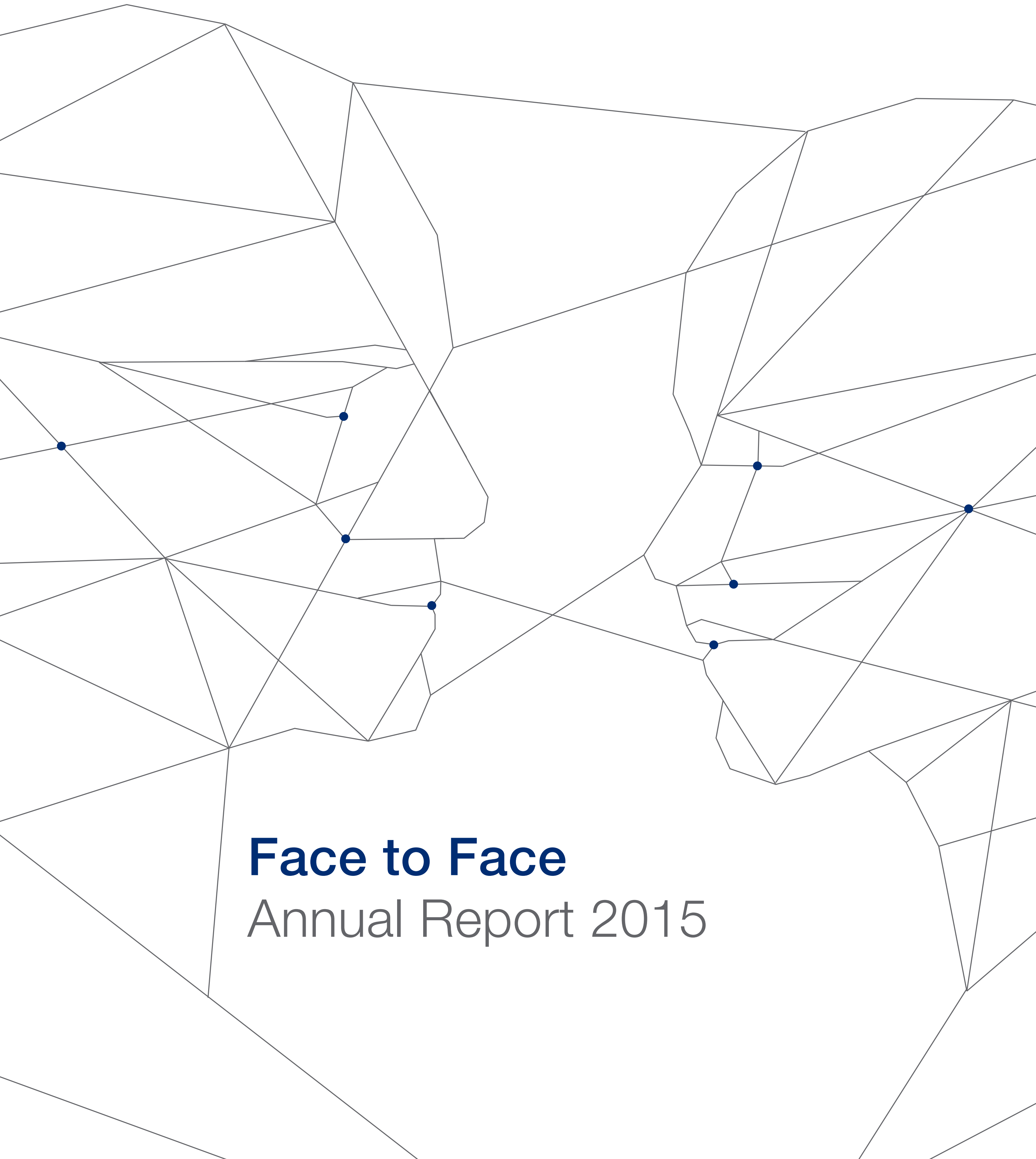
VOITH



Face to Face

Annual Report 2015

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Face to Face

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Group

What's important to Voith.
Told face to face by real people.
People who know what they stand for.

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The Voith Group in Figures

in € millions	2013/14	2014/15
Orders received[1]	4,404	**4,389**
Sales[1]	4,168	**4,302**
Profit from operations[1)2]	235	**270**
Return on sales in %[1]	5.6	**6.3**
Result before taxes[1]	54	**-23**
Net result[3]	41	**-93**
Cash flow from operating activities	191	**151**
Total cash flow	-98	**-357**
Investments[1]	103	**80**
Research and development	216	**210**
in % of sales	5.2	4.9
Equity	1,031	**874**
Equity ratio in %[1]	18.9	16.0
Balance sheet total	5,453	**5,451**
Employees[1)4]	20,943	**20,223**

1) Excluding the discontinued Group Division Voith Industrial Services; previous year restated.
2) See “Notes on segment reporting” in the notes to the consolidated financial statements.
3) This includes a result before taxes from non-recurring items amounting to €-231 million (previous year: €+4 million) arising from restructuring measures. These figures also include non-recurring items in the discontinued Group Division.
4) Without apprentices.

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

A large proportion of the world’s paper production is manufactured on Voith paper machines. A quarter of the energy generated worldwide from hydropower is produced with turbines or generators from Voith Hydro. Voith’s drive components are found in applications all over the world, both in industrial plants and in road and rail vehicles, as well as on the waters.

Founded in 1867, Voith employs more than 20,000 people, generates €4.3 billion in sales, and operates in over 60 countries around the world.[1]

Face to Face
Annual Report 2015

What it means:
Voithians from 120 countries.

And, of course:
Customers all over the world. Business partners. Friends.

You will meet some of these people on the following pages. They talk about their roles, their ideas, their passion. You will meet them face to face. And they invite you to join them.

Welcome to the world of Voith.

Dr. Hubert Lienhard

"A person who meets things and people face to face says what he thinks and does what he says. And he does it respectfully, but always with an eye to success."

Editorial

Face to Face

“Face to face” – what does that mean to you?
Dr. Hubert Lienhard: To make my position clear in what I do and what I say. To not keep a lid on important subjects, regardless of whether they are easy or difficult, but to bring them up and take a stance. A person who meets things and people face to face says what he thinks and does what he says. And he does it respectfully, but always with an eye to success.

Can companies present a “face”?
They can, and they must. A faceless company is replaceable and becomes irrelevant – for its customers and employees. The face of a company is the deciding factor in how we interact with it: whether we want to work together, whether we understand each other, whether we end up doing business with each other, or not.

What is the face of a company?
The face of a company is the sum of its values, its culture, its bearing and its mission. It represents its approach and is shaped by its identity. Difficult times in particular are an opportunity for companies to present themselves in a face-to-face manner. At Voith we say, “We never let a customer down.” We meet our customers face to face when there are challenges, and it is something our customers value highly.

Faces change over time. What do transformation and change mean to you?
Change and transformation are nothing special in the course of a person’s life or a company’s history. The idea that there is a “normal” state where everything is calm and that transformation is then an “exceptional” state is foreign to me. Change and transformation are a part of us. They aren’t the exception, but rather our everyday reality. And this goes for companies as well – transformation and change are at the core of all enterprises.

What is the face that Voith will present in the future?
The face of a company that knows where it comes from and where it is headed. We want to play a decisive role in shaping the digital revolution for our markets, and our company will evolve over the coming years in this regard. At the same time, we know where we come from. We already played a decisive role in shaping the first industrial revolution. And throughout all the changes of the past 150 years, we have remained true to ourselves – a reliable, value-oriented family business that sets standards for the energy, oil & gas, paper, raw materials, as well as transport & automotive markets.

Edward de Vries

“Meeting people face-to-face means that I will keep a given promise: a man, a word.”

Edward de Vries is a chess and golf enthusiast. He also has a passion for etymology, the study of the origins of words and phrases. Over the course of this biochemist’s professional career, he was often called upon to use his expertise in strategy and his ability to find the right words. Prior to working for Pareco, he supported various paper factories in realigning their organizational structure as a consultant to management. Throughout these transformations, his main focus was on successful collaboration with all stakeholders.

Report

Restart in Renkum

Dutch paper manufacturer Parenco's Edward de Vries is delaying his retirement. He wants to be there when Voith rebuilds a 37-year-old paper machine using the latest technology. He wants to see when the plant becomes fit for the future.

