in improving safety at work and health protection for Voith employees. The Chairman of the Supervisory Board was also kept constantly informed of significant developments and key management decisions. He consulted regularly with the President and Chief Executive Officer on matters of material importance.

The Personnel Committee met twice in the last fiscal year, on December 8, 2011 and March 21, 2012. There was no need to convene the Mediation Committee formed pursuant to Section 27 (3) of the German Codetermination Act (MitBestG).

The Audit Committee met twice, on December 7, 2011 and May 20, 2012. The first meeting, which was held in the presence of the auditors who examined the annual financial statements, conducted an in-depth examination of the financial statements of both the consolidated Group and Voith GmbH for fiscal 2010/11, and of the report submitted by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. Committee and auditors also discussed issues regarding the further improvement of the year-end close process. The Audit Committee also received a detailed explanation from the management on the status of the internal audit system. Beyond this, the head of the Internal Audit unit discussed the Group audit report prepared for the fiscal year under review at length with the committee and explained existing deficits and improvements which had been made during the course of the year.

At its second meeting the Audit Committee considered the unaudited half-yearly financial statements of the Group as at March 31, 2012 further to earlier information it had received on the status of the Voith financial reporting process, and discussed the Social Media roadmap proposed by the Management Board. Further improvement measures were also discussed in this context. The committee also approved the Management Board's proposal on the new topics and focal points of audits for the fiscal years 2012/13 to 2015/16.

The shareholders' meeting on January 28, 2012 granted discharge to the Management Board and the Supervisory Board for their activities in the 2010/11 fiscal year and again appointed the accounting company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors for the 2011/12 fiscal year. The Supervisory Board subsequently approved the corresponding request to appoint the auditors.

The auditor examined and granted its unqualified audit opinion on the accounting records, the annual financial statements, and management report of Voith GmbH and the consolidated financial statements and management report for the Voith Group as at September 30, 2012. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). In so doing, Ernst & Young GmbH took particular account of the audit focal points of leasing and compliance with the accounting manual adopted by the Supervisory Board.

At its meeting on December 3, 2012, the Audit Committee examined the annual financial statements prepared for Voith GmbH and the Group and recommended that the Supervisory Board approve said financial statements, which it did at its meeting on December 4, 2012. Both meetings were attended by the relevant member of the auditor's Management Board and the person who led the audit. They explained the significant audit findings and were available to provide additional information. The Supervisory Board also approved the management report of Voith GmbH and the Group and concurred in the proposal submitted by management regarding the appropriation of net income.

At the meetings of the Supervisory Board of March 1 and May 21, 2012, decisions were taken to reappoint Bertram Staudenmaier as Member of the Management Board of Voith Paper effective January 1, 2013 and Dr Hubert Lienhard as Chairman of the Corporate Board of Management and Dr Roland Münch as Chairman of the Management Board of Voith Hydro, both effective April 1, 2013. These reappointments are all for five years. On December 31, 2011, Mr Peter Edelmann resigned as Chairman of the Management Board responsible for the Voith Turbo Group Division at his own request and by mutual consent. The Supervisory Board thanked Mr Edelmann for his many years of service at Voith. At the extraordinary meeting on June 13, 2012, the Board appointed Carsten J. Reinhardt as his successor effective July 1, 2012 and wished him every success in managing the Voith Turbo Group Division. The Supervisory Board expressly wishes to thank Dr Hubert Lienhard for having managed this Division on an interim basis from January to July 2012.

Finally, the Supervisory Board would like to thank the members of the management of Voith GmbH and the management of the subsidiaries, the representatives of the workforce, and above all the employees of the Group for their dedicated commitment and successful endeavors in the fiscal year under review, which has been characterized by considerable uncertainties and adjustments to changed conditions.

Heidenheim, December 4, 2012

Chairman of the Supervisory Board

Dr Manfred Bischoff

The Supervisory Board

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

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

Rudolf Bädorf*
Vice President Manufacturing & Logistics
and Site Representative of
Voith Paper GmbH & Co. KG,
Heidenheim/Germany

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

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

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

Sonja Gorsch
Teacher,
Erftstadt/Germany

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

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

Bernd Kauba*
Chairman of the works council
DIW Mechanical Engineering GmbH & Co. KG,
Radebeul/Germany

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

Reinhard Leigraf*
Process technology engineer for special papers,
Voith Paper GmbH & Co. KG,
Ravensburg/Germany

Dr Ophelia Nick
Veterinarian,
Wülfrath/Germany

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

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

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

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

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

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

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

*Elected by the employees.

Gilgel Gibe, Ethiopia | Estreito, Brazil | Eastmain,
Canada | Yangtze, China | Heidenheim, Germany
São Paulo, Brazil | PreSalt, Brazil | Crailsheim,
Germany | Chemnitz, Germany | Shenyang,
China | Görlitz, Germany | York, USA | Chicago,
USA | San Diego, USA | Denver, USA | Minneapolis,
USA | Salt Lake City, USA | Houston, USA
Washington, D.C., USA | Gemünden/Main,
Germany | Sisimiut, Greenland | Sankt Georgen
am Steinfeld, Austria | Mississauga, Canada
Sindelfingen, Germany | Kecskemét, Hungary

Understanding— Contributions to a changing world

01 Markets

02 Customers

03 Employees

01 Markets

The world is changing—but, depending on the region, at very different speeds. While the economy in Central Europe is still only growing moderately, threshold countries such as Brazil and China have been developing at breakneck speed for years. The enormous hunger which up-and-coming countries have for energy must be satisfied while creating innovations that meet the principle of sustainability.

The dam wall of the Three Gorges Dam in China tames the floods of the Yangtze River.

Where the current flows

New large hydro power plants are springing up throughout the world. Developing countries are using them to push forward their electrification, while in newly industrialized countries they are helping to meet rapidly growing energy needs. And for the industrialized world, hydro power is an important means of reducing CO_2 emissions.

1 In Ethiopia, hydro power is driving the development of the entire country.

2 Electricity production is overseen in the control room of the Ethiopian Gilgel Gibe II hydro power station.

Who knows whether the industrial boom of the United States at the beginning of the 20th century would have been as strong if a few bold men had not decided in 1890 to build the world's first large water-driven power plant at Niagara Falls. Suddenly there was so much energy available that it was possible to produce industrial goods such as aluminum or carbide in large quantities. This gave the country's economic development a huge boost.

Hydro power is a growth engine that gets an entire society moving. This is perhaps even more true today than it was 120 years ago. In Ethiopia, for example, the 420-megawatt Gilgel Gibe II power station came on stream three years ago using components produced by Voith. "We delivered a turnkey facility — from the four Pelton turbines and the generators to the power transformers and switching systems, right through to the desks in the control room," explains project manager Lothar Ritter. Voith had previously fitted the Gilgel Gibe I power station.

Both plants have helped to push electrification well forward in the country. "Today more than 6,000 towns and villages are connected to the electricity grid. This corresponds to 47 % of all Ethiopian settlements," says Miheret Debebe, CEO of Ethiopian Electric Power Corporation. Before the East African country's government began expanding hydro power, the electrification rate stood at only 15 %.

In a country where wood and animal dung are often the main sources of energy, hydro power considerably improves the quality of life. Many Ethiopians save time because they no longer have to source fuel themselves. Time they can spend investing in education, for example. And they now have access to information, because electrification goes hand in hand with the development of the communications infrastructure. Businesses and health sector also benefit from electrification. Until now, they have had to rely mainly on expensive diesel generator sets. All of

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People

"Anybody traveling to Ethiopia will see that the people are benefiting enormously from the electricity that the expansion of hydro power is giving them. This is true for industry, trade, and commerce, but above all in the private sphere—for example as regards communications or access to media."

Lothar Ritter, Project Manager Large Hydro at Voith Hydro, Heidenheim

this is significantly boosting the economy: the Ethiopian economy grew annually by an average of 8% between 2009 and 2011.

Electricity from hydro power stations is not only cheap but also green. Thus, it is no wonder that industrialized nations are also investing heavily in its expansion. In the Canadian province of Quebec, for example, two hydro power plants fitted by Voith and with an output of 256 megawatts each entered into service in 2011, and a third one followed in January 2012. They are part of the major Eastmain-1-A/Sarcelle/Rupert project. This complex produces enough electricity to meet the annual needs of 500,000 households.

The plants are operated by Hydro-Québec, one of North America's largest energy suppliers. The company produces almost all of its electricity from hydro power, making the province a forerunner in the area of climate protection in Canada. It has been calculated that every citizen of Québec produces 10.4 tons of CO_2 a year. The figure for the rest of the country is 16.3 tons. Alain Tremblay of Hydro-Québec has examined the environmental performance of the hydro power plants over the entire lifecycle: "The emissions are equivalent to those of wind power installations but only a quarter of those of photovoltaic systems," says Tremblay. Compared to a coal-fired power plant, CO_2 emissions are more than a hundred times lower. Nevertheless the construction of each large hydro power plant does leave a mark on the landscape. Hydro-Québec has therefore designed the complex in a way that might serve as a blueprint for the sustainable design of hydro power plants.

For the emerging newly developed countries, hydro power is an important means of decoupling economic growth from CO_2 emissions. Brazil, for example, hopes to exploit the great potential of its rivers in order to meet its growing energy demand in a climate-friendly manner. One of the main projects of the country is the

Renewable

"Clean and renewable hydro power is the main reason why per-capita greenhouse gas emissions are lower in Québec than anywhere else in Canada."

André Besner, Head of environmental protection and sustainable development at Hydro-Québec, Montreal

1 Without renewable energy sources, it would be virtually impossible to meet the electricity needs of megacities.

2 The dam wall of the Three Gorges Dam is around 2,000 metres long. The reservoir extends for more than 600 km.

recently commissioned 1.1-gigawatt Estreito power plant. Much of the technology involved comes from Voith. For example, the company supplied eight Kaplan turbines with an output of 138.6 megawatts each and a runner diameter of almost ten meters.

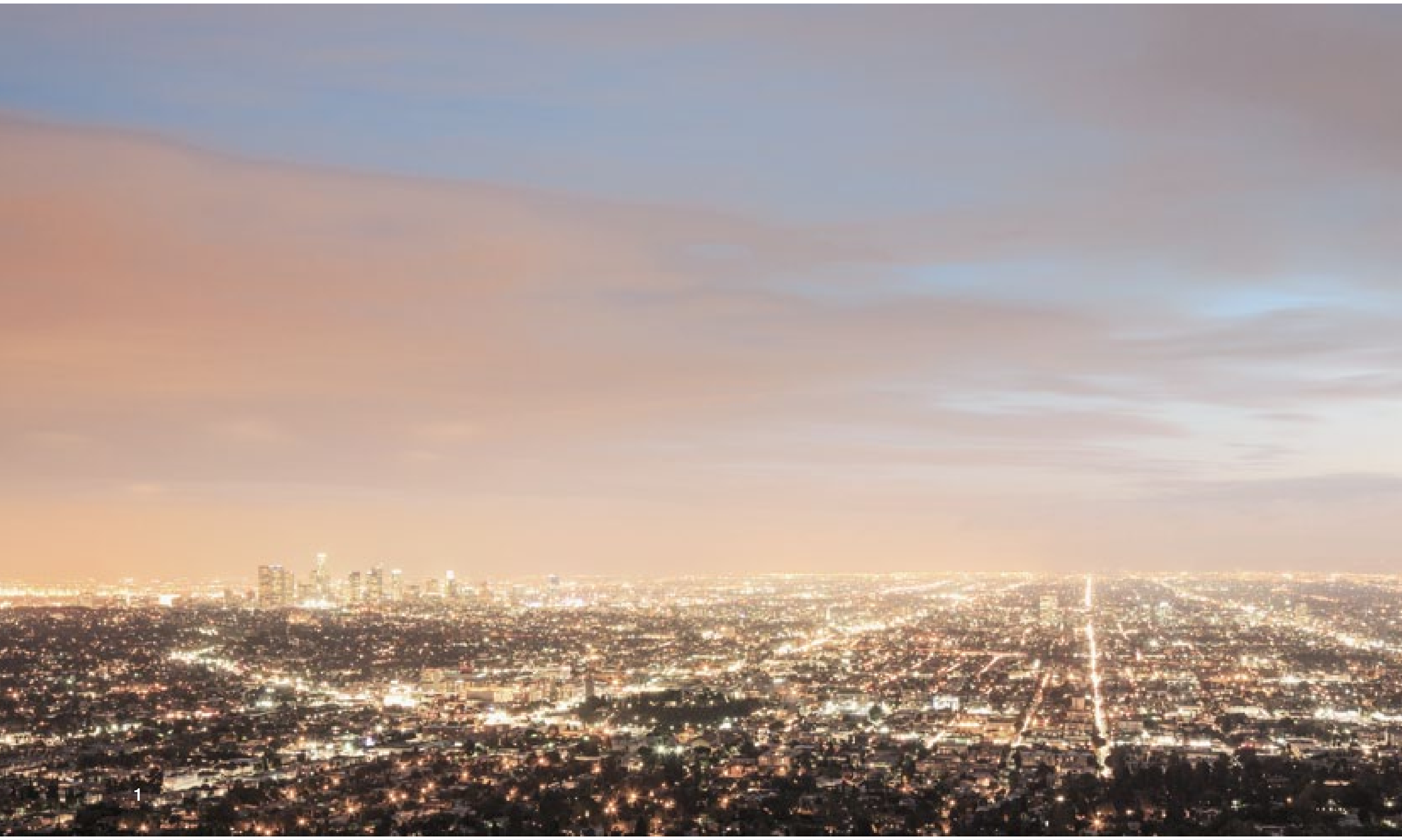
In China too, hydro power is assuming a key role in economic development. In 2008, the hydro power plant at the Three Gorges Dam, the world's largest with a total output of 22.8 gigawatts, started supplying the grid. It provides electricity to 100 million households. And it is also urgently needed because, within just a few years, China has become the world's largest consumer of energy — one in five kilowatt hours of the energy consumed worldwide can be attributed to the country. On top of that, its needs are likely to double by 2030, according to the International Energy Agency.

China has so far fed its hunger for energy primarily with coal, which provides three quarters of the primary energy required. But the country wants to move away from fossil-based energy sources, above all because of climate protection. "The Three Gorges Dam will help China to achieve its target of a CO_2 reduction of 40-45 % per unit of GDP by 2020," explains Sha Xianhua, Vice President of the China Three Gorges Corporation.

But the Three Gorges Dam is not only important to ensuring a more environmentally friendly production of energy; it also protects the region's population from flooding, which has regularly claimed thousands of lives on the Yangtze river in the past. The reservoir serves as a buffer that is able to store huge volumes of water. It proved its worth on July 24, 2012, when the reservoir rose at a rate of 70,000 m^3 of water per second — more than during the last great Yangtze flood in 1998, which claimed 4,200 lives.

Voith is one of the main technology partners in the project and has supplied six machine sets, each with an output of 700 megawatts, as much as a coal-fired power plant. The turbine runners alone are as high as a three-story house. Assembling them requires the accuracy of a precision engineer. "With a diameter of ten meters, we have a gap of only a few millimeters. We have to work with the precision of a Swiss watchmaker," explains Otto Kienle, who was responsible for the commissioning at Voith.

The reasons behind the expansion of hydro power vary, whether they relate to the electrification of a country, climate protection, or a desire to uncouple economic growth from CO_2 emissions. But the investors concerned have one thing in common: they rely in preference on the technology and long-standing know-how of Voith. Just like the Ontario Power Company, which in 1903 built a second plant close to the first large power plant at Niagara Falls. At its core were twelve Francis spiral turbines with an output of nine megawatts each. The supplier? Voith. //



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Paper has a future, paper is the future

The market for paper machines is in a state of upheaval. In future, demand will be for smaller, more flexible installations—they are becoming increasingly popular for the production of packaging papers. Voith has adapted to these new requirements on the part of its customers.

The list of the 100 most influential people in world history published by the historian Michael H. Hart in 1978 was led by familiar names such as Muhammad, Newton, and Jesus Christ. But how did a Chinese man by the name of Cai Lun, who lived around the year 100 as an Emperor's official, manage to come in seventh place? Quite simple: he is said to have invented paper.

For that he deserved an even higher ranking because the cultural product of paper has influenced mankind more than virtually any other material. The development of civilization, communication, education, and science would not have been possible without paper. And modern life would be unimaginable without it as a material for books, posters, stationery, newspapers, banknotes, packaging for cosmetics and food, cardboard boxes for consumer goods, industrial cardboard, designer furniture, teabags, paper tissues, building insulation, or body cardboard used to build automobiles.

Essential: paper, with a history stretching over 2,000 years, has shaped the development of mankind and is today used for more purposes than ever.

Competition

"From conversations with our clients, we know that competition has become tougher for them. A basic prerequisite for being able to hold one's own in this market environment is efficient machinery. A more efficient and economical use of water, energy, fibers, and residues plays a vital role, and this is one of the strengths of Voith's equipment."

Dr Michael Trefz, Senior Vice President Sales, Voith Paper, Heidenheim

Overall there are around 2,900 different types of paper with the widest range of properties, and the industrial production of paper is accordingly demanding, requiring highly developed, specialized machinery. Voith is a forerunner in this field, having manufactured its first paper machine in 1881, and is today a global leader. This market is on the move. Demand for packaging and hygiene paper is growing sharply, while the need for graphic grades is stagnating. For all types of paper, manufacturers all over the world are shifting toward smaller and more flexible facilities, and Voith is adapting to this reality.

Voith's clients need machines that are adaptable, reliable, and easy to operate since this is the only way that paper manufacturers can serve their markets quickly and flexibly. At the same time, those machines have to be cheap to run and save on raw materials and energy. Particularly in demand are new installations for the production of brown paper varieties

1 Whether for banknotes or as packaging for tea: paper is as varied as the uses to which it can be put.

2 Packaging made from recycled paper, corrugated board for example, protects all types of goods during transport.

that are essential as packaging for the soaring global flow of goods. David Powlson, market expert and Principal at Pöyry Management Consulting in London, points to another reason for this trend: “New generations create new markets. E-commerce via Internet is booming, and this drives demand for packaging materials even higher.” Voith is well equipped for these changes to the market. The packaging segment already accounts for around 60 % of turnover for paper machines.

But competition never sleeps. On the attractive Asian markets in particular, Voith has to engage in a tough price war in these countries and measure up to new local manufacturers. “In order to withstand this competition, producers must focus on their own, time-tested strengths,” says Powlson.

Dr Michael Trefz, Senior Vice President of Sales at Voith Paper in Heidenheim, is aware of this. “We score on efficiency, reliability, and innovative solutions and our clients expect this.” For example, in the area of packaging paper, Voith also supplies smaller machines of modular design that can be put into service fast, thus ensuring rapid deployment to clients.

There is reliance on Voith’s power to innovate in a variety of areas, including energy and raw-materials efficiency. One example of this is controlled thermal conversion (CTC). CTC technology enables thermal energy and valuable minerals to be obtained for industrial uses from the paper sludge produced during the recycling of recovered paper, making processes in paper mills greener and more efficient.

Similar aims are pursued by Voith’s ATMOS technology, which enables premium-quality tissue papers to be produced entirely from recycled fibers with energy consumption up to 50 % lower than that of traditional processes. ATMOS was developed at the Tissue Innovation Center in São Paulo, and further milestones lie in store since the


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Center's testing facility has in the past year been modified and brought up to the latest technical standards. It is the heart and soul of Voith's Research and Development activities in this field.

Technological revolutions on a large and small scale are what the site's engineers aspire to as they question even basic principles in their search for improvements. This can be seen, for example, in the manufacture of pulp. One of the main processes involved is dewatering, which is done in several stages. In the wire section, filters and vacuum pumps separate water from the pulp, more water is then pressed out by rolls in the press section, and then the pulp eventually reaches the dryer section, where it is fed on air cushions between steam-heated rolls and is finally dried. In every pulp production facility in the world, the pulp passes through the dryer section horizontally—except in the machines which Voith commissioned in its Tissue Innovation Center in 2012. Here it flows vertically. This saves energy because the pulp is not carried by a stream of hot air as in the horizontal process but is channeled by lateral rolls, whereby the air is used solely for drying purposes, thus using less steam. The machine also operates more efficiently because cleaning can be completed within a matter of minutes, compared to several hours with the horizontal process. The facility also takes up less space and is thus suited to use in cramped conditions. The first customer to use the new vertical technology has its headquarters at Lençóis Paulista, not far from Voith in São Paulo. This is consistent with Voith's aim of being close to its customers and markets.

And this is the case everywhere. Its motto is: "produce locally for the local region." This ensures proximity to the client and low transportation costs, and also makes it easier to set up and maintain equipment. But above all, Voith is able to build up trusting relations in every country and this is the basis for being able to meet all future customer requirements reliably. //

To be able to meet customer desires quickly, manufacturers of packaging papers are increasingly focusing on smaller, more flexible installations.

Voith was involved in developing the Edda Fides, a supply vessel for the offshore oil industry.

Extracting treasures from deep below

In the face of growing worldwide energy needs, offshore oil and gas production is getting ever more important. However, this presents huge challenges for equipment and technology. Voith supports the oil industry in overcoming those challenges.

Should you fly in a helicopter from Rio de Janeiro into the open Atlantic, you will see nothing but water for hundreds of kilometers. Then enormous constructions with booms, red and white towers, and landing sites suddenly emerge in the middle of the sea. These are the floating drilling platforms used by the Brazilian oil company Petrobras to extract oil from deposits in the pre-salt layer under the seabed. In an area off the Brazilian coast of more than 800 km in length and 200 km in width, there are several large oilfields which are likely to turn the country into one of the main oil producers in the coming years. It is estimated that there are stocks of around 50 million barrels to be extracted.

Offshore oil production is becoming more important worldwide. One in three barrels of the almost four billion tons of crude oil extracted in 2011 came from deposits far out at sea, and the trend is rising. The oil is urgently needed because global energy needs are growing by 1.3% per annum, according to the International Energy Agency. Demand is driving the price up, and offshore production, which is extremely costly in technical terms, has therefore become profitable. Voith offers attractive products and solutions for this. Thanks to modern technology, it is now worth extracting even highly

1 The adjustable Vorecon planetary gear is developed and assembled at Voith.

2 Vorecon gears are also used on oil production platforms and ships off the coast.

3 The robust Vorecon gears—here up close—are suited to be used in harsh environments.

inaccessible deposits that would not have been profitable to develop until recently. This technology involves lowering drill pipes into water which is sometimes several thousands of meters deep with temperatures close to freezing point. The drill heads bore through kilometers of rock before finally striking oil. They are guidable and can even dig horizontally into rock or weave around particularly hard rock layers. In the deposits themselves, the pressure and temperatures are very high. This puts an enormous strain on the technology, particularly off the coast of Brazil, where the oil is hidden up to seven thousand meters below under water, rock, and salt.

Voith helps to some extent in overcoming this challenge. The company's technicians in São Paulo and Crailsheim are gradually assembling 60 Vorecon variable-speed planetary gear systems to be used on special transport vessels off the coast of Brazil. These small factories separate the extracted mixture of oil, gas, and water into their components, compress the gas, and pump it back into the earth for later use—an innovation because up until this point excess gas has generally been burnt off. This new approach is only possible thanks to Voith's robust Vorecon gear systems. They regulate the rotation speed of the compressors and thus always guarantee the correct pressure.

2

3

With a completely different type of drive, Voith is helping to make it possible for oil drilling platforms to be installed on the sea. During the complex construction phase, the crews live aboard special ships, such as the “Edda Fides”, which Voith helped to develop and equip in terms of their propulsion. This accommodation and supply vessel is a floating hotel, and a very comfortable one at that. The 130 m long “Edda Fides” offers space for 600 people, who can relax in the sauna or cinema after they have finished work.

The ship is connected to the platform via a gangway. To ensure that the crew can move safely from one to the other and that the “Edda Fides” keeps a safe distance from the drilling rig, five Voith Schneider Propellers (VSP) are constantly in operation on board. These special drives consist of a rotating circle of blades made from high-quality steel which protrude down into the water. The blades also turn on their own axis and are thus able to vary the thrust very quickly and accurately in any direction.

“The Voith Schneider Propeller combines the drive and steering of a ship, and we have recently also been able, thanks to the rapid VSP, to significantly reduce the unpleasant rolling motion,” says Dr Dirk Jürgens, Head of R&D at Voith Turbo Schneider Propulsion, and an expert in special drives. This means that the VSP can keep a vessel accurately in position in rough seas, e.g. if it is operating close to a drilling rig or is being used to assemble wind power installations. In so doing, a sensor measures the vessel’s movement and transmits this information automatically to the steering system, which then accurately applies the correct amount of counter-thrust. “This enables work to be carried out in almost all weather conditions,” Jürgens explains. Even meter-high waves, heavy winds, and strong currents do not throw VSP-equipped vessels off course.

The gigantic drilling platforms must also be kept in position when work is being carried out. The swiveling Voith Radial Propeller (VRP) can help with this. Six to eight of these screw propellers, weighing more than 80 tons and eight meters in height, keep even very large drilling ships or floating platforms in place — entirely without an anchor. “This is important because if drilling ships or platforms were to move it would damage the drill pipes,” says Jürgens. After all, the pipes do sometimes extend several thousands of meters down.

By way of comparison, when oil was for the first time extracted from water in 1871 on Grand Lake St. Marys in Ohio, simple wooden platforms were enough — the lake is only two meters deep. //

02 Customers

No two clients are the same; products and services must be tailored to the country, purpose, and specified costs. In so doing, it is only by aiming to be close to one’s clients that one can understand what they want and realize why these needs might change. Understanding this opens up huge opportunities because new client wishes also offer new growth potential.

A Voith engineer examining so-called "supercaps," which help to save fuel during the braking process of buses and trains by absorbing and storing braking energy.

The harder, the better

No matter how unusual or demanding the wishes of rail and road vehicle manufacturers are: the engineers at Voith Engineering Services in Chemnitz will find a solution.

Reliable

"The more manufacturers focus on their core skills, the higher the demands on their suppliers and service providers will be. For engineering partners, this means solving demanding tasks in a partnership of equals in the shortest possible time so that, in practice, they function reliably in the overall system from day one."

Dr Volkmar Vogel, Managing Director of Voith Engineering Services GmbH, Chemnitz

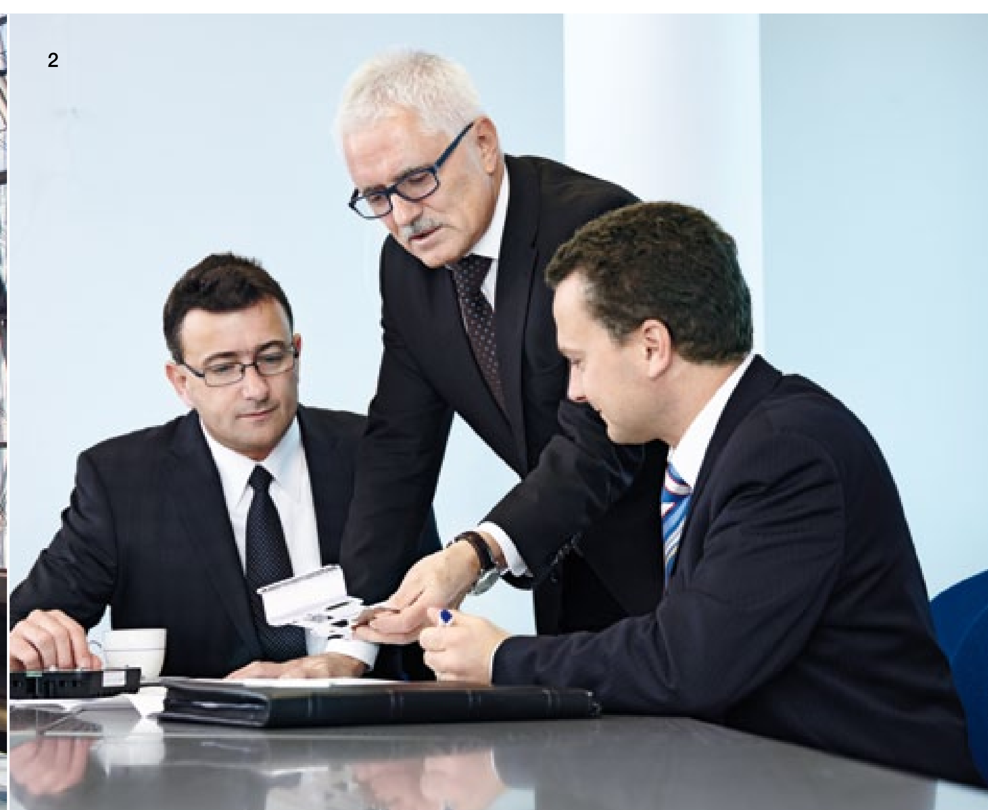
The inquiry that came from Changchun Railway Vehicles (CRC) of China in fall 2011 was right up the street of Dr Volkmar Vogel, Managing Director of Voith Engineering Services GmbH in Chemnitz: could the specialist from Saxony design a complete low-floor streetcar for the million-strong Chinese metropolis of Shenyang—within a deadline of nine months? "My first reaction was to gulp," says Vogel. "Normally something like this would take at least eighteen months." But the staff at Engineering Services, which belongs to Voith Industrial Services division, are managing to find a creative solution. While engineers are still working on the design, the first vehicle parts are already being built. In order to meet the deadline, stages that would normally come one after the other are running at the same time. Above all, Voith is focusing with this order on maintaining close contact with the client. Instead of sending plans back and forth or organizing videoconferences, CRC engineers are simply being invited to Saxony for the purposes of direct cooperation. Up to ten experts from China are therefore working temporarily on the project, which is now well advanced, together with 40 colleagues from Germany.

The people in Chemnitz are used to major challenges. And the site has turned into a genuine draft horse. Engineering Services takes charge of the entire value added chain, from development, calculation, and planning right up to prototype construction, on behalf of automobile and rail vehicle manufacturers, and in so doing meets even the most demanding requests. If a specialist streetcar supplier needs a vehicle that has to comply with specific platform heights, if a rail vehicle manufacturer wants to have entire trains designed or only to have the plastic-to-metal material interfaces tested under extreme weather conditions, if a specialist is sought who is able to build the traction head of the new ICE high-speed train as a full-size prototype, or if an automobile manufacturer needs help in planning its production processes, Engineering Services will be there to help. "We are a supplier of solutions," says Managing Director Vogel. "Only the manufacturing is done by others."

A promising business model, as is clear from the development seen in Chemnitz. With an annual turnover of more than €30 million and currently 540 employees, this Saxon company is playing in the top league of engineering service providers for the rail vehicle construction sector. The rapid growth of its workforce is continuing. In 2011 alone, more than 100 employees were taken on and trained in the company's own training center.

Around 70% of engineers are deployable in both road and rail projects. "Synergies between the two areas, sometimes unplanned, are constantly coming to light," says Ronny Göpfert, Head of Road Vehicle Development. For example, when the low-floor streetcars for CRC had to be designed in such a way as to be able to travel for long stretches without a contact wire, Göpfert's team modified an energy store that had previously been developed internally for buses. "With both applications, the energy released on braking should not be lost but should charge up the store," says Göpfert. The difference is that, while the stored energy in the buses is used to provide additional output on acceleration, it helps the streetcars to run on stretches where there is no contact wire.

Currently the largest railway project is an order from Bombardier Transportation Görlitz involving long-distance double-decker trains for the German rail company Deutsche Bahn. Around 110 employees are developing control and intermediate cars which will have to travel at a speed of 160 km/h instead of the 120 km/h usual for regional trains. "This is technically very demanding, and we are only able to fulfill the order because we constantly exchange information with the client's specialists," says project manager Ullrich Meixner. Voith is therefore directly integrated into Bombardier's development network. Conversely, the client is continuously in a position to inspect the results of Voith's work, which makes coordination easier.



1 The new Deutsche Bahn double-decker train was designed jointly by Voith and Bombardier.

2 Communication creates synergies: Ullrich Meixner, Project Manager for Rail Vehicles; Dr Volkmar Vogel, Managing Director; and Ronny Göpfert, Head of Road Vehicle Development, in conversation (from left to right).

Prototype construction at Voith Engineering Services in Chemnitz.

Concept

"For the Dosto control car alone, we are working on well over 1,000 structural components, meaning that we develop a design for each component, build it in 3D, make the calculations, and coordinate with manufacturing and other interfaces. For a simple structural component like a panel this can sometimes take a day, but a complete side wall may take months."

Ullrich Meixner, project manager for the Dosto double-decker train and Head of Rail Vehicle Development, Chemnitz

So much responsibility can only be assumed by someone who is fully open to the outlook of his client. This is also true for Voith's role as a specialist in the so-called digital factory. Since the beginning of the 1990s, engineers have been planning, implementing, and controlling factory processes and facilities for companies such as Volkswagen (VW). Digital models, simulations, and 3D visualizations are used. These enable Voith to simulate and analyze manufacturing processes incorporating installations of different machine suppliers prior to investment in order to determine which model best meets requirements.

Some 80 Voith engineering employees are currently working for various VW sites. For the VW engine plant in Chemnitz, control software has been developed and set up which allows a manufacturing process to operate without the temporary storage of parts.

Managing Director Volkmar Vogel sees himself permanently confronted by another difficult task: the company aims to continue growing at home, but also abroad. Over the next two years, it is hoped to increase the share of international orders in overall turnover from 20% at present to around 50%. In order to be able to serve foreign markets to a greater extent, Vogel also invites Voith staff from other countries to Chemnitz to make them more familiar with specific tasks and demands. For example, five engineers from Hyderabad in India recently spent several months there. "Here they familiarize themselves with the specific tools of the trade that are needed and also get to know their colleagues better—but we also learn from them what goes on at their sites. They then return to India, process orders from there, and establish further contacts with potential clients," says Vogel. This method has already been successfully tested. In the last fiscal year, Polish experts passed through the Chemnitz school following the establishment of a branch of Voith Engineering Services in the northern Polish city of Torun in February 2012. For Vogel, this is a promising model: "We bring global engineering in-house, import tasks, so to speak, and supply solutions for local production throughout the world." This factor of simultaneity is also playing a role in the development of low-floor streetcars for Shenyang: while the staff in Chemnitz are still working on design, CRC has already produced the first components in China since summer. //


SPEED
LIMIT
45
1


Metra
The Way To Really Fly
AUDITOR'S STUB
NOVEMBER
2

1 Highliner above the highway: a double-decker local transit train against the Chicago skyline.

2 Traditional: ticket inspection using a hole punch.

On track for the future

The United States have been a motorists' paradise for generations. Dense local public transit systems, common in Europe, were unknown in most US cities just 30 years ago—but things are changing in the land of the automobile.

The United States is a country of individual transport solutions. In 2011, 127,576,670 automobiles were registered there—way more than in any other country on earth. According to data from the US Department of Transportation, each American household has an average of two cars. The automobile is an expression of personal freedom and the transport mode of choice for shopping, leisure activities, and vacationing. In addition, 85 % of Americans travel to work in their own car, and each day thousands spend long hours in ever growing traffic jams, particularly in large conurbations. This has proven reason enough for the politicians responsible to rethink.

Many cities are now promoting public transit and have introduced so-called light-rail systems as part of their urban mass transit, comparable to urban railways seen in Europe. And Voith is supplying the technology to keep the market moving. A market that is nevertheless still young: in 1981, San Diego was the first city in the United States to introduce a modern urban rail system—but now there are 34 throughout the country, 16 of which only opened in the last eleven years. Urban rail systems still account for a mere 4.7 % of all journeys by public transportation, but their share is growing. Federal investment is contributing to this: between 1992 and 2010, federal expenditure on urban mass transit rose from $495 million to $3.25 billion.

"The reasons for the boom are obvious," says Kevin Simms, Vice President Rail at Voith Turbo in York, Pennsylvania. "Traveling by car has simply reached its limits in many cities, and railways are often one of the cheapest and most efficient solutions—they are easy to integrate into the existing infrastructure, and the initial investment is relatively small because there is no need to build tunnels." City councils are instead able to invest in a state-of-the-art fleet integrating Voith technology. The urban rail systems of nine US cities including Denver, Minneapolis, Salt Lake City, and Houston currently use Siemens S70 vehicles, the final drives of which are produced and supplied by Voith in Heidenheim. One of these systems is the San Diego Trolley that launched the era of modern city rail transit in the United States more than 30 years ago. 86 km of track making

1 Assembly of the Voith final drive for the new vehicles of the Chicago Metra transit system.

2 Kevin Simms (right), Vice President Rail at Voith in York, with coworkers in the workshop.

1

up the four lines serving this metropolitan region in Southern California, with its population of more than three million, attract 94,300 passengers daily. This makes the San Diego Trolley the country's sixth largest rail transit system in terms of passenger numbers. It is a popular means of transport in other cities too: "When new urban rail transit systems are brought into service in the United States, the number of passengers is generally much higher than expected," says Kevin Simms.

The high level of acceptance among the population shows that the expansion of rail-based local transit systems has a future, and one that will have positive effects for the companies involved. According to a study by the consultancy company SCI Verkehr, the rail network in North America is likely to be extended by 650 km by 2020 in the urban transit sector alone, and the market for new vehicles is forecast to grow by 20% annually up to 2015.

Kevin Simms is also optimistic about the future — he expects Voith to be able to expand appreciably in the coming two years. This is because of the good order situation, and not only for components for rail systems. “We are currently working on an order for 656 final drives for the new trains of the Metra urban transit system in Greater Chicago,” says Simms. Metra wants to gradually replace the fleet on its electrically operated lines, some of which date back to the 1970s. The new Voith gearboxes are being assembled and tested in York. 150 employees ensure that the parts meet Metra’s high specifications. Voith is also currently developing a final drive and complete wheel sets for 364 rail vehicles intended to replace the old fleet of the Washington, D.C., Metro, including an option for a further 392 vehicles. These are also being assembled and series-tested in York.

But there is one order that Simms is particularly proud of: “We are the first company to have introduced an energy-absorption system for rail vehicles in the United States and are thus setting new safety standards.” More precisely Voith has manufactured 234 couplings and lateral energy absorption devices for 117 suburban trains being supplied to the operator Metrolink, a company that serves Greater Los Angeles over seven lines with a total length of more than 820 km.

Needless to say, rail transit systems are proving to be safer and more reliable than traveling in one’s own automobile, at least under today’s conditions. By contrast, passengers on the world’s first streetcars that entered into service in 1832 had to contend with the possibility that the service would be suspended due to hunger or simple lack of will — the trolleys were drawn by horses. The first service was launched in New York, in the very country that would later become the land of the automobile. //


115

Deutsche Bahn needs its own electricity grid for its electrically operated trains. Some of the energy is supplied by hydro power stations equipped with Voith Technology.

Accumulator for peak times

Hydro power gets the trains running. For its independent grid, German railway company Deutsche Bahn uses energy from environmentally friendly facilities such as the Langenprozelten pumped-storage power plant—with Voith ensuring that the power does not run dry.

Deutsche Bahn (DB) is Germany's largest electricity consumer. According to its own figures, the company consumes 12 terawatt hours of electricity a year—as much as required each year by the whole of Berlin.

However, trains in Germany use their own high-voltage grid and very specific electricity. For historical reasons, they run on 16.7 hertz traction current instead of the usual 50 hertz frequency. The self-sufficiency of the traction current grid has consequences. Depending on whether a lot of trains are at the same time, setting off or feeding energy back on braking, the DB grid must cope with large fluctuations in consumption of up to 300 megawatts—roughly the electricity requirements of a city of 300,000 inhabitants such as Mannheim—in the shortest possible time.

A contribution to this is made by the Langenprozelten pumped-storage power plant in Gemünden/Main, the centerpiece of which comprises two Voith Francis pump turbines. It supplies only traction current and is thus a reliable buffer for peak loads. The plant also plays an important role in DB's efforts to offer the most environmentally friendly means of transport. By 2020, the company is aiming to increase the proportion of its electricity from renewable sources from almost 22 %, where it stands at present, to at least 35 %, and is focusing to that end on hydro power.

The Voith turbines at the Langenprozelten power plant perform two functions. At night, when there is too much electricity being supplied to the grid, they pump water into a reservoir situated 300 meters above. In the morning hours when rail traffic is high, the water flows down again, according to requirements, into the lower reservoir, driving the turbines. It brings two generators into operation with a combined output of 160 megawatts. When the reservoir is full, a current reserve of almost 1,000 megawatt hours is available.

Langenprozelten has been in operation since 1976, but even the most robust technology eventually requires an overhaul. Voith therefore began to repair the generators in August 2012. This is a highly responsible job since during operation of one of the 700-ton machines the other is dismantled and reassembled as quickly as possible. This can only be achieved by someone who is entirely familiar with the building plans of this unique plant. "Although the machinery was built almost 40 years ago, we still know every detail today," says Alexander Schechner, Head of Service at Voith Hydro. Voith is also in permanent consultation with the plant's operator E.on and relies on the network of suppliers it has accumulated, who are able to supply spare parts without delay. Martin Althoff, Head of Voith Hydro Generator Services, is convinced that the job will be successfully completed. "Both generators will be fit for continued operation right on time for Christmas traffic—indeed they have to be." //

Limited accessibility: the harbor of the small town of Sisimiut on the west coast of Greenland is sometimes covered with ice during winter.

Arctic mission

Greenland is increasingly focusing on renewable energy sources, including small hydro power stations, to generate electricity. These must operate reliably under extreme environmental conditions prevailing in the far north of the country. Voith technology plays an important role to achieve this.

The small town of Sisimiut, situated on a peninsula on the west coast of Greenland, is a place with a future. The economy is booming, largely as a result of the products found in the sea outside the front door. Local firms export crabs and cod to Scandinavia and Great Britain, and a modern crab processing factory provides work to many local residents. Hikers visiting Greenland regard Sisimiut as a starting or finishing point of the Arctic Circle Trail, a 180 km-long trekking route along the coast. The stable economic situation has led in recent years to more and more people moving here, and Sisimiut, with its 5,571 inhabitants, is now Greenland's second largest town after the capital Nuuk.

Sisimiut is home to one of only three high schools in Greenland, a hospital, and the only open-air swimming pool of the country. The swimming pool is only open for two months in the height of the summer and this is not surprising given that Sisimiut is situated a good 100 km north of the Arctic Circle, making climatic conditions harsh for its residents. In the long, dark winter months, temperatures can drop to minus 35 degrees Celsius. Down winds coming from the ice sheet in the interior of the island can reach speeds of

1 Some parts for the power station had to be transported to the building site by helicopter.

2 From ship to snowmobile — often the only means of transport outside settlements in winter.

up to 200 km per hour, making it almost impossible to stay outside. Lucky are those, therefore, who have a roof over their head and electricity for lighting and warmth.

But the supply of electricity on the largest island on earth has particular features linked to the natural conditions on Greenland. Since the settlements of the country's mere 57,000 inhabitants are dispersed over a long distance along the coastal region and separated by mountains and fjords, there is no contiguous electricity grid but rather a series of local supply units. Electricity is produced predominantly by diesel generators — an unsustainable solution given that this fuel has a poor CO_2 balance and must be imported at high cost by ship. This situation has to change. In the medium term, the Greenland Government wants to increase the proportion of electricity generated from renewable sources — including in Sisimiut.

There, the Icelandic construction company Istak has built a hydro power station capable of producing 58 gigawatt hours of electricity per year, thus saving 6.5 million liters of diesel. The technology comes from Voith's Austrian subsidiary and small hydro power specialist Kössler, and includes two vertical Francis spiral turbines and generators with an output of 7.5 megawatts each, a cooling system, and control units.

The power station is installed in an underground cavern to protect it against the extremes of the climate. But the equipment is nevertheless subject to particular demands: the technology must be able to overcome loads which fluctuate widely within a short space of time, or else it would not be possible to guarantee a permanent electricity supply.

Karl Henninger, product manager at Kössler responsible for implementing the project, likes to downplay the challenges he faces: "Actually, this was for us a job like any other," he says. "Good technology can cope with almost any conditions." But Istak's employees were confronted with major hurdles. At the beginning of the construction phase in spring 2007, tons of materials had to be shipped in, transshipped, and brought to the building site. The climatic conditions posed real problems for the company: in the months from


2

the end of November until the beginning of June, icebergs prevented transport by sea and the building site could only be reached by helicopter — or by snowmobile, because in Greenland there are no roads outside the settlements. In addition heavy snowfall, Arctic temperatures, and violent storms sometimes impeded the project. In summer, impenetrable swarms of mosquitos made work virtually impossible, while medical emergencies and a fire pushed the 120 project staff to the limit. But this was not all in vain as in winter 2009, half a year earlier than planned, the power station finally entered service.

Kössler's competence has paid off. Shortly after completion, Istak commissioned it to supply power station equipment for a similar project in Ilulissat, north of Sisimiut. //

Technology

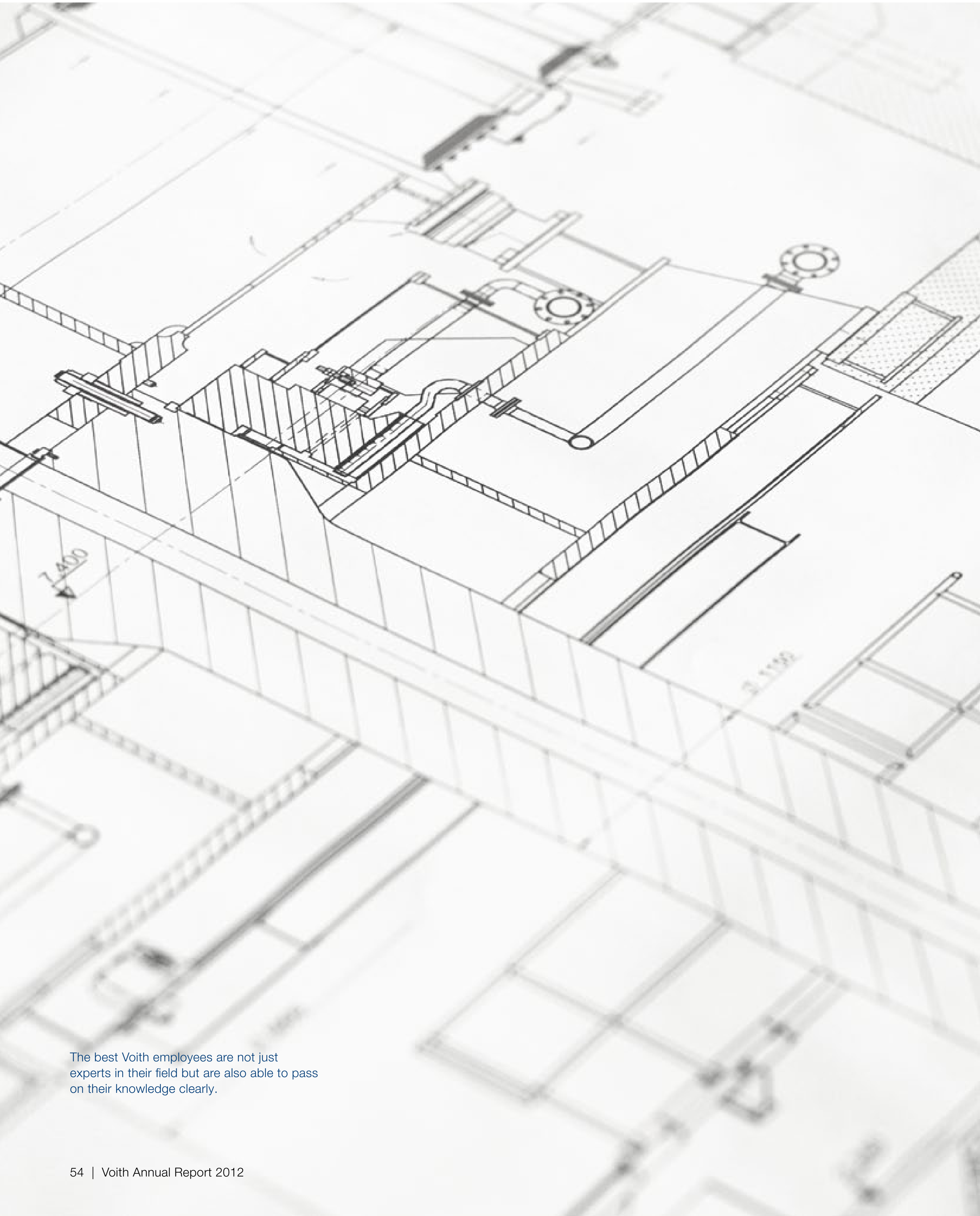
"It makes no big difference, if our technology is used in Nepal, in the desert or in arctic regions."

Karl Henninger, product manager at Voith subsidiary Kössler, St. Georgen am Steinfeld.


VOITH
VOITH

03 Employees

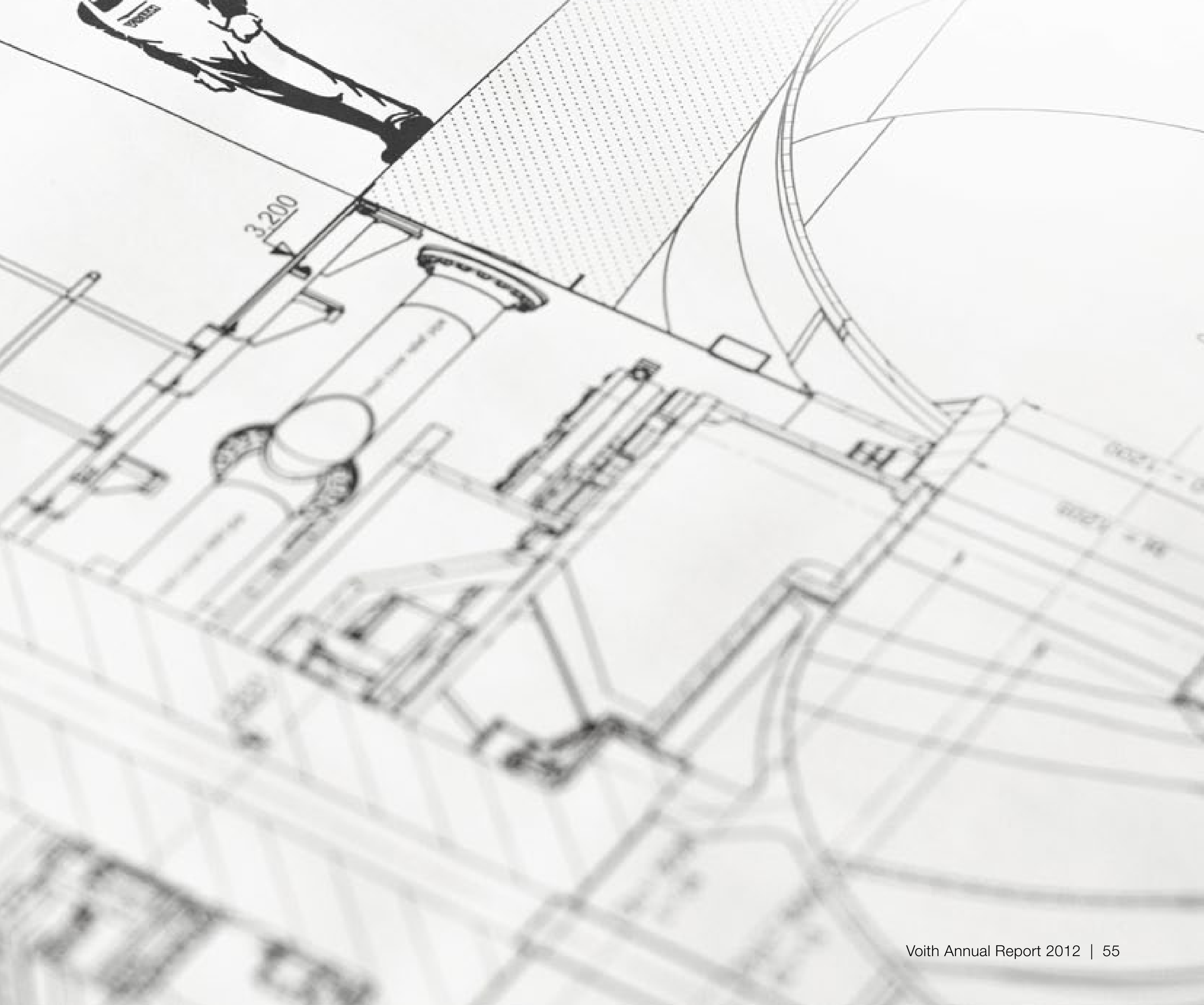
Changes do not simply occur, they are made by people. And companies operating in a changing world can also shape these changes—if they rely on employees who are at the top of their profession and happy to pass on their knowledge, also across national borders. Voith's employees form a worldwide community that relies on mutual exchange.



The best Voith employees are not just
experts in their field but are also able to pass
on their knowledge clearly.

Masters of the art

Every one of the 40,000 or so employees at Voith makes a daily contribution to the company's success. Some of them, including those who have worked for the company for decades, have acquired such deep specialist knowledge that they are among the leading experts in their field. Here are four portraits of Voithians whose passion inspires both customers and colleagues alike.



Innovation

"I have remained with Voith all these years because I enjoy working in a company that pursues the aims of innovation and creativity so tenaciously and always strives for excellence."

Thomas Thoröe Scherb,
General Manager Innovation Center
Tissue & Pulp R & D, São Paulo

The heart of Voith's Research and Development activities in hygiene paper products, such as facial tissues, paper towels, and napkins, beats at the Tissue Innovation Center in São Paulo — and Thomas Scherb acts as its pacemaker. The 49-year-old Brazilian helped to build up the think tank and has been its head since 1998. ATMOS technology, unique worldwide, was developed under his leadership. This technology is key to manufacturing particularly soft and absorbent premium paper products from recycled fibers. ATMOS paper products are as soft as cloths made from virgin fibers. The innovation reduces investment costs for clients and saves up to 30 % of fibers and up to 50 % energy. "During the seven years of development, we constantly had to deal with setbacks," says Scherb. "But our efforts finally paid off. The long road to market launch once again made it clear to me what the most important thing is that I have learned at Voith: alone you cannot achieve anything — but with a team with everybody doing their best, anything is possible."

Scherb is speaking from the experience of having worked at the same company for 25 years. He entered Voith Paper in São Paulo as a trainee in 1987 and from 1991 spent two years at the headquarters in Heidenheim, where he was involved in the development of the OnQ ModuleJet system for dilution water control. Scherb did not need to learn German for his stay in Germany — he already spoke it fluently because his paternal grandfather, Dr Otto Scherb, was from Austria and was involved in designing the early Voith plant in Brazil. Scherb's father completed an internship in Heidenheim after his studies, where he met his German wife. Thomas Scherb's conclusion? "I wouldn't even exist if it weren't for Voith." //

Bernhard Schust could only ever have ended up at Voith: “Each year at elementary school, we were shown a film of the V 200 train engine, with its gears that came from Voith, climbing the Swabian Jura,” says the 58-year-old from Crailsheim, “and we used to call it the Voith film.” In 1970 Schust’s fascination with technology led to an apprenticeship with Voith, though he ended it early, preferring instead to study engineering in Aalen.

He returned to the company as an engineer in 1979. Today Schust is head of sales start-up components in Crailsheim, serving mining companies that use Voith technology for belt conveyors, chain conveyors, and crushing. An important component is the fill-controlled coupling. Schust is an expert like no other in this technology — he was, after all, involved in designing and developing it over a number of decades.

He is always in close consultation with the clients. “I spent many weekends commissioning equipment underground in the Ruhr region and learned from practical experience what demands our technology must meet,” says Schust. At the beginning of the 1980s he spent six weeks, in the middle of the Canadian winter, adjusting the coupling on a 13km-long coal belt conveyor in temperatures as low as minus 40 degrees. Today he shares the experience he gained from such jobs with clients and colleagues from all over the world in workshops and seminars. And if Schust needs advice, he simply calls old acquaintances in Brisbane, Denver, or Hanover: “In our sector, the number of experts is limited — we are like a family.” //

Consulting

“It’s great to make a rapid sale, but it is much more important to win the next contract, and that is only possible if the client is able to rely completely on product quality and support.”

Bernhard Schust, Vice President Sales Start-up Components Voith Turbo, Crailsheim

Dr Dirk Jürgens is Head of Research and Development at Voith Turbo Schneider Propulsion in Heidenheim. The 50-year-old originally comes from the Baltic coast. “Ships fascinated me even as a child,” says Jürgens. “I would often stand in Rostock harbor and watch them maneuvering.” Today he researches and develops guidable marine propulsion systems for special applications to be used, for example, on tugs, ferries, or drilling vessels — and he misses the sea whenever he has not seen it for a while.

This well-networked R&D expert represents Voith at numerous international conferences and initiates cooperation with universities and other institutions. He was responsible, together with a colleague, for establishing an international symposium at which, every two years, scientists and engineers exchange information on the technology of the Voith Schneider Propeller (VSP). “External cooperation is important,” he says. “It provides our work with new impetus and completes the view from outside.” Jürgens is a world-renowned expert in marine propulsion systems. He is particularly interested in the VSP, with which he became familiar back in the 1980s when he was studying shipbuilding in Rostock and which was a central theme in his doctoral thesis.

With his 24-member team, Jürgens is constantly promoting new R&D projects. In addition to an enormous test tank, he also uses a ship simulator and intensive computer simulations. These enable him to reproduce how ships behave at sea. The man from the Baltic coast thus brings the sea to East Württemberg. //

Develop

“During my studies, I was fascinated by any lectures that dealt with propulsion and steering of ships, including in rough seas. Developing our propellers using the latest methods and technologies is an absolute privilege for me.”

Dr Dirk Jürgens, Vice President Research and Development Voith Turbo Schneider Propulsion, Heidenheim

Message

"My main message to all co-workers is: Whoever works in the hydropower business receives incredible benefits– because the majority of us, from customers to Voith employees, have an extremely high level of enthusiasm for our work. I've never known of a profession that is more exciting."

John Peden, Vice President Sales and Marketing Voith Hydro, Mississauga

If you ask John Peden from Voith Hydro in Mississauga, Canada, about his specialty—you'll get a bright smile that reminds you more of a young man than a 59 year-old. Then you'll get his answer: "Luckily, during my career I've had the opportunity to work in virtually all areas related to generators—from research and development to production management, field services and finally marketing—which is currently my main responsibility."

Peden is also in charge of offer and contract processing at the Mississauga facility, where primarily generator components are produced. In addition, the site offers maintenance and modernization services for major hydropower plants. Peden has been in the large rotating machinery business since 1975, when he started working for Westinghouse, who were acquired by Voith in 2000. What he enjoys most about his work, is the honest and constructive way that co-workers and customers deal with each other—for whom he always makes time and has an open ear.

For example, customers can call him or any of his collegues at anytime if there's a generator problem—directly on his Voith cell phone—no service hotline is needed at VH Mississauga as customers have a long standing close relationship with the company. "Our most interesting jobs usually start with a 'surprise' phone call on Sunday afternoon," says Peden. That almost sounds as if he is looking forward to the next challenge. Then after all, that is also one of his specialties: Being the first to get to a power plant when there is a problem, to quickly analyze the situation, as well as to assemble the team and fix the problem. //

Experienced Voith employees share their know-how with co-workers at new sites. This is the essence of Voith's mentoring model.

Hand in hand toward success

The staff at Voith Industrial Services are specialists in a wide variety of fields and are happy to share their knowledge with colleagues at other sites—for example, by serving as mentors in establishing a strong team for the new factory of an automobile manufacturer.

When Jörn Brand arrived in the Hungarian city of Kecskemét in November 2010, he was anxious—he did not know a single word in Hungarian and had never worked abroad. And yet he had taken on a major challenge. The day before he had been managing technical cleaning at the Daimler plant in Untertürkheim on behalf of Voith Industrial Services, but for the next two years he would be in charge of helping Voith's customer Daimler in building a new Mercedes-Benz plant in Kecskemét.

Daimler intended, among other things, to produce the new B-Class there and had contracted Voith Industrial Services Hungary to provide a wide range of industrial services: cleaning, maintenance of green areas, winter and janitor services, technical cleaning of machinery and plant, maintenance of conveyor systems, and technical building management services. In order to do the job properly, Voith wanted to improve its know-how and get to know its customer's needs. Consequently, Voith specialists from other sites who were familiar with this major customer came to Kecskemét in order to share their expertise with their Hungarian colleagues as mentors.

The technical cleaning of robots is a highly sensitive business.

The mentoring model of cross-border knowledge transfer has been highly successful with new contracts. Managers like Jörn Brand draw up the plan of action: which specialists from which Voith sites would be useful as mentors? When will they be able to get started? In the end, a team of specialists is put together and they pass on their know-how locally to the staff of the new site, enabling their colleagues to become experts themselves. “But we had never had so many areas and sites involved as we did in Kecskemét,” says Jörn Brand. The mentors came from Sindelfingen, Rastatt, Kirchseeon, Bratislava (Slovakia), Polkowice (Poland), and the Hungarian city of Győr.

But before they came en masse, the newly arrived pioneer Brand had to prepare the ground together with two colleagues. They had to furnish an office, draw up job and deployment plans, buy materials and machinery, and find staff. In addition to cleaning staff, they needed electricians, control and plant technicians, gas and water installers, locksmiths, and other specialists.

Daimler gradually brought the buildings and plant into service, in parallel mentors trained newly recruited Voith staff in the minutiae of their various specialist jobs. The new colleagues learned how to service the conveyor systems in the shell of the main hall, the central bodywork warehouse, and the assembly shop and to watch over the building services technology. After the official opening of the factory in March 2012, it was also necessary to perform technical cleaning on painting equipment, robots, and welding machines. The B-Class already started rolling off assembly lines in 2012.

The technical cleaning of highly sensitive equipment is particularly demanding. Most mentors came from the Daimler plant in Sindelfingen. Voith branch manager Jörg Eberle had sent up to ten of his 500 staff at a time to Hungary since February 2011. Division heads, group leaders, foremen, and quality assurers were deployed for days, weeks, or even months so they could pass on know-how: what was the best way of removing dirt from robots using dry ice? How should painting equipment be cleaned? Which features had to be kept in mind when operating cleaning

equipment? And what safety precautions had to be taken? “The knowledge was passed on very clearly,” says Jörn Brand today. “In a very practical manner with frequent demonstrations, practice runs, questions and answers, more practice runs, and improvement. Language-wise, it was sometimes difficult, but for more abstract matters we were able to rely on interpreters.”

Today there is an established core team of around 220 local staff who do the work entirely on their own. The mentors obviously did a good job.

Jörn Brand also trained his successor, the Hungarian Viktor Mátó, for three months. Brand has now returned to Germany and is managing the Sindelfingen site for Voith, but he is still the head mentor for Kecskemét and is already planning something new: “We will invite staff from Hungary to come to Sindelfingen so that they can obtain further training here.”

The mentors also gained from the project: “It was great for our staff to pass on their knowledge and expand their own horizons abroad,” says Jörg Eberle. And as Brand puts it: “I got to know experts from various countries and observed how our Hungarian colleagues grew into their tasks. I also learned a lot from them myself and saw that the customer was satisfied.”

The next use of the mentoring model is already scheduled. Viktor Mátó and his people are also involved, and this time they will be the mentors. “Cooperation between ourselves and our German colleagues is continuing. Together we are gaining more and more experience and will keep passing on our knowledge from Kecskemét to our new colleagues. Supporting others with our specialist knowledge is incredibly motivating for my team,” explains Mátó. //

Voith GmbH

Corporate Central Functions

Voith Hydro

Sales: €1,315 million

Orders received: €1,316 million

Employees: 5,087

Voith Industrial Services

Sales: €1,101 million

Orders received: €1,101 million

Employees: 19,984

Voith Paper

Sales: €1,738 million

Orders received: €1,744 million

Employees: 9,819

Voith Turbo

Sales: €1,551 million

Orders received: €1,524 million

Employees: 6,363

Management Report

I. Business and economic environment

I.1. Group structure and business activities

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

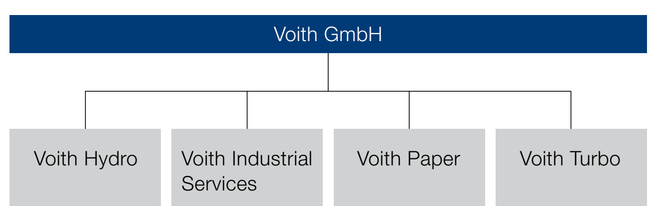
Voith GmbH, based in Heidenheim/Brenz, Germany, is the operative management holding of the Group. It is 100% family owned. The management of Voith GmbH is responsible for strategy and operative management of the Group. The advisory and supervisory bodies are the Shareholders' Committee and the Supervisory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

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

As a full service provider in the hydro power market, Voith Hydro is a reliable partner for all hydroelectric plant operators worldwide. This not only applies to traditional hydroelectric power but also to offshore wind farms worldwide. Voith Industrial Services is a very powerful services provider to key industries. Voith Paper is a partner and systems supplier to the paper industry, providing technologies, products and services for the entire papermaking process. Voith Turbo supplies intelligent drive solutions and systems that set industry benchmarks worldwide for trains, buses, trucks, ships and industrial enterprises. We see ourselves as a company that delivers more than "just" products. Through our thinking and business endeavors, we make a valuable contribution to meeting the basic needs of people and industry, creating infrastructure and fostering sustainability, thereby facilitating social development of national economies.

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

Organizational structure of the Voith Group



I.2. Values, guidelines, compliance

Voith — Engineered Reliability

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

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

Voith's values are the element that connects the owner family, the Shareholders' Committee, management, employees, customers and partners. Voith sees itself as a community of interests based on the ideas of performance and mutual respect. We interact closely with the owners of the Company, the Voith family descendants of Dr Hanns Voith. In regard to our employees, we focus on long-term employment relationships and place a strong emphasis on offering them challenging tasks and prospects for their personal development. We have long-term partnerships with our business partners, customers and suppliers that often span several generations. Remaining true to our values, we also seek out open dialog with important stakeholders and target groups: financial services providers and investors, universities and research institutes, political groups, NGOs and interested members of the general public.

Compliance — our values are binding

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

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

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

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

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

However, it is the ultimate responsibility of each individual employee to act in accordance with our corporate values. In order to raise awareness of this, we ask our executives to act as role models and also provide executives and employees with training and information on topics such as corruption, competition issues and export controls. Each employee has various avenues open to them to report any suspicion of an infringement of the Code of Conduct without having to fear reprisals. Anonymous complaints are also followed up.

Voith launched a global e-learning program in November 2011 allowing all Voith employees with PC access to keep up to date with compliance issues at regular intervals. In the meantime, over 20,000 employees have completed the e-learning program, over 90% of all potential participants. The program was extended in fiscal year 2012/13 to put more focus on leadership and employees. Now that the first phase of the Voith Compliance Management System has been certified in terms of IDW EPS 980 by a large independent firm of auditors, the second and third phases are scheduled for completion in fiscal 2012/13.

I.3. Group strategy

Geared towards sustainable profitable growth

At Voith, business success is defined as a long-term goal. The 145-year history of the Voith Company demonstrates that this orientation towards sustainable growth is the right business strategy.

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

A balanced product portfolio

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

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

Thanks to its diversified product and service portfolio and forward-looking positioning on growth markets, Voith has managed to prevail on the market even under difficult economic conditions and continues to grow.

An international gearing and local roots

Voith has a long history of international activity. At a time when most German companies were only focusing on the domestic market, Voith was already delivering its products all over the world. At the beginning of the 20th century, we were already building turbines for hydroelectric projects in the USA and Asia, and selling paper machines to what was then Austro-Hungary and to Russia and Sweden. This makes Voith one of the pioneers in globalism. The company began establishing production facilities in other countries at a very early stage in an endeavor to establish greater proximity to the customer and to shorten transport routes. Voith's first production location outside of Germany was opened in 1903 in St. Pölten near Vienna, while the first manufacturing site outside of Europe was set up in Brazil in 1964. Other international locations followed, for example in the USA in the early 1980s. Voith now has its own companies in more than 50 countries. More and more of these are in Asia, for example in India (since the 1960s) and in China (since the 1990s).

Today, around one quarter of consolidated sales are generated in the Americas, Asia and the Europe excluding Germany region, respectively, while Germany accounts for more than 20%. Voith pursues the goal of being as firmly rooted in its international markets as it is in Germany today. This is why we see ourselves as a local actor at the individual locations. Our product development, engineering, production and industrial services make a major contribution to the local value creation—either in our capacity as an employer with local management, by way of using local supply chains or local sources of finance.

Strong innovative power

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

Financial independence

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

Thanks to our modest distribution policy, Voith has sufficient financial resources to fuel continuous, attractive growth, the trajectory of which can be planned over extended periods. An equity ratio of 23.1% and a stable financial position constitute a sound platform on which the Group will continue to develop successfully.

I.4. Macroeconomic situation

High level of uncertainty dampens global growth

The wider economy was clouded by a high degree of uncertainty in the period under review, fueled not least by the crisis in the euro zone. The entire euro zone struggled against a massive loss of confidence which led to a slump in capital expenditure, despite the historically low interest rates. The impact of the European sovereign debt crisis was felt worldwide. Exports from countries like China suffered from weak demand in Europe and the euro fell against all major currencies.

Global economic growth continued to cool off over the Voith 2011/12 fiscal year. The International Monetary Fund (IMF) once again corrected its forecasts downward in October 2012 and is now predicting a global growth rate of just 3.3% for the whole of 2012. In Germany, the economy picked up at the beginning of 2012 after cooling off somewhat in the autumn of 2011. By contrast, most other countries in the euro zone were in recession. For the full year, the IMF is forecasting a drop of 0.4% in gross domestic product for the euro zone in 2012 with unemployment remaining over 11% (11.4% in August 2012 according to Eurostat). The hoped-for economic upturn in the USA that began at the beginning of 2012 displayed less vigor than was expected. GDP growth in the USA is now expected to come to only 2.2% for the full year. Growth in the Japanese economy is unexpectedly strong. Thanks to the investments required to recover after the earthquake and ensuing tsunami in 2011, growth of 2.2% is expected in 2012. According to the IMF, industrial countries are only expected to grow by an average of 1.3%.

At 5.3%, economic growth in emerging countries is forecast to be noticeably weaker on average in 2012 than in the previous year. Economists have cut back their growth forecasts for China (IMF forecast: 7.8% in 2012) and India (4.9%) dramatically. In addition to the weakness of the global economy and the euro crisis, internal problems have contributed to the downturn, such as the weak consumer sector in China or the failure to carry out reforms in India which would be required to develop an efficient infrastructure and stimulate greater economic growth. Economic growth in Brazil has dropped by four-fifths since 2010 and is expected to come to just 1.5% in 2012, although the Brazilian economy is extremely resilient compared to many industrial nations. The Russian economy is expected to grow by just 3.7% in 2012.

Voith markets display moderate growth

Four of the five markets served by Voith displayed moderate growth in fiscal 2011/12. This applies to both the energy, oil & gas and raw materials markets, which tend to follow the economic cycle at some delay, as well as to the transport & automotive market, which is normally ahead of the wider economic cycle. The paper market, which also generally anticipates the economic cycle, suffered not only from a low level of investment on account of the weak economy but also from a dramatic slump in demand for graphic grade paper on account of a fundamental structural shift in the market.

Energy: renewables on the advance

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

Higher economic output led to a further rise in demand for energy in the period under review. Globally speaking, there is a trend towards energy efficiency and cleanliness although this trend is nowhere near as strong worldwide as it is in Germany. For example, as part of its current five-year plan, China has set itself ambitious goals to reduce energy consumption and increase the production of renewable energy. Worldwide, additional generating capacity of 208 gigawatts came online in 2011. Of this amount almost half was in the form of renewable energy. Large investments were made in wind energy (40% of the new generating capacity from renewable sources), followed by solar power (30%) and hydro power (25%). However, hydro power sources clearly account for the largest share of all installed renewable capacity worldwide (approximately 80%). Geographically, 65% of the investments in renewable energy in 2011 were made by developed countries and 35% by developing and emerging economies.

The thermal power plant segment continues to grow. Developing and emerging economies continue to focus more on conventional than on renewable energy sources to meet their exceptionally fast increase in generating capacity. Coal-fired power plants are experiencing a lot of expansion work. In industrial nations, investments are expected to modernize and increase efficiency as well as reduce the CO_2 emissions of existing power plants.

Oil & gas: still major energy sources

The oil & gas market includes both the extraction of crude oil and natural gas and the processing, transportation and marketing of these fossil fuels. Voith Turbo and Voith Industrial Services supply the market with specialized products and services.

In spite of the effort put into developing renewable energy sources, oil and gas will continue to be the world's most commonly used primary energy sources in the next 25 years. The price of crude oil fluctuated wildly in Voith's 2011/12 fiscal year. Factors lifting the price of crude oil to a nine-month peak in February 2012 included the Iran conflict and the political unrest in some Arab countries. However, weak economic demand subsequently resulted in a sudden slump in prices, although regional prices varied considerably. Due to the global economic uncertainties, the International Energy Agency (IEA) expects demand to grow marginally by 1% in 2012 and 2013. In spite of this sluggish growth, experts are forecasting a further increase in capital expenditure in the oil & gas sector with the focus being placed on the upstream segment (exploration and production), whereas the downstream segment (refineries) will come under pressure in many cases on account of existing over-capacity. Natural gas is growing in significance around the world. Oil and gas extraction will remain lucrative on account of the rising demand. Unconventional sources, such as shale gas, of which the USA has huge resources, are also becoming more attractive. Correspondingly, investments in gas-fired power plants have risen in the USA. We view the growing complexity of extraction and the concomitant need for new technologies as a great opportunity for Voith.

Paper: structural change for graphic grade paper

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

The paper industry is still reeling from the technological shift towards a digital society, a structural change that is irreversible. Graphic grade papers, which are used to print newspapers, magazines, catalogs or books, are being increasingly replaced by digital media such as online news portals, tablet computers like the iPad, or electronic book readers. The pace of this trend picked up in the period under review and has led to a painful slump in demand for new machines used in the manufacture of graphic grade papers. The shift towards digital media is discernible not only in North America and Europe. Consumption of graphic grade papers in Asia will not grow by as much as previously assumed. On the other hand, the positive trend for board and packaging paper as well as tissue has continued. Board and packaging paper are in much higher demand worldwide on account of the increase in online trade. The per capita consumption of tissue is rising as living standards improve. In this segment, there is a large gap in demand between developing and emerging economies on the one hand, and Western industrial nations on the other.

In regional terms, the strongest growth was recorded in Asia and Latin America. The growth rates were influenced by the high demand for packaging and tissue paper in the wake of the economic and cultural development of these markets. At the same time, demand is growing in all markets for new technologies that will make the paper production process more efficient while consuming fewer resources.

Raw materials: emerging markets as a growth driver

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

In spite of the uncertain global economy, demand for raw materials has picked up. In particular, there was a massive increase in China's share in the global consumption of raw materials. In the meantime, China has become extremely active in extracting raw materials outside of its own borders, in Africa for example. Even if the prices for coal, copper and iron ore relaxed slightly in 2012, price levels are still significantly higher than they were three years ago. This has returned some mines to viability that were previously considered uneconomic. The investments made by the mining sector in capital goods continued to rise dramatically in 2011 and are expected to rise again in 2012, albeit at a slower rate. Prices for coal and metals are expected to stabilize in 2012 and 2013.

Nevertheless, the mining sector is expected to grow in the mid-term. The causative factors for the rising demand for raw materials are investments in infrastructure to address population growth and urbanization in emerging economies as well as maintaining and renovating existing infrastructure in industrial countries. The growing investments in technology made by the mining sector to improve safety standards and reduce the environmental impact of mining represent opportunities for Voith.

The global market for steel has eased somewhat after peaking in fiscal 2010/11 due to the weak economic environment.

Transport & automotive: market segments grow at different rates

The transport & automotive market includes diverse transport routes and the means of transport used on them for moving people and goods. This heterogeneous market is served by two Voith Group Divisions: Voith Turbo provides future-oriented drive solutions and braking systems that help millions of people, goods and machines to move safely, comfortably and efficiently from place to place each and every day. In addition to automobile manufacturers and automotive suppliers, Voith Industrial Services serves the rail segment and the aviation sector.

The passenger and commercial vehicle industry continues to grow. In the NAFTA region, the market has returned to strong growth with demand in China remaining very strong. Approximately one-third of global truck production and one-fourth of global car production is now located in China. In Europe, by contrast, there has been a significant fall in car production on account of the recession and truck production has stagnated. Procurement activity in the international bus market remains very subdued.

The rail sector grew moderately during the period under review. The trend in the rail segment is driven by public infrastructure projects to provide passenger transport, particularly in China and India. After investments in high-speed rail were frozen in 2011, the largest market, China, has seen a fall in activity and failed to meet the level of 2010.

The marine segment felt the effects of the global cool-down in the period under review. The fall in orders mainly affected container and freight ships. By contrast, orders for special ships for the offshore segment grew, particularly for oil & gas and wind energy.

The aerospace industry continued to display sluggish growth.

II. Business development and earnings position of the Group

II.1. Overall view

Business development pleasing overall

In an overall challenging market Voith was still able to record pleasing business development in fiscal 2011/12. We increased our consolidated sales, which were already at a high level, by another 2%. Three of our four divisions, Voith Hydro, Voith Industrial Services and Voith Turbo, contributed to this growth. However, Voith Paper was unable to compensate for the structural shifts in one of its markets, the market for graphic grade papers, with the continuing growth in business with machines for board and packaging paper, tissue and specialty papers as well as consumables for paper manufacture. Consequently, it recorded a drop in sales. As expected, orders received remained below the record of the previous year (-10%), which was due, among other things, to an unusually high volume of major projects received by Voith Hydro. In addition, the level of new business won by Voith Paper dropped on the previous year due to the fall in business for graphic grade paper machines discussed above. Despite these developments, the Group's orders on hand rose once again and closed the year above the six billion threshold, providing a solid foundation for coming fiscal years.

All the Group's earnings indicators were positive but at lower levels than in the previous year. The operational result before non-recurring result came to €341 million. The drop of 18% in comparison to the previous year is mainly due to the fall in the profit from operations at Voith Paper. On the bottom line we report a net profit for the Group of €114 million (down 43% on the previous year) mainly on account of the burden of restructuring measures at Voith Paper of €84 million.

The generally still satisfactory development of business in the period under review is the result of the Group's active portfolio strategy and the strong position of the Group in all of the markets served by its divisions. It was this strategy that made it possible to compensate for opposing developments on our five core markets. The Company also benefited from the consistent continuation of its internationalization process, which began at an early stage. This allowed us to avail ourselves of the opportunities offered by the growth dynamics in the emerging markets, especially in Asia and Latin America.

II.2. Sales

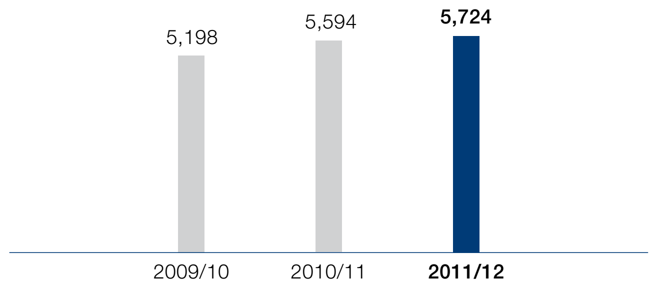
Sales at a stable level

In the fiscal year 2011/12, the Voith Group generated sales of €5,724 million (previous year: €5,594 million). This represents slight growth of 2%. This was generated by Voith Hydro (+7%), Voith Industrial Services (+9%) and Voith Turbo (+2%), whereas Voith Paper, the strongest division in terms of sales, was forced to record a drop of 5% on account of the market. Each of the four Group Divisions contributed between 19% (Voith Industrial Services) and 30% (Voith Paper) to Group sales. Detailed information on the development of sales in the separate divisions can be found in Section III of this management report, "Business development and earnings position of the Group Divisions".