It almost looks as though the Dutch paper manufacturer's factory floor is being dismantled. A handful of workers carefully move dusty metal braces on a heavy-duty crane from one end to the other. Two other men detach steel brackets from their mountings using angle grinders, producing an impressive shower of sparks. Other than that, all activity has come to a halt.

The 37-year-old paper machine, which up until now produced tons of paper, working day and night with its high noise level, has been reduced to a 100-meter-long torso of old iron. The workers have removed an antiquated press that came before the heated dryer cans which evaporate any water remaining in the paper. The press was used to press water out of the paper mechanically. "This is one of the machine parts that we are replacing with state-of-the-art technology," says Edward de Vries, who is surveying the conversion progress as he does every day. He wears a day-glo vest over his suit. His hair is gray, his friendly eyes twinkle.

The project manager lives for his work. He enthusiastically talks about a Voith NipcoFlex shoe press which will press water out of the paper more efficiently and effectively in the future. De Vries estimates that this will allow them to remove up to four percent more water from the paper. Is that a lot? De Vries nods. "With an annual output of about 380,000 tons of packaging paper, that's a significant amount. This allows us to save a lot of energy in the drying process."

A project across borders

Less energy means lowered costs. These are the kinds of innovations that excite the 67-year-old engineer. He is delaying his retirement in order to lead this international project. His employer, Parenco, is located in Renkum near the Dutch-German border. According to Parenco, the company is investing about one hundred million euros in the rebuild of the old newsprint paper machine into a modern production line for packaging paper. Voith will supply the lion's share of the technology for the new machine. Voith won the contract in part because the engineers in Heidenheim can reuse up to 60 percent of the old machine parts in the conversion. The outer structure will remain while the interior is outfitted to be cutting edge. In addition to the NipcoFlex shoe press, Voith is also installing a SpeedFlow sizing unit in which starch is added to the paper as well as a new dryer section. And then there is the installation of the electronics, the process control system, the pumps and the piping. While everything is being installed, the Voith technicians are already training the employees who will be operating the fully modernized production line.

Growth after the market collapse

Following the massive changes the sector has undergone in the past decade, it became necessary to rebuild the machine. At the start of this millennium, Parenco was still earning good money with paper for newspapers using two production lines. As digitalization continued to progress, the print

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01 That's what friends are for:
Edward de Vries and his boss Geert Wassens get the paper production line in Renkum fit for the future.

02 On-site inspection:
Voith engineer Patric Romes makes sure that the rebuild at Parenco runs smoothly.

03 Heading towards brand-new paper production: As from summer 2016, about 1,300 tons of packaging paper will then be made every day – on a new Voith paper machine.

media's demand for paper decreased, and manufacturers like Parenco have been experiencing falling sales every year ever since. In 2009, the company finally had to close down one production line. 250 people lost their jobs.

After the new owner – the private equity investor H2 Equity Partners – took over, many improvements and modernizations have been initiated. Today, 200 employees work on Floor I producing mainly paper for advertising leaflets, more than half of which are for German supermarket chains. Due to its financial success, H2 could think about prospects for floor II and make precise plans. And H2 laid out a groundbreaking plan: Floor II, which was dormant for five years, will be made fit for the future. Very soon, Parenco will produce high-quality packaging paper on a modern production line here.

One of the reasons Edward de Vries is so committed to this project is because it will create 60 new jobs. He is native to the region and feels an obligation toward its people. In the smart-looking Geert Wassens, who has managed the company since 2013, he has another experienced expert at his side. In his office, the nearly white-haired 57-year-old pulls out a stack of documents to demonstrate just how the conversion will make the plant sustainable. "Newsprint paper sales are contracting by five to eight percent every year; we are experiencing two percent growth for packaging paper."

The overall market for packaging paper in Europe is now 25 million tons. Economic growth and the growing mail order trade worldwide are driving the demand for brown paper. We call it testliner in the technical jargon. Pareco mainly supplies the corrugated board industry, which then sells it to online retailers as protective packaging material for sending merchandise.

"If we had had to purchase completely new equipment for this new business segment, the costs would have been three and a half times the amount of this investment," says Geert Wassens. In that case, the reorientation would not have made sense financially. Market prices are tightly calculated. "The price affects our customers' purchasing decisions, so we must produce efficiently."

150 Voith employees involved

Rebuilding was the right decision, says Geert Wassens, as he leads us across the courtyard through the drizzling rain. A 10,000-square-meter large external warehouse is being built right next to the factory building. With construction set to begin in the summer of 2016, it will be filled with about 6,200 tons of recovered paper, pressed together into bales as tall as a person. About 1,300 tons of packaging paper in basis weights ranging from 70 to 160 grams per square meter will then be made every day. The so-called stock preparation process – where the paper pulp from recovered paper is refined and the fibers are blended with water – will also take place in a brand-new line.

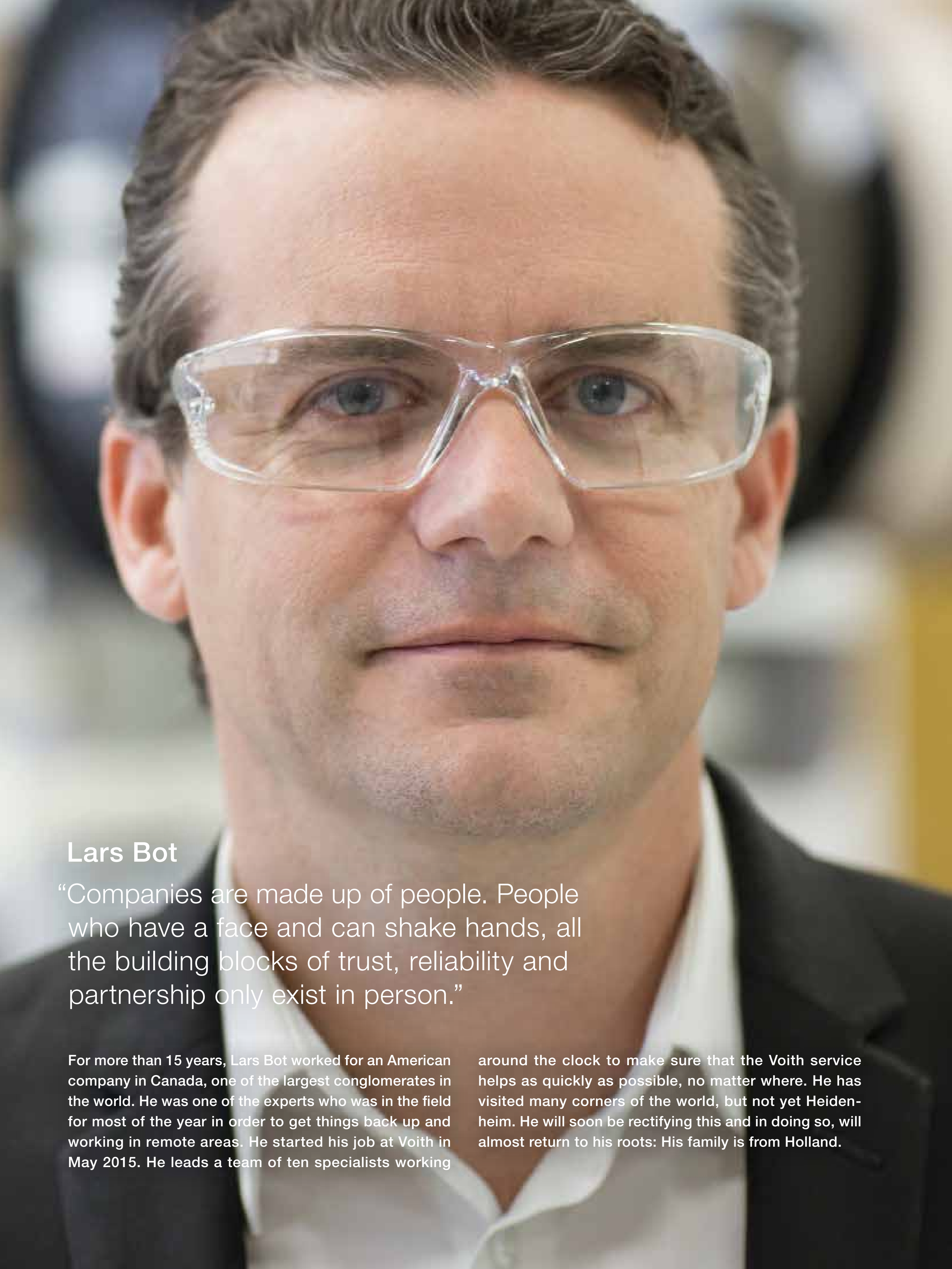
150 Voith employees are involved in this enormous project. Patric Romes is one of them. He is managing the project on the Voith side and works closely with his Dutch colleagues. Every three weeks, he spends five days in Renkum. Other employees under his supervision are at the plant on an ongoing basis. "We bring our know-how to the table and make sure the project goes according to plan," the mechanical engineer says. This includes taking out yardstick and caliper to measure the old equipment with millimeter precision so that the new parts will all fit later. They are supplied by Voith locations all over the world, including from Brazil, China and Germany.

Geert Wassens:

> "Newsprint paper sales are contracting by five to eight percent every year; we are experiencing two percent growth for packaging paper."

The international effort will pay off. The modernized equipment will produce much more efficiently, both from an economic and environmental perspective. Not only is Voith reducing energy costs with optimized dryer and with better machines for stock preparation; water use will be reduced as well. "Thanks to the closed circuit in the new machine, we can use the process water ten to fifteen times," says Wassens. "This allows us to use only four cubic meters of fresh water per ton of paper." The resulting reduced costs and the contribution to a more sustainable production are the deciding factor for the plant's sustainability.

As we are saying our goodbyes, project manager Edward de Vries says, "I'm looking forward to the day both production lines are in operation. We will create outstanding products and new jobs for the region." He will then retire. He is already planning a big trip with his wife. They're traveling to South America.



Lars Bot

"Companies are made up of people. People who have a face and can shake hands, all the building blocks of trust, reliability and partnership only exist in person."

For more than 15 years, Lars Bot worked for an American company in Canada, one of the largest conglomerates in the world. He was one of the experts who was in the field for most of the year in order to get things back up and working in remote areas. He started his job at Voith in May 2015. He leads a team of ten specialists working around the clock to make sure that the Voith service helps as quickly as possible, no matter where. He has visited many corners of the world, but not yet Heidenheim. He will soon be rectifying this and in doing so, will almost return to his roots: His family is from Holland.

Interview

“We need to be able to solve a problem quickly and competently!”

When there is an outage at one of Canada’s remote hydropower plants, it’s a real challenge. Along with his team, Lars Bot is ready day and night to be one of the first to prevent unexpected outages or to respond to them quickly.

Canada is big. More than 500 hydropower plants lie in the vastness between the east and west coasts. Many of them are remote, having been built far away from the usual travel routes. For this reason, it is all the more important that Voith can offer solutions, which prevent unexpected outages. However, if service support is needed, Lars Bot and his team can help. He heads Voith Hydro’s service department in Canada – a unique unit providing Voith HyService™ services no matter where they’re needed and no matter what the problem.

When was the last time you traveled, Mr. Bot?

Lars Bot: On a service call? That was a long time ago. (laughs) My home these days is in the office. Traveling today means that I am at our customers presenting our concepts for example, which help them to save maintenance cost or to reduce unexpected outages. Moreover, I also make sure that our field personnel are in the right place at the right time in order to take care of our customers’ needs.

Ever miss it?

A little. When you work in the field, you thrive on the sense of adventure. You get a phone call, pack your bag, and you’re off to remote areas like the Yukon or the Northern Territories.

Field work is part of everyday work in industry. What’s so special about hydropower plants?

Where else today can you find technology that is more than 100 years old and still being used? A utility just called us with a problem at a plant that started operations around the turn of the 20th century. Repairs can get very complicated in these scenarios. Where do you get replacement parts? Oftentimes the companies that built the technology don’t exist anymore, and you can count the number of people who are still familiar with the technology on the fingers of just one hand.

And that includes your people?

Our employees work for a lot of customers; in one year, they work with more plants, more people, and face more challenges than others do in ten years. And Voith can implement technology developed by renowned original equipment manufacturers, like Westinghouse generators or Allis Chalmers turbines and generators. Thanks to this expertise, we are in a position to provide services and refurbishment for nearly every project. When it comes to finding a solution as quickly as possible, even the staff at a power plant don't have the same kind of know-how and experience.

Are those kinds of problems common?
Today's power plants often rely on technology that has been in use for several decades; the wear and tear is noticeable. That's why service is becoming increasingly important for the hydropower sector.

How is Voith responding to this?
We can offer comprehensive monitoring methods and service tools, but also flexible service teams if immediate service is mandatory. Thus, our customers get a comprehensive service package. Moreover, we are setting up our operations regionally in order to be closer to the customer. We just recently opened a location in Calgary. And we train our staff on an ongoing basis so that our service staff is always up to date on the newest and latest in technology.

So how urgent is this fast response?
First and foremost it is our job to prevent any outage, because if a malfunction causes an outage at the plant, the customer loses a lot of money every day. And many remote power plants are the only source of electricity for entire regions. If unexpected problems occur nevertheless, it really comes down to one thing: How do we get there the fastest and get the power plant working again.

How can you plan this service? You never know where or when the next job will be.
Without appropriate monitoring and control system or regular maintenance checks, you cannot plan power outages, indeed. In that case we don't know who will call today, tomorrow or the day after, what problem they will have, which replacement parts and tools we will need in the field. To prevent outages right from the beginning, we recommend our HyCon™ control system to customers, for instance. Monitoring with HyCon™ can spot irregularities at an early stage and help respond to them at the right time.

Does that mean you have a kind of infrastructure available that includes specialists and replacement parts for all imaginable situations?
Of course, we have to adapt the structure of our operations to market needs on an ongoing basis. We just recently hired an employee, for example, who is exclusively responsible for replacement parts. But above all, we have to operate independently and flexibly, to decide and act quickly. If a customer calls us and reports a malfunction, our experts ask them, "Have you tried A, B or C?" If that doesn't fix the problem, one of our staff needs to be on the way to the airport.

What do they take with them?
A wrench as well as a laptop. Even though the technology is usually decades old, individual components are always being modernized. Automation has long since been a part of everyday operations in a hydropower plant.

Customers associate certain qualities with Voith products. What are the qualities you'd like to see in the service area?
Customers associate our services with Voith's technology, which has a very good reputation across the world. It's seen as durable and reliable. People assign these attributes to our employees and services as well. When it comes to service, the game is decided by who is fast, competent and reliable. Our goal needs to be that we are the ones that get the first call from customers no matter where the hydropower plant is located and which technology is in use.

Team members:

Lars Bot

"We use a wrench as well as a laptop. Automation has long since been a part of everyday operations in a hydropower plant."

Canada's HyService™ team on the road. Year in numbers.

Canada's total area:

9,984,670 km²

Installed hydropower capacity in Canada:

77.6 GW

Hydropower production:

63 %

Total distance traveled by the team (in km):

335,000 km

Year of construction of the oldest modernized component:

1915

Number of service calls:

80

Shortest service time (in hours):

7

Longest service time (in days):