Sales in the Group as a whole show a fairly even geographical distribution, reflecting Voith's balanced business presence in the world's major economic regions. In the 2011/12 fiscal year, roughly a quarter of total sales came from the Americas, Asia, Germany and from the rest of Europe, respectively. Voith responded at an early stage to the rising demand from countries such as China, India and Brazil. It contributes actively to value creation in these economies and participates in the rapid growth in these regions. More than half of its sales in fiscal 2011/12 was generated outside Europe. The Americas contributed 27% (previous year: 23%) to Group sales and Asia 24% (previous year: 27%). As in the previous year, Germany accounted for 21% of Group sales, with the rest of Europe contributing 26% (previous year: 27%).

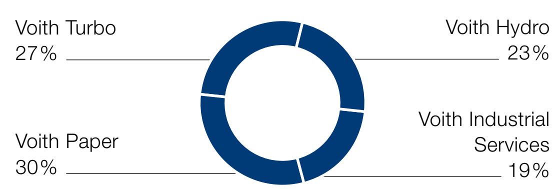
Sales Group

in € millions

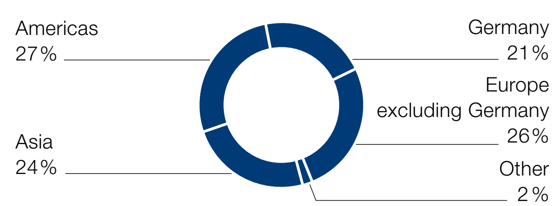


Sales total €5,724 million

by Group Division



by region



II.3. Orders received

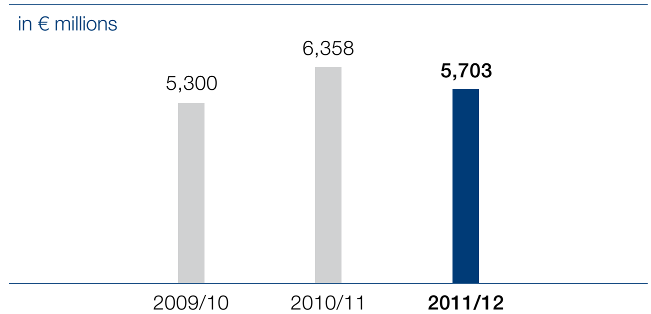
Orders received below last year's record, as forecast

In the 2011/12 fiscal year, the Voith Group won new orders totaling €5,703 million. As forecast in the 2011 annual report, the extraordinary level of orders received was not matched in the period under review (€6,358 million, down 10%). However, orders received were above the level seen the two years prior to that.

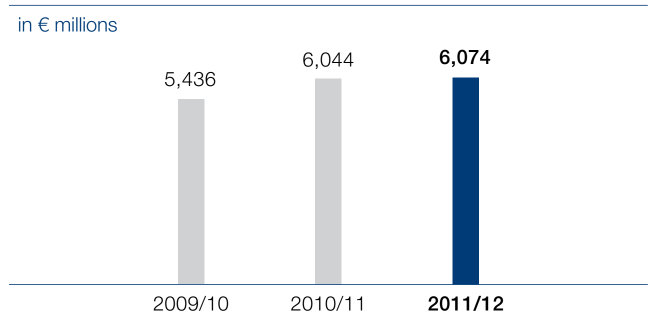
Orders on hand as at the end of the period under review came to €6,074 million. This is €30 million up on the figure for the previous year (€6,044 million).

The reasons for the fall in orders received included the expected return to normal at Voith Hydro, which recorded a record year in the previous period on account of winning a number of extraordinarily large infrastructure projects. Secondly, the structural shift in the paper market led to a painful contraction of the market for graphic grade paper machines in our Voith Paper division. Orders received by Voith Turbo remain below those of the previous year while Voith Industrial Services has recorded a clear upturn. Detailed information on the development of orders received at the separate divisions can be found in Section III of this management report, "Business development and earnings position of the Group Divisions".

Orders received Group



Orders on hand Group

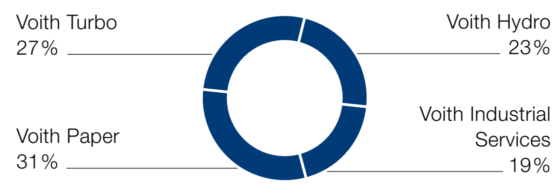


As in the past, Voith Paper is still the Group Division with the largest share of orders received (31%, unchanged on the previous year). Voith Hydro contributed 23% (previous year: 28%), while Voith Turbo accounted for 27% (previous year: 25%). Voith Industrial Services accounted for 19% of orders received (previous year: 16%).

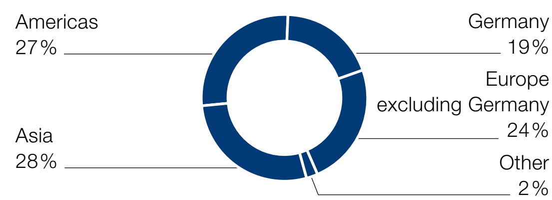
There is a relatively healthy balance in the regional distribution of orders received. Asia's share has risen from 21% in the previous year to 28% in the period under review—a development to which all four Group Divisions contributed with a rise in orders received. The Americas accounted for 27% (previous year: 30%) of new orders. As in the previous fiscal year, Europe excluding Germany accounted for 24% of new orders (previous year: 28%) and Germany 19%, without change.

Orders received total €5,703 million

by Group Division



by region



II.4. Capacity utilization

Increased headcount at Voith Industrial Services and Voith Turbo

In the 2011/12 fiscal year 1,636 new jobs were created throughout the Group. The total number of employees in the Voith Group (not including apprentices) rose from 40,691 in the previous year to 42,327 as at September 30, 2012. This represents an increase of 4%.

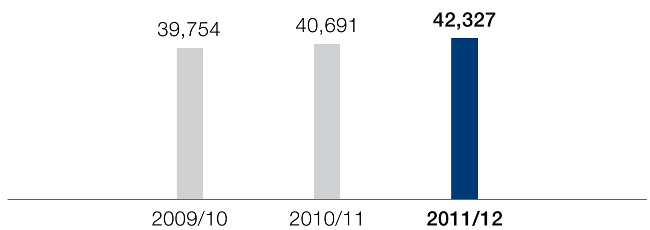
Looking at the Group Divisions, the following picture emerges: Voith Industrial Services in particular (+1,520 employees) and Voith Turbo (+398) both saw rises in personnel capacities in the period under review. At Voith Hydro, there was a net reduction of 258 jobs. In May 2012, Voith Paper initiated comprehensive restructuring in response to the sustained structural slump in the market for graphic grade paper machines. As a result, manufacturing and engineering capacities at a number of locations were bundled and there are plans to reduce the headcount by approximately 990 worldwide. At the end of fiscal 2011/12, Voith Paper employed 118 fewer staff than in the previous year.

The spread of the workforce among the various Group Divisions is virtually unchanged. Voith Industrial Services accounts for 47% of the total headcount (previous year: 46%), making it the largest Group Division in terms of total staff numbers. 19,984 people were working there at the end of the period under review. Voith Paper employed 9,819 staff as at September 30, 2012, or 23% of the Group's headcount (previous year: 23%). With 6,363 staff members, Voith Turbo made up 15% of the Group's headcount as in the previous year. Voith Hydro employed 5,087 people, and thus a share of 12% (previous year: 13%) of the Group's total workforce.

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

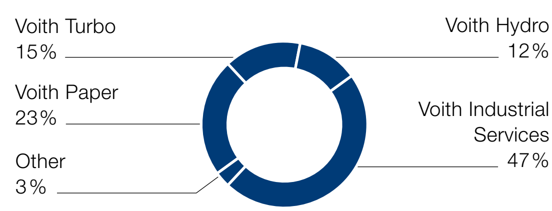
Employees Group

as at September 30

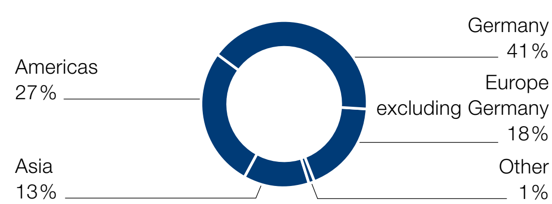


Employees total 42,327

by Group Division



by region



Strongest growth in new jobs in Asia

The Group had 17,316 employees in Germany at the end of the fiscal year. This constitutes a decrease of 113 or 1% in comparison to September 30, 2011 (17,429).

The rest of Europe saw a net increase of 349 in the number of jobs. As at the end of the fiscal year, the Group had 7,811 employees in this region (previous year: 7,462). The only Group Division to lose staff in this region was Voith Paper, while the other divisions added jobs, particularly Voith Industrial Services.

We recruited 461 new employees in the Americas. As at the end of the fiscal year, the Group had 11,491 employees in this region (previous year: 11,030).

All Group Divisions significantly expanded their personnel capacities in Asia, with a total of 924 new employees being hired. Thus the number of Voith employees in this high-growth region increased 20% to 5,481 (previous year: 4,557).

As a result, the year-on-year regional distribution is only marginally changed. Germany continues to be where Voith has the most employees, with a share of 41% of the Group's total workforce (previous year: 43%). The Americas were still the second most important region accounting for 27% of the total headcount. We employed 18% of our staff members in the Europe excluding Germany region (previous year: 18%). At 13% (previous year: 11%), Asia accounted for the smallest portion of the Group's headcount, but this share is growing.

Training modernized at the Heidenheim location

We once again invested substantially in training and maintained the large number of apprenticeships as well as the high quality of training. At the close of the 2011/12 fiscal year, 1,206 apprentices and students were employed at Voith around the globe (previous year: 1,246). This provides a large number of young people with career prospects.

We have thoroughly revamped our training concept at Heidenheim, the largest German location, on the basis of decades-long experience and new educational findings. Major revisions were already made in the 2011/12 training year and more are to follow in the coming years. In addition, we have awarded the contract for the construction of a new modern training center in Heidenheim which is planned to replace, in 2013/14, the existing building that was constructed in 1965.

Regional training center planned for China

We now plan to transfer our many years of positive training experience in Germany and the Americas to China, one of our key future markets. We plan to open our own training center at the Kunshan location where we will introduce an adaptation of the German dual track work/study training system. Firstly, we hope that this will provide us with an adequate number of excellently trained professionals for our Chinese operations. Secondly, we hope that this will improve even further our reputation in China, where we are increasingly seen as an employer of choice. In addition, the training center will be used to train existing employees and the employees of local customers.

The opening of the center and beginning of the first training cycle is scheduled for the beginning of fiscal 2013/14. Initially, each year at least 50 professionals should receive extensive basic training in the Voith Training Center in Kunshan. In addition, there will be further training measures for existing employees and places for external trainees on offer. Our training program in Kunshan is tailored to local requirements and the needs of the Chinese education system. The German dual track training system combines on-the-job training with a course in a state-run vocational school that lasts three years. The Chinese program, by contrast, is aimed at graduates of a technical college. These trainees receive from us intense one-year additional training, including practical training, supplementing the sound theoretical and practical basic training which they have already received.

Strong focus still placed on ongoing training

Because we strive for long-term employment relationships, we consider it important for our employees to be open to life-long learning. We offer internal training measures and also work together with external educational institutions. In the period under review, approximately 1,900 employees took part in the Group's internal training programs worldwide that accompany professional or management career paths. There were also external seminars and internal training measures that were selected locally according to specific requirements at individual entities. In addition, we have ratified a new leadership training concept. This will be implemented in fiscal 2012/13 and applied worldwide. The goal of this program is to create a common understanding of management and leadership across all divisions of the Group. The corresponding training modules are intended to enhance leadership skills at all levels of management and foster active interchange between managers.

HR information management facilitates strategic capacity planning

High-performance HR information systems are a cornerstone of well-functioning processes and well-founded decisions. In the previous year we launched a comprehensive analysis of the existing human resources information technology (HRIT) geared towards gathering, processing and making available HR-relevant data. A number of large HRIT initiatives were kicked off in fiscal 2011/12 on the basis of the results. For example, we set up a Group-wide system to handle master data in the period under review. The transparency required to make HR and other corporate decisions will be provided by automatic reports that include a revised set of performance indicators and targets. Moreover, we are currently analyzing how we can use modern tools to optimize our talent management process, which consists of recruiting, employee dialog, goal agreements, learning, management review and succession planning.

A new component of HRIT is aimed at implementing strategic workforce planning in the Company and integrating this in our ongoing corporate planning as a fixed element. Strategic HR planning has two aspects: The first is a forward-looking projection of future HR requirements, broken down by profession, prepared on the basis of reliable quantitative and qualitative data, for the various Group Divisions, regions and locations. The second consists of the measures derived from the projected needs, such as training programs, recruitment initiatives or transfers. A pilot project on strategic workforce planning will be kicked off in fiscal 2012/13 in one of our Group Divisions. We hope to obtain important lessons from this pilot project that can be rolled out to the entire Group.

Personnel marketing activities driven forwards in China

In light of our demanding growth targets, personnel marketing will have an important role to play. This includes all measures aimed at raising awareness for Voith as a strong brand on the labor market and positioning the Company as an attractive employer—a task that concerns all major Voith locations worldwide. As far as university marketing is concerned, we focus on a small number of universities and colleges, handpicked according to clear criteria, with which we maintain intense cooperation. This is particularly true for Germany but also increasingly so for our international operations as well. For example, activities in China were driven forwards in fiscal 2011/12. We organized a number of campus recruiting events at universities near our major locations in Shanghai and presented Voith to graduate fairs in addition to entering into cooperation agreements with universities that put a special emphasis on engineering. We also visited technical colleges in and around Shanghai to raise interest in our new training program in China.

Systematic diversity management placed on the agenda

We view diversity as a key factor for our future success. Diversity for us implies recognizing and encouraging differences in our workforce as a whole as well as in our organizational units not only in terms of visible characteristics such as gender, age, but also in terms of less tangible aspects, such as skills, ethnicity, and religious belief. As an employer, we feel that it is our duty to offer our employees equal opportunities and ensure that the workplace is free of discrimination. On the other hand, we also desire to foster diversity among our workforce for the benefit of the Company. Studies have shown that companies displaying greater diversity are more innovative, able to adjust faster to changing market conditions and disparate customer needs, and perform better in the final instance.

For this reason, diversity management was earmarked in the fiscal year as a core task for HR work in the coming years, with a corresponding Group project being initiated accordingly. This global project is broken down into regional responsibilities. A member of the Corporate Board of Management acts as a “World Sponsor” and has taken ownership of the project as a whole. The analysis phase of the project began in the summer of 2012. A number of diversity managers and diversity sponsors were appointed in the most important regions and these individuals will conduct the various analyses on the basis of corporate guidelines and suggestions. The results of this study will be used to develop specific goals, indicators and an action plan in fiscal 2012/13 which will then be initiated thereafter.

II.5. Results

Net income positive, but below the previous year

In fiscal 2011/12 Voith generated net income of €114 million. Compared to the good results seen in the previous year (€200 million), this represents a drop of 43%, largely attributable to a marked fell in sales and income in the Voith Paper Group Division on account of a structural shift in the market. As a result of the stable earnings in the other Group Divisions, we were able to generate a satisfactory result overall. Detailed information on the development of each of the Group Divisions can be found in Section III of this management report, "Business development and earnings position of the Group Divisions".

Total output increased to €5,775 million in the period under review (previous year: €5,621 million, a rise of 3%). A decrease of 4% at Voith Paper was more than compensated for by the other Group Divisions. Voith Hydro in particular recorded an increase of 8%.

Cost of material rose by 3% to €2,370 million (previous year: €2,309 million), analogous to total output. The material ratio (the relationship between cost of material and total output) remained stable at 41.0% (previous year: 41.1%).

Personnel expenses rose by 6% to €2,096 million (previous year: €1,983 million). The main factors in the rise were wage and salary increases as well as a rise in the headcount. The ratio of personnel expenses to total output increased to 36.3% (previous year: 35.3%). The situation at Voith Paper played a significant role in this regard due to the lower utilization of capacity and increased pressure on prices in the market. The low utilization of capacity and the resulting lagged adjustment of variable costs burdened the Group net income correspondingly. The positive development in other Group Divisions and the changed mix of Group Divisions in total output could not compensate for the negative effect of Voith Paper on the ratio of personnel expenses to total output and Group net income.

Depreciation and amortization fell by €7 million to €182 million (previous year: €189 million). The decrease is mainly attributable to lower impairment losses compared to the previous year.

Other operating expenses net of other operating income rose to €786 million (net expense). In the previous year the net expense amounted to €724 million, a rise of 9%. The ratio of the net expense to total output increased to 13.6%

(previous year: 12.9%). The rise in the net expense and the idle capacity at Voith Paper are reflected in this indicator and Group net income.

The operational result of the Group before non-recurring result fell by 18% to €341 million (previous year: €416 million). Return on sales was 6.0% (previous year: 7.4%).

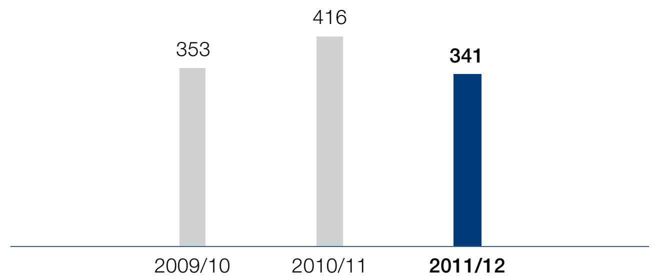
The non-recurring result of €-95 million (previous year: €-14 million) is dominated by the restructuring expenses of €84 million at Voith Paper already discussed in Section II.4 "Capacity utilization". In addition, this item includes expenses of €7 million to reduce capacity to address the structural changes at Voith Industrial Services and expenses of €4 million from discontinuing isolated activities at Voith Turbo.

Interest income fell by €7 million or 37% to €12 million (previous year: €19 million), chiefly on account of the lower interest rates received on short-term cash investments. Interest expenses were cut back by 12% to €90 million (previous year: €102 million). The main reason for the cutback is a reduction of financial liabilities in the previous period (repayment of a bond issued on the capital market of €145 million and a note loan of €148 million) as well as a further loan repayment of €100 million in fiscal 2011/12.

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

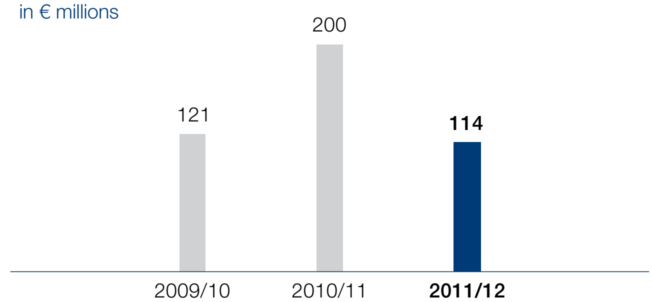
Operational result before non-recurring result Group

in € millions



Net income Group

in € millions



III. Business development and earnings position of the Group Divisions

III.1. Voith Hydro

Improvement in both sales and results

Full-line supplier for hydro power plants

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

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

Hydro power market cools off

Following the award of several extraordinarily large long-term infrastructure projects in the previous year, the global hydro power market weakened in the period under review compared to previous years. We do not expect major projects of a similar scale as those of fiscal 2010/11 to be awarded again until coming years. Nevertheless, some large hydro projects were awarded in the period under review, particularly in Turkey, Brazil, Argentina, Russia and China.

The small hydro segment (power plants with a generating capacity of 30 MW per turbine) was also at a lower level than in previous years, although we expect orders to pick up in the mid-term.

Only a few projects were commissioned for pumped storage power plants. Although pumped storage remains the only tested commercially viable technology to store energy from other renewable sources, such as wind and solar, the financial incentives for rapid power reserves are still not adequate. Moreover, the central European grid still lacks sufficient transmission capacity.

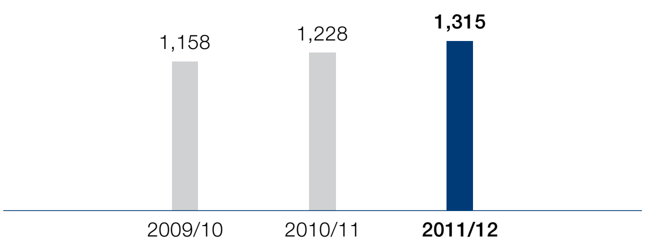
Sales up by 7 %

Voith Hydro increased its sales by 7 % to €1,315 million in fiscal 2011/12 (previous year: €1,228 million). The rise in sales was within the range we forecasted and was due to the high order volumes in recent years, the effect of which on sales was delayed owing to long project and production lead times.

Most sales were recorded in emerging economies. The strongest region in the period under review was the Americas. As in the previous fiscal year, significant portions of total sales came from Europe excluding Germany and from Asia, respectively.

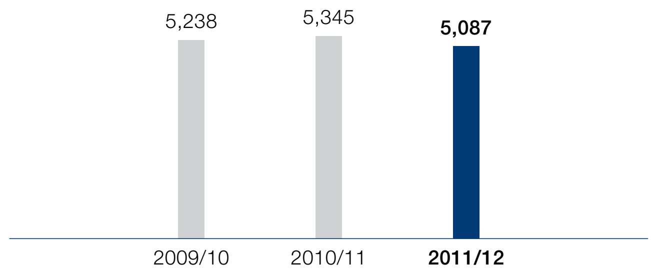
Sales Voith Hydro

in € millions



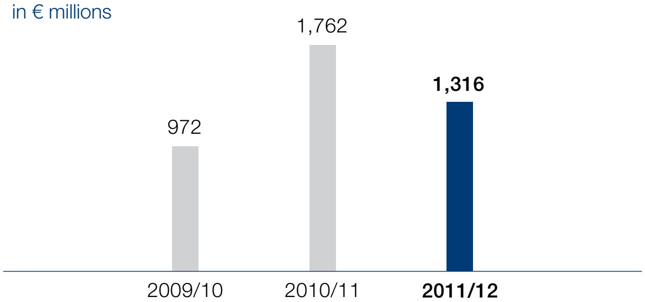
Employees Voith Hydro

as at September 30



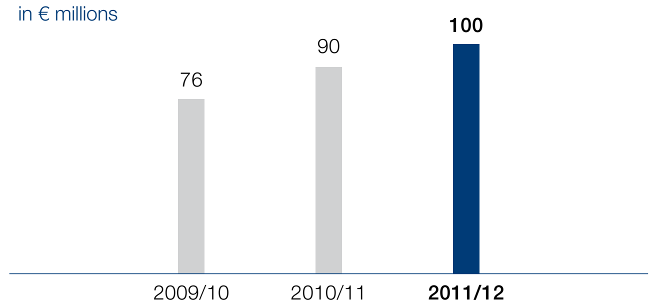
Orders received Voith Hydro

in € millions



Profit from operations Voith Hydro

in € millions



Good level of orders received

In the period under review, Voith Hydro won orders totaling €1,316 million. As expected, however, this figure fell short of the high level of orders received in the previous year (€1,762 million; -25%). The level of orders received corresponds to our ambitious planning. Seen in the context of a contracting market, it must be considered a success. Orders on hand as at the end of the fiscal year, September 30, 2012, rose by €47 million to €3,299 million (previous year: €3,252 million).

The key markets for our hydro business were in North and South America, China and India, as well as Eastern Europe. Diverse contracts for the modernization of power plants were won in North America and Europe, a trend that has since spread to South America.

In fiscal year 2011/12, Voith Hydro won a strategically important major contract of €70 million for the expansion of a pumped storage power plant in China. Voith will deliver four pumped storage units, each with an output of 300 MW to the Hongping power plant in the Jiangxi province. Voith received the contract from the largest energy provider in the country, the State Grid Corporation of China. The first stage of construction, which is scheduled for completion in 2015, is for a pumped storage power plant with an output of 1,200 MW. When all construction stages are completed, Hongping will have a capacity of 2,400 MW and will be one of the largest pumped storage plants in the world. China, which already has 24 pumped storage power plants, offers considerable potential for new pumped storage power plants on account of the ambitious goals laid out in the current five-year plan for developing renewable energies.

Voith Hydro also won orders relating to two large hydro power plants in Asia. As part of an order from Turkish utility Kalehan Energy, we will deliver three 235 MVA generators for the Beyhan-1 hydro power plant in eastern Turkey. We see this order as another milestone in our activities in Turkey, where we have equipped 45 new projects of widely varying sizes during the past five years. Another major order came from India, where we will fully equip the new Singoli Bathwari power plant. The project includes three 33 MW Francis units, the respective generators, the automation system and all electrical and mechanical auxiliaries. In the USA, Voith Hydro won the contract to equip the Red Rock hydro power plant in Iowa, with construction set to begin in 2013. The contract has a volume of €35 million for delivery of two vertical Kaplan turbines and generators as well as the automation system. After completion in 2016, Red Rock will go online with a maximum capacity of 55 MW. In addition, we won orders in the small hydro segment for new power plants in France, the Czech Republic and Turkey.

Several modernization and maintenance contracts, some of them on a large scale, in Austria, Switzerland, Montenegro, Russia, Canada, Argentina and Brazil, to name just a few, also contributed to the buoyant level of orders received in the period under review. An extensive contract to modernize the Agua Vermelha power plant in Brazil should be highlighted in this regard. This hydro power plant on the Rio Grande has installed capacity of 1.4 GW and should be completely overhauled by 2018. The order volume is some €80 million. Voith Hydro also won a major contract to renovate the Ruskin hydro power plant in Canada. The contract covers three 38 MW vertical Francis turbines and the associated generators. In Russia, Voith Hydro won a number of modernization contracts. For example, Irkutskenergo, the largest private energy provider, ordered six new Francis runners with a capacity of 255 MW each, plus the related equipment, for the new Bratsk hydro power plant in eastern Siberia. Furthermore, our long-standing customer RusHydro, Russia's largest generator of renewable electricity from hydro power, has signed a contract with us for the delivery of two vertical Kaplan turbines and the turbine governors, including accessories, for the Miatlinskaya hydro power plant in southern Russia. The new turbines are each designed to generate an output of 145 MW. We also won a follow-on contract from RusHydro in the second half of fiscal 2011/12 on account of our successful cooperation on the Saratov modernization project that is currently underway. In addition to the contract to modernize the Kaplan turbines that was awarded in the autumn of 2011, Voith has now also been commissioned with the design, construction and assembly of a Kaplan unit acting as a residual water turbine, including the generator, mechanical regulators and machine controls.

Two prizes awarded in Brazil

In the period under review, we were awarded with two prizes in Brazil, one of the most important hydro power markets in the world. The first award was the "Best Company in the Brazilian Capital Goods Industry", awarded by the business journal, "Exame". In sum, 3,500 companies from 18 different industries were assessed in terms of 31 criteria, including growth, profitability, financial footing, capital expenditure, and productivity per employee. The second award came from Época, a news magazine, which assessed the top 2,000 companies with the highest sales in the country in terms of sustainability criteria, such as corporate and staff policies, responsibility for the environment, social responsibility and innovative power. The results were published in the Época Negócios 360° yearbook. We were awarded the "Best Company in the Engineering and Metal-Working Sector" prize. We are very pleased that we are perceived as a local Brazilian company with German roots and that our contribution to Brazil and its future are viewed so positively.

Regional fall in headcount

As at September 30, 2012, Voith Hydro employed 5,087 staff. This represents a decrease of 5% (previous year: 5,345). All of the reduction was in Brazil while new jobs were created in all regions outside of Latin America, particularly in India, North America and Germany.

Production capacity modernized

Voith Hydro once again made investments in its production capacities during the period under review, albeit at a lower level than in the previous year. All told, the Group Division invested €37 million in the 2011/12 fiscal year (previous year: €44 million), a decrease of 16%.

After investing heavily in completely new production locations and workshops in the last two years, investments in the period under review concentrated on equipping our manufacturing locations, for example in Brazil and China. The small hydro factory that went into operation in India two years ago made its first international deliveries in the period under review to projects in Canada and Japan. This illustrates how the investments in India also have an impact beyond the country's borders.

Greater emphasis on R&D

Voith Hydro invested heavily in research and development once again in the 2011/12 fiscal year. The Group Division raised its R&D expenditures by 6% to €87 million in the period under review (previous year: €82 million). The Group's R&D ratio was thus 6.6% (previous year: 6.7%) of sales.

Once again, development work focused, among other things, on improving pumped storage technology. Pumped storage is essential to the expansion of renewable energies. Currently, it is the only form of storing power that is viable and that can deliver the significant volumes needed. The focus of research lay on variable speed units and ternary pumped storage units.

Pumped storage units with fully variable speeds have a decisive advantage over the conventional synchronous fixed speed machine sets: They are infinitely adjustable even when the pumps are in operation and can thus balance out grid fluctuations in terms of capacity and frequency. Regulating the grid is a critical function that pumped storage power plants can take over in the course of the general expansion of renewable energies. Secondly, their rapid response time means they can be used to stabilize the grid frequency and therefore make a contribution towards securing a stable power supply.

This technology has been applied at the Portuguese hydro power plant, Frades II, where we made further progress in fiscal year 2011/12. The plant successfully passed comprehensive tests of the variable speed pumped storage technology. We view the Frades II project as a trailblazer for the development of hydro power as a whole and are convinced it is a significant reference for future projects in this field.

We also worked intensively on ternary pumped storage sets in the period under review. In contrast to the reversible pumped storage sets that are most commonly used, ternary pumped storage sets separate the pump and the turbine and can be coupled with a motor-generator. The advantage of this concept: ternary pumped storage sets only need a very short time to start-up and change operating mode, thus allowing rapid reaction to grid fluctuations.

We successfully refined our ternary sets in fiscal year 2011/12 within the framework of two pumped storage projects. A particular technical challenge we faced was the extremely high head of the power plants which necessitated multiple stage storage pumps. By developing a five-speed storage pump for the Hongrin Léman hydro power plant on Lake Geneva in Switzerland, Voith Hydro has set new standards in the field of multiple stage storage pumps. This technology was taken a step further during the modernization of the two-stage storage pumps used at the Rosshag pumped storage plant in Austria and resulted in a significant improvement in generating capacity and operating efficiency compared to the existing pump sets. Both projects were accepted by the customers after a series of experimental models were successfully tested.

In the small hydro segment we concentrated on the StreamDiver. This innovative power plant concept will allow us to provide hydro power solutions in fields where conventional hydro power plants were previously impossible due, for example, to nature reserves or low heads. The StreamDiver means that construction work in the surroundings is kept to a minimum as the entire drive chain, consisting of the turbine, shaft, bearings and generator, is housed within one concrete box. The bearings are lubricated by water. This rules out any risk of contamination of local water. Moreover, the StreamDiver is particularly low maintenance. This new power generation concept is particularly attractive for energy providers in Central Europe. In the period under review, the first prototypes were first put into operation in Heidenheim and then later in Austria within the framework of a cooperation project.

Important progress was also made in ocean energy in the period under review. The wave energy plant which went into operation in 2011 at the coastal town of Mutriku in Spain converted the expected amount of energy into power and easily passed the warranty requirements extended. To date Mutriku is the only wave energy power plant worldwide that is so stable in operation that it meets commercial requirements.

In the tidal current power plant segment, a 110 kW demonstration plant was successfully tested near Jindo in South Korea. As the first of a number of tidal current power plants already tested in Korea, it received approval from KESCO, the Korean grid operator, to feed power into the local island grid at commercial terms and conditions. The production of a 1 MW prototype was driven forward at Heidenheim at the same time. This is scheduled to be installed and put into operation at the European Marine Energy Centre in the Orkney Islands (Scotland) at the beginning of 2013.

Profit from operations up by 11 %

Voith Hydro recorded a profit from operations of €100 million in the period under review. As announced, this result represents a rise of 11% on the previous year (€90 million). The return on sales was 7.6% (previous year: 7.4%).

III.2. Voith Industrial Services

Profitable growth trajectory

Service provider for industry

Voith Industrial Services is a high-performing service provider for key industries such as the automotive, energy, chemical, petrochemical, mechanical engineering and aerospace industries. Its portfolio covers everything from maintenance, technical cleaning and facility management, to assembly and planning services, as well as complex engineering services.

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

Business climate generally favorable

The business climate was favorable in almost all of the industries served by Voith Industrial Services. The automotive industry continued to enjoy a boom phase with strong growth rates still being recorded in China and a market recovery in North America. In contrast, the European market stagnated. The situation for the energy industry was not uniform. In Germany, the renewable energy segment profited from the new energy concept while demand for services for nuclear power plants dropped due to the government decision to phase out nuclear power. Oil and gas refineries in Europe recovered in the wake of the successful savings programs they had installed. The aerospace industry continued to display sluggish growth. Currently, smaller model modifications are the main feature on the program. These are expected to generate only a small volume of development work.

Sales up by 9%

Voith Industrial Services profited from the positive trend in virtually all of its customer segments and was able to raise its sales by 9% in fiscal 2011/12 to €1,101 million (previous year: €1,006 million). Sales are therefore in line with our expectations.

In the period under review, Voith Industrial Services continued to streamline its services portfolio, with the focus being placed on profitable business and industries. The total sales reported above contains the revenue generated by Mongstad Elektro which was acquired in the period under review as well as the joint venture with P3, which was fully consolidated in the second half of fiscal 2011/12. There were changes to the consolidated Group in the Industries and the Energy-Petro-Chemicals divisions in both the past year and the period under review. Adjusted to eliminate changes in the consolidated Group, sales rose by €1,089 million. This represents organic growth of 8%.

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

Varying developments in the divisions

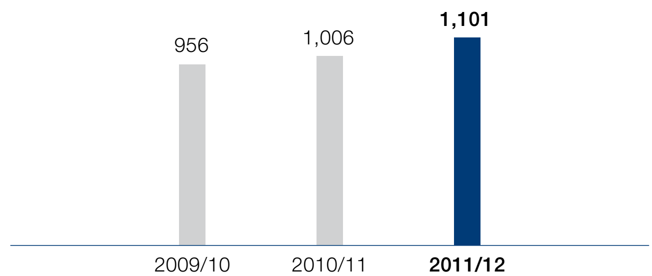
The trend in the various divisions of Voith Industrial Services was uneven. While Automotive and Engineering Services grew by double-digits, Energy-Petro-Chemicals suffered a slight fall in sales. The decrease in sales in the Industries division is due to the targeted disposal of some of its operations.

Our largest division, Automotive, profited from the buoyant environment for automobile manufacturers and automotive suppliers and recorded strong growth. The sales growth mainly resulted from the high levels of business in Germany and the rest of Europe. Thanks to its global presence, Voith Industrial Services also benefited from increasing automobile production in China and the upturn in the North American market. For example, the successful cooperation with Porsche Leipzig was widened in fiscal 2011/12 and the master agreement, which has been in place since 2010, was expanded in scope. In the USA we received major new orders from Ford, General Motors and Harley Davidson. In Brazil we were awarded with a major contract from Ford for extensive services for its plant in Camaçari. The contract runs for three years and covers such services as building technology and maintenance of plant and equipment. Another large contract that the division won in Brazil was from the conglomerate Emerson Electric for local services. In China we won a major contract from VW. As a result we have been given responsibility for automating the assembly line for body and side panels at the new FAW-VW plant in Foshan. Beginning in the period under review, we began work on a three-year contract for the service and maintenance of the cathodic dip coating plant for the Indian automaker Bajaj Auto in Pune. We also won other contracts in India to service and maintain the paint shops of Caterpillar, Leyland Deere and Toyota.

In the fiscal year 2011/12, Voith Industrial Services won a total of four awards from customers in the automotive industry. For example, not only Daimler, the automotive group, but also Dow Automotive Systems, an automotive supplier, honored our work in the fields of environmental protection, industrial safety and health. Ford awarded us a gold "World Excellence Award" for our work for Ford in Brazil and thus positioned us as one of its 12 best suppliers around the world for 2011. Honda USA awarded us its "Supplier of the Year" award for the second time, choosing us as one of the six best suppliers from among the 5,000 industrial service providers who work for Honda USA.

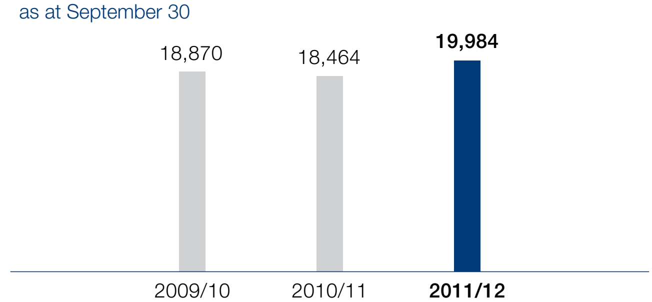
Sales Voith Industrial Services

in € millions



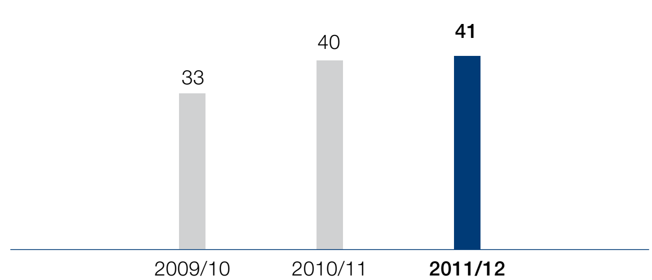
Employees Voith Industrial Services

as at September 30



Profit from operations Voith Industrial Services

in € millions



The sales of the Energy-Petro-Chemicals division slid slightly on the previous year. This was mainly due to a drop in demand from refineries as well as operators of petrochemical and chemical plants in Northern Europe, which postponed large-scale maintenance and reconstruction projects as well as turnaround maintenance to future periods. Nevertheless, Voith Industrial Services managed to win one of the few turnaround contracts for a refinery. The BP refinery in Gelsenkirchen, Germany, commissioned us with a large turnaround maintenance contract on which 450 employees from Voith Industrial Services worked. Demand from energy producers in Germany for maintenance services at existing plants remained low. As a result of the German federal government's new energy concept, they are currently focusing on adapting their business to the new framework conditions. We were able to participate to a fair degree in the few contracts awarded by energy providers in Germany. One such case was a contract from RWE for the Biblis nuclear power plant where Voith made a decisive contribution to stabilizing the grid in connection with work on the phase shifter. E.ON commissioned us in the period under review to disassemble components of the system and infrastructure at the Stade nuclear power plant in a flexible fashion. General Electric commissioned Voith to conduct the general inspection of a gas turbine at the envia Therm gas and steam cogeneration plant in Bitterfeld.

This organic decrease in the sales of the Energy-Petro-Chemicals division was offset by the acquisition of Mongstad Elektro, a provider of automation and electrical engineering services for the oil and gas industries as well as electrical engineering for industrial and offshore systems. At the same time, our shareholding in Terne AS was increased to 100%. These companies now trade as Voith Industrial Services AS, Norway, and were fully consolidated for the first time in the period under review. The acquisitions provide Voith access to the Norwegian oil and gas market at a local level. Our Norwegian company at the Mongstad location received a contract from the equipment manufacturer Alstom in September 2012 already.

In addition, the Energy-Petro-Chemicals division has expanded its portfolio to include on-site machining. This allows us to perform repairs on large plant installations on site.

Voith Industrial Services was awarded no less than five times in the period under review for its excellence in industrial safety by customers in the Energy-Petro-Chemicals industry. Shell awarded us their Safety Award for 200,000 work-hours without an incident or infringement of safety procedures at their Rhineland refinery. We also received safety awards from Esso, Exxon, Mineralölraffinerie Oberrhein and Raffineriegesellschaft Heide for the turnaround maintenance activities, maintenance and project work we performed.

The strongest growth in relative terms was recorded by our Engineering Services division. Our joint venture with P3 Ingenieurgesellschaft, which has been consolidated since the second half of fiscal 2011/12, played a major role in this regard. Effective April 2, 2012, Voith Industrial Services and the German engineering company, P3 Ingenieurgesellschaft, bundled their aerospace activities in P3 Voith Aerospace GmbH. The joint venture pools the technical expertise of Voith with the project management strengths of P3. With approximately 900 staff, the new company is one of the largest engineering firms for the aerospace industry in Germany. The EADS aerospace group once again appointed Voith Industrial Services as an "E2S Preferred Supplier for Engineering Services". This means that Voith is among a selected group of companies worldwide that are taken into consideration when invitations to tender are issued.

Engineering services for automobile and rail vehicle manufacturers displayed strong organic growth with large projects being won in China and Germany. Voith Industrial Services is developing the platform for a new low-floor tram, initially aimed at the Chinese market, for rail vehicle manufacturer Changchun Railway Vehicles. Another major engineering contract came from Germany. The contract awarded by Bombardier Transportation in fiscal 2011/12 for the development of the Do-IC double-deck coach was expanded in the period under review to include complete development of an intermediate coach with low entry for use by Deutsche Bahn. The Rail services segment profited from the increase in rail transport and the slow liberalization of the national railway markets.

Our Industries division encountered a stable economic situation in its core markets of Germany and Austria. Due to the targeted divestiture of several companies, sales in fiscal year 2011/12 were down on the comparative period. The division deliberately focuses on the regions Germany and Austria, and has withdrawn from the employee leasing business. Two contracts for infrastructure facility management that we managed to win in the period under review are worthy of mention: the first is for Liebherr Verzahnungstechnik in Kempten and the second for the Austrian accident insurer, AUVA.

Our remaining core business developed in a stable fashion. The new LED business is still in the start-up phase but it is expected to make a strong contribution to the growth of the Industries division in future. We were already able to win an international contract for this young business field in the period under review. We have been commissioned with the task of refitting the lighting of the gas stations of the Austrian oil and gas company, OMV, in thirteen countries to use LEDs.

Aiming for greater regional balance

Voith Industrial Services generates just over half of its sales in Germany. The rest of Europe was the second most important regional market for this Group Division. The share of sales accounted for by the Americas increased. Asia contributes a relatively low share to sales although this share rose in the period under review.

In the medium term Voith Industrial Services wants to achieve a greater regional balance. In particular, it intends to expand on its market position in North America, South America and China in order to participate in the growth of these markets to a greater degree.

Over 1,500 new recruits

In light of the health of its business development, the Group Division added 1,520 new staff in the period under review. As at September 30, 2012, Voith Industrial Services employed a total of 19,984 persons (previous year: 18,464). Most of the new employees were recruited in the Automotive division on account of the strong organic growth. The first-time consolidation of P3 Voith Aerospace GmbH also led to a significant increase in the headcount of the Engineering Services division. The Industries division recorded a large cut in its staff numbers as at September 30, 2012 compared to the same period of the previous year on account of the operations it disposed of in the year. The headcount of the Energy-Petro-Chemicals division has remained virtually constant. After eliminating the consolidation effects, Voith Industrial Services created more than 2,000 new jobs in the period under review.

From a regional perspective, Voith Industrial Services employs most of its workforce in Germany, followed by the Americas. Most of the new jobs were created in North America.

Increase in capital expenditures

In the period under review, Voith Industrial Services invested €17 million (previous year: €15 million) in property, plant and equipment, a rise of 13%. Approximately half of this is attributable to the Automotive division for capital goods needed to fulfill contracts. The regional focus of investments lay in Europe.

Improvement in the profit from operations

Voith Industrial Services managed to improve its operating result once again in the period under review. This service specialist generated a profit from operations of €41 million in the period under review, 1% up on the previous-year figure (€40 million). The return on sales was 3.7% (previous year: 4.0%).

III.3. Voith Paper

Decisive response to structural changes in the market

Leading-edge technology and services for the paper industry

As a pioneering partner to the paper industry, Voith Paper provides leading-edge technologies and products for the entire papermaking process from a single source: from pulp (derived from wood or wastepaper) through to finished paper. Voith Paper optimizes the papermaking process by means of continuous innovations. Its focus is on resource-saving products and technologies aimed at ensuring maximum efficiency in the consumption of energy, water and fiber.

Clear slow-down on the paper market

The market in which Voith Paper operates is defined by the paper industry's investments and service expenses. On the one hand, Voith Paper generates business through the growing paper market's need for new machines. On the other, business is generated on the basis of existing production capacity in the market—through modernization measures, requirements for replacement parts and parts subject to wear and tear, and services.

Production of paper and board grew weakly in 2011. Experts are also forecasting slight growth for 2012. Stimulus for growth came from regions outside of the mature markets in North America and Western Europe. The economic climate was not favorable for capital investments in the paper industry due to the euro crisis and the related market slowdown.

In addition, there was a fundamental structural shift in one of the key sales segments: the rise of the digital society means that graphic grade papers used to print newspapers, magazines, catalogs or books are being increasingly replaced by digital media such as online news portals, tablet computers like the iPad, or electronic book readers. This shift is discernible not only in North America and Europe. In Asia, consumption of graphic grade papers is growing at a slower rate than expected. The trend towards digitalization is irreversible and led to a dramatic slump in demand in the segment for graphic grade paper machines in the period under review. By contrast, growth in the board, packaging paper and tissue segments continued. Regionally, the strongest growth is currently seen in Asia and Latin America, driven by demand for packaging paper and tissue, which is rising on account of the economic and cultural development of the emerging markets.

Demand for new paper manufacturing technologies using a more efficient process that conserves natural resources and simultaneously offers manufacturers economic benefits is growing in all regions. At the same time, the laws on resource conservation, energy and water consumption are becoming ever tighter, also with regard to the dumping of sludge and production waste.

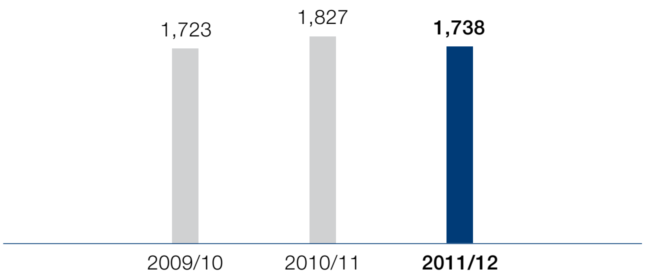
Fall in sales

In fiscal year 2011/12, Voith Paper's sales fell by 5% to €1,738 million (previous year: €1,827 million). Due to the significant market slowdown, which we already felt in the first six months of fiscal 2011/12, we were forced to correct downwards our forecasts for sales, orders received and the profit from operations when we published our six-monthly report in May 2012. The sales generated in the period under review lie within the range of our adjusted forecast.

Our systems business (new machines and major rebuilds) trended downwards over the year. By contrast, sales of products, consumables and services were more or less in line with the previous year. Asia was once again the biggest geographical region in terms of sales, even if its share of the total was far below that of the previous year. In contrast, the Americas grew in importance to become the second most important region by sales in the year under review, followed by the Europe excluding Germany region.

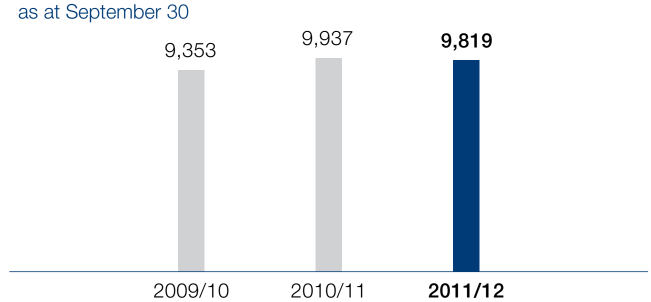
Sales Voith Paper

in € millions



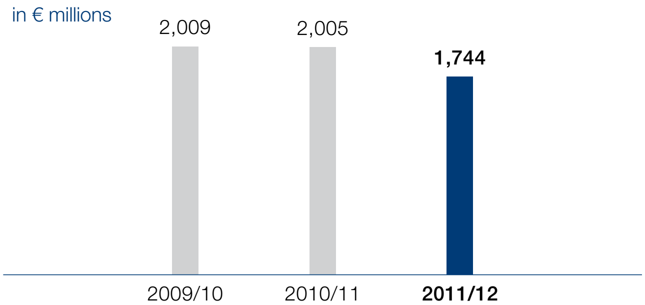
Employees Voith Paper

as at September 30



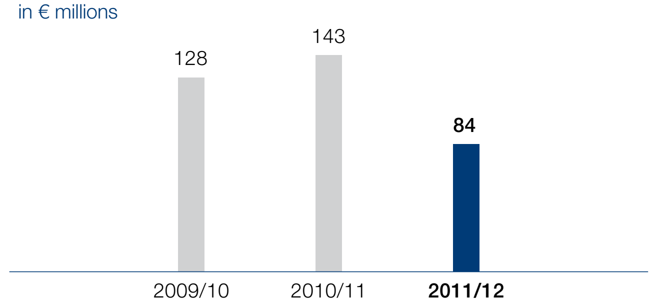
Orders received Voith Paper

in € millions



Profit from operations Voith Paper

in € millions



Level of orders received on the decline due to market conditions

While sales in fiscal year 2011/12 continued to benefit from the high number of orders on hand from the previous year, our new business was already painfully impacted by the changing market conditions. Orders received fell by 13% on the previous year to €1,744 million (previous year: €2,005 million). This is in the range of our updated forecast published in the half-yearly report for 2012. As at fiscal year-end on September 30, 2012, orders on hand came to €1,491 million, almost matching the high level of the previous year (€1,494 million).

Our systems business saw a rapid decline in orders received as the investment plans of paper manufacturers around the globe were either put on ice or canceled altogether. This was particularly true for machines to make graphic grade papers, but it also applies to board, packaging paper and tissue. The majority of orders received in the period under review were from Asia, and China in particular.

We were able to win a fair number of the few projects that were awarded. For example, a major order from India for two specialty paper machines for manufacturing banknote paper is particularly encouraging. In China, we were extremely successful in winning projects commissioned by manufacturers in the board and packaging paper sectors. In addition, Voith overhauled the world's largest cardboard machine which went back online at the beginning of 2012 at a higher process speed. Another major contract was received from Brazil, where a new packaging paper machine will go into operation at the end of 2013.

Medium-sized, less capital intensive plant and equipment have gained in significance, particularly in Asia. This new segment is extremely competitive and is served by a number of local Asian manufacturers, among others. We perceived these challenges at an early stage and have addressed them with a number of programs and initiatives. It is our intention to win market share in this segment by offering advanced technology and reliable plant and equipment. On the one hand we have installed our own product management that is dedicated to serving the needs of this segment. On the other, we have systematically built up our own local presence in Asia over recent years and this base puts us in an excellent position to serve the local market and its needs.

The order situation as regards consumables suffered from the fact that paper producers typically reduce inventories to a minimum in recessionary phases and delay restocking until there is an upturn. However, there was only a slight drop in the period under review.

Voith Paper prepares for the challenges in the paper market

Even if market conditions became significantly tougher in fiscal 2011/12, the challenges arising from the structural change are not entirely new. Over the past few fiscal years we have arranged our resources to meet them. To mitigate cyclical fluctuations, we are strengthening our product and service business. Its significance for the sales mix of Voith Paper has increased continuously in recent years, a trend that is certain to continue. Solutions that consume fewer resources remain a high priority for us, as fiber supply, energy and water consumption are key challenges for paper manufacturers and are becoming increasingly important decision-making criteria when orders are awarded. We are focusing on developing machines for the growing segment of medium-sized, less capital-intensive plants. Our initiatives are showing the first signs of success. We will step up the pace in order to exploit potential for growth in the tissue, board, packaging paper and specialty papers market segments, and offset the long-term fall in demand in the graphic grades segment. Regardless of the structural consolidation of the graphic grade paper market, which we believe is irreversible, we assume that the wider paper market will continue to grow globally, allowing Voith Paper to continue to operate profitably in this segment in future.

Job cuts in Germany and Austria in particular

The Group Division initiated a comprehensive packet of measures in 2012. A key element of the action packet is to streamline the German and the Austrian locations of Voith Paper where large capital-intensive mills and machines are designed and constructed. Personnel restructuring measures are unavoidable in this regard. In total Voith Paper is cutting 990 jobs worldwide.

In addition, in the fourth quarter we passed a resolution to fundamentally reorganize Voith Paper, a plan which went into effect on October 1, 2012. In order to do justice to the different market conditions worldwide and meet customer needs in the best possible way, our organizational structure will have a more regional focus in future with four regional business units and three global business lines.

As at September 30, 2012 Voith Paper employed 9,819 staff, 1% down on the headcount of the previous year of 9,937. In the period under review, a net total of 118 jobs were cut. The cuts were mainly made in Europe (including Germany) and of those most, but not all, were in our systems business. Over 200 new jobs were created in China, where we are continuing to build up our local presence and deepen our roots.

Intensive investments in China

Voith Paper invested a total of €137 million in property, plant and equipment in fiscal 2011/12 (previous year: €75 million), 83% up on the previous year. A large portion of this sum relates to investment projects that were decided on and initiated in previous periods. The corresponding additions to property, plant and equipment were not recognized until the period under review.

The focus of investments was once again on China where we added production facilities and office buildings to Voith Paper City in Kunshan, near Shanghai. The expansion is intended to more firmly anchor Voith Paper's business activity in China. Supporting our customers with local business units enables us to meet their specific requirements even better. We also expanded our production capacity at our location in Frankenmarkt, Austria. In the other regions, investments in replacements and maintenance were at the usual level.

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

At €94 million, Voith Paper's expenditure on research and development in the period under review was slightly down (-4%) on the previous year (€98 million). The ratio of R&D expenditure to sales remained unchanged at 5.4%. As in earlier years, activities focused on the development of new technologies that save energy, fibers and fresh water. The goal is to further improve the paper manufacturing process as regards environmental sustainability and resource efficiency. This results in solutions that not only take into consideration ecological aspects but also enable considerable economic benefits in the form of cost savings for customers.

Voith Paper launched numerous new products on the market in the period under review, such as the ProTect measurement system. ProTect automates the measurement of fibers during the manufacturing process, which to date had to be performed manually while the machine was running. The use of this new product means that operating technicians can avoid having to move on a slippery surface near a running machine. ProTect therefore makes a great contribution to industrial safety at our customers.

We have also launched FlowJec, an environmentally friendly dosing system used to add chemicals and other additives during the paper production process. FlowJec reduces the volume of chemicals, fresh water and energy needed in production. The dosing system has already been successfully employed by numerous customers around the world.

Our CTC process ("controlled thermal conversion") is also aimed at environmental protection, conserving resources and offering the corresponding economic benefits. CTC converts paper sludge, a waste product created when preparing recycled paper, into valuable minerals and thermal energy. The patented process minimizes cost-intensive waste management and use of fossil fuels to generate power in the paper factory. TÜV Süd, a firm of independent industrial experts, confirmed the ecological benefits of our CTC technology in May 2012.

The DeaerationFoamPump (DFP) 4000 launched in the previous year has been sold eleven times and is running successfully at various customer sites around the globe. The DFP improves the flotation mechanism, a proven deinking process, and allows paper manufacturers to significantly reduce their capital investments. The innovative product from Voith Paper reduces the space required for the paper plant; in addition, it eliminates costs for the tank, pipes and pumps.

Another innovation from the previous year, LowEnergyFlotation (LEF) has been sold twenty times. LEF lowers energy consumption in the flotation process which translates into substantial savings of operating costs. Flotation is one of the most energy-intensive areas of stock preparation, particularly in the production of newsprint.

Our Tissue Innovation Center that was founded in São Paulo in 1994 was reopened in November 2011 after extensive conversion work. The goal of our research work in São Paulo is to develop machines that allow competitive and efficient production of tissue with a low upfront capital investment. The main target of the research is on production methods that conserve resources, use less water, power and fresh fibers. Upon completion of the conversion work, our Brazilian research center was equipped with the latest technology. Customers from all around the world have the possibility of testing it here. Upon the reopening of the Tissue Innovation Center our overhauled experimental machine was booked out by customers for more than twelve months in advance.

Our efforts at developing and improving products that conserve resources and save energy were honored by two awards in the period under review. In February 2012, Voith Paper received the "Energy Conserving Machinery Award 2011" from the Japanese minister of the Agency of Natural Resources and Energy for our DF Coat product. This award is granted once annually by the Japan Machinery Federation (JMF), a national association for the Japanese machinery and engineering industry. This award from the JMF honors products that save energy in industrial machines. DF Coat is a standard machine from Voith Paper that coats the paper base directly. Development of the product began more than 20 years ago in Japan. The latest model displays another 80% in power savings over its predecessor.

Joint venture founded in China

In July 2012 we founded a joint venture in China together with Fujian Sanming Pulp & Paper Making Equipment Installation Co., Ltd.: Voith Integrated Mill Service Company, Ltd., offers a wide range of services for the paper industry extending from the installation of plant and machinery to maintenance services over the entire life cycle of the plant. The joint venture brings us one step closer to our goal of becoming a global lifecycle partner for the paper industry. At the same time the move improves our footing in the high-growth Chinese market. The new company, in which Voith Paper holds 70%, is based in Sanming and employs around 80 employees.

Profit from operations positive, but below the previous year

Voith Paper generated a profit in fiscal 2011/12 in spite of the difficulties on the market. At €84 million, the profit from operations is significantly below the figure for the previous year of €143 million, constituting a drop of 41%. However, it is within the adjusted forecast we made in our half-yearly report for 2012. The return on sales slipped to 4.8% (previous year: 7.8%).

III.4. Voith Turbo

Prevailing in a difficult climate

Specialist for power transmission

Voith Turbo helps millions of people, goods and machines to move safely from place to place each and every day. Our leading-edge technologies transmit and control power under extreme conditions—safely and in a resource-efficient manner. Drive components and systems from Voith are used in the widest variety of industries: in fact, everywhere where power needs to be transformed into controlled movement.

Voith Turbo comprises four divisions: Industry, Marine, Rail and Road.

Disparate market developments

Voith Turbo provides leading-edge technologies to four of Voith's five core markets. The business climate in the industries relevant for our company was by no means uniform.

Business in the industrial sector remained stable at a high level in the 2011/12 fiscal year, although developments in the various industries served by Voith Turbo were disparate. Strong investment activity was seen in the oil & gas sector and by power plant operators on account of the high price of oil and a continuing rise in demand for raw materials. The mining sector developed positively overall, apart from coal mining operations in China, which cooled off slightly on account of overcapacity. Activity in the plant and machinery engineering sector dropped off on account of the global economic uncertainty. Likewise, the steel sector posed challenges. From a regional point of view, the greatest impetus for growth in the Industry division came from China, India and the Middle East.

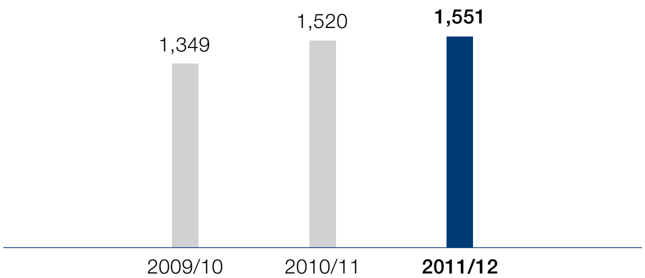
The markets served by the Marine division suffered from the slowdown in the global economy during the period under review. In addition, financing problems, particularly in Europe, burdened the ship-building industry. While container and freight ships experienced stalling orders, construction of special ships enjoyed growth. Demand for ships used by the oil & gas sector and special-purpose vessels for installing and supplying offshore wind farms increased noticeably in the period under review.

The market for railway vehicles in fiscal 2011/12 was affected by a stagnating market in China after two years of extraordinary growth. Outside of China the railway segment recorded moderate growth. We are paying great attention to market developments in Africa as the South African government has initiated an investment program for the railway sector.

The Road division serves the market for trucks, buses, coaches and agricultural vehicles. The global truck market had to navigate a difficult environment in the fiscal year. With the exception of the NAFTA market, most markets witnessed a decline. Procurement activity in the international bus market remains very subdued, mainly on account of the sovereign debt crisis in many Western countries. There was great competition for the few major projects that were awarded.

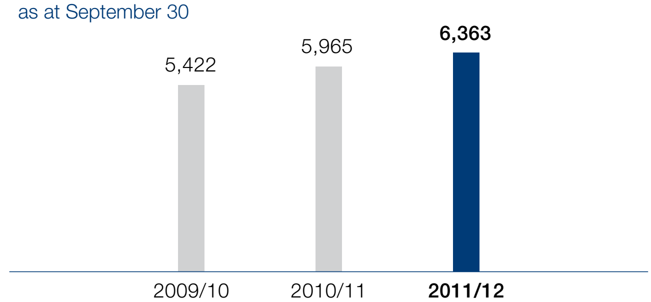
Sales Voith Turbo

in € millions



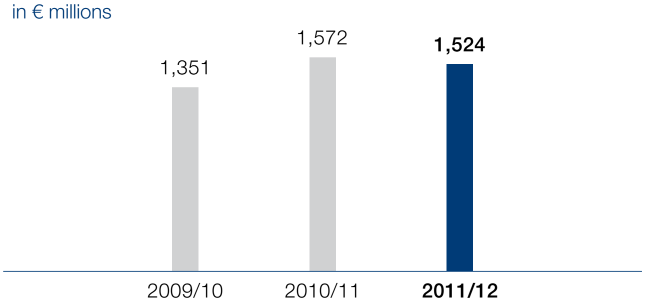
Employees Voith Turbo

as at September 30



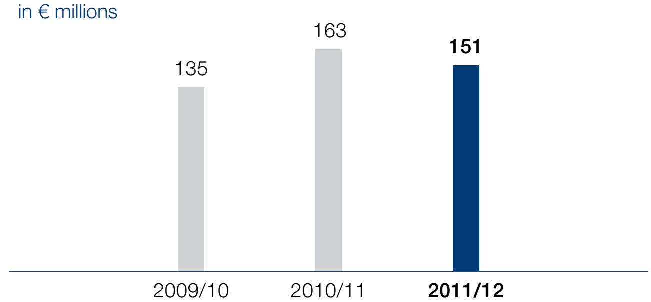
Orders received Voith Turbo

in € millions



Profit from operations Voith Turbo

in € millions



Slightly increased sales

In the 2011/12 fiscal year, Voith Turbo increased its sales by 2% to €1,551 million (previous year: €1,520 million). Sales are therefore in line with our expectations.

The Industry division was once again able to generate higher sales. After enjoying very buoyant growth in the previous year, the sales of the Road division have leveled off, while the Rail and the Marine divisions reported falling sales.

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

Orders received below the high level of the previous year

In the 2011/12 fiscal year, Voith Turbo booked orders of €1,524 million (previous year: €1,572 million), a fall of 3%. Although, contrary to our forecast, orders received did not match the strong showing of the previous year, they still remain at a very high level. The Industry division matched the hight level of orders received seen in the previous year and even exceeded our expectations. The Road and Rail divisions, however, did not match the previous year. The Marine division recorded a significant rise in orders received. From a regional perspective, Asia and the Europe excluding Germany region accounted for the highest share of new business. As at year-end Voith Turbo carried orders on its books of €1,284 million (previous year: €1,298 million), down €14 million on the previous year.

For the Industry division as a whole, Asia, with China and India, remained the strongest region in terms of growth. For the oil & gas business, the Middle East has become increasingly significant. We recorded a rise in orders received in our largest product line, variable speed drives. A major contract for Vorecon gears for a Brazilian oil extraction project is worth mentioning in this regard. The final customer is Petrobras, the Brazilian oil company. The amount of orders received for universal joint shafts was stable despite the difficult environment in the steel industry. A contract for an Austrian large plate mill is notable in this regard. This involved a newly developed concept with which we were able to achieve previously unheard of torque capacities for the main drive of the mill not possible with any other type of drive. Sales of soft-start couplings and BHS planetary gear units remained stable at a high level, whereas hydraulic systems suffered from the subdued level of investment in plant and machinery due to the weak economy.

The Marine division recorded a double-digit rise in orders received. However, this will not have an impact on sales until later periods. The Asia-Pacific region recorded strong growth and accounted for the majority of the orders received in the period under review. A large order received by Voith Schneider Propeller boosted the level of new business in this region. A contract for a special ship to construct and service offshore wind turbines contributed to the healthy order intake from Asia as this will be used in combination with three Voith Schneider Propellers and one Voith Inline Thruster. The second strongest region was Europe. Among other business we received a contract from the United Kingdom for four Voith Schneider Propellers for the world's first two hybrid ferries. Most of the orders received were for tugboats. For example, we are supplying Voith Schneider Propellers for four tugboats commissioned by the Taiwanese Formosa Plastics Group for later use in Vietnam.

In the Rail division, orders received were clearly down on the high level of the previous year. This was mainly due to the continued delays affecting the expansion of the Chinese high-speed network. Demand for our couplers and crash management systems was very high. However, the high level of new business for these product lines was not sufficient to offset the drop in demand for mechanical drives seen in the USA and China in particular. The Asia-Pacific markets outside China are growing strongly. For example, we won an order from Indian rail vehicle manufacturer BEML Ltd. for couplings for the new Jaipur Metro in the period under review. In Europe development remains sluggish. During the period under review, however, Voith Turbo won an order for the delivery of front noses and couplers for the 130 new ICx trains that Siemens is producing for Deutsche Bahn.

Orders received in the Road division also declined in the period under review. Demand for retarders and torsional vibration dampers was on the rise in China and India, whereas demand in Europe plateaued at a high level. Business in Europe was dampened by the recession and the coming Euro 6 emissions standard which will come into force in 2014. This has induced a number of truck buyers to take a wait-and-see attitude. Our new air compressor product enjoyed strong growth. We managed to win a major contract from Daimler, the largest European manufacturer of trucks and buses. The new generation of engines use Voith air compressors and will be used worldwide in Mercedes Benz trucks, buses and coaches. The new generation of engines went into serial production in the period under review and will be built in large numbers for many years to come. Business for bus gearboxes dropped off, mainly on account of the weak unit sales in Europe. However, business also developed below expectations in the growth regions of Central and South America and China. Nevertheless, we were able to win an important order from China: In the future, the majority of buses in the rapid transit systems of the cities of Zhengzhou and Chengdu will be equipped with DIWA transmissions from Voith. We won a major contract in Singapore where SBS Transit, a bus operator, ordered a total of 1,000 buses from Volvo and the Daimler subsidiary, EvoBus, which are all equipped with DIWA automatic transmissions. We also won a strategically significant contract with Daimler: in India, Daimler Buses equips the Mercedes-Benz City Bus with DIWA transmissions from Voith as serial standard. Consequently, we have managed to penetrate the high-end of the bus market in this growth region.

Approximately 400 jobs created

In response to the strong growth in the previous year and in anticipation of the coming projects in growth regions, Voith Turbo added 398 jobs in the period under review. As at September 30, 2012 the Group Division employed 6,363 staff, 7% up on the headcount of the previous year of 5,965.

Most new jobs were created in the Industry Division. However, the other three divisions also recruited new workers, but to a lesser extent. From a regional perspective, the majority of the new jobs were created in Germany and China and the Americas region.

Slight increase in capital expenditure

In the 2011/12 fiscal year, Voith Turbo invested a total of €62 million in property, plant and equipment, up 5% on the previous year of €59 million. The largest capital expenditures were made in the Industry division.

In Germany, we have expanded our production capacities at a number of locations. We have strengthened our presence in China, both at our headquarters in Shanghai as well as at our other locations. In the course of a joint venture with our partner, Lutong, we have created assembly capacity for the Rail division in Changchun. An engineering center has been established in Hyderabad in India. The Industry division is currently expanding its production capacities at our Brazilian factory in São Paulo.

Successful new product launches

In the period under review Voith Turbo invested a total of €86 million (previous year: €79 million) on research and development, up 8% on the previous year. The R&D ratio to sales was thus 5.5% (previous year: 5.2%).

R&D activities focused on expanding our product portfolio, increasing energy and transmission efficiency of our systems and components.

The Industry division successfully launched new couplings for mining applications to add to its soft-start couplings product family and successfully introduced a newly developed generation of modular universal joint shafts, sold under the "R-series" name.

In the Marine division, we won the strategically critical first order for the newly developed Voith Linear Jet. This innovative marine propulsion system drastically reduces fuel consumption and therefore emissions. In order to meet customer needs for a combined steering and propulsion solution, we have developed a steering solution completely within the company for the first time. This will be deployed in 2013 on the world's first hybrid ferries and also on an oil-rig supply ship.

Our newly developed Galea rail vehicle head concept was presented to the public at the InnoTrans trade fair in September 2012. Galea is designed for passenger trains and consists of a vehicle head that is constructed from composite fiber materials and integrated energy absorption features for crash protection. It meets the latest standards on collision safety and fire safety with much less weight and thus combines the highest safety level with a lower energy consumption.

Developments in the Road division focused on conventional automatic transmissions. Since mid-2012, the new DIWA.6 generation has been in use on the road in Euro 6 buses. Compared to its predecessors it generates another 5% in fuel-savings. At the IAA commercial vehicle exhibition in Hanover we presented our new LP 725 air compressor for commercial vehicles. The three-cylinder compressor complements the two-cylinder variant launched in 2011 and is also constructed in cast aluminum to save weight. It is used in articulated buses which have high compressed air requirements.

Results remain high

In the period under review, Voith Turbo generated profit from operations of €151 million, down 8% on the previous year (€163 million). Although the result is still at a high level, it is below the record achieved last year and our forecast. The fall is mainly a result of the increasing competition and pressure on prices as well as higher personnel expenses. Return on sales was 9.7% (previous year: 10.7%).

IV. Net assets and financial position

IV.1. Balance sheet

Composition of assets and equity and liabilities remains sound

The balance sheet of the Voith Group continues to display a healthy structure of assets and equity and liabilities. Total assets rose 3% to €5,992 million in comparison to September 30, 2011 (previous year: €5,815 million).

Non-current assets rose by a total of €117 million to €2,594 million (previous year: €2,477 million). Intangible assets increased to €771 million (previous year: €718 million) mainly as a result of the first-time consolidation of individual Group entities. Property, plant and equipment increased €90 million to €1,252 million (previous year: €1,162 million) in the wake of the continuing higher volume of capital expenditure. Securities dropped by €38 million to €224 million chiefly on account of measurement differences posted to other comprehensive income.

Current assets increased by a total of €60 million to €3,398 million (previous year: €3,338 million). This increase can be partially attributed to a rise of €102 million in inventories and trade receivables. This increase is spread relatively evenly across the four Group Divisions. Cash and cash equivalents came to €917 million, remaining fairly stable on the previous year (€927 million). The decrease of €9 million in assets held for sale is explained by the sale of individual entities in the Voith Industrial Services Group Division whose assets were disclosed under this item in the previous year. For the same reason, the liabilities directly associated with assets classified as held for sale decreased by €7 million.

There was an increase of €90 million in non-current liabilities to €1,852 million (previous year: €1,762 million). In order to root our business even more firmly in the Asian growth market, we are for the first time obtaining financing directly in China. The newly syndicated credit facility placed there allows us to borrow a total of 2.25 billion renminbi (which converts to around €270 million) for future investments as well as for financing operating business on the Chinese market. The first funds were availed of in the period under review and led to an increase of €37 million in non-current liabilities to banks. Moreover, an increase of €30 million in long-term bonds and other interest-bearing liabilities, mainly caused by valuation effects, contributed to the rise in non-current liabilities. In addition, a total rise of €42 million in pension provisions and similar obligations, other provisions and other liabilities was recorded, partly due to the restructuring measures described above.

At €2,756 million, current liabilities remained stable (previous year: €2,766 million). The bonds, liabilities to banks and other interest-bearing liabilities contained in this line item decreased by €94 million. This decrease is primarily attributable to the scheduled repayment of a loan of €100 million. Net repayments of other current liabilities to banks came to €46 million. This movement was countered by the credit facility of €74 million in China discussed above, which was drawn on to finance the operating business. Trade payables decreased by €30 million, primarily at Voith Paper. Other current liabilities increased by a total of €125 million to €1,204 million (previous year: €1,079 million), mainly on account of an increase in prepayments received.

As at September 30, 2012, the Voith Group carried equity of €1,384 million (previous year: €1,287 million, +7.5%). The net income positively affected the amount of equity. Equity was reduced partly as a result of measurement effects in securities and dividend payments. The equity ratio improved to 23.1% (previous year: 22.1%).

IV.2. Liquidity

Rise in operating cash flow

The cash flow from operating activities rose significantly in the period under review to €332 million (previous year: €244 million). Compared to the previous period, when net working capital rose relatively strongly on account of increasing inventories and a fall in prepayments received from customers, net working capital remained at a fairly stable level in the period under review.

The cash flow from investing activities amounted to a net outflow of €275 million (previous year: an outflow of €217 million). The increase in the cash outflow is chiefly due to a rise in investments in property, plant and equipment in comparison to the previous year.

The cash flow from financing activities amounted to a net outflow of €78 million (previous year: an outflow of €288 million). With regard to the transactions relating to current and non-current liabilities to banks in the period under review, as described above, the net repayments were higher in the previous year, due partly to the repayment of a bond placed on the capital markets and a note loan.

In sum the cash flow in the period under review came to an outflow of €21 million (previous year: a net outflow of €261 million). For more details of the development of cash flow, please refer to the consolidated cash flow statement.

Net debt, measured as the difference between interest-bearing financial liabilities and liquid financial assets, is an important indicator for banks, analysts and rating agencies. Net debt at the end of the reporting period on September 30, 2012, amounted to €-22 million (= net asset position; previous year: net debt: €-52 million). Because net debt is measured using the repayment amount of financial liabilities, they have been considered at an amount which is €17 million (previous year: €20 million) higher than their carrying amount in the statement of financial position.

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

Development of cash flow

in € millions	2011/12	2010/11
Cash flow from operating activities	332	244
Cash flow from investing activities	-275	-217
Cash flow from financing activities	-78	-288
Total cash flow	**-21**	**-261**

IV.3. Investments

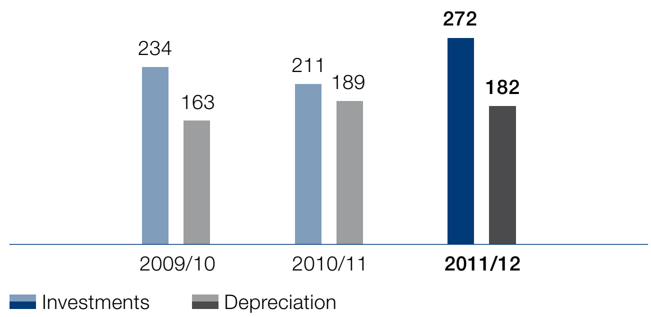
Increase in capital expenditures

As announced, we significantly increased our capital expenditure in fiscal 2011/12 compared to recent years. In sum, we invested €272 million in the period under review in strengthening our productivity and in the strategic orientation of the Voith Group. This is 29% more than in the previous year (€211 million). The value of investments in the period under review was once again significantly higher, by €90 million, than depreciation and amortization of €182 million (previous year: €189 million).

The ratio of investments to Group sales comes to 4.8% (previous year: 3.8%) and was heavily impacted by additions to the property, plant and equipment at Voith Paper, where large investments were made in gaining a footing in China and expanding our presence there. A large share of these additions to property, plant and equipment were not recognized until the period under review. Voith Paper was the Group Division that displayed the highest investment ratio (7.9%). The other Group Divisions reported investment ratios of 4.0% (Voith Turbo), 2.8% (Voith Hydro) and 1.5% (Voith Industrial Services).

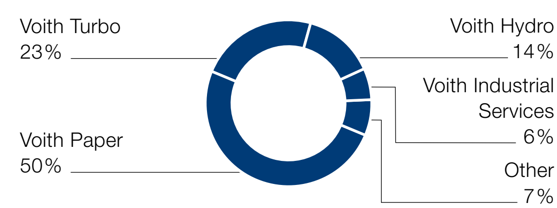
Investments and depreciation

in € millions

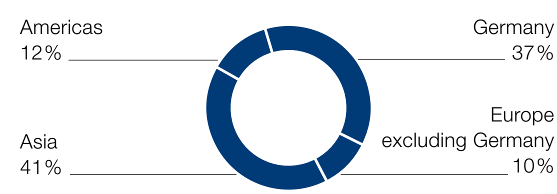


Investments total €272 million

by Group Division



by region



Intensive investment activity in Asia and Germany

From a regional perspective, 41% of total investments (previous year: 17%) were in Asia where we have greatly increased our commitment. Taking all four Group Divisions together, we invested €111 million in Asia, with a focus on China. This is more than three times our spend in the previous year (€35 million). Further expansions were made to Voith Paper City in Kunshan near Shanghai. Another important investment project in China relates to the assembly capacities of Voith Turbo within the framework of the joint venture with our partner, Lutong, in Changchun. An engineering center was also established in Hyderabad, India, to offer technical services for the entire Voith Turbo division.

At €99 million, 37% of the Voith Group's total capital expenditures were made in Germany (previous year: 49%). This is slightly under the level of investment in the previous year (€104 million, down 5%). For example, Voith Turbo expanded its production capacity at its facilities in Crailsheim and Sonthofen.

12% (previous year: 24%) of total capital expenditures was in the Americas. We invested €33 million in this region in the period under review, 36% less than the previous year (€50 million). The majority of this investment was in Brazil, at Voith Hydro and Voith Paper.

At €28 million, up 32% on the previous year (€21 million), 10% of total investments were made in the Europe excluding Germany region. The largest single investments in this region were made by Voith Paper in Austria.

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

IV.4. Financial investments/ participating interests

High level of M&A activity at Voith Industrial Services

Voith Industrial Services made further adjustments to optimize its portfolio of services in fiscal year 2011/12 by means of acquisitions, disposals and one joint venture.

Voith Industrial Services acquired 100% of the shares in Mongstad Elektro-Olje & Gass AS and Mongstad Elektro-Industri & Energi AS (both Mongstad, Norway) in the period under review. With the acquisition of the two Norwegian companies, the Group Division is further enhancing the position of its Energy-Petro-Chemicals division in Scandinavia. The two co-subsidiaries offer automation and electrical engineering services for the oil and gas industry and render electronic services for industrial and offshore systems. The companies were fully consolidated for the first time in the period under review. In the same division, Voith Industrial Services increased its shareholding in Terne AS (Mongstad, Norway) from 60% to 100%. The company has been included in full in the consolidated financial statements since fiscal year 2010/11. Together, the companies now constitute the wholly-owned group entity, Voith Industrial Services AS, Norway.

DIW Service GmbH was sold effective November 1, 2011. The company specializes in temporary employment for skilled workers. The company sold, DIW Service, has approximately 70 core employees and around 830 employees engaged by customers as temporary workers.

The wind energy activities of Voith Industrial Services were sold to Availon GmbH in July 2012. Due to the fact that the wind sector is dominated by fragmented operator structures, this no longer matched the strategic alignment of the division.

The Voith Industrial Services Group Division has reorganized its aerospace segment within the Engineering Services division with effect from April 2, 2012: within the scope of a joint venture with P3 Ingenieurgesellschaft, the aerospace segment was transferred completely to a joint company. The partner P3 Ingenieurgesellschaft contributes P3 Digital Services and its subsidiaries as well as additional activities abroad to the joint venture. Both shareholders hold 50% of the voting rights in the joint venture. The company has been fully consolidated since the second half of fiscal year 2011/12. With budgeted total sales of around €100 million and approximately 900 employees, P3 Voith Aerospace GmbH will be one of the largest engineering services providers for the aerospace sector in Germany.