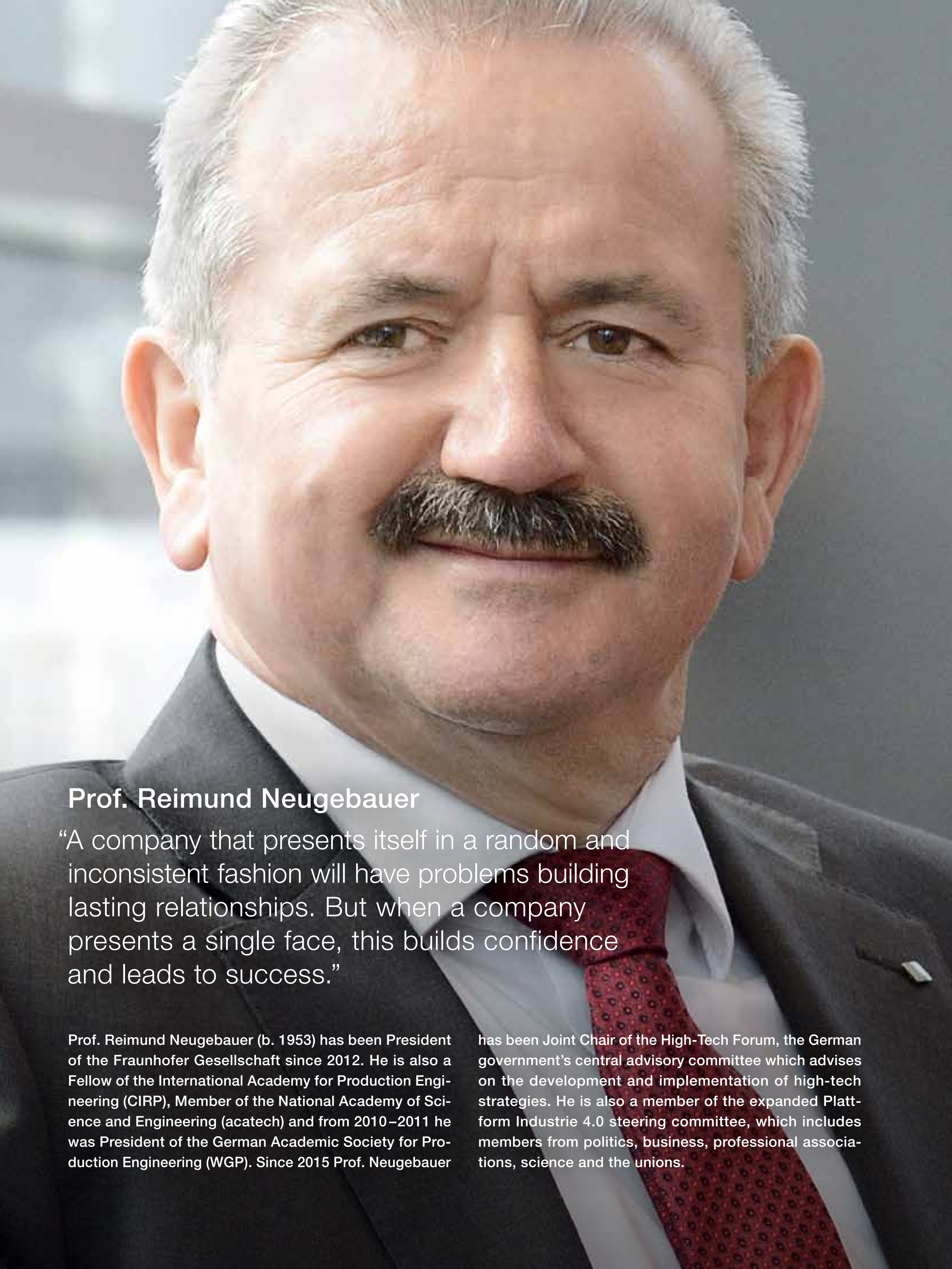
365

Lowest temperature while in the field:

–35 °C

Lars Bot

"Voith's technology has a very good reputation. It's seen as durable and reliable. People assign these attributes to our employees as well."



Prof. Reimund Neugebauer

“A company that presents itself in a random and inconsistent fashion will have problems building lasting relationships. But when a company presents a single face, this builds confidence and leads to success.”

Prof. Reimund Neugebauer (b. 1953) has been President of the Fraunhofer Gesellschaft since 2012. He is also a Fellow of the International Academy for Production Engineering (CIRP), Member of the National Academy of Science and Engineering (acatech) and from 2010–2011 he was President of the German Academic Society for Production Engineering (WGP). Since 2015 Prof. Neugebauer has been Joint Chair of the High-Tech Forum, the German government’s central advisory committee which advises on the development and implementation of high-tech strategies. He is also a member of the expanded Plattform Industrie 4.0 steering committee, which includes members from politics, business, professional associations, science and the unions.

Interview

“Businesses also have to become providers.”

Industrie 4.0 is set to change the world. What does this new industrial revolution really mean? An interview with Prof. Reimund Neugebauer, President of the German application-oriented research organization Fraunhofer Gesellschaft, about possibilities, productivity and the new role and significance of people in the digital workplace.

Everyone is talking about Industrie 4.0. But do you think we all really understand what it means? How is it different from the Internet that we use every day?
Prof. Reimund Neugebauer: People have very different perceptions about the “Internet of Things.” And the distinction between Industrie 4.0 and the Internet of Things is rather hazy – often the two terms are used synonymously. But this is wrong, as the Internet of Things is a prerequisite for Industrie 4.0. Linking together objects in the Internet of Things requires a wide range of technologies and solutions, including cyber-physical systems, smart devices, artificial intelligence and robotics.

The Internet of Things is the same as the Internet of People in terms of the technology used to connect them, but it is different in terms of how it communicates. While things and machines communicate on a simple level, people have the ability to interpret and bring many complex skills to the table. We could say that everyone is using the same Internet, but they are speaking different languages.

Business and technology regularly have to deal with revolutionary changes on a regular basis. Industrie 4.0 is one of these. But how is its potential different from other, similarly dramatic, developments?
Industrie 4.0 refers to the complete digital networking of all levels of communication within production technology. This is often considered to be an evolutionary process. But I believe its revolutionary aspect is the horizontal exchange of data that goes above and beyond different sectors and the new business models that arise from this. Industrie 4.0 technologies are gradually finding their way into the value chain via cycles of investment and innovation. So it is certainly an evolutionary process in which old technologies are slowly being replaced, but the outcome is revolutionary in terms of the market and new business models.

Its potential and promise is enormous, but how should manufacturing companies approach and implement it realistically?
The introduction of Industrie 4.0 allows manufacturing companies to be more efficient in the long term. A key consideration for companies is how to use core Industrie 4.0 technologies and concepts in order to optimize their processes and make them more efficient. Companies can employ “use cases” to evaluate how Industrie 4.0 could benefit them. These provide examples

Industrie 4.0

Rise in productivity due to Industrie 4.0 until 2025:

25%

The year the newly coined German term “Industrie 4.0” was introduced at the Hannover Messe trade fair:

2011

Growth potential due to Industrie 4.0 in Germany by 2025 (in billion euros):

200–425

Allocation of the current IP address range:

99%

Number of digits in an IP address in IPv6 format:

128

of how Industrie 4.0 technologies are being used and highlight their benefits. Use cases should be developed and implemented throughout the whole workforce, as staff involvement is the key to the success of Industrie 4.0 projects.

To what extent will Industrie 4.0 change existing ways of thinking and working in manufacturing companies? Where do you think the greatest potential lies?
Industrie 4.0 makes it much easier to customize product ranges and respond flexibly to market fluctuations. But I think its greatest potential lies in the creation of totally new business models. A major additional business arises from the data that is collected via integrated sensors or embedded systems around the physical product. This has consequences for the company’s future success: businesses also have to become service providers.

We also have to change our ways of working: “Employee 4.0” has to be both the developer of smart machines and the colleague on the ground. They have to interact with the machinery, make use of its support, and ideally also carry out maintenance work.

Which technical possibilities do you find most fascinating?
First of all, intelligent self-steering makes it possible to customize just about any product to meet the customer’s needs, while still being in a position to produce it economically. This is a major competitive advantage for German industry in the global marketplace. We call it mass customization.

I also find it fascinating that real-time networks make it possible not only for us to have smart factories, but also smart health, smart homes and much more. When we reach the point where everything is connected via the Internet there will be fewer accidents and less waste. This should mean that people can live longer on their own terms and in better health. The possibilities are endless. But we have to be very responsible in the way we approach these new opportunities. And, of course, communicating via Internet technologies in factories requires us to focus on the issue of data security. Industrie 4.0 networks need special safeguards. This involves stakeholders in every area: politics, society, business and science.

This issue is already triggering concerns, such as the possibility that fewer people will be needed if machines are able to handle everything themselves.
The idea of a factory that is empty of people was the vision of production experts in the 1980s, when CIM (computer-integrated manufacturing) was being advanced. Understand-

Researching for people

Fraunhofer is Europe's largest application-oriented research organization, and one of the world's most famous institutions. Since 1949 its research efforts have been geared towards health, security, communication, mobility, energy and the environment.

Its mission is to promote and conduct applied research for the benefit of private and public enterprise and society as a whole. Some 23,000 employees, the majority with a background in the natural sciences and engineering, are researching and inventing at over 80 institutes in 40 locations in Germany. They work with an annual research budget totaling 2 billion euros. The research organization is named after the illustrious scientist Joseph von Fraunhofer (1787–1826), who successfully combined sound scientific work with practical applications in order to create innovative products.

Visual Computering Solution by Fraunhofer IGD

ably, this kind of vision engendered a degree of skepticism among employee representatives. But it failed to materialize, and equally this will not be the outcome of the fourth industrial revolution. There is no doubt that people's jobs will change. Those who are directly involved in creating value will move towards steering production and will have more time to focus on creative activities and decisions. However, one challenge will be to provide all employees with the training they need to ensure they are not left behind by the fourth industrial revolution.

I am convinced that we need and will always need the social skills that only humans can provide, thanks to their emotionality, creativity, linguistic skills and capacity for empathy. Someone has to design and develop the business models and products. To do this, we will always need people and their particular skills.

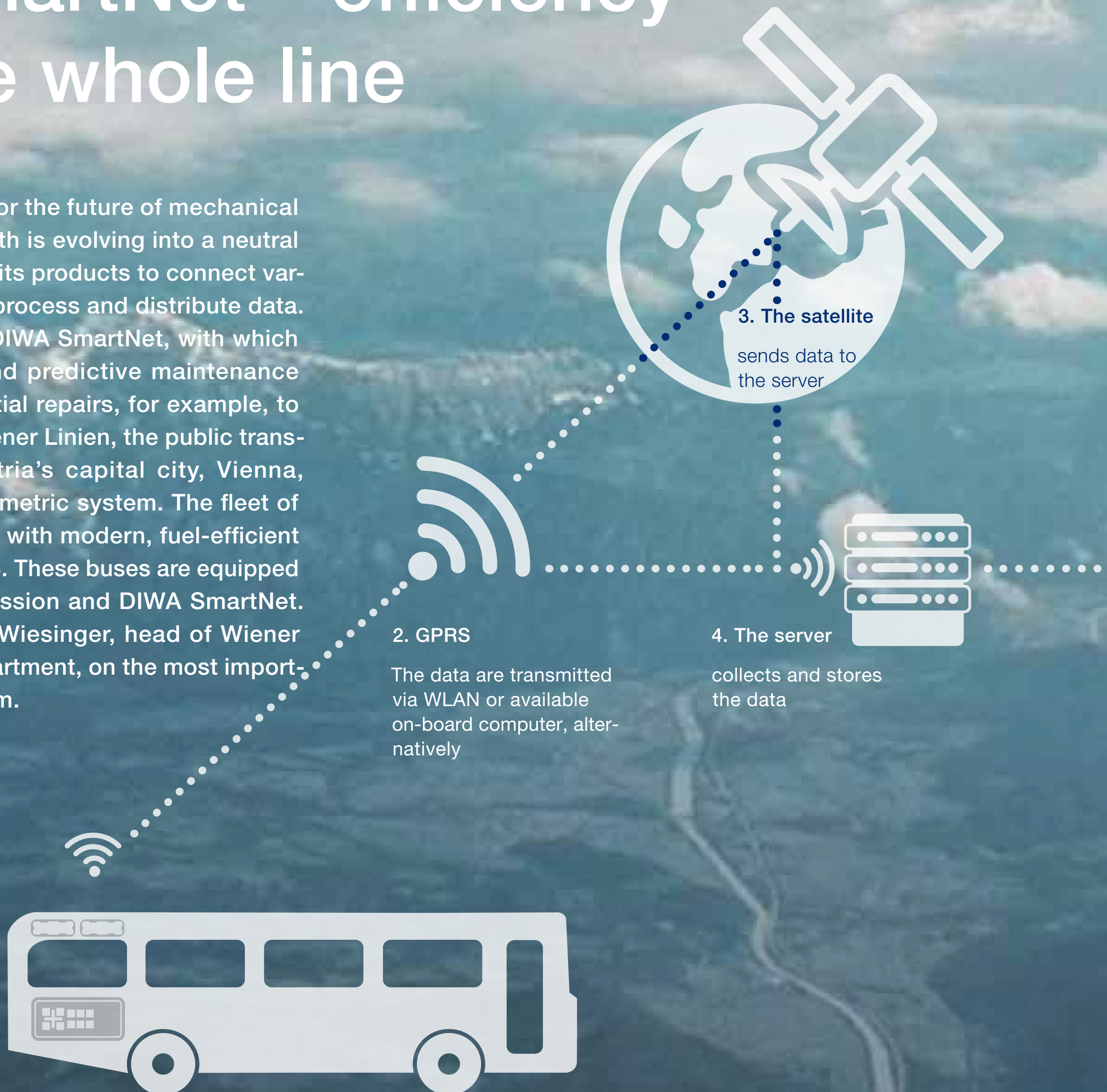
How do Germany's manufacturing companies compare with their competitors abroad?
Germany is dominated by mid-tier companies, and it is a world leader in engineering and other high-tech industries. In terms of automation, in Germany we are streets ahead of other countries and regions. All the technologies for Industrie 4.0 are at our fingertips – now we have to link them together. Communication and data exchange are key in this respect. With its Industrial Data Space, the Fraunhofer Gesellschaft is working with a number of major German companies, SMEs and the Federal Ministry of Research to improve the prerequisites in this regard. In Germany we have very strict laws and high standards on data privacy. This means we enjoy a great deal of credibility when it comes to data security. With the Industrial Data Space, we are currently creating a virtual space where users can exchange data in a secure environment, without ceding control over their data. This provides the perfect conditions for Germany to become and remain a world leader in Industrie 4.0.

Thank you very much!

DIWA SmartNet – efficiency along the whole line

Industrie 4.0 is a key trend for the future of mechanical engineering. In this field, Voith is evolving into a neutral broker of information, using its products to connect various players and to collect, process and distribute data. One example of this is the DIWA SmartNet, with which Voith enables automatic and predictive maintenance planning. This allows potential repairs, for example, to be indicated in advance. Wiener Linien, the public transportation operator of Austria's capital city, Vienna, already relies on Voith's telemetric system. The fleet of 475 vehicles will be updated with modern, fuel-efficient buses by the summer of 2016. These buses are equipped with Voith's DIWA.6 transmission and DIWA SmartNet. Three statements by Peter Wiesinger, head of Wiener Linien's bus technology department, on the most important advantages of the system.

DIWA SmartNet – it's that simple!



"469 of Wiener Linien's 475 buses are equipped with Voith's DIWA.6 transmission. According to our drivers, the quality of the transmission's gear changing is the best. What's more, it meets the European Euro 6 emissions standard, which means our bus fleet emits less CO_2."

#1 Peter Wiesinger on DIWA.6 transmission

"Energy efficiency is the crucial issue. A bus's fuel consumption per route, for example, is one of DIWA SmartNet's many important data points for us. Our drivers should steer their buses through traffic as thoughtfully and efficiently as possible. We are thinking about awarding a bonus to especially efficiently operating drivers."

#2 Peter Wiesinger on energy efficiency

“The DIWA SmartNet IT system provides us with a great deal of performance data with which we can design predictive maintenance plans for our buses. Then there are practically no breakdowns. We gain more control, make optimal use of our workshops and reduce costs in the long term.”

#3 Peter Wiesinger on cost reduction

Wiener Linien – facts and figures

Total length of bus lines in km:

700

Number of employees:

8,700

Total number of people who would fit into all vehicles:

260,000

Distance traveled (per day):

208,000

… for all vehicles within the local transport network.

Number of routes driven within the Wiener Linien transport network:

2 million per day

Ellen Johnson Sirleaf

“A family determined to advance based on varied skills and entrepreneurship finds the sky as the limit.”

Ellen Johnson Sirleaf is president of Liberia and the first democratically elected female head of state of an African country. After studying economics, she became Liberia’s minister of finance in 1972. Due to her criticism of former dictator Samuel Doe, Ellen Johnson Sirleaf went into exile, where her remarkable career took off. Among other positions, she was director of the UN Development Program for Africa. In addition, she worked for the World Bank and other international institutions. Johnson Sirleaf returned to Liberia in 2003 and ran for the presidency in 2005. The renowned Africa expert and women’s rights activist has four children and several grandchildren. In 2011, she was awarded the Nobel Peace Prize for her non-violent fight for women’s rights.