Voith Paper invests in a joint venture in China

In July 2012 Voith Paper invested in a joint venture in China together with Fujian Sanming Pulp & Paper Making Equipment Installation Co., Ltd.: Voith Integrated Mill Service Company, Ltd., offers a wide range of services for the paper industry extending from the installation of plant and machinery to maintenance services over the entire life cycle of the plant. The new company, in which Voith Paper holds 70%, is based in Sanming and employs approximately 80 employees.

V. Research and development

Focus on technologies that conserve resources

Innovative products and services have been the cornerstone of the Company's future business success for many years. As a technology group, Voith traditionally invests heavily—and significantly more than the industry average—in research and development. In the 2011/12 fiscal year, Voith's R&D expenditures rose to €267 million (previous year: €259 million, up 3%). The ratio of Voith Group's R&D spend to Group sales remained unchanged in the period under review at 4.7% (previous year: 4.6%).

Voith's research and development activities are internationally organized. The focus is on Germany: centers in the Americas, Asia and the rest of Europe contribute valuable specialized R&D input in the relevant Group Divisions. Our tissue innovation center that was founded in São Paulo in 1994 was reopened in November 2011 after extensive conversion work.

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

Hydro power is the major form of renewable energy that is already capable of producing a constant flow of electricity in the quantities needed and at competitive prices. Worldwide, it accounts for around 80% of all renewable energy sources in use.

In the 2011/12 fiscal year, a considerable portion of our research efforts was directed to improving pumped storage technologies as a supporting hydro solution, without which a future-oriented power mix with an increasing share of wind and solar energy would not be economically feasible. The focus of research lay on variable speed units and ternary pumped storage units. We realized successes at developing both technologies in the period under review. The first prototypes of our StreamDiver, an innovative concept for small hydro power plants that offers major benefits in terms of landscape conservation, were put into operation.

During the period under review, Voith developed various new solutions for paper manufacturers which offer considerable cost benefits as well as taking environmental issues into account. Numerous new products were launched and achieved initial market success, for example ProTect which raises the industrial safety of measuring systems and FlowJec which is an environmentally friendly dosage system for chemical additives. Voith's efforts to develop innovative products for the paper industry were again recognized with two international awards during the period under review.

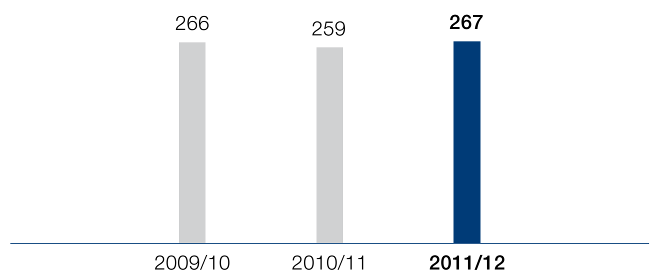
In drive and braking systems, Voith focused on resource-efficient solutions and minimizing CO_2 and other emissions in all areas of application—whether industrial, marine, rail or road. For example, our newly developed rail vehicle head, Galea, was launched at the Innotrans trade fair. This concept combines all the relevant safety aspects with a lower energy consumption. Developments in the Road division included conventional automatic transmissions and air compressors.

Another focus of our development work was placed on the processes and production methods used for carbon fiber products. In 2011, we established our own development center for this purpose, where we pool the Company's existing skills and knowledge in the field of composites across all divisional boundaries. For many years now we have used CFRP for lightweight components, such as ship propellers, as well as in tidal power plants, in paper machines and in drive systems, among other applications. The aim is to further extend our expertise in this field as the benefits of this material—such as low weight, high resilience and good formability—lead us to expect that the use of carbon-fiber components will become increasingly significant in light of the demand for resource-efficient production in many industries.

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

Research and development

in € millions



VI. Non-financial performance indicators

Sustainable business management

We continue the traditions and style of the family-owned company Voith with a view to our understanding of sustainability: the obligation to leave a minimum ecological footprint, to act fairly, and to return a profit over the long-term. This magic triangle is what drives us forward. It is essential that we act sustainably in every respect as this creates opportunities for future generations rather than destroy it.

Increasing scarcity of resources, climate change, urbanization, mobility, globalization and, last but not least, demographic change—these are global megatrends of the present era. These global megatrends are the driving forces in a globalized economy and influence our company and therefore our strategy. If we want our Company to be sustainable then we must recognize the associated risks and opportunities and manage them to create value over the long term.

The challenge facing us today is to anchor this understanding strategically within the Company, manage it effectively and drive it forwards constantly. Voith began setting up systematic, integrated sustainability management in 2008. Sustainability is a cross-functional activity driven by our Corporate Board of Management, Group Divisions and line departments.The central Corporate Sustainability department created at the beginning of 2009 reports to the CEO and is responsible for creating the structures and drawing up the principles for sustainability activities and their organization within the Voith Group. Moreover, it is responsible for sustainability strategies, which it steers and drives forward within the Group.

The Corporate Sustainability Council was established in the fall of 2009 as the central management committee for sustainability issues. The Corporate Sustainability Council obtains and prepares the material needed for decision-making in the Corporate Board of Management and constitutes the interface between corporate management and the Group Divisions which are responsible for the organizational implementation of sustainability issues. The Council also monitors goal attainment.

We apply sustainable action across the Company's entire value chain. We take action in six different fields where we have defined goals: sustainable management, sustainable and profitable growth (see Sections II, III, IV, and IX of this management report for more information), responsibility for the environment, responsibility for products, responsibility for employees and social responsibility.

Voith began publishing a comprehensive annual sustainability report in 2011. This report contains detailed information on sustainability management at Voith, including specific goals, performance indicators and results. In the second issue of the sustainability report released in 2012, we have updated and expanded the data captured by the Voith organization on the six fields of action identified above.

Responsibility for the environment

As a manufacturing company, Voith relies on finite resources. Metals and plastics are the materials we require in large quantities in order to manufacture our products. In addition, we use water and energy during production. For economic reasons alone, efficient use of materials and energy and conservation of resources are already top priorities for us. We are constantly seeking potential for using resources more efficiently in all our business units, particularly in purchasing, design and production.

We intend to make a contribution to preserving our habitat for as long as possible. Voith has identified the issues of CO_2 emissions, volumes of waste and consumption of fresh water as the key strategic focus in the field of environmental protection where we have set ourselves specific savings targets. A new database management reporting tool records the degree of goal attainment in this regard for each Group division. We pursue the vision of a factory that meets its own energy requirements and constantly reuses resources. We have developed a concept termed the “Ecological Business Management” (EBM) to support implementation. After completion of the pilot project in fiscal 2009/10, EBM methods have been successively adopted by all Group Divisions. Our environmental management is incorporated in an integrated risk and quality management system and anchored as a central function for organizational purposes.

Responsibility for our products

We have set ourselves the standard of providing top-quality innovative products displaying a level of safety, reliability and efficiency that our customers can trust. Our understanding of responsibility for products is based on three key aspects: innovation, quality and safety, and dialog with customers.

Voith pursues an innovation-based product strategy that is aligned to the needs of our markets and global megatrends. Focusing on climate change and scarcity of resources as global megatrends, we develop environmentally friendly products that reduce the consumption of energy and resources in operation.

Moreover, we aim to ensure consistently high-quality products that offer the highest safety standards. Our customers expect our technology to be accurate, robust and completely safe. Our high product quality is based on four key factors. We firstly implemented comprehensive risk and quality management throughout the Group. The second factor is ensuring that we have a skilled and experienced workforce which is regularly trained in the requirements of this management system and the guidelines and procedures of the specific processes of the respective Group Division. Thirdly, Voith products are subject to strict inspection criteria to ensure compliance with the international and regional standards as well as, in some cases, industry or customer-specific standards. The final factor is that we support our customers, in many cases, with detailed product manuals and product-specific training to teach customer staff how to use our plant, drives and machines in a professional manner.

Responsibility for our employees

We assume responsibility for our employees. Our goal is to be a fair employer with high expectations on employee performance; an employer of choice over the long-term for people in all the countries in which we operate. Skilled, motivated and loyal employees are the basis for our innovative capability and competitiveness. We therefore focus on offering our employees challenging tasks and prospects for their personal development. We expect our executives to ensure open and participative working relationships within their teams. Aiming to integrate and meet the expectations placed on us by our customers in our various regions and markets, we simultaneously place high demands on our employees: our technologies and projects are both challenging and complex.

We wish to retain experienced employees at Voith and also be an attractive employer for highly qualified applicants. Voith faces the challenge of offering its employees an attractive workplace that is commensurate with the performance we expect of them, yet retain the flexibility to accommodate their individual circumstances. We therefore offer a large number of part-time working models; a combination of home office and presence at the Company is also possible. At our largest German location, Heidenheim, we offer over 150 places in creches for the children of our employees, partly in cooperation with the City of Heidenheim and another local employer.

Although we are a rapidly growing multinational company with international teams, we do ensure we have consistent values and standards which we put into practice across the boundaries of divisions, countries and cultures. We place considerable value on equal opportunities for all our employees, no matter their age, gender, cultural background or religious beliefs. We see the diversity of our employees at all hierarchy levels as giving us an international competitive advantage. At the same time, we bear the responsibility for providing all employees equal opportunities and allowing them to live their individuality and culture to the full, without the need to fear discrimination or disadvantage. In future, we will foster diversity in more direct fashion. We drew up a diversity concept in the period under review identifying regional fields of action on the basis of an initial analysis (see Section II.4 of this Management Report for more information on the issue of Employment).

Occupational safety and health are top priorities for us. Both topics are firmly anchored in the Group's goals. To optimize health and safety as well as our preventative protective measures, we introduced a comprehensive management system in the 2009/10 fiscal year. Our executives are given goals that they cascade to the managers in their unit. Voith employees are informed in detail, made aware of the relevant topics and trained accordingly. In addition we have set ourselves the goal of systematically promoting the health and well-being of our employees. In order to maintain the performance of our more than 40,000 employees, we promote and require vocational training in the form of lifelong learning. To this end, we offer wide-ranging training measures—both within the Company and in collaboration with external educational institutions—that enable personal development within the scope of professional or executive career paths.

VII. Subsequent events

Social responsibility

Business success gives rise to obligations. And to this day, we feel bound to the tradition of the Voith founding family. The social commitment of Voith ranges from financial support of aid programs to corporate sponsorship and volunteering. This commitment is expressed by Voith GmbH, partly in cooperation with charities, and partly by the Hanns-Voith-Foundation, established in 1953, and the Fundação Voith founded in Brazil in 2004.

We sponsor initiatives in the areas of education, social welfare, culture and sports. Various criteria are used to determine whether a project merits funding. For example, the theme of the project must focus on one of the above areas. In addition, it must be ensured that the project has a broad impact and foster the community or increase the attractiveness of a Voith location for the people living there. Moreover, it should have a link to the Voith company. And, regardless of the above, Voith takes action where it perceives an urgent humanitarian need.

There were no significant events after the end of the 2011/12 fiscal year.

VIII. Risks and opportunities

VIII.1. Risk

VIII.1.1. Risk and quality management

Oriented to increasing the value of the Company

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

All the elements of risk management have been brought together in a risk management system. This is not only geared to meeting legal requirements. It should also contribute to increasing the value of the Group and its companies by reducing potential risks and the probability of their occurring. At the same time, the system is intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities. In early 2011, Voith began putting its internal control system (ICS), which had already been implemented worldwide, on a shared foundation. The basis for this is a Group-wide guideline governing internal control systems. The ICS is part of the risk management system aimed at ensuring the appropriateness and reliability of internal reporting and external financial reporting, the effectiveness, efficiency and propriety of operating activities, as well as compliance with the Voith Code of Conduct and the guidelines of the Voith Group. Risk and quality management are interlinked and integrated in a comprehensive internal controlling system.

Distributed nature of the risk management system

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

The risk management process itself breaks down into four stages:

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

Voith distinguishes between two risk groups:

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

VIII.1.2. Risks to the Group

External risks

Of all the risks facing the Voith Group, economic risks could have the strongest negative impact on business development. The sovereign debt crisis in Europe and the USA remains a major risk for the global economy. The debts of many industrial nations have increased dramatically since 2007, the last year before the crisis broke, with a high level of new debt being taken out. According to calculations of the IMF, nations that account for 40% of the world's GDP are currently in a debt spiral. If several countries simultaneously implement severe ongoing cuts in order to balance their budgets, this can be expected to have a noticeable negative impact on global economic growth. This situation is exacerbated by structural problems. In the euro zone, economic disparity in the real economy has increased enormously in the last ten years. In the USA fundamental problems, such as high unemployment, will not be solved solely by quantitative easing. Due to the extremely high debt levels, the countries concerned are caught on the horns of a dilemma: all of the possible solutions entail painful consequences. In addition, the governments' room to maneuver is limited by the fact that the willingness of the people to protest at the polls has risen in many countries on account of their general dissatisfaction with the ongoing crisis. Another major external risk would be a potential deterioration of the Iran conflict and the oil price shock that would result. Global economic activity could also suffer a serious blow if the Chinese economy suffered a hard landing after years of vigorous growth which would have a negative impact on the business of Voith.

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

Management risks

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

Liquidity and financial risks

The Voith Group's diversified financing structure is designed to safeguard long-term stability. In light of the continuing stability in business development and the latest risk assessment, a decision was made to retain the reduced level of liquidity arising from a reduction in the Group's gearing. A government loan extended to promote research was repaid from company funds in May 2012. A credit facility placed in China in February 2012 secures the finance for future investments in the same currency as the operating business on the local market. The first amounts were drawn in the period under review. The newly placed syndicated loan was prolonged by a further year and expires in 2017. It has not been drawn on and is available as a strategic liquidity reserve if needed, as are available bilateral lines of credit from banks. The credit facilities and the bond placed on the capital markets are subject to the customary market conditions based on Voith's rating and its contractual terms and conditions. These instruments will secure long-term growth in a changing global market. Voith has given high priority to the availability of liquidity from existing loan agreements. For this reason, compliance with the terms and conditions of the respective contracts is monitored on an ongoing basis. As in the prior years, all contractual terms and conditions were complied with in fiscal 2011/12.

The rating agency Moody's confirmed the investment grade "Baa2 stable" rating once again in February 2012.

With regard to securities, the Group generally holds isolated direct investments. Fluctuations in the value of these investments as a whole are recognized directly in equity. Market losses are recognized in profit and loss only if there is objective evidence that the fair value of an investment is sustainably or significantly impaired. The sustainability criterion is met if the impairment lasts longer than 12 months. If the fair value of the investment falls more than 30% below its cost, this is regarded as a significant impairment. It should be noted that all investment decisions are based on thorough analysis of fundamental data. Any market risks to share prices are analyzed continuously.

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

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

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

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

Infrastructure risks

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

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

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

To avoid environmental and health risks, all production processes in the Voith Group are subject to strict corporate guidelines on quality, risk management, and industrial safety and environmental protection. Integrated management systems monitor compliance with these guidelines and ensure that both production and products consistently meet the same high quality and environmental standards. Since the 2009/10 fiscal year, data relevant to the environment has been systematically recorded and analyzed. In the period under review, an eco-compliance concept was worked out for the Voith Group. This will be rolled out to Germany in fiscal 2012/13 using special software, and implemented worldwide by 2013/14. The software takes into account the Group's structure down to the level of plant and department. The specific environmental requirements and laws are allocated to the respective levels accordingly. The central legal database informs users when the applicable legislation is changed anywhere in the world. Changes in the law are then forwarded to the plant managers or heads of department accordingly. The database also generates a corresponding measure for review. Their degree of processing can be tracked in the system. Environmental risks can thus be identified at an early stage and appropriate countermeasures initiated. Adequate accounting provisions have been made for residual risks.

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

VIII.1.3. Risks to performance

Contractual risks

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

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

Technical risks

The technical risks identified by Voith are innovation-related risks, sourcing risks and sales risks due to decreasing customer satisfaction.

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

Collaboration with suppliers on the global procurement markets involves three types of risk: supply outages, unforeseen cost increases and non-compliance with environmental and social standards. We have embedded effective measures to secure our supplies—supplier selection and order processing—in our processes. Moreover, a permanent Group-wide risk management process has been implemented to identify supply risks and the risk of insolvency among suppliers at an early stage. The dual sourcing system excludes dependence on individual suppliers to the greatest possible extent. Back-up strategies are thus in place in case suppliers who provide core components for the Group's business processes should default. Moreover, in the 2011/12 fiscal year Voith once again used all means at its disposal to contain the risks posed by cost increases. It did so by concluding fixed-price contracts. Suppliers' compliance with environmental and social standards is checked by means of audits.

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

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

VIII.1.4. Overall risk

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

VIII.2. Opportunities

VIII.2.1. Macroeconomic opportunities

Growth even under difficult economic circumstances

In spite of the great uncertainties in the global economy, Voith developed well in the period under review. The restructuring measures underway at Voith Paper are a painful but necessary step to align our paper business to changes in the wider environment and remain on our course for long-term growth. We are constantly working on deepening our roots in Asia to be able to exploit the opportunities offered by this region in the mid- to long-term. Research and development activities have been pursued with undiminished intensity and focused on the global megatrends and the needs of growth markets. Even under difficult macroeconomic conditions, Voith's diversified product and service portfolio offers the Group opportunities for profitable growth.

In light of the potential of the emerging markets to catch up in the areas of infrastructure, incomes and living standards, and demographic development, the significance of these regions for the global economy will continue to increase. Voith offers the capital goods and services that are urgently needed to develop the economic infrastructure in emerging countries. This portfolio includes hydro power plants, paper machines, components for the development of local public transport and rail transport networks, products for use in power plants, steel mills and production of raw materials, and technical services for new factories and high-performance industries. We see participating in the dynamic development in these regions and contributing to their value creation as an opportunity for Voith. To take advantage of these growth opportunities, we established new offices, production sites and service centers and hired qualified employees in recent years, particularly in Asia and Latin

America. These investments in international markets also benefit German locations where research and development, quality control and production are strengthened.

VIII.2.2. Strategic opportunities

Global orientation

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

A diversified, profitability-focused portfolio

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

Strong innovative power

As a global provider of leading-edge technology and industrial services Voith attaches great importance to research and development. Despite adverse economic conditions, Voith has invested over a quarter of a billion euros in R&D each of the last five fiscal years, producing key innovations which lay the groundwork for future business successes. We see a strategic growth opportunity in transferring our existing expertise to new areas of application, serving additional parts of the value chain in existing customer sectors and developing new markets.

Long-term corporate development

The Voith company has been owned by the Voith family since its inception in 1867. The main concern of the shareholders, the Supervisory Board, the Board of Management and employees alike is to expand the company and pass it on in better shape than ever to coming generations. Thanks to our modest distribution policy, Voith has sufficient financial resources to fuel continuous, attractive growth, the trajectory of which can be planned over extended periods. An equity ratio of 23.1% (previous year: 22.1%) and a stable financial position are the sound basis on which the Group will continue to develop successfully in the future.

Sustainability with opportunities for all Group Divisions

We have set ourselves the goal of leading our markets and industries also in terms of sustainability. We are convinced that those companies which place sustainability at the heart of their corporate strategy and make it the theme of their corporate mission will count among the best and most successful in their industries in the coming years. We have made progress in anchoring sustainability in our corporate philosophy and integrating it throughout our value chain. This has resulted in strategic opportunities in all Group Divisions, some of which we are already exploiting. As the technological leader in the hydro power industry, Voith Hydro is making a contribution towards a form of power generation that is both renewable and has little impact on the climate. Recent developments in small hydro power plants (with a generating capacity of up to 30 MW per turbine) point the way forward. Voith Industrial Services puts great store on sustainability issues, such as environmental protection and industrial safety, and has frequently been awarded by its customers for doing so. Voith Paper has won a range of awards for its innovative paper production methods that save natural resources and protect the environment. Voith Turbo develops resilient low-emission braking systems, hybrid drive technologies and air compressors which can reduce the fuel consumption of all kinds of vehicles. Comprehensive information on sustainability can be found in Section VI of this management report, “Non-financial performance indicators”.

VIII.3. Internal control and risk management system for the Group financial reporting process

Proper and reliable accounting

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

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

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

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

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

Accounting is decentrally organized. Accounting entries are recorded in the separate financial statements of the subsidiaries of Voith GmbH. Risk control matrices have been developed at corporate headquarters for the most significant line items that, from a Group perspective, are exposed to an elevated risk of misstatement. These matrices must be applied by the subsidiaries when preparing their end-of-year financial reporting. These matrices present the most significant accounting-related risks for the line items of the financial reporting and contain corresponding instructions on controlling activities, responsibilities and documentation duties. Among other elements, the control activities comprise analytical reviews as well as processing and controlling of key and complex business transactions by various people. Complex accounting issues (e.g. financial instruments) are referred to corporate departments or external experts (e.g. measuring the pension obligation). The activities and controls for these subjects are also considered in the risk control matrices.

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

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

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

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

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

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

IX. Forecast report

IX.1. Business environment

Moderate growth of the global economy

As at the editorial deadline for this management report in November 2012, the global economy was highly volatile and characterized by continued uncertainty. Our expectations for the economy in the coming two years remain reserved as there are discernible downside risks on account of developments in the euro zone, the economic slowdown in emerging economies and the possibility of another oil price shock.

For fiscal years 2012/13 and 2013/14 we expect the global economy to grow at around the same low level as in the period under review and that the markets will remain nervous. The International Monetary Fund (IMF) is forecasting an increase in global gross domestic product of 3.6% for 2013, after 3.3% in 2012. This trend will vary considerably from region to region. At 1.5%, average growth in the industrialized countries in 2013 can be described as weak. Germany's growth rate is likely to lie around 0.9% in 2013. In the emerging markets, by contrast, an increase of 5.6% is expected in 2013. The IMF predicts growth rates of 8.2% for China, 6.0% for India and 4.0% for Brazil in 2013. The IMF is forecasting average growth of 5.8% in 2013 for the ASEAN region, consisting primarily of Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

The moderate growth scenario from a global perspective is threatened by a range of risks in the industrialized countries which Voith is observing closely. Our forecast business development is based on the assumption that no economic or political shocks occur. Rather, we have assumed that needed reforms will progress and sovereign debt levels reduced, and that the political stalemate in the USA, China and India will be soon overcome. However, if the situation were to escalate critically, this would have additional, as yet unforeseeable consequences which could also impact Voith's business development.

Voith markets with prospects for the future

In the Company's opinion, all five markets served by Voith will see a moderate growth trajectory in the coming two fiscal years. However, the nature and course of this trajectory will depend on the development of the global economy as a whole, which is currently difficult to predict.

The energy market is characterized by increasing demand, for both clean, renewable energy and for electricity generated by conventional means. Hydro power will continue to play a key role in the energy mix of the future.

Demand for oil and gas will rise due to the vast need for energy, particularly in countries outside the OECD. Increased investing activity can be expected in the industry due to the effort needed to extract difficult-to-access reserves and more stringent safety requirements.

In spite of the fundamental shift in the paper industry, we expect global consumption of paper and board to keep growing. We anticipate major impetus from growth in particular from China, India and South America on account of the growing middle class in these countries. We perceive growth potential for board and packaging paper, as well as tissue. However, there is greater competition and pressure on prices in these segments than in the rapidly diminishing market for graphic grade papers.

The raw materials market is heavily dependent on the economy in the short term, but is characterized by a long-term growth trend. Growth drivers are the industrialization in the up-and-coming Asian countries on the one hand and by increasing global energy demand linked to high demand for coal on the other.

The segments of the transport and automotive market served by Voith are expected to develop positively during the coming two years.

IX.2. Future development of the Company

Positive development based on slower growth of the global economy

For the coming two fiscal years, we expect the business of the Voith Group to continue to develop positively and assume that three of our four Group Divisions, Voith Hydro, Voith Industrial Services and Voith Turbo, will continue to generate higher sales and operational results in the reporting periods 2012/13 and 2013/14. The sales of Voith Paper are expected to stabilize at best on account of the adverse market but its profit from operations should improve. This development forecast is based on the assumption that the global economy will grow at the same slow rate as in the period under review and not fall back into recession. Our expectations for Voith are based to a large degree on high investments in infrastructure in growth regions and an economic recovery in the USA. China is expected to play a major role in the future development of our Company in the coming two years.

At Voith Hydro, the high number of orders on hand will lead to rising sales in the coming two years. Increasing sales will also affect earnings. After a slight recovery in the first year, the market is expected to pick up steam in the second year of the planning period as major projects will be placed in addition to the stable base demand. We intend to participate in this development accordingly and have projected our order book to develop in fiscal 2012/13 roughly at the same level as in the period under review and then pick up in fiscal 2013/14. Voith Hydro sees the greatest potential in the two fiscal years in Brazil, China, India and Canada, where a number of new hydro power plant projects, some of them large-scale, are scheduled. Modernization projects are scheduled in North America and Japan. The improvement of the pumped storage market in Europe has been delayed. In the medium term, too, we see the prospects for Voith Hydro as positive. The hydro power sector is enjoying increasing demand worldwide, which will have a delayed effect due to the long planning and approval times involved. Moreover, in connection with the expansion of other renewable energy sources, increased demand is expected in the area of pumped storage power plants. We believe that our product portfolio is well positioned with a wide regional footing in order to take an appropriate share of this attractive market.

At Voith Industrial Services, we expect sales and our profit from operations to grow in fiscal years 2012/2013 and 2013/14 and our return on sales to improve. We expect the sales of the Automotive division with automobile manufacturers and automotive suppliers to increase slightly on account of the slower growth in automobile production worldwide. We have forecast a growing number of orders for Energy-Petro-Chemicals in the two planning years, due to the high demand for turnaround maintenance as well as engineering and installation projects. The Industries division is also expected to continue on a course of growth with the new LED business being the strongest driver for growth in addition to the core business of the division. The Engineering Services division will profit in the mid-term from numerous tenders for development projects for passenger vehicles in

Europe and the BRIC countries. The joint venture with P3 Ingenieurgesellschaft will contribute to the planned sales growth. Fiscal year 2012/13 marks the first year in which this entity will be consolidated for the full year.

Voith Paper is planning on a stable amount of sales and orders received over the coming two fiscal years at more or less the same level as in the period under review. We nevertheless expect systems business (new machines and major rebuilds) to stagnate yet believe there will be moderate growth in business with products, consumables and services. The reason for the less-than-rosy prospects lie in the slump in demand for paper-making machines for graphic grade papers. This is due to the structural shift towards the digital society and has been exacerbated by the uncertainties in the global economy, which will have an unfavorable impact on the investment decisions of paper producers. Despite these trends, the profit from operations of Voith Paper is forecast to grow again in the coming fiscal periods as the restructuring measures already initiated will result in the first positive effects. Irrespective of the short- and medium-term deterioration in the wider environment, we still expect paper consumption to increase in the long-term. Major stimulus for growth is expected in the board and packaging paper segments, as well as tissue and specialty papers. Regionally, China, India and South America are likely to show the highest growth. Business with products, consumables and services will continue to rise in significance. The organizational changes initiated in the period under review and our continuing strengths in product development put us on a good footing to exploit market opportunities as they arise.

Voith Turbo is forecasting a slight fall in sales in fiscal year 2012/13, returning to a stronger growth in sales the following year. The profit from operations will also develop positively in the two planning years thanks in part to the launch of efficiency programs. Based on the assumption that the global economy will display moderate growth, we also expect the level of orders received to be up in both years of the planning period. The long-term trend of rising demand for raw materials, energy and industrial goods will ensure that the Industry division continues to enjoy good demand in the mid-term. From a regional perspective, the drivers of growth will continue to be Asia Pacific, the Middle East, and South America, where we will expand our global service network. The Marine division is planning on growth in the mid-term from the offshore and industrial shipping segments. The outlook for the Rail division is also positive on the whole. In China, we expect the change in government to generally be positive for the further expansion of infrastructure, especially the Chinese high-speed rail network. In the Road division, Voith is forecasting a gradual recovery of the market. Regional stimulus from the BRIC states is expected as witnessed in the past.

Profitable growth in the Group

For the 2012/13 and 2013/14 fiscal years, Voith expects Group sales to keep rising based on the assumption of the continuing low growth of the global economy. The predicted sales growth is due to the high level of orders on the books at the end of the period under review as well as a rising level of orders expected over the planning period. The improvements to the product mix and the efficiency gains already realized will lead to an improvement in Voith's result in each of the coming two years of the planning period. We are forecasting a significant improvement in our net income.

In the coming two fiscal years investments will be at approximately the same level as the current year. As in the period under review, these investments will be financed from the cash flow from operating activities. Our financing strategy will continue to focus on diversity and long-term funding.

Forecasts are always subject to considerable uncertainty. A host of macroeconomic and industry-specific factors can influence, positively or negatively, the corporate planning of individual divisions or the entire Group. We will closely observe further developments and, where necessary, respond rapidly and decisively to changing conditions. In light of the elevated level of general economic risks and in order to avoid achieving growth at the cost of increasing business risk, we will thoroughly check large investments in particular, prior to approval, taking into account the development of the relevant business. In this way, we wish to avoid setting up capacities that cannot be utilized promptly. The aim of Voith GmbH's Board of Management is to keep the Company on a secure footing for the long term and to actively steer it out of this challenging decade of the 21st century. Voith is ideally equipped for the challenges of the future: we have a portfolio that is fit for the future, sufficient financial strength with reliable long-term access to capital, an efficient organization and an outstanding workforce.

North America
Sales: €873 million
Employees: 5,739
Europe
Sales: €2,679 million
Employees: 25,127
Asia/
Australia/
Oceania
Sales: €1,405 million
Employees: 5,581
Central/
South America
Sales: €668 million
Employees: 5,752
Africa
Sales: €99 million
Employees: 128

Consolidated Financial Statements

Consolidated statement of income

for the period from October 1, 2011 to September 30, 2012

in € thousands	Note	2011/12	2010/11
Sales	(1)	5,723,551	5,593,591
Changes in inventories and other own work capitalized	(2)	51,726	27,522
Total output		**5,775,277**	**5,621,113**
Other operating income	(3)	380,993	392,663
Cost of material	(4)	-2,369,638	-2,309,304
Personnel expenses	(5)	-2,095,753	-1,982,615
Depreciation and amortization		-182,312	-188,976
Other operating expenses	(6)	-1,167,172	-1,116,468
Operational result before non-recurring result		341,395	416,413
Non-recurring result	(7)	-95,278	-14,124
Operational result		246,117	402,289
Share of profits from associates		7,445	3,659
Interest income		11,925	19,433
Interest expenses		-89,766	-101,832
Other financial result	(8)	1,125	-1,859
Income before taxes		**176,846**	**321,690**
Income taxes	(9)	-62,857	-122,040
Net income		**113,989**	**199,650**
Net income attributable to shareholders of the parent company		92,347	178,449
Net income attributable to holders of non-controlling interests		21,642	21,201

Consolidated statement of comprehensive income

for the period from October 1, 2011 to September 30, 2012

in € thousands	2011/12	2010/11
Net income	**113,989**	**199,650**
Gains/losses on available-for-sale financial assets	-54,505	89,312
Gains/losses on cash flow hedges	1,090	6,007
Gains/losses on currency translation	17,684	-8,473
Gains/losses on net investments in foreign operations	2,885	-125
Share of associates in other comprehensive income	0	15
Tax on other comprehensive income	15,669	-19,734
Other comprehensive income	**-17,177**	**67,002**
Total comprehensive income	**96,812**	**266,652**
Total comprehensive income attributable to shareholders of the parent company	72,176	243,185
Total comprehensive income attributable to holders of non-controlling interests	24,636	23,467
	96,812	**266,652**

Consolidated balance sheet

as at September 30, 2012

Assets

in € thousands		Note	2012-09-30	2011-09-30
A.	**Non-current assets**			
I.	Intangible assets	(10)	770,630	718,057
II.	Property, plant and equipment	(11)	1,251,711	1,162,045
III.	Investments in associates	(12)	36,082	29,233
IV.	Securities	(16)	223,840	261,602
V.	Other financial assets	(12)	36,857	31,416
VI.	Other financial receivables	(15)	87,683	93,204
VII.	Other assets	(15)	41,731	41,738
VIII.	Deferred tax assets	(9)	145,505	140,129
Total non-current assets			**2,594,039**	**2,477,424**
B.	**Current assets**			
I.	Inventories	(13)	860,220	822,079
II.	Trade receivables	(14)	1,213,821	1,150,432
III.	Securities	(16)	42,233	49,944
IV.	Current income tax assets		113,237	79,109
V.	Other financial receivables	(15)	103,840	131,414
VI.	Other assets	(15)	145,947	167,582
VII.	Cash and cash equivalents	(17)	916,894	927,140
			3,396,192	**3,327,700**
VIII.	Assets held for sale	(18)	1,270	10,054
Total current assets			**3,397,462**	**3,337,754**
Total assets			**5,991,501**	**5,815,178**

Equity and liabilities

in € thousands		Note	2012-09-30	2011-09-30
A.	**Equity**			
I.	Issued capital		120,000	120,000
II.	Revenue reserves		990,030	901,450
III.	Other reserves		105,166	125,337
IV.	Profit participation rights		6,600	6,600
Equity attributable to shareholders of the parent company			**1,221,796**	**1,153,387**
V.	Profit participation rights		91,800	91,800
VI.	Other interests		69,942	42,144
Equity attributable to holders of non-controlling interests			**161,742**	**133,944**
Total equity		(19)	**1,383,538**	**1,287,331**
B.	**Non-current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	430,022	423,895
II.	Other provisions	(21)	206,348	155,347
III.	Income tax liabilities		3,219	7,263
IV.	Bonds, bank loans and other interest-bearing liabilities	(22)	1,000,722	934,292
V.	Other financial liabilities	(24)	19,762	28,130
VI.	Other liabilities	(24)	67,145	82,362
VII.	Deferred tax liabilities	(9)	125,098	130,927
Total non-current liabilities			**1,852,316**	**1,762,216**
C.	**Current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	26,887	25,679
II.	Other provisions	(21)	313,092	303,784
III.	Income tax liabilities		103,443	109,905
IV.	Bonds, bank loans and other interest-bearing liabilities	(22)	233,359	327,084
V.	Trade payables	(23)	557,513	587,805
VI.	Other financial liabilities	(24)	317,018	325,897
VII.	Other liabilities	(24)	1,204,335	1,078,690
			2,755,647	**2,758,844**
VIII.	Liabilities directly associated with the assets classified as held for sale	(18)	0	6,787
Total current liabilities			**2,755,647**	**2,765,631**
Total equity and liabilities			**5,991,501**	**5,815,178**

Statement of changes in equity

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

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders of the parent company		
2010-10-01	**120,000**	**810,467**	**24,164**	**-5,534**	**49,429**
Net income		178,449			
Other comprehensive income			71,175	4,396	-10,744
Total comprehensive income	**0**	**178,449**	**71,175**	**4,396**	**-10,744**
Allocation of reserves to profit participation rights		-4,587			
Changes in non-controlling interests		-1,112			
Share of income attributable to profit participation rights					
Issue of profit participation rights					
Dividends		-76,000			
Capital increases by holders of non-controlling interests					
Non-controlling interests—put options		-1,243			
Other adjustments		-4,524			
2011-09-30	**120,000**	**901,450**	**95,339**	**-1,138**	**38,685**

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

			Equity attributable to holders of non-controlling interests			
Net investments in foreign operations	Profit partici-pation rights	Total	Profit partici-pation rights	Other interests	Total	Total equity
-7,458	**6,600**	**997,668**	**76,800**	**32,788**	**109,588**	**1,107,256**
		178,449		21,201	21,201	199,650
-91		64,736		2,266	2,266	67,002
-91	**0**	**243,185**	**0**	**23,467**	**23,467**	**266,652**
	363	-4,224	4,224		4,224	0
		-1,112		-531	-531	-1,643
	-363	-363	-4,224		-4,224	-4,587
		0	15,000		15,000	15,000
		-76,000		-17,755	-17,755	-93,755
		0		4,728	4,728	4,728
		-1,243		-4,077	-4,077	-5,320
		-4,524		3,524	3,524	-1,000
-7,549	**6,600**	**1,153,387**	**91,800**	**42,144**	**133,944**	**1,287,331**

Consolidated cash flow statement

in € thousands	2011/12	2010/11
Income before taxes	176,846	321,690
Depreciation and amortization	183,330	192,016
Interest expenses/income	77,841	82,399
Other non-cash items	1,000	-8,221
Gains/losses from the disposal of property, plant, equipment and intangible assets	-1,612	-10,269
Gains/losses from investments	-503	-137
Changes in other provisions and accruals	50,103	-39,486
Change in net working capital	-11,464	-127,539
Interest paid	-53,496	-73,409
Interest received	10,010	16,612
Dividends received	3,716	2,253
Tax paid	-103,794	-112,390
Cash flow from operating activities	**331,977**	**243,519**
Investments in property, plant, equipment and intangible assets	-271,183	-210,916
Proceeds from the disposal of property, plant, equipment and intangible assets	13,744	26,072
Investments in financial assets	-9,389	-13,160
Subsequent payments on purchase price of previous acquisitions	0	-64
Acquisitions of subsidiaries	-8,668	-10,495
Sale of subsidiaries	3,027	0
Proceeds from the disposal of financial assets	833	938
Changes in investments in securities	-3,648	-8,949
Cash flow from investing activities	**-275,284**	**-216,574**
Dividends paid	-14,923	-98,342
Contributions from holders of non-controlling interests	1,367	4,728
Acquisition of non-controlling interests	-2,732	-1,643
Other changes in equity	0	15,000
New bonds, banks loans and overdrafts	161,514	103,326
Repayment of bonds, banks loans and overdrafts	-202,974	-349,144
Changes in other interest-bearing financial receivables and liabilities	-19,921	38,185
Cash flow from financing activities	**-77,669**	**-287,890**
Total cash flow	**-20,976**	**-260,945**
Exchange rate movements, valuation changes and changes in consolidated Group	10,730	12,726
Cash and cash equivalents at the beginning of the period	927,140	1,175,359
Cash and cash equivalents at the end of the period	**916,894**	**927,140**

For more information, refer to the “Notes to the consolidated cash flow statement”.

Notes to the consolidated financial statements for the 2011/12 fiscal year

General information

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

The Corporate Board of Management of Voith GmbH authorized the consolidated financial statements for presentation to the Supervisory Board on November 20, 2012.

Pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a HGB, the consolidated financial statements of Voith GmbH for fiscal 2011/12 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). This regulation requires all companies that participate in the capital markets (i.e., whose issued debt is traded on a regulated market in an EU member state) and are domiciled in the EU to prepare their consolidated financial statements solely on the basis of IFRS as endorsed by the EU. The term IFRS also includes the International Accounting Standards (IAS) that are still valid. All binding pronouncements of the International Accounting Standards Board (IASB) as well as the additional requirements of German commercial law pursuant to Sec. 315a HGB have been taken into account.

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

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

Consolidated Group

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

In addition to those entities acting as holding companies, the 2011/12 consolidated financial statements also include all the Group's manufacturing, service and sales companies both in Germany and other countries as at September 30 of each fiscal year. The financial statements of the subsidiaries are prepared for the same period under review as the parent's financial statements, using consistent accounting policies.

Subsidiaries are consolidated in full at the time when the Voith Group obtains control over them and are deconsolidated as soon as the parent loses control over the subsidiary. In 12 cases (previous year: four), Voith exercises control as defined in IAS 27 owing to a majority of voting rights in the relevant decision-making bodies.