Interview

Power for Liberia

Civil war, destroyed infrastructure, depressed economy, Ebola disease – Liberia had to face some severe setbacks in the recent past. But there is hope. One face that stands out for Liberia's brighter future is that of Ellen Johnson Sirleaf. Liberia's and Africa's first female Head of Government and the Nobel Peace Prize Laureate visited Voith earlier this year.

Madame President, how do you see the development of the African continent in general and Liberia's development in particular?
Ellen Johnson Sirleaf: After decades of reform, economic and political, Africa's development is well on track. Today, the African continent has the fastest growth rate, which will propel the processes to achieve the transformation set forth in the African Union Agenda 2063. The majority of African countries are democracies with regular peaceful transition.

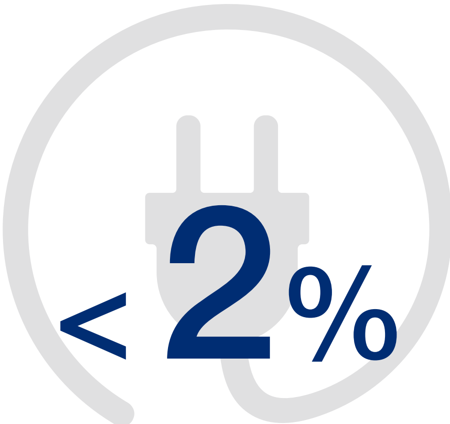
Which things are essential for a positive development of your country?
Liberia is well endowed and has experienced exceptional progress and growth until 2013/14, when global prices for two main exports declined and was followed by Ebola. The nation is back on track to achieve its development goal, which focuses on economic diversification through infrastructure development.

Liberia values as a matter of necessity the prioritization of a resilient health care for all, education and massive investment in agriculture for self-sufficiency and export. This can only be achieved if infrastructure – power, roads – is given the largest priority.

Where do you see great potential in your country? And where are the challenges?
The greatest potential for Liberia is in agriculture aimed at industrialization through agro-processing on which small and medium-sized businesses depend. Support of growth and value addition in tradition products such as rubber, oil palm, coffee and cocoa are also needed. The challenges to achieve this goal are in infrastructure, particularly power.

What are your future plans to take those chances?
Liberia's Post Ebola Economic Stabilization and Recovery Plan is clear on the prioritizing of power, which is essential to achieve the goals of health, education and agriculture. Effort is underway to restore hydropower and expand the national grid through low cost-effective generation.

Percentage of Liberia's rural population with access to electricity:



Ellen Johnson Sirleaf

"Liberia values as a matter of necessity the prioritization of a resilient health care for all, education and massive investment in agriculture for self-sufficiency and export."

Earlier this year, you visited Voith in Heidenheim. What was your impression? What has stuck in your memory?
I saw great innovation and technological advancement, from which Liberia could benefit. The partnership between Voith in building the turbine for the hydro restoration is a milestone. Liberian engineers would benefit from the quality of capacity building towards the sustainability of the hydro. I was impressed by the opportunity given to young graduates to grow professionally and become active members of the work force.

What do you find most interesting about family enterprises such as Voith?
A family determined to advance based on varied skills and entrepreneurship finds the sky as the limit. Voith's superb technology system has been passed to several generations ensuring continuity in quality and service.

In your opinion, which role do enterprises such as Voith play for Liberia's future development?
Voith is playing a key role in the reconstruction of Liberia's hydroelectric system. The current capacity is far below demand, requiring continuing Voith partnership with the country.

How can Voith help Liberia to tap the full potential of your country's chances?
With the installation of Voith turbines that will restore and expand cost-effective power in the country, small and medium-sized businesses will prosper and become the buoyant force in the country.

The promotion of a broader partnership involving power sector studies and training will indeed lay the basis for continued collaboration in the energy sector of Liberia.

If you had one wish, what would you wish from Voith?
That Voith will explore new frontiers for cooperation, mutual collaboration and invest in the cross-pollination of ideas, insights and training of Liberia in the energy sector.

Thank you very much!

Voith has been involved in the modernization and construction of hydropower plants in Africa for 75 years. In this way, Voith is making a contribution toward supplying the most important resource for the continent's development: energy. The African market's potential is enormous. In some regions, only one in ten residents has an electrical connection. Voith is currently working on projects in Liberia, Angola, Nigeria, Tanzania, Mali, the Democratic Republic of the Congo, South Africa and Ethiopia.

Population growth in Africa by 2050:

100%

Liberia

Voith's commitment to hydropower in Africa in years:

75

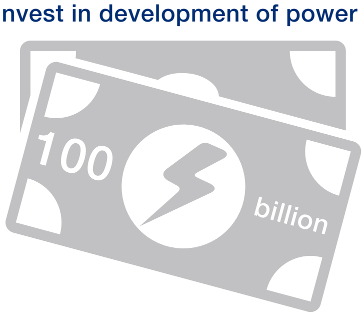
Current amount of energy actually harnessed by hydropower in Africa:

26 GW

Estimated potential of hydropower in Africa:

435 GW

Amount of money which African countries intend to invest in development of power grids (in euros):



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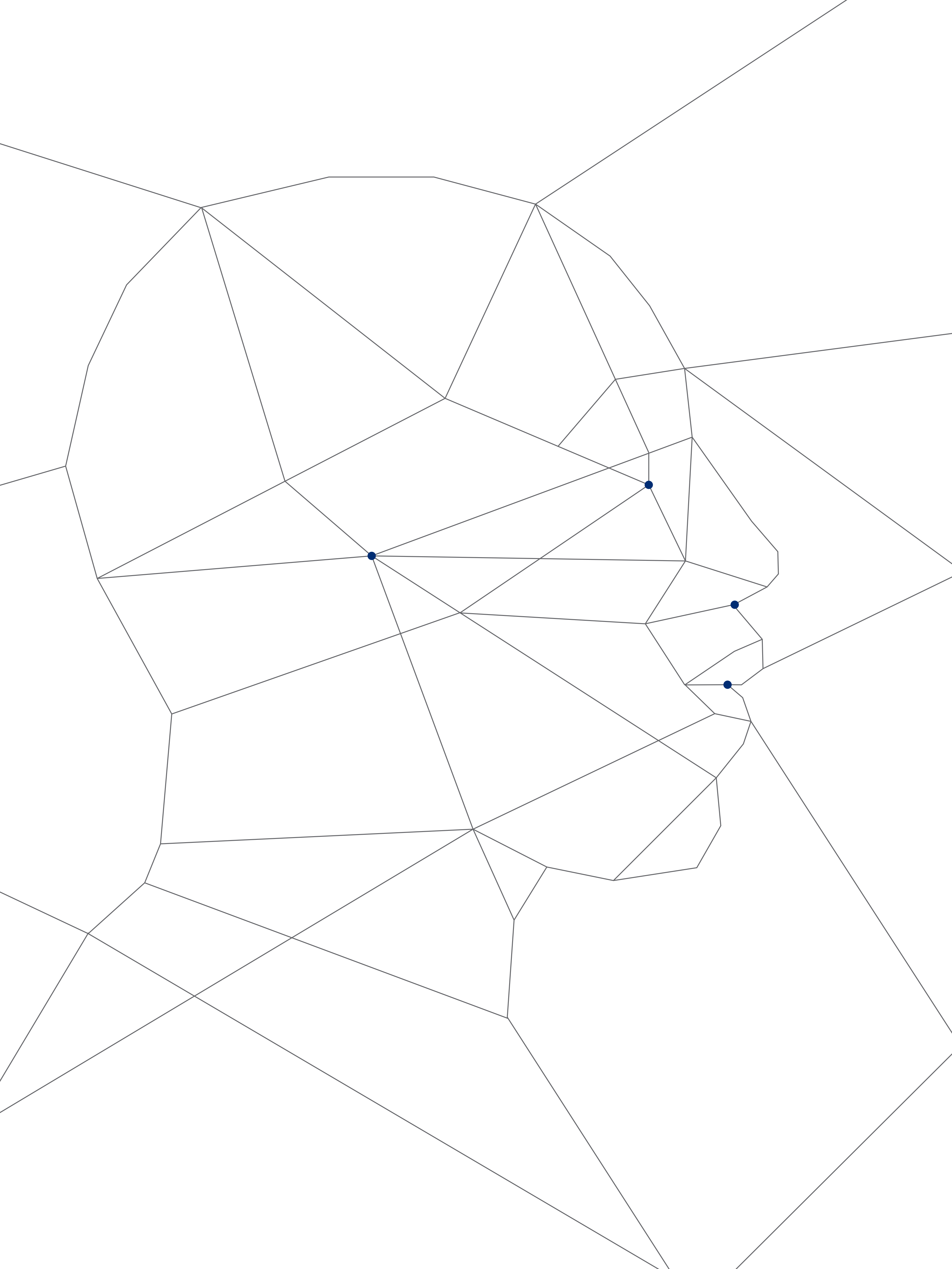
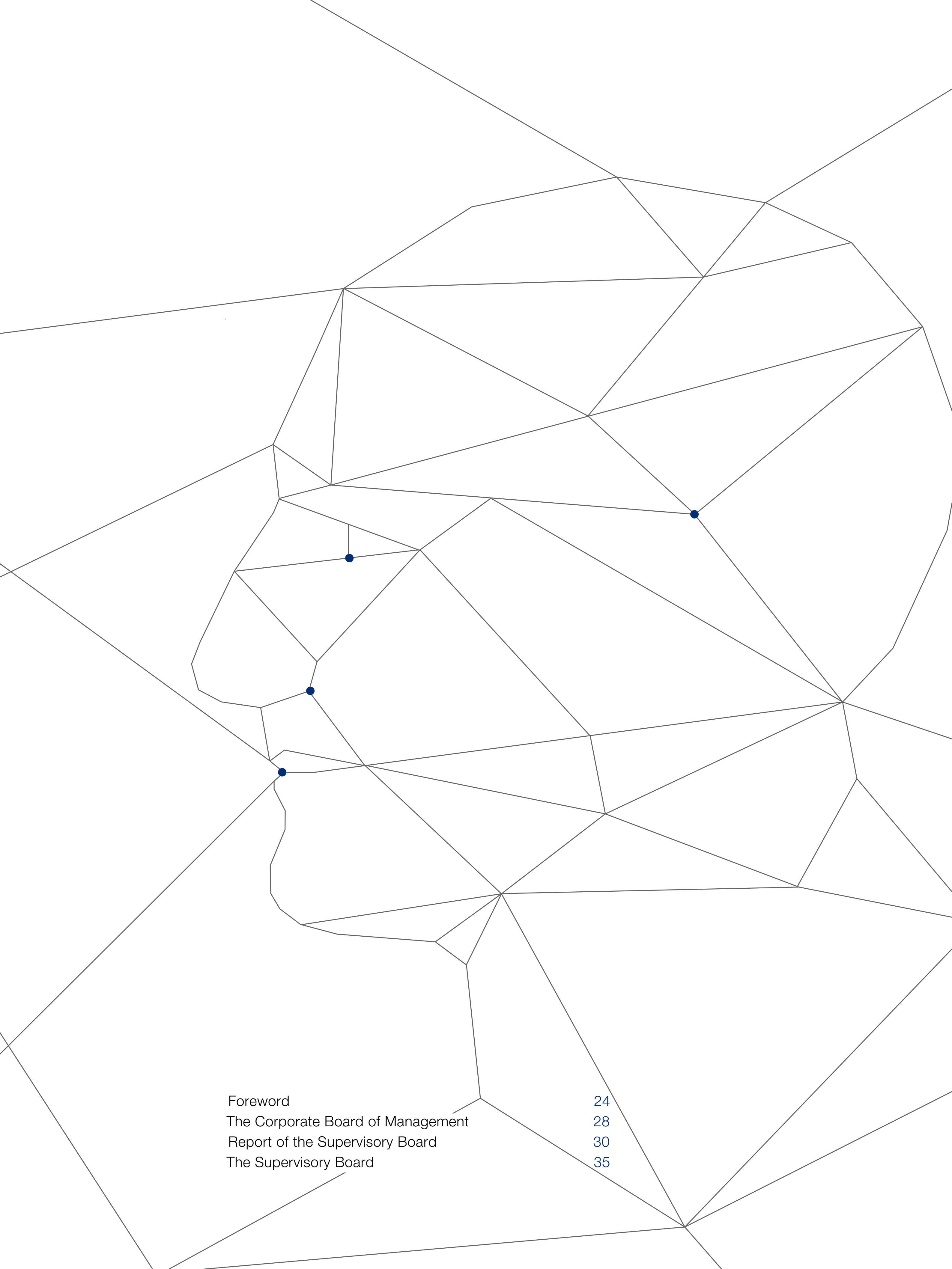




Dr. Hubert Lienhard

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

In this Annual Report 2015, we report on a year in which Voith was on its way to successfully achieving new strength.

Consolidated sales increased, after having declined in recent years, and the Group's operative earnings improved significantly. Our profits from operations grew, all Group Divisions made a positive contribution, and we were all able to meet or exceed our predictions. Voith Paper's development was especially positive – following the far-reaching restructuring of the past years, the Group Division was able to improve all relevant key figures, in part substantially.

The basis for our improved profitability is our group-wide success program, Voith 150+, which has been in place since 2013, and whose portfolio optimization and efficiency improvement measures are becoming increasingly effective. On the other hand, due to restructuring costs incurred as part of Voith 150+, which amounted to 231 million euros for the whole year, our net result was negative, as had been planned and communicated in February 2015.

As expected, orders received remained roughly stable in comparison to the previous year's figures – despite order delays in large-scale projects in Voith Hydro's hydropower business due to the recessions in Brazil and Russia and slowing growth in China.

2015 was a year in which significant strategic decisions were made as part of Voith 150+: acquiring a share in KUKA and initiating the sale of the Voith Industrial Services Group Division, by which means we are bringing our focus back to our roots as a technology and engineering group. To this end, we have outlined an ambitious digital agenda for the coming years which we are pursuing systematically. The importance we have assigned this topic is reflected in the establishment of a new Group Division, Voith Digital Solutions, in which we are concentrating all Industrie 4.0 activities.

We already have numerous lighthouse projects for Industrie 4.0 applications with which we support our clients as a partner on their way into the digital future. One example is our initiative, “Papermaking 4.0”, with which we are going to raise the digitalization and automation of the paper industry to a whole new level. Market feedback is very positive. To name one example, we entered into a strategic partnership with Huatai a few weeks ago, one of China’s largest paper manufacturers, a partnership that includes collaborative development work on the topic of Industrie 4.0, among other things.

Voith is a company that has played a decisive role in shaping the technological and societal challenges of the times since its establishment in 1867. Our founding father Friedrich Voith played a decisive role in shaping the first industrial revolution; we will be shaping the fourth revolution as well. In the current fiscal year, we will work hard to build upon the visible success of the last twelve months. The systematic work on our digital agenda will be the focus of our efforts.

At this point, I would like to thank first and foremost our customers and business partners who put their faith in Voith in this fiscal year.

I would also like to thank our employees all across the world – with their hard work and dedication, they helped us meet the many challenges of 2015, both large and small, and helped make this fiscal year a successful year for Voith on its way to achieving new strength.

Thanks to being in robust financial shape and enjoying greater earnings power, we are in a position to pursue and implement our strategic objectives in our own right.

I would be glad if you would continue to accompany Voith on this journey into the future.

Best regards,

Hubert Lienhard

Dr. Hubert Lienhard
President and CEO

“We are bringing our focus back to our roots as a technology and engineering group and have outlined an ambitious digital agenda for the coming years which we are pursuing systematically.”

Dr. Uwe Knotzer
Voith Turbo
(since 2015-10-19)

Bertram Staudenmaier
Voith Paper

Dr. Roland Münch
Voith Hydro

Dr. Hubert Lienhard
President and CEO

Dr. Hermann Jung
Finance and Controlling

The Corporate Board of Management

"Voith is a company that has played a decisive role in shaping the technological and societal challenges of the times since its establishment in 1867. Our founding father Friedrich Voith played a decisive role in shaping the first industrial revolution; we will be shaping the fourth revolution as well."