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

The following companies are included in the consolidated financial statements:

	2012-09-30	2011-09-30
Voith GmbH and its fully consolidated subsidiaries:		
Germany	63	68
Other countries	142	151
Total fully consolidated companies	**205**	**219**
Associates accounted for using the equity method:		
Germany	4	4
Other countries	12	11
Total associates accounted for using the equity method	**16**	**15**

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

- Voith Turbo Marine SteamTrac B.V., Twello, Netherlands
- Mongstad Elektro-Olje & Gass AS, Mongstad, Norway
- Mongstad Elektro-Industri & Energi AS, Mongstad, Norway
- Voith Engineering Personnel Services GmbH & Co. KG, Chemnitz, Germany
- P3 India Consulting Engineering Pvt. Ltd., Bangalore, India
- P3 North America Consulting Ltd., Montreal, Canada
- Voith Paper Integrated Mill Service Co., Ltd., Sanming, China (formerly: Sanming Pulping & Paper Making Equipment Installation Co., Ltd., Sanming City, China)

The reduction in the number of fully consolidated companies in Germany and other countries is due in the main to the fact that companies were merged within the Group, closed or disposed of.

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

Companies in which Voith GmbH has the power to directly or indirectly exercise a significant influence on financial and operating policy decisions (associates) are accounted for using the equity method. Fluid Logic Systems Private Limited, Ahmedabad, India, in which Voith holds 50 % of the shares and voting rights, was included for the first time in the period under review.

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

VIEH	Voith Industrial Services Process GmbH & Co. KG, Stuttgart
VIAC	Voith Industrial Services GmbH & Co. KG, Heidenheim
VIAS	Voith Industrial Services Ltd. & Co. KG, Stuttgart
VIGG	Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart
VIME	DIW Mechanical Engineering GmbH & Co. KG, Stuttgart
VIPE	Voith Engineering Personnel Services GmbH & Co. KG, Chemnitz
VISD	DIW System Dienstleistungen GmbH & Co. KG, Munich
VISK	Voith Industrial Services GmbH & Co. KG, Stuttgart
VIST	DIW Instandhaltung Ltd. & Co. KG, Stuttgart
VIZ	Voith Industrial Services Holding GmbH & Co. KG, Heidenheim
VPAH	Voith Paper Automation GmbH & Co. KG, Heidenheim
VPFZ	Voith Paper Fabrics GmbH & Co. KG, Heidenheim
VPH	Voith Paper GmbH & Co. KG, Heidenheim
VPMG	Voith Paper Krieger GmbH & Co. KG, Mönchengladbach
VPR	Voith Paper Fiber & Environmental Solutions GmbH & Co. KG, Ravensburg
VPRR	Voith Paper Rolls GmbH & Co. KG, Heidenheim
VPWE	Voith Paper Rolls GmbH & Co. KG, Weissenborn
VPZ	Voith Paper Holding GmbH & Co. KG, Heidenheim
VHH	Voith Hydro GmbH & Co. KG, Heidenheim
VHHC	Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim
VHZ	Voith Hydro Holding GmbH & Co. KG, Heidenheim

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

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

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

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

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

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

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

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

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

VICU Voith Industrial Services Inc., Cincinnati (OH), USA
VIKI Voith Industrial Services GmbH, Kirchseeon, Germany
VIW DIW Instandhaltung GmbH, Vienna, Austria
VIWA Voith Industrial Services Limited, Warwick, UK

Business combinations in fiscal 2010/11

One major business combination in the 2010/11 fiscal year was the acquisition of all shares and voting rights in MinPlus-CDEM Holding B.V., Vaassen, Netherlands, and its subsidiaries by the Voith Paper Group Division.

The know-how and patents of CDEM allow Voith Paper to manufacture sludge processing facilities. These facilities provide the customers of Voith Paper with a unique solution for their sludge processing in the paper manufacturing process. They round off Voith Paper's product portfolio, emphasizing the Group Division's ideal suitability as a business partner for environmentally aware one-stop solutions for the paper industry.

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

The following amounts resulted for the acquired assets and liabilities:

Balance sheet item in € thousands	Acquisition date fair value
Intangible assets	8,218
Receivables	8
Cash and cash equivalents	103
Liabilities and deferred tax liabilities	-2,193
Carrying amount	**6,136**
Goodwill	3,846
Purchase price of the interests purchased	**9,982**
Cash and cash equivalents	-103
Amount financed by liabilities	0
Cash outflows	**9,879**

Consideration in the form of cash and cash equivalents has already been given in full. There are no other purchase price components. No purchase price adjustments were planned.

Under an agreement for advisory services, Voith Paper paid €200 thousand to the seller in 2011 (recognized as other operating expenses). A loan of €500 thousand was granted to the seller for the duration of five years (recognized in non-current assets in the balance sheet).

The acquisition-related costs amounted to €22 thousand.

In fiscal 2010/11, MinPlus-CDEM Holding B.V. and its subsidiaries contributed sales totaling €475 thousand and a net loss of €176 thousand to the Voith Group's consolidated statement of income. If the business combination had already taken place on October 1, 2010, the Group's sales would have amounted to €5,594 million and net income to €199 million.

Business combinations in fiscal 2011/12

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

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

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

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

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

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

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

Business combination with the aerospace engineering activities of P3 Ingenieurgesellschaft

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

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

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

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

The following amounts resulted for the acquired assets and liabilities:

Balance sheet item

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

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

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

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

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

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

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

Other business combinations

The other combinations in the period under review were as follows:

Acquisition of Sanming Pulping & Paper Making Equipment Installation Co., Ltd., Sanming City, China
The Voith Paper Group Division acquired 70% of the entity's shares and voting rights effective May 1, 2012. The primary purpose of the acquisition was to secure existing and create new business opportunities in the field of service and maintenance of paper machines.

The purchase price paid mainly represents the acquired intangible assets, above all in the form of an operating license. There was no further goodwill acquired.

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

Acquisition of a division of KSB On Site Machining BVBA, Belgium
As part of an asset deal the Voith Industrial Services Group Division acquired the OSM (On Site Machining) division of KSB On Site Machining, Belgium, effective April 5, 2012. The acquisition is mainly intended to supplement the product portfolio within the Energy-Petro-Chemicals division.

Consideration in the form of cash and cash equivalents has already been given in full. There are no other purchase price components. No purchase price adjustments are planned. The purchase price was below the fair value of the acquired net assets, giving rise to a negative difference which was released through the statement of income.

In detail, the following amounts of assets and liabilities were acquired in the fiscal year in the acquisitions presented in a condensed manner:

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	1,407
Property, plant and equipment	1,070
Receivables and other assets	769
Cash and cash equivalents	425
Liabilities and deferred tax liabilities	-498
Carrying amount	**3,173**
Negative difference realized through the statement of income	-383
Non-controlling interests	-766
Purchase price of the interests purchased	**2,024**
Cash and cash equivalents	-425
Cash outflows	**1,599**

The other business combinations resulted in total sales of €2,452 thousand and a contribution to the statement of income of the Voith Group amounting to €381 thousand in the 2011/12 fiscal year.

The total acquisition-related costs arising from other business combinations amounted to €130 thousand (recognized as other operating expenses).

In relation to business combinations in previous years and the past fiscal year, expenses of €7,390 thousand (previous year: €5,763 thousand) were recognized for write-downs on assets identified in the context of purchase price allocations.

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

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

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

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

Sale of subsidiaries

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

Basis of consolidation

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

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

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

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

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, offset directly in equity in the reserves. In the case of acquisitions, any excess of cost over the carrying amount and any excess of the carrying amount over cost are offset in full against reserves.

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

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

Foreign currency translation

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

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

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

Differences arising from currency translation are netted with other reserves.

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

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

Currency translation is based on the following key exchange rates:

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

	Closing rate		Average rate	
	2012-09-30	2011-09-30	2011/12	2010/11
US dollar	1.2867	1.3417	1.3040	1.3965
Brazilian real	2.6104	2.4908	2.4596	2.3056
Pound sterling	0.7968	0.8614	0.8250	0.8705
Swedish krona	8.4372	9.2198	8.8102	9.0430
Norwegian krone	7.3662	7.8786	7.5805	7.8687
Canadian dollar	1.2661	1.3983	1.3132	1.3815
Australian dollar	1.2373	1.3807	1.2671	1.3620
Chinese renminbi	8.0884	8.5676	8.2652	9.1344
Japanese yen	100.0988	103.4211	102.4685	112.7896

Accounting policies

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

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

Income and expenses

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

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

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

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

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

Intangible assets

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

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

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

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

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

To determine whether goodwill is impaired, a calculation based on value in use is applied in the Voith Group. This is based on the management's current planning. The planning premises are adjusted to reflect the current information available. Key assumptions on which calculations of value in use are based include assumptions about the trend in orders received and sales, growth rates, extrapolated cash flow forecasts beyond the planning horizon, and discount rates. Due account is taken of reasonable assumptions regarding macroeconomic trends and historical developments.

The Corporate Board of Management of Voith GmbH assumes that it will continue to see a positive business development in the fiscal year 2012/13. The related assumptions for the four segments are outlined below:

Voith Hydro:
After a record level of orders received in the fiscal year 2010/11, the number of orders received returned to normal at Voith Hydro. With market volume set to rise over the next few fiscal years, orders received are likewise expected to increase at Voith Hydro. This development will be influenced above all by the number of contracts for individual large-scale projects awarded. Sales increase on a par with the development of orders received. For the terminal value, the Group Division expects to see a slight increase in orders received and sales.

Voith Industrial Services:
Voith Industrial Services expects to see notable sales growth in all divisions in the coming years. For the terminal value, orders received and sales were forecast to be above their current level.

Voith Paper:
In the medium term, Voith Paper expects the capital equipment business to stagnate. Steady yet moderate growth is forecast for the Products & Services and Fabric & Roll Systems business. For the terminal value, the Group Division expects to see a slight increase in orders received and sales.

Voith Turbo:
Following above-average growth in the last few years, the Voith Turbo Group Division has budgeted lower growth rates for the two forecast years than the average historical rates at Voith Turbo. In the following forecast year and for the terminal value, management expects to return to the long-term historical growth rates in sales and orders received.

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 five-year period. Cash flows for periods after the fifth fiscal year are extrapolated at a constant approximately 1% growth rate. These growth rates do not exceed the average long-term growth rates of the business areas in which the corresponding cash-generating units operate.

The discount rates are derived from a calculation of the weighted average cost of capital, which is itself based on the financing costs of comparable competitors for each of the cash-generating units. The discount rates applied reflect the equity risk specific to each cash-generating unit. After-tax interest rates of 6.9 % (previous year: 7.5 %) for Voith Hydro, 6.3 % (previous year: 7.0 %) for Voith Industrial Services, 7.3 % (previous year: 8.4 %) for Voith Paper and 6.9 % (previous year: 7.4 %) 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 9.4 % (previous year: 10.1%) for Voith Hydro, 8.5 % (previous year: 9.4 %) for Voith Industrial Services, 9.7 % (previous year: 11.5 %) for Voith Paper and 9.4 % (previous year: 10.1%) for Voith Turbo.

Property, plant and equipment

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

Useful life

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

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

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

Leased assets

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

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

Financial assets and securities

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

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

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

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

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

Available-for-sale securities are recognized separately in equity, taking due consideration of deferred taxes, until such time as they are realized. Available-for-sale securities are assets that are not held for trading.

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

Fair value

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

Inventories

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

Long-term construction contracts

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

Receivables and other assets

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

Derivative financial instruments and hedging

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

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

Hedges which 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 the period. In the case of fair value hedges, the carrying amount of a hedged item is adjusted by the profit or loss that is attributable to the hedged exposure. The derivative financial instrument is remeasured at its fair value and any gains or losses arising as a result are recognized in profit or loss.

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

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

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

Cash flow hedges

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

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

If the forecast transaction is no longer expected to occur, amounts previously recognized directly in equity are transferred to profit or loss. 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 as a separate item in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss.

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

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

A treasury tool is used to manage all external hedges.

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

Embedded derivatives

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

Cash and cash equivalents

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

Non-current assets and disposal groups held for sale

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

Deferred and current taxes

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

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

Profit participation rights

Pursuant to IAS 32, the conditions defined for the issues of profit participation rights amounting to €83,400 thousand in fiscal 2006/07 and fiscal 2008/09 require these rights to be reported as a separate component of the Group's equity. In fiscal 2010/11, additional profit participation rights amounting to €15,000 thousand were issued, which also constitute a component of equity pursuant to IAS 32. Interest is not reported as interest expenses, but is treated in a similar manner to a dividend obligation.

Provisions for pensions and similar obligations

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

In measuring its defined benefit liability pursuant to IAS 19.54, a company must recognize a portion of its actuarial gains and losses as income or expenses if the net cumulative unrecognized actuarial gains and losses at the end of the previous period under review exceeded the greater of:
a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
b) 10% of the fair value of any plan assets at that date.

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

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

Other provisions

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

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

Liabilities

Current liabilities are stated at the amount needed to settle the obligation. Financial liabilities are measured at their amortized cost. Amortized cost corresponds to the cost of the financial liabilities adjusted for repayments, issue costs and the amortization of any debt discounts or debt premiums.

Where liabilities are accounted for as hedged transactions, they are measured taking into account the market value of the hedged risk. Gains and losses are recognized in profit or loss.

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

Government grants

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

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

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

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

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

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

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

Amounts reclassified from equity to financial liabilities totaled €71,942 thousand in fiscal 2011/12 (previous year: €59,924 thousand).

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

Financial guarantee contracts

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

Exercise of judgment and estimates by management

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

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

Revenue recognition from long-term construction contracts

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

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

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

Trade and other receivables

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

Impairment of goodwill

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

Development costs

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

Pension obligations

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

Other provisions

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

Taxes

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

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

Adoption of amended and new standards and interpretations

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

In fiscal 2011/12, the following revised IFRS and IFRIC were applied for the first time.

Amendment to IAS 24: "Related Party Disclosures"

The amendments to IAS 24 clarify the definition of a related party and of reportable transactions. Based on the clarified definition, information on relationships with non-controlling interests will no longer be provided.

Amendment to IFRIC 14: "Prepayments of a Minimum Funding Requirement"

The amendment applies when an entity is subject to minimum funding requirements and pays the amounts in advance. It now allows an entity to recognize the economic benefit from such prepayment as an asset. The amendment currently does not have any impact on the net assets, financial position and results of operations in the Voith Group.

Amendments to IFRS 7: "Financial Instruments: Disclosures"

The amendments improve users' understanding of transfer transactions of financial assets (for example, securitizations) including the understanding of possible risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if substantial transfers are undertaken towards the end of the period under review. The amendments did not give rise to any extended disclosures in these consolidated financial statements.

Annual Improvements Project—May 2010

The amendments encompass corrections and clarification of content and terminology and did not have any impact on the net assets, financial position and results of operations in the Voith Group.

Adoption of the following IFRS and IFRIC was not yet compulsory in fiscal 2011/12 and/or they had not yet been endorsed by the European Commission for adoption in the European Union.

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

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

The amendment introduces a rebuttable presumption that the carrying amount is recovered through sale. This amendment is effective for fiscal years beginning on or after January 1, 2012. This amendment has no impact on the Voith Group because the remeasurement method is not used.

Amendments to IAS 1: "Presentation of Financial Statements"
As a result of the amendment, "other comprehensive income" presented in the statement of comprehensive income must in future be broken down to distinguish between income that is later reclassified to the statement of income, and income that is not. The amendments are effective for fiscal years beginning on or after January 1, 2012.

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

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

As Voith used the corridor method in the past, there will be larger fluctuations in equity in future. The cumulative actuarial losses as at September 30, 2012 came to €206 million and will reduce equity with retroactive effect as at the date of first-time adoption. The expected return on plan assets amounting to €9 million and realized actuarial losses of €2 million were recognized in profit or loss for the fiscal year 2011/12 (for the amounts, refer to note 20). The future effects on profit or loss as a result of first-time adoption are currently being analyzed.

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

IFRS 11: "Joint Arrangements"

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

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

IFRS 12: "Disclosure of Interests in Other Entities"

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

IFRS 10, 11 and 12 are effective for fiscal years beginning on or after January 1, 2013. Potential effects on the net assets, financial position and results of operations and on additional disclosures in the notes of the Voith Group are currently being assessed.

IFRS 13: "Fair Value Measurement"

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

IFRS 13 is applied if another IFRS prescribes or permits measurement at fair value, or disclosures on the measurement of fair value are required. IFRS 13 is applicable prospectively for fiscal years beginning on or after January 1, 2013. Potential effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

Amendments to IAS 32:
"Financial Instruments: Presentation"

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

Amendments to IFRS 7:
"Financial Instruments: Disclosures"

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

Annual Improvements Project (2009—2011)—May 2012

The amendments encompass specific corrections and clarification of content and terminology and become effective for the first time for fiscal years beginning on or after January 1, 2013. Effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

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

Notes to the consolidated statement of income

(1) Sales

By division

in € thousands	2011/12	2010/11
Core business		
Voith Hydro	1,315,206	1,227,703
Voith Industrial Services	1,101,015	1,005,734
Voith Paper	1,738,084	1,826,608
Voith Turbo	1,551,038	1,520,130
	5,705,343	**5,580,175**
Other	**18,208**	**13,416**
	5,723,551	**5,593,591**

By region

in € thousands	2011/12	2010/11
Voith Group		
Germany	1,202,822	1,151,749
Rest of Europe	1,476,434	1,507,112
Americas	1,541,044	1,277,416
Asia	1,354,608	1,511,542
Other	148,643	145,772
	5,723,551	**5,593,591**

Services totaling €2,200 million (previous year: €2,022 million) are included in the sales figures.

(2) Changes in inventories and own work capitalized

in € thousands	2011/12	2010/11
Changes in inventories of finished goods and work in progress	30,040	8,693
Other own work capitalized	21,686	18,829
	51,726	**27,522**

(3) Other operating income

in € thousands	2011/12	2010/11
Income from the utilization of contract-specific provisions	106,897	99,660
Income from the reversal of provisions and accruals	97,766	94,170
Foreign exchange gains	87,592	95,323
Recovered bad debts	10,166	11,203
Gains on the disposal of intangible assets and property, plant and equipment	6,941	12,447
Other income	71,631	79,860
	380,993	**392,663**

Gains on the disposal of intangible assets and property, plant and equipment include gains of €1,887 thousand (previous year: €0) from the disposal of assets held for sale.

(4) Cost of material

in € thousands	2011/12	2010/11
Cost of material and supplies and of purchased merchandise	1,799,971	1,782,198
Cost of purchased services	569,667	527,106
	2,369,638	**2,309,304**

(5) Personnel expenses

in € thousands	2011/12	2010/11
Wages and salaries	1,700,824	1,605,413
Social security, pension and other benefit costs	394,929	377,202
	2,095,753	1,982,615

Number of employees

	Annual average		As at the reporting date	
	2011/12	2010/11	2012-09-30	2011-09-30
Wage earners	23,663	23,590	24,683	23,834
Salaried employees	17,429	16,423	17,644	16,857
	41,092	40,013	42,327	40,691
Trainees and interns	1,206	1,246	1,206	1,246
	42,298	41,259	43,533	41,937

Number of employees by region

	Annual average		As at the reporting date	
	2011/12	2010/11	2012-09-30	2011-09-30
Germany	17,049	17,120	17,316	17,429
Rest of Europe	7,413	7,411	7,811	7,462
Americas	11,385	11,014	11,491	11,030
Asia	5,019	4,270	5,481	4,557
Other regions	226	198	228	213
	41,092	40,013	42,327	40,691

(6) Other operating expenses

in € thousands	2011/12	2010/11
Increase in provisions	213,942	189,996
Other selling expenses	368,850	359,309
Other administrative expenses	274,439	290,563
Foreign exchange losses	103,617	85,827
Rent for buildings and machinery	72,251	69,897
Bad debt allowances	9,577	13,240
Losses on the disposal of intangible assets and property, plant and equipment	6,151	2,211
Other expenses	118,345	105,425
	1,167,172	1,116,468

(7) Non-recurring result

The non-recurring result primarily includes expenses arising from major restructuring activities as well as measures addressing personnel capacity.

In the fiscal year 2011/12 the non-recurring result mainly reflects restructuring measures at Voith Paper amounting to €-84 million. In May 2012, Voith Paper initiated comprehensive restructuring in response to the sustained structural slump in the market for graphic grade paper machines. As a result, manufacturing and engineering capacities at a number of locations were bundled and there are plans to reduce the headcount by approximately 990 worldwide. In addition, the non-recurring result includes expenses of €7 million to reduce capacity to address the structural changes at Voith Industrial Services and expenses of €4 million from discontinuing certain activities at Voith Turbo.

The non-recurring result for the fiscal year 2010/11 included measures at Voith Industrial Services amounting to €-10 million, primarily due to adjustments within the scope of restructuring the Group Division as well as the associated sale of subsidiaries. In addition, Voith Turbo contributed €-4 million to the non-recurring result due to planned restructuring activities.

The following expenses have been incurred:

in € thousands	2011/12	2010/11
Personnel expenses	-90,265	-7,126
Impairment losses	0	-699
Other expenses	-6,825	-6,299
Cost of material	-1,867	0
Income from the reversal of provisions	3,679	0
	-95,278	**-14,124**

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

(8) Other financial result

in € thousands	2011/12	2010/11
Income from investments	503	136
Impairment of other investments and loans	-1,018	-2,011
Impairment of securities	0	-330
Income from securities and loans	1,640	346
	1,125	**-1,859**

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

(9) Income taxes

in € thousands	2011/12	2010/11
Current taxes	-61,351	-134,005
Deferred taxes	-1,506	11,965
	-62,857	**-122,040**

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

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

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

Deferred tax income arising from temporary differences amounted to €2,781 thousand (previous year: €17,685 thousand).

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

The deferred tax expense from unused tax losses came to €5,720 thousand in fiscal 2010/11. This mainly includes write-downs of deferred tax assets recognized in fiscal 2009/10 amounting to €1,505 thousand and the reduction of deferred tax assets recognized on unused tax losses due to the adjustment of unused tax losses from the previous year of €5,748 thousand. The effects arising from use of the unused tax losses recognized in the previous year mostly reflect the new unused tax losses recognized.

In addition, there was a reduction of €811 thousand (previous year: €4,037 thousand) in current income taxes from the use of previously unrecognized deferred tax assets on unused tax losses.

As at September 30, 2012, unused tax losses of €6,075 thousand (previous year: €31,786 thousand) for German trade and corporate income taxes, plus another €415,015 thousand (previous year: €376,531 thousand) for German trade tax, plus €122,677 thousand (previous year: €107,154 thousand) for previously non-deductible interest expenses under German law, and €67,924 thousand (previous year: €69,064 thousand) for foreign taxes were not recognized as deferred tax assets as there was no reasonable expectation that the related unused tax losses would be used in the near future. Owing to the ongoing tax field audit of the companies in Germany and abroad, further changes may be made to the unused tax losses.

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

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

in € thousands	2012-09-30		2011-09-30	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	9,278	70,146	11,089	62,511
Property, plant and equipment	4,648	57,337	2,896	56,565
Financial assets and securities	253	9,937	2,418	21,024
Inventories and receivables	32,580	64,910	19,981	51,806
Other assets	6,169	21,407	5,414	21,443
Pension provisions	40,862	1,663	37,045	1,004
Financial liabilities	4,334	5,122	5,036	7,491
Other provisions and liabilities	107,993	9,084	98,166	6,515
Write-downs on deferred tax assets arising from temporary differences	-10,688		-15,375	
Unused tax losses	64,584		70,891	
Netting	-114,508	-114,508	-97,432	-97,432
Disclosure in the balance sheet	**145,505**	**125,098**	**140,129**	**130,927**

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

Reconciliation of expected and effective tax expense:

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

in € thousands	2011/12	2010/11
Profit before income tax	176,846	321,690
Expected tax expenses	52,771	95,992
Deviations from expected tax rates	3,211	-1,061
Effect of changes in tax rates	-2,884	384
Tax-free income	-5,053	-14,408
Non-deductible expenses	23,735	26,219
Taxes relating to other periods	-18,471	29,870
Change in write-downs on deferred tax assets	8,287	-23,561
Other tax effects	1,261	8,605
Income taxes	**62,857**	**122,040**
Effective tax rate (%)	35.5%	37.9%

No deferred taxes were recognized on temporary differences of €750,306 thousand (previous year: €752,082 thousand) arising on investments in subsidiaries, since the criteria specified in IAS 12.39 were met.

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

Notes to the consolidated balance sheet

(10) Intangible assets

Development of intangible assets from October 1, 2010 to September 30, 2011

in € thousands	Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets	Goodwill	Development costs	Prepayments	Total
Cost 2010-10-01	**173,218**	**633,871**	**99,717**	**441**	**907,247**
Changes in the consolidated Group	10,685	6,351	0	0	17,036
Currency translation differences	143	1,105	-9	0	1,239
Additions	12,813	0	17,262	1,485	31,560
Capitalized interest	0	0	99	0	99
Disposals	-2,819	0	-1,263	-13	-4,095
Other adjustments	346	2,614	0	0	2,960
Transfers	5,368	0	-56	-293	5,019
Reclassification to assets held for sale	0	-1,747	0	0	-1,747
Cost 2011-09-30	**199,754**	**642,194**	**115,750**	**1,620**	**959,318**
Accumulated amortization and impairment 2010-10-01	**-109,634**	**-54,179**	**-40,690**	**0**	**-204,503**
Currency translation differences	126	0	11	0	137
Amortization	-18,877	0	-10,320	0	-29,197
Impairment losses	-1,002	0	-9,422	0	-10,424
Disposals	2,302	0	1,238	0	3,540
Transfers	-814	0	0	0	-814
Accumulated amortization and impairment 2011-09-30	**-127,899**	**-54,179**	**-59,183**	**0**	**-241,261**
Carrying amount 2011-09-30	**71,855**	**588,015**	**56,567**	**1,620**	**718,057**

No impairment losses pursuant to IAS 36 were required to be recognized on goodwill on the basis of impairment tests performed.

On the basis of current profitability calculations an impairment loss of €3,500 thousand had to be recognized on capitalized development costs in one product area of the Voith Turbo segment that constitutes a cash-generating unit. The recoverable amount used in the calculation corresponded to value in use. A discount rate of 6.65% was used.

In the period under review, further impairment losses of €101 thousand were recognized in the Voith Paper segment.

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

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

In the previous year, impairment losses of €10,424 thousand were recognized on individual assets in the Voith Turbo segment only, as the future potential unit sales volumes in the areas concerned had decreased and calculating the recoverable amount showed that there were thus no longer sufficient potential benefits.

Impairment losses are shown in the statement of income under depreciation and amortization.

Capitalized interest is based on an interest rate of 4.4% (previous year: 4.75%).

(11) Property, plant and equipment

Development of property, plant and equipment from October 1, 2010 to September 30, 2011

in € thousands	Land and buildings including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost 2010-10-01	**740,577**	**1,310,714**	**507,844**	**111,088**	**2,670,223**
Changes in the consolidated Group	0	46	0	0	46
Currency translation differences	1,856	3,451	-531	-4,887	-111
Additions	16,561	58,017	54,612	50,632	179,822
Capitalized interest	1	0	0	16	17
Disposals	-15,423	-27,814	-36,289	-4,380	-83,906
Transfers	29,400	34,759	8,680	-77,858	-5,019
Reclassification to assets held for sale	-1,159	-140	-1,342	0	-2,641
Other adjustments	2,628	662	4,234	-41	7,483
Cost 2011-09-30	**774,441**	**1,379,695**	**537,208**	**74,570**	**2,765,914**
Accumulated depreciation and impairment 2010-10-01	**-306,641**	**-851,603**	**-356,848**	**0**	**-1,515,092**
Currency translation differences	-432	-1,593	229	0	-1,796
Depreciation	-17,695	-75,876	-47,506	0	-141,077
Impairment losses	-2,112	-6,529	-336	0	-8,977
Disposals	9,529	25,139	28,440	0	63,108
Transfers	910	750	-846	0	814
Reclassification to assets held for sale	1,234	140	1,075	0	2,449
Reversal of impairment	0	0	0	0	0
Other adjustments	-2,047	-521	-730	0	-3,298
Accumulated depreciation and impairment 2011-09-30	**-317,254**	**-910,093**	**-376,522**	**0**	**-1,603,869**
Carrying amount 2011-09-30	**457,187**	**469,602**	**160,686**	**74,570**	**1,162,045**

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

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

For individual product areas of the Voith Turbo segment that each constitute a cash-generating unit, impairment losses had to be recognized in the previous year on the basis of profitability calculations. In detail, impairment losses of €4,106 thousand and €2,732 thousand were recorded on machinery for two cash-generating units. An impairment loss totaling a further €2,112 thousand had to be recognized on the joint assets of these cash-generating units (land and buildings). The recoverable amount used for the calculation in each case corresponded to the fair value less costs to sell. As there was no active market, discounted cash flow projections were used for this purpose based on an objective purchaser perspective.

On the basis of updated profitability calculations, an additional impairment loss of €1,075 thousand was recognized in the period under review on one of these cash-generating units. Impairment losses totaling €2,112 thousand that had been recognized in the previous year were reversed on the cash-generating units' joint assets (land and buildings).

Further impairment losses in the period under review due to reduced values in use based on impairment tests relate to the Voith Paper segment (€55 thousand), the Voith Hydro segment (€310 thousand) and the Voith Turbo segment (€70 thousand).

In the previous year, impairment losses of €27 thousand were recognized in the Voith Paper segment in addition to the impairment losses recognized in the Voith Turbo segment.

Impairment losses are shown in the statement of income under depreciation and amortization. Reversals of impairment losses are reported under other operating income.

Capitalized interest is mostly based on an interest rate of 5.5% (previous year: 4.75%).

Of the prepayments and assets under construction, €66,435 thousand relates to buildings (previous year: €23,166 thousand), €88,449 thousand to plant and machinery (previous year: €45,236 thousand) and €4,324 thousand to non-production equipment (previous year: €6,168 thousand).

Property, plant and equipment include the following assets:

Finance leases

in € thousands	2012-09-30	2011-09-30
Land	4,157	4,084
Plant and machinery	1,053	625
Other equipment, furniture and fixtures	470	1,048
	5,680	**5,757**

Buildings, plant and machinery and other equipment, furniture and fixtures classified as finance leases are stated under this item. The corresponding lease liabilities are shown as financial liabilities. The associated depreciation totals €607 thousand (previous year: €841 thousand).

No contingent rent was recognized in profit or loss.

(12) Investments in associates/Other financial assets

Development of financial assets from October 1, 2010 to September 30, 2011

in € thousands	Investments in associates	Other investments	Long-term loans	Total
Cost 2010-10-01	**22,089**	**49,418**	**11,501**	**83,008**
Changes in the consolidated Group	-1,578	0	0	-1,578
Currency translation differences	184	-21	-170	-7
Additions	13,597	3,913	1,039	18,549
Disposals	-3,804	-145	-1,105	-5,054
Transfers	23	-23	0	0
Other adjustments	0	-2,594	0	-2,594
Cost 2011-09-30	**30,511**	**50,548**	**11,265**	**92,324**
Accumulated impairment 2010-10-01	**-1,278**	**-25,349**	**-3,086**	**-29,713**
Currency translation differences	0	0	-14	-14
Impairment losses	0	-2,011	0	-2,011
Other adjustments	0	63	0	63
Accumulated impairment 2011-09-30	**-1,278**	**-27,297**	**-3,100**	**-31,675**
Carrying amount 2011-09-30	**29,233**	**23,251**	**8,165**	**60,649**

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

in € thousands	Investments in associates	Other investments	Long-term loans	Total
Cost 2011-10-01	**30,511**	**50,548**	**11,265**	**92,324**
Changes in the consolidated Group	0	0	0	0
Currency translation differences	155	0	119	274
Additions	11,248	5,455	1,702	18,405
Disposals	-4,554	-1,424	-2,025	-8,003
Transfers	0	2,000	-2,000	0
Other adjustments	0	274	0	274
Cost 2012-09-30	**37,360**	**56,853**	**9,061**	**103,274**
Accumulated impairment 2011-10-01	**-1,278**	**-27,297**	**-3,100**	**-31,675**
Currency translation differences	0	-12	-12	-24
Impairment losses	0	-498	-520	-1,018
Disposals	0	1,300	1,082	2,382
Transfers	0	-2,000	2,000	0
Accumulated impairment 2012-09-30	**-1,278**	**-28,507**	**-550**	**-30,335**
Carrying amount 2012-09-30	**36,082**	**28,346**	**8,511**	**72,939**

The disposal of other investments generated accounting gains of €40 thousand (previous year: €1 thousand). Since their fair value could not be reliably estimated, these investments had previously been recognized at amortized cost.

The table below summarizes the aggregate key data for the material entities accounted for using the equity method.

in € thousands	2012-09-30	2011-09-30
Equity	92,118	79,937
Liabilities	156,367	144,389
Total equity and liabilities	**248,485**	**224,326**
Sales	514,228	448,452
Net income for the year	13,064	9,394

Some of the entities accounted for using the equity method have reporting dates other than September 30 of a year. In those cases, interim financial statements as at September 30 are prepared for these entities unless the effect of the diverging reporting date is not material for the net assets and results of operations of the Voith Group.

(13) Inventories

Inventories consist of the following items:

in € thousands	2012-09-30	2011-09-30
Raw materials and supplies	275,840	269,816
Work in progress	307,401	270,161
Finished goods and merchandise	140,392	156,493
Prepayments	136,587	125,609
	860,220	**822,079**

Write-downs of inventories amounted to €18,545 thousand (previous year: €17,006 thousand) and were recognized as expenses. Reversals of write-downs totaling €5,361 thousand (previous year: €10,668 thousand) were recorded. These amounts are included in the cost of material.

As in the previous year, no inventories were assigned as collateral.

(14) Trade receivables

Trade receivables consist of the following items:

in € thousands	2012-09-30	2011-09-30
Trade receivables	1,003,016	873,590
Bad debt allowances	-36,140	-43,515
Receivables from customer-specific contracts	246,945	320,357
	1,213,821	**1,150,432**

Trade receivables are classified as current assets. As at September 30, 2012, the volume of receivables that was not expected to be realized within one year was €12,526 thousand (previous year: €9,505 thousand).

€2,956 thousand (previous year: €3,929 thousand) of trade receivables are interest bearing.

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

Movements in the allowance account for the impairment of trade receivables were as follows:

in € thousands	2012-09-30	2011-09-30
Impairment at the beginning of the fiscal year	**-43,515**	**-42,660**
Additions	-7,767	-12,668
Utilization	4,965	598
Reversal	9,783	10,556
Changes in consolidated Group/ exchange differences	394	659
Impairment at the end of the fiscal year	**-36,140**	**-43,515**

Reversals totaling €9,783 thousand (previous year: €10,556 thousand) consist of reversals of specific allowances of €9,783 thousand (previous year: €10,556 thousand) and portfolio-based allowances of €0 (previous year: €0). Additions of €7,767 thousand (previous year: €12,668 thousand) consist of additions of specific bad debt allowances of €6,642 thousand (previous year: €11,408 thousand) and portfolio-based allowances of €1,125 thousand (previous year: €1,260 thousand).

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

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

in € thousands	2012-09-30	2011-09-30
The aggregate amount of costs incurred and recognized profits to date	4,796,216	4,613,457
Progress billings to date	-3,119,751	-2,974,249
Gross amount due from customers	1,676,465	1,639,208
Advances received ("progress billings")	-1,450,350	-1,358,899
	226,115	**280,309**
Thereof receivables from construction contracts	232,612	306,457
Thereof liabilities from construction contracts	-6,497	-26,148

Receivables from customer-specific service contracts total €14,333 thousand (previous year: €13,900 thousand) and liabilities from customer-specific service contracts total €621 thousand (previous year: €1,470 thousand).

Further advances received for customer-specific contracts amounting to €809,106 thousand (previous year: €665,178 thousand) for which no contract costs have been incurred to date are included in other liabilities. This includes €6,864 thousand (previous year: €0) of advances received for customer-specific service contracts.

Sales relating to customer-specific contracts totaled €2,299,294 thousand (previous year: €2,289,695 thousand). €128,516 thousand of this amount is from service contracts (previous year: €115,044 thousand). Amounts billed to customers and progress billings are shown under trade receivables.

An amount of €6,466 thousand (previous year: €7,520 thousand) of progress billings is held as retentions by customers. Retentions are amounts of progress billings that are not paid by the customer until conditions specified in the contract are satisfied. This includes €33 thousand (previous year: €147 thousand) for service contracts.

(15) Other financial receivables and other assets

Other financial receivables

in € thousands	Current	Non-current	2012-09-30	Current	Non-current	2011-09-30
Derivatives used to hedge operational transactions	10,552	5,356	15,908	18,121	4,470	22,591
Derivatives used to hedge financial transactions	0	36,852	36,852	0	39,065	39,065
Financial receivables	41,848	86	41,934	43,268	352	43,620
Sundry financial assets	51,440	45,389	96,829	70,025	49,317	119,342
	103,840	**87,683**	**191,523**	**131,414**	**93,204**	**224,618**

Other assets

in € thousands	Current	Non-current	2012-09-30	Current	Non-current	2011-09-30
Prepaid expenses	27,267	13,943	41,210	24,472	17,455	41,927
Other non-financial assets	118,680	27,788	146,468	143,110	24,283	167,393
	145,947	**41,731**	**187,678**	**167,582**	**41,738**	**209,320**

At the reporting date, other assets totaling €37,452 thousand (previous year: €37,782 thousand) served to secure liabilities and contingent liabilities. They may be drawn on if the underlying obligations are not fulfilled or if the contingent liabilities are realized.

Impairment of financial receivables, sundry financial assets and other assets developed as follows:

in € thousands	2012-09-30	2011-09-30
Impairment at the beginning of the fiscal year	**-3,945**	**-4,037**
Additions	-1,810	-572
Utilization	2,049	22
Reversal	383	647
Changes in consolidated Group/ exchange differences	-76	-5
Impairment at the end of the fiscal year	**-3,399**	**-3,945**

Additions totaling €1,810 thousand (previous year: €572 thousand) consist of additions of specific bad debt allowances of €1,810 thousand (previous year: €110 thousand) and portfolio-based allowances of €0 (previous year: €462 thousand). Reversals totaling €383 thousand (previous year: €647 thousand) consist of reversals of specific allowances of €383 thousand (previous year: €610 thousand) and portfolio-based allowances of €0 (previous year: €37 thousand).

(16) Securities

Available-for-sale securities totaling €5,136 thousand (previous year: €9,580 thousand) are used to cover future pension obligations.

(17) Cash and cash equivalents

This item mainly consists of time deposits held at banks.

in € thousands	2012-09-30	2011-09-30
Checks	23	32
Cash on hand	738	568
Cash equivalents	7,345	7,436
Cash at banks	908,788	919,104
	916,894	**927,140**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

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

(18) Assets held for sale and liabilities directly associated with assets classified as held for sale

The assets held for sale of €1,270 thousand relate to property, plant and equipment in the Voith Paper segment.

In the previous year, the assets held for sale of €10,054 thousand related to intangible assets of €1,747 thousand, property, plant and equipment of €267 thousand, trade receivables of €5,485 thousand and other assets of €1,285 thousand from the Voith Industrial Services segment, and property, plant and equipment of €1,270 thousand from the Voith Paper segment.

There were no liabilities directly associated with assets classified as held for sale in the period under review. The liabilities directly associated with assets held for sale of €6,787 thousand in the previous year exclusively related to the Voith Industrial Services segment. The liabilities comprise liabilities to employees of €4,351 thousand, trade payables of €476 thousand, provisions of €373 thousand and other liabilities of €1,587 thousand.

The assets held for sale of €1,270 thousand in the period under review and the previous year at Voith Paper relate to property, plant and equipment with respect to a relocated production facility. The land and buildings at the old production site are still up for sale. There is sufficient evidence that the sale can be realized in the near term.

In the previous year, the assets held for sale and liabilities directly associated with assets classified as held for sale of the Voith Industrial Services segment stemmed from the planned sale of entities in fiscal 2011/12. These entities were sold in the period under review.

(19) Equity

Issued capital and revenue reserves

Since September 30, 2006, issued capital in Voith GmbH of €120,000 thousand has, without change, been held by company shareholders (until September 30, 2010: ordinary shareholders) in the form of 120,000,000 company shares (until September 30, 2010: 30,149,100 ordinary shares).

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

Other reserves

Other reserves include the effects of currency translation of foreign subsidiaries, gains/losses from available-for-sale securities and cash flow hedges pursuant to IAS 39, and gains and losses on hedges of net investments as defined by IAS 21.

The statement of comprehensive income shows the gains and losses on individual components of "other reserves" which are recognized directly in equity.

Other comprehensive income consists of:

in € thousands	2011/12	2010/11
Gains/losses on available-for-sale financial assets	**-54,505**	**89,312**
Gains/losses in the current period	-54,505	87,590
Transfer to profit and loss		1,722
Gains/losses on cash flow hedges	**1,090**	**6,007**
Gains/losses in the current period	-1,602	3,517
Transfer to profit and loss	2,692	2,490
Gains/losses on currency translation	**17,684**	**-8,473**
Gains/losses in the current period	17,684	-8,473
Gains/losses on net investments in foreign operations	**2,885**	**-125**
Gains/losses in the current period	2,885	-125
Share of associates in other comprehensive income (cash flow hedges)	**0**	**15**
Tax attributable to other comprehensive income	**15,669**	**-19,734**
Other comprehensive income	**-17,177**	**67,002**

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

in € thousands	2012			2011		
	Pretax	Deferred tax	After tax	Pretax	Deferred tax	After tax
Gains/losses on available-for-sale financial assets	-54,505	16,121	-38,384	89,312	-18,149	71,163
Gains/losses on cash flow hedges	1,090	-20	1,070	6,022	-1,634	4,388
Gains/losses on currency translation	17,684		17,684	-8,473		-8,473
Gains/losses on net investments in foreign operations	2,885	-432	2,453	-125	49	-76
Other comprehensive income	**-32,846**	**15,669**	**-17,177**	**86,736**	**-19,734**	**67,002**

Profit participation rights

Pursuant to the criteria defined in IAS 32, the Group's profit participation rights, with a nominal volume of €98,400 thousand (previous year: €98,400 thousand) constitute Group equity. The rights in question are lower-ranking bearer profit participation rights with variable compensation, no bullet maturity and no right of termination on the part of the creditors. A subsidiary issued profit participation rights amounting to €76,800 thousand in fiscal 2006/07. The same subsidiary issued an additional €15,000 thousand in fiscal 2010/11. Back in fiscal 2008/09, what was then Voith AG issued profit participation rights totaling €6,600 thousand. Subject to the approval of the appropriate governing body, profits totaling €5,412 thousand are scheduled to be distributed for the total items for fiscal 2011/12.

Holders of non-controlling interests

The major portion of non-controlling interests is held by the co-owners of the subsidiaries P3 Voith Aerospace Holding GmbH, Rif Roll Cover Srl, Italy, Voith Fuji Hydro K.K., Japan, Voith IHI Paper Technology Co, Ltd., Japan, Voith Hydro Shanghai Ltd., China, Voith Paper Fabrics India Ltd., India, and VG Power AB, Sweden.

Appropriation of net income at Voith GmbH

The Board of Management proposes to pay a dividend of €0.13 per share (€15,000 thousand in total) out of the unappropriated retained earnings of Voith GmbH, and to carry forward the remaining €55,489 thousand. The dividend distributed in the fiscal year amounted to €0 (previous year: €76,000 thousand). The distribution per share in the fiscal year amounted to €0 (previous year: €0.63 per share).

Additional disclosures on capital management

Voith is a family-owned company. As such, it is obliged to maintain a robust and sustainable financial profile that enables the Group to meet its earnings and growth targets.

Voith manages capital with the aim of maximizing the return on capital. Equity and interest-bearing financial liabilities are those elements of Group capital that are of relevance to capital management activities.

in € thousands	2012-09-30	2011-09-30
Equity	1,383,538	1,287,331
Interest-bearing financial liabilities	1,234,081	1,261,376
	2,617,619	**2,548,707**

Year on year, equity rose by 7% in the period under review. Net income, exchange rate effects and capital increases performed by non-controlling interests made a positive contribution to the development of equity. Dividend payments and effects from marking securities to market were the key factors reducing equity. The interest-bearing financial liabilities fell by 2%, i.e. remained virtually stable. For details on the composition of interest-bearing financial liabilities, refer to note 22.

The articles of association of Voith GmbH do not set forth any specific capital requirements.

(20) Provisions for pensions and similar obligations

Provisions for pensions are recognized for benefits in the form of retirement, invalidity and surviving dependents' benefits payable under pension plans. The benefits provided by the Group vary according to legal, fiscal and economic framework conditions of the country concerned and are usually based on the length of employee service and level of remuneration.

The Group's post-employment benefits include both defined benefit plans and defined contribution plans. In the case of defined contribution plans, the Company pays contributions to state or private pension schemes based either on legal or contractual requirements or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Company. Current contributions are recognized as pension expenses in the period concerned. In 2012, they amounted to €129,713 thousand for the Voith Group as a whole (previous year (restated): €120,648 thousand).

The majority of the pension plans are defined benefit plans that take the form of unfunded or funded schemes.

The pension provisions for defined benefit plans are determined in accordance with IAS 19 using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations earned at the end of the period under review. Pension provisions are calculated taking into account development assumptions for those factors which affect the benefit amount. All defined benefit plans require actuarial valuations.

Owing to their benefit status, the obligations of the US Group companies in particular in respect of post-retirement medical care are also carried under provisions for pensions. These post-retirement benefit provisions take into account the expected long-term rise in medical costs.

Insofar as foreign Group companies have plan assets, these consist essentially of stocks, fixed-interest bonds and real estate. Insurance cover forms the plan assets of domestic companies. The plan assets of the Group companies do not include any financial instruments issued by entities of the Voith Group.

in € thousands	2012-09-30	2011-09-30	2010-09-30	2009-09-30	2008-09-30
Present value of funded benefit obligations	265,097	214,550	220,334	190,976	180,915
Fair value of plan assets	-177,826	-154,625	-150,552	-118,429	-125,058
Deficit	87,271	59,925	69,782	72,547	55,857
Present value of unfunded obligations	574,742	489,300	510,021	418,976	369,810
Effect of limits on capitalizable plan assets	0	0	9	0	0
Adjustment for minimum funding requirements	0	295	935	0	0
Unrecognized actuarial gains and losses	-205,786	-99,937	-145,903	-61,592	-9,880
Unrecognized past service costs	682	-9	-14	-338	0
Provision in the balance sheet	**456,909**	**449,574**	**434,830**	**429,593**	**415,787**
Thereof current	26,887	25,679	25,839	24,931	11,532

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

in € thousands	2012-09-30	2011-09-30
Defined benefit obligation at the beginning of the period	**703,850**	**730,355**
Current service cost	17,470	15,111
Interest cost (pursuant to IAS 19)	31,967	30,783
Actuarial losses(+)/gains(-)	115,515	-37,412
Past service costs	1,604	0
Changes in the consolidated Group	0	-80
Plan settlements	-1,674	-4,366
Benefits paid	-36,729	-34,663
Other	-3,678	987
Currency translation differences	11,514	3,135
Defined benefit obligation at the end of the period	**839,839**	**703,850**

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

in € thousands	2012-09-30	2011-09-30
Fair value of plan assets at the beginning of the period	**154,625**	**150,552**
Expected return on plan assets	9,471	9,842
Actuarial gains(+)/losses(-)	7,591	1,069
Contributions to funds	11,445	6,307
Benefits paid	-12,818	-11,005
Plan settlements	0	-4,366
Other	-76	39
Currency translation differences	7,587	2,187
Fair value of plan assets at the end of the period	**177,825**	**154,625**

The actual return on invested plan assets amounted to €17,062 thousand (previous year: return of €10,911 thousand).

The contributions that are expected to be paid into the plans in the following period under review amount to €12,186 thousand (previous year: €9,374 thousand).

The contributions to funds was mainly made by the employer.

The expected long-term rate of return on fund assets is calculated based on the portfolio's actual long-term returns, on historical returns in the market as a whole, and on forecasts of probable returns on the classes of securities held in the portfolio. These forecasts are based on the expected rate of return for comparable pension funds for the remaining service period (investment horizon) and on experience gathered by the managers of large portfolios and experts in the investment industry.

The fund assets consist of the following components:

in %	2012-09-30	2011-09-30
Securities	16%	22%
Bonds	60%	60%
Real estate	3%	3%
Other	21%	15%
	100%	**100%**

Actuarial gains or losses stem from changes in the portfolio and variances in actual trends (e.g. income and pension increases, interest rate changes) compared with the assumptions made in the calculations.

The following amounts were recorded in the statement of income:

in € thousands	2012-09-30	2011-09-30
Current service cost	17,470	15,111
Interest cost	31,967	30,783
Expected return on plan assets	-9,471	-9,842
Past service cost	2,319	0
Gains (-)/losses (+) on plan settlements	-1,674	649
Recognized actuarial gains and losses	4,192	5,243
Effect of limits on the defined benefit asset	0	-9

Current service cost, past service cost, the effects of plan curtailments or settlements and realized actuarial gains and losses that relate to defined benefit obligations are stated under personnel expenses. The effect arising from the limit on the defined benefit asset is recognized under other operating expenses. Expected returns on plan assets and realized actuarial gains and losses that relate to the plan assets are also recognized under other operating expenses. Interest cost on pension obligations is stated in the interest result.

The Voith Group's calculation of pension provisions is based on the following assumptions:

	Germany and Austria		USA	
in %	2012-09-30	2011-09-30	2012-09-30	2011-09-30
Discount rate	3.5%	4.75%	3.5%	4.5%
Expected return on plan assets	4.5%	4.5%	6.5%	7.5%
Salary increases	3.0%	3.0%	2.0%	1.96%
Pension increases	2.0%	2.0%	0%	0%
Annual increase in healthcare costs Initial medical trend rate (pre-65/post-65) Ultimate medical trend rate (pre-65/post-65)			8.0%/7.5% 5.0%	8.0%/8.5% 5.0%

If healthcare costs increased by 1%, current service cost and interest cost would increase by a total of €13 thousand (previous year: €82 thousand) and the present value of pension obligations by €321 thousand (previous year: €817 thousand). If costs decreased by 1%, current service cost and interest expenses would decrease by a total of €14 thousand (previous year: €89 thousand) and the present value of pension obligations by €338 thousand (previous year: €995 thousand).

Experience adjustments, i.e. the effects of deviations between previous actuarial assumptions and what actually occurred, are shown in the table below:

in %	2012-09-30	2011-09-30	2010-09-30	2009-09-30	2008-09-30
Difference between projected assumptions and actual values (gains (+)/losses (-))					
– As a percentage of the present value of the defined benefit obligations	-1.0%	+0.6%	-1.7%	-0.6%	-0.2%
– As a percentage of the fair value of plan assets	+4.3%	+0.7%	+2.4%	-9.8%	-8.2%

(21) Other provisions

The development of provisions is shown below:

in € thousands	2011-09-30	Change in the consoli-dated Group	Utilization	Additions	Reversals	Transfers	Discounting effect	Currency translation differences	2012-09-30
Personnel-related provisions	88,687	14	-19,154	28,310	-3,929	0	238	626	94,792
Other tax provisions	8,564	83	-1,257	2,490	-2,043	0	0	-60	7,777
Warranty provisions	212,462	162	-74,894	111,168	-48,092	69	242	950	202,067
Other contract-related provisions	85,739	64	-28,942	43,772	-26,268	0	46	105	74,516
Sundry provisions	63,679	-1,118	-17,580	83,477	-3,885	16,023	120	-428	140,288
	459,131	**-795**	**-141,827**	**269,217**	**-84,217**	**16,092**	**646**	**1,193**	**519,440**

in € thousands	2012-09-30		2011-09-30	
	< 1 year	> 1 year	< 1 year	> 1 year
Personnel-related provisions	25,588	69,204	25,827	62,860
Other tax provisions	6,929	848	6,909	1,655
Warranty provisions	139,396	62,671	155,371	57,091
Other contract-related provisions	65,255	9,261	74,747	10,992
Sundry provisions	75,924	64,364	40,930	22,749
	313,092	**206,348**	**303,784**	**155,347**

No refund claims were capitalized for contract-related provisions.

Personnel-related provisions mainly comprise phased retirement and long-service bonuses. In the case of provisions for phased retirement, the amount and maturity of the future payments to be made to the beneficiaries are uncertain. Warranty provisions are accrued for statutory and contractual obligations as well as for non-contractual warranty. Other contract-related provisions include obligations for services still to be rendered on customer orders, or parts of orders, that have been billed, obligations for service and maintenance contracts and for commission provisions. In these cases, the amount and timing of future expenses hinges on completion of the orders concerned. Sundry provisions include items such as obligations arising from personnel adjustment and restructuring measures. The underlying measures are expected to be completed within the next two fiscal years.

(22) Bonds, bank loans and other interest-bearing financial liabilities

Financial liabilities include the following items:

in € thousands	Current	Non-current	2012-09-30	Current	Non-current	2011-09-30
Bonds	0	871,019	871,019	0	859,182	859,182
Bank loans	156,020	48,691	204,711	227,710	12,151	239,861
Financial liabilities from leases	713	2,399	3,112	624	3,179	3,803
Notes payable	1,434	39	1,473	4,254	71	4,325
Derivatives used to hedge financial transactions	0	0	0	38	1	39
Other financial liabilities	75,193	78,573	153,766	94,459	59,707	154,166
	233,360	**1,000,721**	**1,234,081**	**327,085**	**934,291**	**1,261,376**

Financial liabilities totaling €536 thousand (previous year: €944 thousand) are secured by other assets.

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

in € thousands	2012-09-30	2011-09-30
Euro	606,922	751,712
US dollar	289,473	280,251
Chinese renminbi	126,751	38,703
Swedish krona	33,895	20,869
Other currencies	18,689	7,508
	1,075,730	**1,099,043**

Notes on net debt

Net debt as the difference between financial liabilities and realizable financial assets is an important indicator for banks, analysts and rating agencies. This indicator is not covered by the accounting policies based on the International Financial Reporting Standards (IFRS) and its definition and calculation may diverge from the practice of other companies.

In contrast to the carrying amount, which is based on the effective interest method, the indicator is calculated by measuring financial liabilities at their higher nominal repayment amount.

Net debt as defined in the Company includes the items:

in € thousands	2012-09-30	2011-09-30
Bank loans	204,711	239,861
Bonds*	887,819	878,925
Other interest-bearing financial liabilities	158,351	162,333
Securities	-266,073	-311,546
Cash and cash equivalents	-916,894	-927,140
Other realizable financial receivables and loans	-89,448	-94,089
	-21,534	**-51,656**

* Based on measurement at the repayment amount, bonds are included at an amount which is €17 million higher (previous year: €20 million) than the carrying amount.

Lease liabilities relate solely to finance lease obligations. Most of the underlying lease contracts include a purchase option. Finance lease liabilities are settled during the contractual period and had the following maturities as at the reporting date.

in € thousands	2012-09-30	2011-09-30
Total future minimum lease payments (gross)	**3,645**	**4,807**
Due in less than one year	843	735
Due between one and five years	1,878	1,731
Due in more than five years	924	2,341
Present value of future minimum lease payments	**3,112**	**3,803**
Due in less than one year	713	624
Due between one and five years	1,584	1,382
Due in more than five years	815	1,797
Interest component of future minimum lease payments	**533**	**1,004**

(23) Trade payables

in € thousands	2012-09-30	2011-09-30
Trade payables	550,395	560,187
Liabilities from construction contracts	7,118	27,618
	557,513	**587,805**

€3,933 thousand (previous year: €1,600 thousand) of trade payables are not due within one year.

(24) Other financial liabilities/other liabilities

Other financial liabilities

in € thousands	Current	Non-current	2012-09-30	Current	Non-current	2011-09-30
Derivatives used to hedge operational transactions	16,538	4,454	20,992	35,016	7,022	42,038
Personnel-related liabilities	130,977	5,881	136,858	132,823	7,097	139,920
Sundry financial liabilities	169,503	9,427	178,930	158,058	14,011	172,069
	317,018	**19,762**	**336,780**	**325,897**	**28,130**	**354,027**

At fiscal year-end, personnel and social security liabilities included outstanding annual bonus payments and unpaid wages, salaries and social security contributions.

Other liabilities

in € thousands	Current	Non-current	2012-09-30	Current	Non-current	2011-09-30
Tax liabilities	82,459	25,113	107,572	80,525	45,856	126,381
Advances received	1,020,610	0	1,020,610	895,528	0	895,528
Deferred liabilities	4,060	19,172	23,232	4,999	18,997	23,996
Sundry liabilities	97,206	22,860	120,066	97,638	17,509	115,147
	1,204,335	**67,145**	**1,271,480**	**1,078,690**	**82,362**	**1,161,052**

Tax liabilities principally relate to sales tax (VAT).

Government grants

in € thousands	2011/12	2010/11
As at October 1	7,803	11,362
Granted during the fiscal year	1,738	2,586
Realized in profit or loss	-1,117	-6,145
As at September 30	**8,424**	**7,803**

Grants totaling €8,327 thousand (previous year: €7,658 thousand) were issued for capital spending on non-current assets. €3,661 thousand thereof (previous year: €3,780 thousand) was granted subject to the condition that the assets would be kept in operating assets for at least five years. A provision of €746 thousand (previous year: €777 thousand) was formed for unfulfilled conditions and other contingencies.

Grants for other expenses were granted for a figure of €97 thousand (previous year: €145 thousand).

Grants totaling €2,378 thousand (previous year: €1,482 thousand) were received. Of this amount €1,260 thousand (previous year: €988 thousand) was for capital spending on non-current assets and €1,118 thousand (previous year: €494 thousand) was for other expenses.

In addition, further grants totaling €1,484 thousand (previous year: €769 thousand) were netted with cost items.

Notes to the consolidated cash flow statement

In fiscal 2011/12, the change in securities was made up of cash inflows totaling €98,621 thousand (previous year: €12,924 thousand) and cash outflows totaling €102,269 thousand (previous year: €21,873 thousand).

Disclosures required relating to the acquisition of consolidated entities are provided in the section on “Business combinations in fiscal 2011/12”.

Cash and cash equivalents include checks, cash on hand, cash equivalents and cash at banks.

Notes on segment reporting

Information on the segment data

Business is managed according to the different products and industries and corresponds to the internal reporting structure to the management of Voith GmbH. The structure of the segments has remained unchanged compared to September 30, 2011.

Segment data is essentially compiled using the same presentation and measurement methods as the consolidated financial statements. Intercompany sales are effected at market prices and intersegment transactions and business are all undertaken in accordance with the accounting policies used for the consolidated financial statements.

In the Voith Group, the key indicator to assess and manage the individual segments is return on capital employed (ROCE). The calculation of ROCE is defined as profit from operations in relation to capital employed.

Profit from operations is the basis for calculating ROCE and thus a key management indicator. Basically, it is an operational indicator derived from external reporting, the operational result before non-recurring result. In line with the calculation of profit from operations, the following profit/loss components are taken into consideration:

Operating interest income

Operating interest income is defined as interest received by the Company on the long-term financing of receivables from customers or as the imputed interest effect attributable to that portion of customer advances that is not used to finance inventories and PoC receivables.

Other adjustments

Other adjustments include effects which, based on their operating character, are normally shown as other operating income and expenses in the consolidated statement of income. In determining the profit from operations, these adjustments are eliminated as exceptional effects so as to facilitate the assessment of the operating activities by segment.

Capital employed is defined as operating net assets. It is the aggregate of property, plant and equipment and intangible assets (excluding goodwill), inventories, trade receivables, other non-interest-bearing assets and income tax assets as well as prepaid expenses less trade payables, non-interest-bearing liabilities and income tax liabilities as well as deferred income and advances received, which are deducted up to the amount of inventories and PoC receivables.

The capital employed as at the reporting date is an average value derived from the values as at the end of the period under review, the reporting date for the previous six-monthly financial statements and as at the end of the previous period under review. In contrast to the provisions of IAS 21 the assets and liabilities of foreign subsidiaries are translated at the average exchange rate for the period under review. Owing to the use of averages, the capital employed cannot be reconciled to the figures in the consolidated balance sheet on any given reporting date.

Consolidation entries were taken into account in full when the capital employed was calculated.

Capital expenditures concern intangible assets (excluding goodwill) and property, plant and equipment. Additions due to business combinations are not included.

Sales are broken down regionally, based on the customer's domicile. Non-current assets, consisting of property, plant and equipment, goodwill and other intangible assets are allocated based on the location of the asset.

Information on the activities in the segments

Voith Hydro is a joint venture company that combines the strength of two major hydro power component suppliers to create a leading, full-line supplier for hydro power plants. Its key products are Francis, Pelton, Kaplan, bulb and pump turbines. The Group Division also produces generators and generator drive units for all kinds of turbines, as well as excitation and diagnostic systems, frequency convertors, insulation systems, switching systems for all voltages and transformers.

Voith Industrial Services is one of the leading providers of technical, consulting and management services in industrial contexts.

Voith Paper is a leading provider of complete process lines for the papermaking industry. An established process supplier to the paper industry worldwide, Voith has amassed a wealth of experience covering everything from fiber technology through processing to printing technology. Voith develops solutions that span the entire papermaking process, from fiber to finished paper—and this is true for every type of paper: graphic grades, board, packaging papers, tissue paper and special-purpose papers. Voith is also one of the global leading manufacturers of forming fabrics, wet felts and dryer fabrics for the world's cellulose and paper industry.

Voith Turbo specializes in mechanical, hydrodynamic and electronic drive and braking systems for road, rail, marine and industrial applications. Voith Turbo crafts customized solutions ranging from individual machines to end-to-end process solutions.

Operating and reportable segments as defined in IFRS 8 are identical.

Segment information by business segment

	Voith Hydro		Voith Industrial Services		Voith Paper	
in € millions	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
External sales	1,315	1,228	1,101	1,006	1,738	1,827
Sales with other segments	7	7	28	40	32	36
Total segment sales	1,322	1,235	1,129	1,046	1,770	1,863
Profit from operations	100	90	41	40	84	143
Depreciation and amortization of property, plant and equipment and intangible assets[2]	30	26	17	16	72	69
Investments[3]	37	44	17	15	137	75
Segment goodwill	15	14	237	203	223	223
Capital employed	530	529	201	178	907	819
ROCE	18.9%	17.1%	20.3%	22.6%	9.3%	17.4%
Employees[4]	5,087	5,345	19,984	18,464	9,819	9,937

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

[2] Excluding depreciation and amortization included in the non-recurring result, as not included in profit from operations.

[3] Excluding additions due to new acquisitions and financial assets.

[4] Statistical number of persons employed at fiscal year-end.

Voith Turbo		Total Core Business[1]		Reconciliation		Total	
2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
1,551	1,520	5,705	5,581	19	13	5,724	5,594
5	6	72	89	-72	-89	0	0
1,556	1,526	5,777	5,670	-53	-76	5,724	5,594
151	163	376	436	5	19	381	455
52	68	171	179	11	10	182	189
62	59	253	193	19	18	272	211
140	140	615	580	8	8	623	588
787	734	2,425	2,260	142	123	2,567	2,383
19.2%	22.2%	15.5%	19.3%			14.8%	19.1%
6,363	5,965	41,253	39,711	1,074	980	42,327	40,691

The two defined components “Operating interest income” and “Other adjustments” are not shown directly in the consolidated statement of income and are therefore disclosed separately in the following reconciliation of the profit from operations to income before taxes.

Reconciliation of total of profit from operations to the Group’s income before taxes:

in € millions	2011/12	2010/11
Profit from operations	**381**	**455**
Operating interest income	-34	-32
Other adjustments	-5	-7
Non-recurring result	-95	-14
Share of profits from associates	7	4
Interest result	-78	-82
Other financial result	1	-2
Income before taxes	**177**	**322**

Segment information by region

External sales (registered office of customer)

in € millions	2011/12	2010/11
Germany	1,203	1,152
Other countries	4,521	4,442
of which Europe	1,476	1,507
of which Americas	1,541	1,277
of which Asia	1,355	1,512
thereof China	825	989
of which others	149	146
Total	**5,724**	**5,594**

Non-current assets

in € millions	2011/12	2010/11
Germany	1,002	967
Other countries	1,020	913
of which Europe	290	283
of which Americas	410	413
thereof USA	227	225
of which Asia	317	214
thereof China	264	159
of which others	3	3
Total	**2,022**	**1,880**

Other notes

Contingent liabilities, contingent assets and other financial obligations

Appropriate provisions have been recognized in the relevant Group companies to cover potential obligations arising from taxation, legal and arbitration proceedings.

Possible tax risks exist outside Germany concerning the tax recognition of expenses amounting to a maximum of €12 million (previous year: €11 million) for which an additional provision of €3 million (previous year: €6 million) was formed. The contingent liability relates to part of the overall obligation that is assumed to have a lower probability of occurrence due to changed contractual bases.

In connection with the recognition of transfer prices outside Germany, in addition there are risks of €5 million (previous year: €5 million) and of €10 million (previous year: €23 million) for legal disputes. As things stand, a successful outcome is expected in both cases.

Owing to failure, due to an end customer, to comply with specific rules concerning the receipt of tax incentives outside Germany, the recognition of tax privileges is currently disputed by the tax authorities. The maximum risk is currently €39 million (previous year: €41 million), although the assessment undertaken by the engaged lawyers suggests that there is still a good chance of the tax privileges being recognized or the Group otherwise being held harmless and the maximum risk will not therefore materialize.

Neither Voith GmbH nor any of its Group companies are involved in any current or foreseeable taxation, legal or arbitration proceedings that could materially influence their economic situation.

Owing to the ongoing tax field audit of the German companies, further changes may be made to tax items.

From the Voith Group's perspective, the Group might have rights to offset tax liabilities due to the tax authorities totaling approximately €10 million (previous year: €9 million) outside Germany.

Contingent liabilities

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

in € thousands	2012-09-30	2011-09-30
Guarantee obligations	37,939	35,035
Warranties	624	632
	38,563	**35,667**

Most of the guarantee obligations mature in 2022.

Other financial obligations

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

in € thousands	2012-09-30	2011-09-30
Purchase commitments for capital expenditures	52,313	48,215
Obligations arising from non-cancelable operating leases	129,209	137,326
Other	542	1,231
	182,064	**186,772**

Assets leased under operating leases led to cash outflows totaling €72,251 thousand (previous year: €69,897 thousand) in the period under review. These payments were recognized as expenses and mostly related to leased passenger vehicles, machinery and buildings. The majority of leases run for between one and 15 years. Some companies have the option of extending their rental contracts.

The total of future minimum lease payments for non-cancelable operating leases is shown below, broken down by maturity.

in € thousands	2012-09-30	2011-09-30
Nominal value of future minimum lease payments		
Due in less than one year	48,456	49,230
Due between one and five years	62,099	65,326
Due in more than five years	18,654	22,770
	129,209	**137,326**

Future minimum lease payments include €3,713 thousand (previous year: €5,559 thousand) from sale and leaseback transactions.

Compared to the future minimum lease payments, an immaterial amount of cash inflows is expected from non-cancelable subleases of assets.

The "Other" item under other financial obligations consists essentially of maintenance agreements.

€3,160 thousand (previous year: €3,665 thousand) was collected under operating leases in which Voith acts as the lessor. These mainly relate to leases for Group products for use in the long term. The leases run for between one and five years. In some cases, there is an option of extending rental contracts.

The total of future minimum lease payments for non-cancelable operating leases in which Voith acts as the lessor is shown below:

in € thousands	2012-09-30	2011-09-30
Nominal value of future minimum lease payments		
Due in less than one year	2,542	1,412
Due between one and five years	2,673	2,147
Due in more than five years	0	0
	5,215	**3,559**

Additional information on financial instruments

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category.

in € thousands	IAS 39 measurement category	Carrying amount 2012-09-30	Amount recognized in the balance sheet in accordance with IAS 39				Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2012-09-30
			Amortized cost	Cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	916,894	916,894					916,894
Trade receivables	LaR	966,876	966,876					966,876
Receivables from construction contracts	LaR	246,945	246,945					246,945
Other financial assets and securities		302,930						
Financial assets, loans and receivables	LaR	38,086	38,086					38,086
Available-for-sale financial assets	AfS	260,629		28,346	232,283			232,283*
Financial assets held for trading	FAHfT	0				0		0
Financial assets at fair value through profit and loss	FAfvtpl	4,215				4,215		4,215
Derivative financial instruments		52,760						
Derivatives not used for hedging	FAHfT	8,161				8,161		8,161
Derivatives used for hedging	n.a.	44,599			587	44,012		44,599
Other receivables		138,763						
Financial receivables	LaR	41,934	41,934					41,934
Sundry financial assets	LaR	96,829	96,829					96,829
Liabilities:								
Trade payables	FLAC	550,395	550,395					550,395
Bonds/bank loans/notes	FLAC	1,077,203	1,077,203					1,170,446
Financial liabilities from leases	n.a.	3,112					3,112	
Derivative financial instruments		20,992						
Derivatives not used for hedging	FLHfT	6,381				6,381		6,381
Derivatives used for hedging	n.a.	14,611			139	14,472		14,611
Other financial liabilities	FLAC	153,766	153,766					153,766
Sundry financial liabilities	FLAC	315,788	315,788					315,788
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,307,564	2,307,564					
Available for sale (AfS)	AfS	260,629		28,346	232,283			
Financial assets held for trading (FAHfT)	FAHfT	8,161				8,161		
Financial assets at fair value through profit or loss (FAfvtpl)	FAfvtpl	4,215				4,215		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2,097,152	2,097,152					
Financial liabilities held for trading (FAHfT)	FLHfT	6,381				6,381		

*Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

in € thousands	IAS 39 measurement category	Carrying amount 2011-09-30	Amount recognized in the balance sheet in accordance with IAS 39				Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2011-09-30
			Amortized cost	Cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	927,140	927,140					927,140
Trade receivables	LaR	830,075	830,075					830,075
Receivables from construction contracts	LaR	320,357	320,357					320,357
Other financial assets and securities		342,962						
Financial assets, loans and receivables	LaR	39,567	39,567					39,567
Available-for-sale financial assets	AfS	293,213		23,251	269,962			269,962*
Financial assets held for trading	FAHfT	0				0		0
Financial assets at fair value through profit and loss	FAfvtpl	10,182				10,182		10,182
Derivative financial instruments		61,656						
Derivatives not used for hedging	FAHfT	5,638				5,638		5,638
Derivatives used for hedging	n.a.	56,018			1,728	54,290		56,018
Other receivables		162,962						
Financial receivables	LaR	43,620	43,620					43,620
Sundry financial assets	LaR	119,342	119,342					119,342
Liabilities:								
Trade payables	FLAC	560,187	560,187					560,187
Bonds/bank loans/notes	FLAC	1,103,368	1,103,368					1,140,768
Financial liabilities from leases	n.a.	3,803					3,803	
Derivative financial instruments		42,077						
Derivatives not used for hedging	FLHfT	7,521				7,521		7,521
Derivatives used for hedging	n.a.	34,556			2,230	32,326		34,556
Other financial liabilities	FLAC	154,166	154,166					154,166
Sundry financial liabilities	FLAC	311,989	311,989					311,989
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,280,101	2,280,101					
Available for sale (AfS)	AfS	293,213		23,251	269,962			
Financial assets held for trading (FAHfT)	FAHfT	5,638				5,638		
Financial assets at fair value through profit or loss (FAfvtpl)	FAfvtpl	10,182				10,182		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2,129,710	2,129,710					
Financial liabilities held for trading (FAHfT)	FLHfT	7,521				7,521		

*Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

IFRS 7.27 measurement categories

in € thousands	2012-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	236,498	236,498	0	0
Derivative financial instruments	52,760	0	52,760	0
Liabilities				
Derivative financial instruments	20,992	0	20,992	0

in € thousands	2011-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	280,144	280,144	0	0
Derivative financial instruments	61,656	0	61,656	0
Liabilities				
Derivative financial instruments	42,077	0	42,077	0

The three-level fair value hierarchy distinguishes between fair values based on the nature of the input parameters used for valuation, thereby revealing the extent to which observable market data is available for determining fair values. Three categories are distinguished:

Level 1:
Fair values are determined on the basis of quoted market prices.

Level 2:
Fair values are determined using valuation techniques in which the inputs are based on directly observable market data.

Level 3:
Fair values are determined using valuation techniques where the inputs are not based on directly observable market data.

Cash and cash equivalents, trade receivables and other financial receivables are subject to floating interest and fall due within one year. For this reason, their carrying amounts approximate their fair values on the reporting date.

Because trade payables and other financial liabilities generally have short residual terms, the carrying amounts approximate the fair values.

The market values of unlisted bonds, bank loans and other financial liabilities are calculated as the present value of the payments associated with the liabilities, based on the applicable term structure of interest rates and Voith GmbH's credit spread curve determined for different currencies.

Net gains and losses for each category of instrument:

2011/12 in € thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	589	9,502	10,091
Available-for-sale financial assets	-1,040	1,182	142
Financial assets at fair value through profit or loss	0	871	871
Held-for-trading financial assets	0	-7,603	-7,603
Financial liabilities measured at amortized cost	0	-9,149	-9,149

2010/11 in € thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	-2,037	12,357	10,320
Available-for-sale financial assets	-3,365	-463	-3,828
Financial assets at fair value through profit or loss	0	1,093	1,093
Held-for-trading financial assets	0	3,008	3,008
Financial liabilities measured at amortized cost	0	-7,118	-7,118

For the net gains and losses from available-for-sale financial assets without an effect on income, see note 19.

Interest income includes €11,002 thousand (previous year: €18,165 thousand) and interest expenses include €61,149 thousand (previous year (restated): €73,065 thousand) for financial assets or financial liabilities not measured at fair value through profit or loss.

Risk management

Principles of financial risk management

The Voith Group is a global player. In the course of ordinary business, some of its liabilities, assets and transactions are exposed to risks arising from changes in interest rates and exchange rates. These risks could affect its net assets, financial position and results of operations. The aim of financial risk management is to manage and limit these risks.

The principles of the Group's financial policy are laid down by the Voith GmbH Corporate Board of Management and monitored by the Supervisory Board. Voith Finance GmbH, a wholly owned subsidiary of Voith GmbH, implements the financial policy and regularly reports to the Chief Financial Officer on the financial position of the Group and current risk exposures. Certain financial transactions require special approval by the Group's management. Long-term refinancing is undertaken by Voith GmbH.

Simple derivative financial instruments are used to limit the risks arising both from operating business and from the resultant financing requirements. These instruments are used in accordance with clearly defined, consistent, Group-wide guidelines. Compliance with these guidelines is verified on an ongoing basis. Hedge transactions and cash investments are placed only with financial institutions that have first-class credit ratings.

Credit risk

The Voith Group does business only with recognized, creditworthy third parties. We verify the creditworthiness of customers who wish to do credit-based business with us.

Cash and cash equivalents:
For the purposes of risk management, cash and cash equivalents consist essentially of cash and short-term securities. Default risks associated with term deposits are limited by selecting solvent banking partners and by spreading cash across multiple counterparties. A creditworthiness limit (derived from credit default swaps/rating) is established for banks and compliance is continuously verified. In addition, the Voith Group invests in securities and has the associated risks monitored centrally. Securities may only be traded by Group companies with the approval of Voith Finance GmbH.

Trade receivables:
Credit risk arising from the delivery of goods and services expresses itself in terms of counterparty risk, manufacturing risks and political export-related risks. Handling of these risks is governed by binding rules throughout the Voith Group. The maximum risk of default is limited to the carrying amount of the trade receivables, which is €966,876 thousand (previous year: €830,075 thousand). The maximum default risk for receivables arising from long-term construction contracts is €246,945 thousand (previous year: €320,357 thousand).

All orders above a defined value are subject to general risk assessment requirements. Without special permission from the relevant governing bodies, Group companies do not accept orders from customers whose credit rating falls below a defined threshold and who cannot furnish an adequate guarantor.

Political export risks must always be hedged for risks classified as Euler Hermes country category 3 or higher unless approval is issued by the decision-making bodies. Further risk assessment is also activated for orders upward of defined values. Necessary credit insurance is obtained via export credit agencies (ECAs), on the private insurance market or by means of bank products.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For details of financial guarantees, please refer to the discussion of contingent liabilities. This kind of loss can occur if individual business partners fail to meet their contractual obligations. As a rule, no collateral exists for such an eventuality.

The Voith Group is not exposed to any material concentration of risks. Corporate policy is to avoid concentration of credit risk in a single financial institution. Instead, the Group invests with a variety of creditworthy financial institutions. The Group's customer structure is not materially concentrated in any particular geographic region. The Group tests doubtful accounts for impairment considering certain customers, historical trends, branches of industry and various other information.

The following credit risks are inherent in financial assets:

2012-09-30 in € thousands	Gross value	Thereof not impaired or past due	Thereof not impaired but past due at the reporting date by: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**1,003,016**	718,122	163,061	35,351	54,062
Other financial assets and securities	**331,987**	302,930			
Other financial receivables	**142,162**	136,690	1,351	320	912

2011-09-30 in € thousands	Gross value	Thereof not impaired or past due	Thereof not impaired but past due at the reporting date by: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**873,590**	594,079	149,819	47,655	39,034
Other financial assets and securities	**373,359***	342,962			
Other financial receivables	**166,907**	162,026	1,015	86	520

*Previous year restated.

The carrying amounts of cash and cash equivalents, receivables from construction contracts and derivatives are neither impaired nor past due.

Liquidity risk

To ensure that it can always meet its financial obligations, the Voith Group has negotiated sufficient cash lines and syndicated credit facilities with its banking partners.

A new syndicated credit facility placed in China in February 2012 secures the finance for future investments in the same currency as the operating business on the local market. The first amounts were drawn in the period under review. The syndicated euro credit facility arranged in the previous year was prolonged by a further year and expires in 2017. It is available in full as a reserve. To safeguard internal and external growth, the Voith Group procures long-term funding on the capital markets by issuing bonds, private placements and individual bank loans.

The credit facilities and the bond placed on the capital markets are subject to the customary market conditions based on Voith's rating and its contractual terms and conditions. As in the previous years, all contractual terms and conditions were complied within fiscal 2011/12. The rating agency Moody's confirmed the investment grade "Baa2 stable" rating in February 2012.

Cash pools, intercompany loans and the allocation of external bank credit lines to individual operating units protect Group companies' liquidity. Voith Finance GmbH produces finance status reports for the entire Group once a month. Balances of central bank and cash pool accounts and guarantees are available on a daily basis.

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

		Cash flows < 1 year			Cash flows 1–5 years			Cash flows > 5 years		
in € thousands	2012-09-30	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment
Trade payables	550,395	0	0	546,461	0	0	4,162	0	0	0
Bonds/bank loans/notes	1,077,203	33,229	8,330	157,457	121,630	16,020	854,687	0	1,578	46,631
Financial liabilities from leases	3,112	0	0	843	0	0	1,878	0	0	924
Other financial liabilities	153,766	321	663	75,193	0	0	6,461	0	0	72,112
Sundry financial liabilities	315,788	0	0	300,480	0	0	15,097	0	0	317
Derivative financial instruments	20,992									
Outflows		0	0	191,499	0	0	62,439	0	0	0
Inflows		0	0	-178,985	0	0	-58,911	0	0	0
	2,121,256	**33,550**	**8,993**	**1,092,948**	**121,630**	**16,020**	**885,813**	**0**	**1,578**	**119,984**

		Cash flows < 1 year			Cash flows 1–5 years			Cash flows > 5 years		
in € thousands	2011-09-30	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment
Trade payables	560,187	0	0	558,587	0	0	1,747	0	0	0
Bonds/bank loans/notes	1,103,368	36,299	3,516	231,968	130,415	10,171	209,662	24,188	2,209	644,798
Financial liabilities from leases	3,803	0	0	735	0	0	1,731	0	0	2,341
Other financial liabilities	154,166	476	585	94,459	0	0	662	0	0	59,045
Sundry financial liabilities	311,989	0	0	290,881	0	0	16,886	0	0	4,247
Derivative financial instruments	42,077									
Outflows		0	0	315,876	0	0	110,689	0	0	124
Inflows		0	0	-285,241	0	0	-109,139	0	0	-124
	2,175,590	**36,775**	**4,101**	**1,207,265**	**130,415**	**10,171**	**232,238**	**24,188**	**2,209**	**710,431**

Other potential payment obligations, which can materialize at any time, exist in the form of financial guarantees of €38,563 thousand (previous year: €35,667 thousand).

Solvency is ensured and liquidity can be managed using current securities and cash equivalents which can be transformed into cash at any time.

Derivatives include cash outflows on derivative financial instruments with negative market values for which gross cash settlement has been agreed. The cash outflows for these financial derivatives are matched by corresponding cash inflows which are shown separately in the table above under inflows and outflows (gross). On the other hand, where a net cash settlement is effected, cash outflows are netted with cash inflows.

Financial market risks

Foreign exchange risks:
Global production and trading activities expose the Voith Group to risks arising from fluctuations in exchange rates. Foreign exchange risks exist in particular wherever receivables, liabilities, cash and cash equivalents and orders received (firm commitments/forecast transactions) are or will be denominated in a currency other than the functional currency of the Group company concerned.

For the Voith Group, the foreign exchange risk relates mainly to the US dollar. Changes in the exchange rate affect both earnings and Group equity. If the US dollar rises by 5%, this reduces our pre-tax profit by €2,793 thousand (previous year: €2,382 thousand) and equity (including the effect from pre-tax profit) by €1,988 thousand (previous year: €2,330 thousand). If in contrast the US dollar falls by 5%, this increases our pre-tax profit by €2,764 thousand (previous year: €2,256 thousand) and equity (including the effect from pre-tax profit) by €2,036 thousand (previous year: €2,209 thousand).

Most currency hedging is undertaken by Voith Finance GmbH and local treasury centers. Transaction risks arising from the international delivery of goods and services are mainly limited by forward exchange contracts, currency swaps and combined interest rate and currency swaps. Essentially, all foreign currency transactions at the Voith Group must be hedged. Major items on the balance sheet and orders (upward of a value of USD 1 million) are hedged individually within the framework of hedge accounting.

Before external hedges are agreed, in the context of project business, both the hedge relationship and the objectives of and strategies for risk management must be documented in respect of the underlying (hedged) transactions.

Hedges must be highly effective if they are to satisfy the Voith Group's risk management strategy. Where hedge relationships are verifiably effective, the transactions qualify for hedge accounting. As a result, fluctuations in the exchange rate do not affect profit or loss, nor do they influence project costing.

In the Voith Group, derivative financial instruments are traded externally by Voith Finance GmbH on behalf of Group companies. Group companies in countries subject to foreign exchange restrictions hedge their currency risks locally. The enterprise-wide treasury management tool is used for central scheduling, monitoring and documentation of all foreign currency hedges entered into by Voith Finance or Group companies.

Interest rate risks:
The Voith Group's exposure to interest rate risks arising from external refinancing is analyzed and managed centrally by Voith Finance GmbH. Medium to long-term assets and liabilities with fixed interest rates are the main source of interest rate risks at the Group, as changes in market rates of interest can cause the value of a financial instrument to fluctuate. Risks to the market value of fixed-interest receivables and

payables are hedged on a case-by-case basis. Risks to market value are hedged by interest rate swaps and combined interest rate and currency swaps, which usually qualify for hedge accounting.

The relevant asset positions are essentially cash at bank that is invested in the money market and/or are used to fund the existing cash pool. The Group companies that participate in the cash pool operate a daily zero-balancing policy and therefore have no exposure to external interest rate risks.

On the cost side, interest rate risks arise from bonds placed on the capital market and a private placement in the USA as well as a variety of bank loans. The fixed interest rate on the US private placement was swapped for a floating rate and the resulting cash flow risk hedged by interest rate caps accordingly. The other bonds are subject to a fixed rate of interest.

The carrying amounts of those key financial instruments that are exposed to interest rate risks are grouped by contractually defined maturity in the following table:

2012-09-30 in € thousands	Less than one year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
Floating interest rate							
Cash and cash equivalents	916,894	0	0	0	0	0	**916,894**
Bonds	0	152,445	0	77,202	0	58,172	**287,819**
Bank loans	156,020	82	0	0	36,446	0	**192,548**
Fixed interest rates							
Bonds	0	0	0	0	583,200	0	**583,200**
Bank loans	0	12,000	163	0	0	0	**12,163**

2011-09-30 in € thousands	Less than one year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
Floating interest rate							
Cash and cash equivalents	927,140	0	0	0	0	0	**927,140**
Bonds	0	0	150,276	0	74,137	54,512	**278,925**
Bank loans	127,617	19	0	0	0	0	**127,636**
Fixed interest rates							
Bonds	0	0	0	0	0	580,257	**580,257**
Bank loans	100,093	13	12,013	106	0	0	**112,225**

If the market rate of interest had been 100 bps higher (lower) as at September 30, 2012, earnings would have been €4.4 million higher (lower) (previous year: €5.2 million). Equity would have changed accordingly.

Risks relating to securities and stock prices:
The Voith Group has shares and other available-for-sale securities of €232 million (previous year: €270 million). Stock price risks are reflected on the balance sheet and not in the consolidated statement of income, unless the criteria for impairment are met. A 10% change in the underlying stock prices would cause equity to change by 10% of the carrying amount of the stocks concerned.

For shares and other securities at fair value through profit or loss of €0 (previous year: €7 million), a 10% change in the underlying stock prices would change pre-tax profit by 10% of the carrying amount of the respective securities.

It should be noted that all existing stock price risks are analyzed continuously and suitable actions taken.

Commodity price risk:
The Voith Group is exposed to risks arising from changes in commodity prices, as these also affect most of the semi-finished goods that it needs. Voith's Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's materials requirements. On request by Corporate Purchasing, and in consultation and agreement with Group companies, suitable forward commodity contracts can be arranged by Voith Finance GmbH to limit any latent commodity price risks. No forward commodity contracts were in place during the fiscal year. In addition, increases in the price of materials can be passed on to customers to some extent.

Hedge relationships:

The following items are used to hedge foreign exchange and interest rate risks:

2012-09-30 in € thousands	Nominal values*		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	299,282	95,326	5,922	2,628	10,604	3,868
Forward exchange contracts (cash flow hedges)	24,540	0	587	0	139	0
Cash and cash equivalents (cash flow hedges)	0	0	0	0	0	0
Interest rate swaps (fair value hedges)	0	252,584	0	35,462	0	0
Interest rate swaps (cash flow hedges)	0	0	0	0	0	0
Other derivatives	152,900	322,673	4,043	4,118	5,795	586
Total	**476,722**	**670,583**	**10,552**	**42,208**	**16,538**	**4,454**

2011-09-30 in € thousands	Nominal values*		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	559,523	156,780	13,580	3,734	26,397	5,929
Forward exchange contracts (cash flow hedges)	34,178	0	1,728	0	862	0
Cash and cash equivalents (cash flow hedges)	26,000	0	0	0	1,368	0
Interest rate swaps (fair value hedges)	0	242,230	0	36,976	0	0
Interest rate swaps (cash flow hedges)	0	0	0	0	0	0
Other derivatives	153,507	281,367	2,813	2,825	6,426	1,095
Total	**773,208**	**680,377**	**18,121**	**43,535**	**35,053**	**7,024**

*Nominal value refers to the volume of the hedged transactions in the local currency, translated at the closing rate.

Fair value hedges

The Group uses fair value hedges primarily to hedge interest rate and foreign exchange risks.

In fiscal 2011/12, a gain of €7,576 thousand (previous year: a loss of €37,098 thousand) was recorded for derivative financial instruments classified as fair value hedges. Since the hedges were classified as highly effective, measurement of the hedged transactions at the reporting date produced a contrary profit/loss in the same amount.

There were no effects on earnings from ineffective hedges in the 2012 and 2011 periods under review.

Changes in the value of financial derivatives that do not meet the requirements defined for hedge accounting by IAS 39 are recognized in profit or loss at the reporting date.

Cash flow hedges

On September 30, 2012, the Group held forward exchange contracts to hedge future forecast sales and purchases transactions and firm commitments.

The main terms and conditions of the forward exchange contracts were negotiated in line with the terms and conditions agreed for the hedged transactions. The underlying transactions are expected to be carried out within one year.

Hedge relationships designed to hedge cash flows from expected future sales were classified as highly effective. Accordingly, an unrealized loss of €1,602 thousand (previous year: gain of €3,532 thousand) was recognized in Group equity under other reserves as at September 30, 2012.

Due to the realization of hedged transactions in the course of the period under review, the relevant accumulated losses amounting to €2,692 thousand (previous year: €2,490 thousand) were transferred from other reserves to profit or loss. Of the amount reclassified to the statement of income, €0 (previous year: €2,003 thousand) was transferred to the interest result and €2,692 thousand (previous year: €487 thousand) to the operational result.

Research and development costs

In fiscal 2011/12, research and development costs totaled €266,713 thousand (previous year: €259,449 thousand).

Of this amount, €18,221 thousand (previous year €17,361 thousand) was capitalized as development expenditure in the balance sheet. The remaining expenses consist of €178,574 thousand (previous year: €164,892 thousand), which includes both amortization on these capitalized development expenses and activities for non-customer-specific new developments and improvements, as well as €69,918 thousand (previous year: €77,196 thousand) for development activities capitalized in the context of customer-specific orders.

Related parties

In the course of its ordinary business activities, Voith GmbH maintains relationships both with the subsidiaries listed in these consolidated financial statements and with other related entities and individuals (family members who are shareholders, and members of the Supervisory Board and the Board of Management).

In fiscal 2007/08, one subsidiary of Voith GmbH was sold to family shareholders in the context of a transaction under common control. This company, JMV GmbH & Co. KG, Heidenheim, is now the ultimate parent company of the Voith Group.

All business transactions with related parties are conducted at arm's length conditions.

Members of the Board of Management or members of the Supervisory Board of Voith GmbH and family member shareholders also serve on the supervisory boards of other companies with which Voith maintains relationships in the course of its ordinary business activities. Any transactions involving these companies are conducted at arm's length conditions.

A total of €909 thousand (previous year: €743 thousand) was paid at customary market rates to members of the Supervisory Board and former members of the Board of Management for consulting and other services.

The majority of intercompany deliveries and services to related parties (entities and individuals) are shown in the table below:

in € thousands	2011/12	2010/11
Liabilities to family shareholders	47,891	67,906
Services purchased from associates	204	4,519
Services rendered to associates	827	10,607
Receivables from associates	609	552
Liabilities to associates	229	274
Services purchased from other investments	3,940	2,190
Services rendered to other investments	22,533	25,733
Receivables from other investments, incl. advances paid	11,726	11,632
Impairment of receivables from other investments	-320	-9
Liabilities to other investments, including advances received	24,879	29,816
Services purchased from the ultimate parent company	12,485	12,196
Services rendered to the ultimate parent company	824	536
Receivables from the ultimate parent company	163	4
Liabilities to the ultimate parent company	3,950	3,189

Liabilities to family shareholders include current floating-rate clearing accounts and pension obligations.

For more information on the profit participation rights of €98,400 thousand (previous year: €98,400 thousand) granted to family shareholders, please refer to note 19.

Research and development services in the amount of €1,939 thousand (previous year: €1,838 thousand) were provided and charged to the Group by one related party.

Guarantees of €11,836 thousand (previous year: €12,146 thousand) and €2,870 thousand (previous year: €2,177 thousand) were given in favor of one associate and other investments, respectively.

Obligations from outstanding orders payable to the ultimate parent company amount to €3,278 thousand (previous year: €3,964 thousand) and those payable to associates amount to €15,581 thousand (previous year: €7,119 thousand).

Remuneration of governing bodies

Total compensation for members of the Board of Management of Voith GmbH, including pension expenses, came to €8,450 thousand in the period under review (previous year: €12,547 thousand). This amount includes long-term benefit components totaling €2,234 thousand (previous year: €4,136 thousand). These long-term benefit components include service costs totaling €2,154 thousand (previous year: €2,185 thousand).

The members of the Supervisory Board received compensation of €510 thousand (previous year: €489 thousand).

The present value of all defined benefit obligations in respect of current members of the Board of Management was €29,865 thousand at the reporting date (previous year: €22,653 thousand). The present value of all defined benefit obligations in respect of former members of the Board of Management was €26,855 thousand (previous year: €18,176 thousand). Plan assets of €10,931 thousand (previous year: €8,754 thousand) have been formed for current members of the Board of Management. Plan assets of €8,467 thousand (previous year: €7,986 thousand) have been formed for former members of the Board of Management. These amounts are stated in note 20.

Pension and other benefits to former members of the Board of Management amounted to €5,262 thousand (previous year: €1,282 thousand). This includes an amount of €2,970 thousand as defined by IAS 24, 17 (d).

Auditor's fees and services

The following fees (including reimbursement of expenses) were paid to the independent auditor for the services rendered in fiscal 2011/12.

in € thousands	2011/12	2010/11
Annual audit	2,005	1,982
Other assurance or valuation services	193	102
Tax advisory services	103	213
Other services	223	64
	2,524	**2,361**

Events after the period under review

Apart from the events presented in the report, no further significant developments occurred since the close of fiscal 2011/12.

Heidenheim/Brenz, November 20, 2012

Voith GmbH
The Board of Management

Dr Hubert Lienhard
Dr Hermann Jung
Dr Hans-Peter Sollinger
Martin Hennerici
Bertram Staudenmaier
Dr Roland Münch
Carsten J. Reinhardt

The consolidated financial statements of Voith GmbH as at September 30, 2012 as authorized for issue and the unqualified audit opinion issued thereon by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, were filed in German at the Bundesanzeiger [Federal German Gazette] (available at www.bundesanzeiger.de).

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidenheim/Brenz, November 20, 2012

Voith GmbH
The Board of Management

Dr Hubert Lienhard
Dr Hermann Jung
Dr Hans-Peter Sollinger
Martin Hennerici
Bertram Staudenmaier
Dr Roland Münch
Carsten J. Reinhardt

The Voith Group and its shareholdings

as at September 30, 2012

Significant Associated Companies and Shareholdings

	Group share in %
Voith GmbH, Heidenheim/Germany	**100.0**
Voith IT Solutions GmbH & Co KG, St. Pölten/Austria	100.0
Voith IT Solutions GmbH, St. Pölten/Austria	100.0
Voith Corporate Management (Shanghai) Co., Ltd., Shanghai/China	100.0
Voith Composites GmbH & Co. KG, Garching/Germany	100.0
J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim/Germany	100.0
Voith Assekuranz Vermittlung GmbH, Heidenheim/Germany	100.0
Voith Dienstleistungen und Grundstücks GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Finance GmbH, Heidenheim/Germany	100.0
Voith Financial Services GmbH, Heidenheim/Germany	100.0
Voith Industrieverwaltung GmbH, Heidenheim/Germany	100.0
Voith IT Solutions GmbH, Heidenheim/Germany	100.0
Voith IT Solutions Inc., Wilson (NC)/United States	100.0

Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany*	**65.0**
Kössler GmbH & Co. KG, St. Georgen/Stfd./Austria	100.0
Voith Hydro GmbH & Co KG, St. Pölten/Austria	100.0
Voith Hydro da Amazonia Ltda., Manaus/Brazil	99.9
Voith Hydro Ltda., São Paulo (SP)/Brazil	100.0
Voith Hydro Services Ltda., São Paulo (SP)/Brazil	100.0
Voith Hydro Inc., Brossard (QC)/Canada	100.0
Voith Hydro S.A., Santiago de Chile (Las Condes)/Chile	100.0
Voith Hydro Shanghai Ltd., Shanghai/China	80.0
Voith Hydro Ltda.-Sucursal Colombia, Bogotá D.C./Colombia	100.0
Voith Hydro Ltda., Cuenca/Ecuador	100.0
VH Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
VHG Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
Voith Hydro GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim/Germany	80.0
Voith Hydro Private Limited, Noida/India	100.0
Voith Hydro S.P.A., Cinisello Balsamo (MI)/Italy	100.0
Voith Fuji Hydro K. K., Kawasaki-shi, Kanagawa/Japan	50.0
Voith Hydro Mexico, S. de R.L. de C.V., Ciudad de Mexico/Mexico	100.0
Voith Hydro AS, Oslo/Norway	100.0
Voith Hydro Sarpsborg AS, Sarpsborg/Norway	100.0

*The proportionate holding for the Hydro companies relates to Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany.

	Group share in %
Voith Hydro Lima S.A.C., San Isidro—Lima/Peru	100.0
Voith Hydro S.R.L., Bucharest/Romania	100.0
Voith Hydro S.L., Ibarra (Guipúzcoa)/Spain	100.0
VG Power AB, Västerås/Sweden	51.0
Voith Hydro Limited Sirketi, Sögütözü Ankara/Turkey	100.0
Voith Hydro Inc., York (PA)/United States	100.0

Voith Industrial Services Holding GmbH & Co. KG, Heidenheim/Germany	**100.0**
Voith Industrial Services GmbH, Steyr/Austria	100.0
DIW Instandhaltung GmbH, Vienna/Austria	100.0
Voith Industrial Services N.V., Kapellen (Antwerp)/Belgium	100.0
Voith Serviços Industriais do Brasil Ltda., São Paulo (SP)/Brazil	100.0
P3 North America Consulting Ltd., Montreal, Quebec/Canada	40.0
Voith Industrial Services (Shanghai) Co., Ltd., Shanghai/China	100.0
Voith Industrial Services s.r.o., Kosmonosy/Czech Republic	100.0
Voith Industrial Services A/S, Ringsted/Denmark	100.0
P3 Voith Aerospace SARL, Toulouse/France	40.0
Voith Engineering Personnel Services GmbH & Co. KG, Chemnitz/Germany	100.0
Voith Engineering Services GmbH, Chemnitz/Germany	100.0
P3 Voith Aerospace GmbH, Hamburg/Germany	40.0
P3 Voith Aerospace Holding GmbH, Hamburg/Germany	40.0
Voith Industrial Services GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Industrial Services GmbH & Co. KG, Karlsruhe/Germany	100.0
Voith Industrial Services GmbH, Kirchseeon/Germany	100.0
Voith Industrial Services GmbH, Mainhausen/Zellhausen/Germany	100.0
DIW System Dienstleistungen GmbH & Co. KG, Munich/Germany	100.0
DIW Aircraft Services GmbH, Stuttgart/Germany	100.0
DIW Instandhaltung Ltd. & Co. KG, Stuttgart/Germany	100.0
DIW Mechanical Engineering GmbH & Co. KG, Stuttgart/Germany	100.0
Voith Industrial Services Beteiligungen GmbH, Stuttgart/Germany	100.0
Voith Industrial Services Beteiligungsverwaltungs GmbH, Stuttgart/Germany	100.0
Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart/Germany	100.0
Voith Industrial Services Ltd. & Co. KG, Stuttgart/Germany	100.0
Voith Industrial Services Process GmbH & Co. KG, Stuttgart/Germany	100.0
P3 Voith Aerospace Limited, Bristol/Great Britain	40.0

	Group share in %
Voith Industrial Services Holding Ltd., Warwick/Great Britain	100.0
Voith Industrial Services Limited, Warwick/Great Britain	100.0
Voith Industrial Services Kft., Györ/Hungary	100.0
P3 India Consulting Engineering Pvt. Ltd., Bangalore/India	40.0
Voith Engineering Services Private Limited, Karnataka/India	40.0
Voith Industrial Services India Private Limited, Pune/India	100.0
Voith Industrial Services S de RL de CV, Saltillo Coahuila/Mexico	100.0
Voith Railservices B.V., Twello/Netherlands	100.0
Voith Industrial Services AS, Mongstad/Norway	100.0
Voith Industrial Services Sp. z. o. o., Gliwice/Poland	100.0
Voith Etimaad Industrial Services Qatar, Doha/Qatar	38.0
Voith Industrial Services O.O.O, St. Petersburg/Russian Federation	100.0
Voith Industrial Services, s.r.o., Bratislava/Slovakia	100.0
P3 Voith Aerospace SLU, Madrid/Spain	40.0
EnovaPremier of Michigan, Bingham Farms/United States	40.0
Voith Industrial Services Inc., Cincinnati (OH)/United States	100.0
EnovaPremier LLC, Louisville (KY)/United States	40.0
EnovaPremier of Alabama, Montgomery/United States	40.0
EnovaPremier of Kentucky, Paris/United States	40.0
EnovaPremier of Indiana, Princeton (IN)/United States	40.0

Voith Paper Holding GmbH & Co. KG, Heidenheim/Germany	**100.0**
Voith Paper Argentina S.A., Carapachay—Buenos Aires/Argentina	100.0
GAW technologies GmbH, Graz/Austria	35.0
Voith Paper Australia and New Zealand Pty. Ltd., Macquarie Park/Australia	100.0
Voith Paper Fabrics GmbH, Frankenmarkt/Austria	99.8
Voith Paper Rolls GmbH & Co KG, Laakirchen-Oberweis/Austria	100.0
Voith Paper Automation GmbH & Co KG, St. Pölten/Austria	100.0
Voith Paper GmbH, St. Pölten/Austria	100.0
Voith Paper Rolls GmbH & Co KG, Wimpassing/Austria	100.0
Voith Mont Montagens e Serviços Ltda., Barueri (SP)/Brazil	100.0
Meri Sistemas e Tecnologia Ltda., São Paulo (SP)/Brazil	55.3
Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP)/Brazil	100.0
Voith Paper Air Systems Inc., Saint-Laurent-Quebec/Canada	100.0
Servicios y Suministros Voith Chile Ltda., Concepción, Coronel/Chile	100.0
Voith Paper Rolls Guangzhou Co., Ltd., Guangzhou City/China	100.0

	Group share in %
Voith Paper (China) Co., Ltd., Kunshan, JiangSu/China	100.0
Voith Paper Integrated Mill Service Co., Ltd, Sanming/China	70.0
Voith Paper International Trading Co., Ltd., Shanghai/China	100.0
Voith Paper Oy, Vantaa/Finland	100.0
Voith Paper Fabrics SAS, Montbron/France	100.0
Voith Paper Air Systems GmbH, Bayreuth/Germany	100.0
Voith Paper Fabrics Düren GmbH, Düren/Germany	100.0
Voith Paper Automation GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Paper Fabric & Roll Systems GmbH, Heidenheim/Germany	100.0
Voith Paper Fabrics GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Paper GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Paper Rolls GmbH & Co. KG, Heidenheim/Germany	100.0
VP Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
Voith Paper Krieger GmbH & Co. KG, Mönchengladbach/Germany	85.0
MERI Environmental Solutions GmbH, Munich/Germany	65.0
Voith Paper Fiber & Environmental Solutions GmbH & Co. KG, Ravensburg/Germany	100.0
Voith Paper Karton- und Verpackungspapiere Forschungs GmbH, Ravensburg/Germany	100.0
Voith Paper Rolls GmbH & Co. KG, Weißenborn/Germany	100.0
Voith Paper Fabrics Stubbins, Ltd., Bury (Lancashire)/Great Britain	100.0
Voith Paper Ltd., Manchester/Great Britain	100.0
Voith Paper Fabrics India Ltd., Faridabad (Haryana)/India	74.0
Voith Paper Technology (India) Private Limited, Kolkata/India	100.0
PT. Voith Paper Rolls Indonesia, Karawang—West Java/Indonesia	76.0
PT. Voith Paper, Karawang—West Java/Indonesia	100.0
RIF ROLL COVER SRL, Basaldella (Udine)/Italy	51.0
Voith Paper S.r.L., Schio (Vicenza)/Italy	100.0
Voith IHI Paper Technology Co., Ltd., Tokyo/Japan	49.0
Voith Paper Fabrics Asia Pacific Sdn. Bhd., Ipoh, Perak Darul Ridzuan/Malaysia	100.0
Voith Paper Fabrics Ipoh Sdn. Bhd., Ipoh, Perak Darul Ridzuan/Malaysia	100.0
Meri Sistemas Ambientales S.A. de C.V., Monterrey/Mexico	45.5
Voith Paper Fabrics B.V., Haaksbergen/Netherlands	100.0
Voith Paper B.V., Vaassen/Netherlands	100.0
Voith Paper CTC Technology B.V., Vaassen/Netherlands	100.0
Voith Paper AS, Tranby/Norway	100.0
Voith Paper Fabrics AS, Tranby/Norway	100.0
Voith Paper Technology Russia GmbH, St. Petersburg/Russian Federation	100.0

	Group share in %
Voith Paper Fabrics, S.A., Guissona (Lérida)/Spain	100.0
Voith Paper S.A., Ibarra (Guipúzcoa)/Spain	100.0
Voith Paper Services S.L., Ibarra (Guipúzcoa)/Spain	100.0
Voith Paper Fabrics Högsjö AB, Högsjö/Sweden	100.0
Voith Paper Fabrics Holding AB, Högsjö/Sweden	100.0
Voith Paper Walztechnik AG, Zurich/Switzerland	100.0
Voith Meri Environmental Solutions, Inc., Appleton (WI)/United States	65.0
Voith Paper Inc., Appleton (WI)/United States	100.0
Syn Strand Inc., Summerville (SC)/United States	100.0
Voith Paper Fabrics Waycross, LLC, Waycross (GA)/United States	100.0
Voith Paper Fabric & Roll Systems Inc., Wilson (NC)/United States	100.0

Voith Turbo GmbH & Co. KG, Heidenheim/Germany	**100.0**
Voith Turbo Pty. Ltd., Wetherill Park (NSW)/Australia	100.0
Voith Turbo GmbH, St. Pölten/Austria	100.0
Voith Turbo Vertriebs GmbH, St. Pölten/Austria	100.0
Voith Turbo S.A./N.V., Brussels/Belgium	100.0
Voith Turbo Ltda., São Paulo (SP)/Brazil	100.0
Voith Lutong Urban Rail Gearbox Technology (Changchun) Co., Ltd, Changchun/China	50.0
Voith Schaku KTK Coupler Technology Co., Ltd., Shanghai/China	50.0
Voith Turbo Limited, Hong Kong/China	100.0
Voith Turbo China Co., Ltd., Shanghai/China	100.0
Voith Turbo Power Transmission (Shanghai) Co., Ltd., Shanghai/China	100.0
Voith Turbo s.r.o., Brno/Czech Republic	100.0
Voith Turbo A/S, Gadstrup/Denmark	100.0
Voith Turbo SAS, Noisy-le-Grand Cedex/France	100.0
Voith Turbo HighFlex GmbH & Co. KG, Essen/Germany	100.0
Voith Turbo Aufladungssysteme GmbH & Co. KG, Gommern/Germany	100.0
Voith Turbo Antriebstechnik Beteiligungen GmbH, Heidenheim/Germany	100.0
Voith Turbo Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
Voith Turbo Lokomotivtechnik GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Turbo Schneider Propulsion GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Turbo SMI Technologies GmbH & Co. KG, Heidenheim/Germany	51.0
Voith Turbo Vertriebsgesellschaft mbH, Heidenheim/Germany	100.0
Voith Turbo Wind GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Rostock/Germany	100.0

	Group share in %
Voith Turbo H + L Hydraulic GmbH & Co. KG, Rutesheim/Germany	100.0
Voith Turbo Scharfenberg GmbH & Co. KG, Salzgitter/Germany	100.0
Voith Turbo BHS Getriebe GmbH, Sonthofen/Germany	100.0
Voith Turbo BHS Getriebe Holding GmbH, Sonthofen/Germany	100.0
Voith Turbo Verdichtersysteme GmbH & Co. KG, Zschopau/Germany	100.0
H + L Hydraulic Ltd., Croydon/Great Britain	100.0
Voith Turbo Limited, Croydon/Great Britain	100.0
Voith Turbo Rail Systems Ltd., Croydon/Great Britain	100.0
Voith Turbo Kft., Biatorbágy/Hungary	100.0
Fluid Logic Systems Private Limited, Ahmedabad (Gujarat)/India	50.0
FlowLink Systems Private Ltd., Coimbatore/India	50.0
Voith Turbo Private Limited, Hyderabad (A.P.)/India	100.0
Hydronaut s.r.l., Milan/Italy	100.0
Voith Turbo Drive Systems s.r.l., Montichiari/BS/Italy	100.0
Voith Turbo s.r.l., Reggio Emilia/Italy	100.0
Voith Turbo Co., Ltd., Kawasaki-shi, Kanagawa/Japan	100.0
Voith Turbo Co., Ltd., Seoul/Korea	80.0
Voith Turbo S.A. de C.V., Mexico (D.F.)/Mexico	100.0
Voith Turbo B.V., Twello/Netherlands	100.0
Voith Turbo Marine SteamTrac B.V., Twello/Netherlands	100.0
Voith Turbo AS, Skjetten/Norway	100.0
Voith Turbo sp. z o.o., Wola Krzysztoporska/Poland	100.0
Voith Turbo Kazan GmbH, Kazan/Russian Federation	100.0
Voith Turbo Pte. Ltd., Singapore/Singapore	100.0
Imfuyo Air Products (Proprietary) Limited, Bedfordview/South Africa	47.0
Imfuyo Projects (Pty) Ltd., Benoni/South Africa	47.0
Imfuyo Locomotives (Proprietary) Limited, Parktown/South Africa	47.0
Voith Property Company (Pty) Ltd., Witfield (Boksburg)/South Africa	100.0
Voith Turbo (Pty) Ltd, Witfield (Boksburg)/South Africa	100.0
Voith Turbo S.A., Coslada (Madrid)/Spain	100.0
Voith Turbo Safeset AB, Hudiksvall/Sweden	100.0
Voith Turbo AB, Spanga-Stockholm/Sweden	100.0
Voith Turbo Co. Limited, Kaohsiung City 81246/Taiwan	100.0
Voith Turbo Güç Aktarma Tekniği Ltd. Şti., Çankaya-Ankara/Turkey	100.0
Voith Middle East FZE, Dubai/United Arab Emirates	100.0
Voith Turbo Inc., York (PA)/United States	100.0

Important events

October 2011

Voith receives two orders from Zeynep Enerji (Turkey) for the delivery of two complete machine sets for the power stations Cemel 1 and Cemel 2.

Inauguration of the pumped storage power plant Limberg II in the Austrian Alps.

Order for the technical cleaning of the paint shop of Harley Davidson in York (USA).

Voith receives a recognition award from the State of Lower Austria and the Lower Austrian Federal Economic Chamber for its ONV FlocSpotter, which allows the control of smoothness of the paper structure right from the beginning of the production process.

First installation of the new TurboCool hydrodynamic coupling for the efficient control of cooling systems in compressor stations of gas production plants in the Williston Basin in Baker (USA). It allows energy savings of up to 90%.

November 2011

Commissioning of the last two units of Eastmain 1A hydro power station in James Bay (Canada) and finalization of the project.

Voith receives a service and maintenance contract (contract period: three years) for the paint shop of Bajaj Auto in Pune (India).

Opening of the Tissue Innovation Center in São Paulo (Brazil) after an extensive refurbishment of the test laboratory.

CEPI, the roof organization of the European paper industry, publishes its road map 2050, which also features contributions from Voith experts. The “CEPI Roadmap 2050” identifies ways in which the paper industry can achieve CO_2 reductions of 80% by 2050.

Scomi Rail places an order with Voith for the delivery of 48 cooling systems for the monorail in Kuala Lumpur. As a result, Voith is now represented at all monorail manufacturers.

The Voith Aquatarder SWR receives the “European Transport Prize for Sustainability 2012” of the Munich publishing house Huss (Huss Verlag).

Voith delivers the one-millionth vibration damper Hydrodamp. The Hydrodamp has been installed in the tractors of almost all renowned manufacturers for 20 years.

December 2011

Order from Himachal Pradesh Power Corporation for the complete equipment of Singoli Bathwari hydro power station in India.

Commissioning of the second of four new generators after modernization at Ilha Solteira hydro power station of Companhia Energética de São Paulo (Brazil).

Order for the modernization of two 145 megawatt turbines in Miatlinskaya hydro power station in Daghestan (Russia).

Order from Fujian Liansheng Paper for the delivery of PM 8 paper machine for the mill in Zhangzhou City (China). The machine is intended for producing approximately 600,000 tons of coated grey board and white-coated packaging papers per year.

Order from Hyundai Rotem for the delivery of 522 complete wheelsets for 87 goods train locomotives of Korean State Railways.

Ground-breaking ceremony at SCA Hygiene Products GmbH in Kostheim (Germany) for the construction of the new TM 5 tissue production line, to be supplied by Voith. Commissioning is scheduled for spring 2013.

January 2012

Order from Irkutskenergo for the exchange of six Francis turbine runners in Bratsk hydro power station in Eastern Siberia (Russia).

Order from Compagnie Nationale du Rhône for equipping a small hydro power station in Pouzin (France).

Voith Industrial Services receives an order for automating the assembly and side parts line of the body-in-white plant of VW in Foshan (China).

Voith assumes the facility management at Emerson Electric in Sorocaba (Brazil) (contract period: three years).

February 2012

Voith receives an order from Kalehan Energy Production for the delivery of three 235-MVA generators including excitation systems for Beyhan 1 hydro power station in Eastern Turkey.

Delivery of a new pump turbine and a motor generator to Vorarlberger Illwerke AG (Austria) for Rodund II pumped storage power plant completed.

Commissioning of two Francis turbines ordered by Deylet Su Isleri for Akköprü hydro power station (Turkey).

Order for the delivery of two Kaplan turbines for Ustecky small hydro power station (Czech Republic).

Order for the modernization of three 38-megawatt Francis turbines and associated generators for Ruskin hydro power station (Canada).

Order from Porsche for production facility management and technical building management in Leipzig (Germany).

Commissioning of the world"s largest board machine, KM6, after a rebuild by Voith at APP in Xiaogang (China).

Japan Machinery Federation (JMF) presents the DF Coat of Voith Paper with the “Energy Conserving Machinery Award 2011”. The prize is awarded annually for particularly energy-saving products in industrial machines.

Order for the delivery of couplers to Siemens and Bombardier for the ICx long-distance trains of Deutsche Bahn. This major order covers: 260 automatic couplers, 2,070 semi-automatic couplers, 260 transitional couplers and 260 front ends.

March 2012

Major order from the Indian Jammu & Kashmir State Power Development Corporation for the equipment of Baglihar II power station.

Exxon Mobil Production Germany honors Voith for outstanding safety services as Top Supplier of the Year 2011 for turnarounds (plant shutdowns/standstill projects).

Voith receives a three-year contract at General Motors in Springhill (USA) and a two-year contract at Ford in Louisville (USA) for production-related services.

Voith receives an order from Bank Note Paper Mill India for the delivery of two new banknote paper machines.

Voith secures an order from the Indian rail vehicle manufacturer BEML Ltd. for the delivery of 20 automatic front and end couplers, 40 intermediate couplers, as well as 40 semi-permanent couplers for the metro in Jaipur (India). For the first time, Voith is producing all of the couplers in its plant in Hyderabad.

The Japanese shipowner Fukushima Kisen commissions the first Voith Water Tractor in Japan.

The North Sea Giant receives the “Ship of the Year” award. It is the first offshore vessel fitted with five Voith Schneider Propellers.

The Mercedes-Benz City Bus in India is fitted with Voith DIWA transmissions as standard equipment.

April 2012

Order for the delivery of two machine units for Red Rock hydro power station in Iowa (USA).

P3 Ingenieurgesellschaft and Voith Industrial Services pool their engineering competency in a joint venture for the aeronautics industry named P3 Voith Aerospace GmbH.

The largest turnaround project for a complete plant shutdown starts in Gelsenkirchen (Germany) at BP with 450 active Voith employees; the project is completed in June 2012.

Portfolio expansion in Europe by on-site machining services. This allows processing components and equipment of any size and design at the customer"s premises with mobile, modular machine tools.

Voith Turbo receives an order for the delivery of 60 Vorecons for applications in offshore oil production at the Brazilian PreSalt oil field, one of the world"s most important crude oil projects. Delivery starts in November 2012. Voith sets up a production hall in its São Paulo plant for the final assembly of the Vorecons.

Voith signs a framework contract for the delivery of a total of 700 turbo transmissions by 2017. The 350-kilowatt transmissions will be used for special rail vehicles on the high-speed tracks in China. The operator is the Ministry of Railways, China.

May 2012

Voith Industrial Services receives a package order from Ford for carrying out production maintenance in Camaçari in Brazil (contract period: three years).

Order for the maintenance of production plants and paint shops at Caterpillar in India (contract period: three years).

PM1 paper machine at Stora Enso in Eilenburg (Germany) is recommissioned after a major rebuild carried out by Voith. As a result, production is increased by approximately 10%.

SBS Transit in Singapore orders 1,000 solo and double-decker buses with Voith DIWA transmissions. This is the largest order for DIWA transmissions ever received by Voith.

June 2012

50th anniversary of industrial services: DIW in Stuttgart was founded in 1962. Since 2000, the industrial services of Voith are amalgamated in the Group Division Voith Industrial Services.

Honda names Voith as its best supplier of the year, with emphasis on outstanding safety and quality standards.

Klabin S.A. places an order with Voith for the delivery of a new PM 23 sack kraft machine for the mill in Correia Pinto (Brazil).

July 2012

Availon GmbH, one of the leading cross-brand service suppliers for wind energy plants in Europe, assumes the wind service activities of Voith Industrial Services GmbH from July 2012.

Mineralölraffinerie Oberrhein (MiRO) awards Voith for excellent services in terms of safety, quality of labor and service during their shutdown in 2012 (Germany).

Voith Hydro is awarded as best company of the Brazilian investment goods industry.

Voith Paper founds a joint venture with Fujan Sanming Pulp & Paper Making Equipment Installation Co. Ltd. The joint venture offers comprehensive services for the paper industry. The new company, named Voith Integrated Mill Service Company Ltd., in which Voith Paper holds a 70% stake, is based in Sanming (China).

Voith delivers eight universal joint shafts for the ship lift at the 663-kilometer Three Gorges dam on the River Yangtze (China).

August 2012

Voith receives an order for equipping the Chinese pumped storage power plant Hong Ping of State Grid Corporation of China (the delivery includes four machine units rated 300 megawatts each).

Order from Vorarlberger Illwerke AG for the modernization and extension of Kops I hydro power station (the delivery includes three new double Pelton turbines).

September 2012

Order for modernization of Água Vermelha power station in Brazil.

Voith Hydro in York (USA) celebrates its 135th anniversary.

Order for equipping Alto Maipo hydro power station in Chile with the two hydro power plants Las Lajas and Alfalfal II.

Order for paint shop maintenance at Leyland Deere in India (contract period: three years).

Voith Industrial Services receives awards from Forum Biznesu (Poland) for outstanding quality management, as well as the Manufacturing Leadership Award and Conclave (India) in the categories strategy and management.

Voith Turbo receives the “Supplier of the Year 2012” award of Deutsche Bahn in the vehicles category for the project “Procurement of 130 shunting locomotives type Gravita.” The award is the highest commendation presented by Deutsche Bahn among its approximately 35,000 suppliers.

At the IAA Commercial Vehicle Show Voith presents the ElvoDrive technology concept: a modular serial hybrid drive that can be combined with various energy sources and transmits power completely electrically.

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