Report of the Supervisory Board for the 2014/15 Fiscal Year

Ladies and gentlemen,

Our company has again faced extraordinary challenges during the last fiscal year. The general framework for the Voith Group in 2014/15 was characterized by persistent uncertainties surrounding the development of the global economy and the unstable situation of the international financial markets. In many of our target markets private and public investment projects did not materialize as anticipated. The sluggish pace of growth in the Western industrialized countries only picked up significantly in the USA. The emerging markets, such as China and Brazil, which are of such importance for the Voith Group, continued to grow, albeit at a substantially slower rate than in previous years or than was projected.

Oversight activities of the Supervisory Board

In this demanding environment the Supervisory Board considered strategic issues such as the analysis and ongoing development of the Voith portfolio, as well as the challenges and consequences for the Voith Group's operating business stemming from the economic and structural changes in the markets relevant to Voith. This affects the Voith Paper and Voith Turbo Group Divisions in particular. In business with new machines, Voith Paper is currently contending with a structural collapse in the market for large paper machines due to a shift towards mid-sized machines. In the Mining & Metals and Power, Oil & Gas divisions, Voith Turbo is being hit particularly hard by changes in market conditions and the inherent fall in demand. The Committee provided constructive criticism of the measures taken by management, including significant personnel cuts at various locations.

The four ordinary meetings of the Supervisory Board were held on October 13 and December 9, 2014, and on March 27 and June 11, 2015. An additional meeting took place on February 2, 2015. As usual, all the meetings of the Supervisory Board were characterized by intensive and solution-oriented exchanges of views with the Corporate Board of Management.

Discussions were based on detailed written and oral reports by members of management on the current situation, corporate planning (including financial and investment planning), the development of the economic situation of the Group and its Divisions, the measures to be implemented at Voith Paper and Voith Turbo, and the development of the results of operations and financial position, as well as the assessment of business risks. There was also detailed discussion of the necessary and increasing global orientation of the Company and its Group Divisions – especially in Asia – in terms of both the product portfolio and the focus of the portfolio of services, as well as with regard to changes in the organizational structure. The financial and capital expenditure planning underlying this orientation for the current and subsequent year was approved unanimously at the meeting in October.

The Supervisory Board highly appreciates the efforts of the Voith Group for its sustainable and rule-compliant business approach, which is clearly demonstrated in Voith's sustainability report for 2014. Building on the sustainability strategy, management regularly informed the Supervisory Board of further progress in improving the occupational safety of Voith's employees. The Chairman of the Supervisory Board was also kept constantly informed of significant developments and key decisions by management. He consulted regularly with the President and the CEO on matters of material importance.

Report on the work of the committees

The Personnel Committee met three times in the past fiscal year, on December 4, 2014 and on February 2 and June 11, 2015.

There was no need to convene the Mediation Committee formed pursuant to Sec. 27 (3) of the German Codetermination Act (MitbestG).

The Audit Committee met twice, on December 8, 2014 and June 11, 2015. The first meeting, which was held in the presence of the auditors who examined the annual financial statements, conducted an in-depth examination of the financial statements of both the consolidated Group and Voith GmbH for the 2013/14 fiscal year, and of the report submitted by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. In the meeting with the auditors the Committee also discussed individual issues of improvements set out and proposed in the management letter to the financial statements, none of which are deemed relevant to this report. The head of the Internal Audit function discussed the group audit report prepared for the fiscal year under review at length with the Committee, and explained any existing deficits as well as improvements which had been made during the course of the fiscal year. A presentation was also made by KPMG AG Wirtschaftsprüfungsgesellschaft.

At its second meeting the Audit Committee reviewed the half-yearly financial statements of the Group as at March 31, 2015 and considered material issues affecting the Group's results, such as accounting for investments and pension obligations or the impact of the planned restructuring of the Group on its results and balance sheet. Internal audit issues, including in particular the completed quality self assessment, were also discussed.

Changes in the Board of Management and Supervisory Board

The Supervisory Board decided at its December 2014 meeting to reappoint Dr. Hermann Jung and Mr. Carsten J. Reinhardt to the Corporate Board of Management. Mr. Martin Hennerici informed the Supervisory Board at its meeting in February 2015 of his intention to resign from his position as Member of the Corporate Board of Management of Voith GmbH and his other posts on March 31, 2015. Voith GmbH therefore now has five Members of the Corporate Board of Management instead of its previous six. Dr. Lienhard is now responsible for Group Division VI on the Voith GmbH Management Board. The Supervisory Board would like to thank Mr. Hennerici for his many years of successful work for Voith, his dedication and achievements, in particular for the development of the Voith Industrial Services Group Division.

The periods of office of Ms. Sonja Gorsch and Dr. Ophelia Nick as members of the Supervisory Board came to an end with the close of the shareholders' meeting on February 1, 2015. Dr. Nick was elected by the shareholders' meeting for a further period of office in the Supervisory Board. Ms. Sonja Gorsch did not stand for re-election. Accordingly, the shareholders' meeting subsequently elected Mr. Martin Schily for a new period of office in the Supervisory Board at the suggestion of JMV GmbH & Co. KG.

On June 12, 2015 the shareholders' meeting adopted a resolution to appoint Mr. Stephan Schaller as the successor to Prof. Dr. Bernd Gottschalk, who stepped down from the Supervisory Board as at September 30, 2015 due to age.

Mr. Thomas Martin has been a member of the Supervisory Board since January 1, 2015. He took the place of Mr. Thomas Brezina who stepped down due to age on December 31, 2014. Mr. Uwe Badziong has been a member of the Supervisory Board since February 1, 2015. He took the place of Mr. Richard Obermeier who stepped down due to age on January 31, 2015.

The Supervisory Board would like to thank the long-standing members of the Supervisory Board – Ms. Sonja Gorsch, Mr. Thomas Brezina, Prof. Dr. Bernd Gottschalk and Mr. Richard Obermeier – for consistently trusting and constructive working relationships. They have accompanied the development of the Company over many years with great dedication, and contributed their experience to Voith. The Supervisory Board wishes them all the best for the future.

The shareholders' meeting on February 1, 2015 granted discharge to the Management Board and the Supervisory Board for their activities in the 2013/14 fiscal year and appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Munich as auditors for the 2014/15 fiscal year. The Supervisory Board subsequently approved the corresponding request to appoint the auditors.

2014/15 Financial Statements

The auditor examined and granted its unqualified audit opinion on the accounting records, the annual financial statements and Group management report of Voith GmbH and the consolidated financial statements and Group management report for the Voith Group as at September 30, 2015. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

At its meeting on December 7, 2015 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 7, 2015. At both meetings the responsible member of the KPMG management and the lead auditor 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.

Finally, the Supervisory Board would like to thank the management of Voith GmbH, the management of the subsidiaries, and the representatives of the workforce, but most of all the employees for their dedicated service and successful work under difficult conditions in the fiscal year under review, which has posed considerable challenges for the employees.

Heidenheim, December 2015

Hans-Peter Keitel

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Chairman of the Supervisory Board

The Supervisory Board

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

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

Uwe Badziong*
Chairman of the works council of Voith Paper,
Krefeld/Germany (since 2015-02-01)

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 (until 2014-12-31)

Ton Büchner
CEO and Chairman of the Board of Management AkzoNobel NV,
Amsterdam/the Netherlands

Dr. Siegfried Dais
Associate of Robert Bosch Industrietreuhand KG,
Stuttgart/Germany

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

Sonja Gorsch
Teacher,
Erftstadt/Germany (until 2015-02-01)

Prof. Dr. Bernd Gottschalk
Member of the Board of Management of Mercedes-Benz AG (retired)
(until 2015-09-30)

Johannes Hammacher
Executive Vice President of Familiengesellschaft J.M. Voith GbR,
Mannheim/Germany

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

Michael Koob*
Construction Manager,
Voith Industrial Services,
Speyer/Germany

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

Dr. Volker Linden*
Head of Industrial Property Rights,
Voith GmbH,
Heidenheim/Germany

Thomas Martin*
Chairman of the works council of Voith Paper Heidenheim,
Heidenheim/Germany
(since 2015-01-01)

Dr. Ophelia Nick
Veterinarian,
Wülfrath/Germany

Richard Obermeier*
Chairman of the works council of Voith Paper GmbH & Co. KG,
Ravensburg/Germany (until 2015-01-31)

Stephan Schaller
Head of BMW Motorrad,
München/Germany (since 2015-10-01)

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

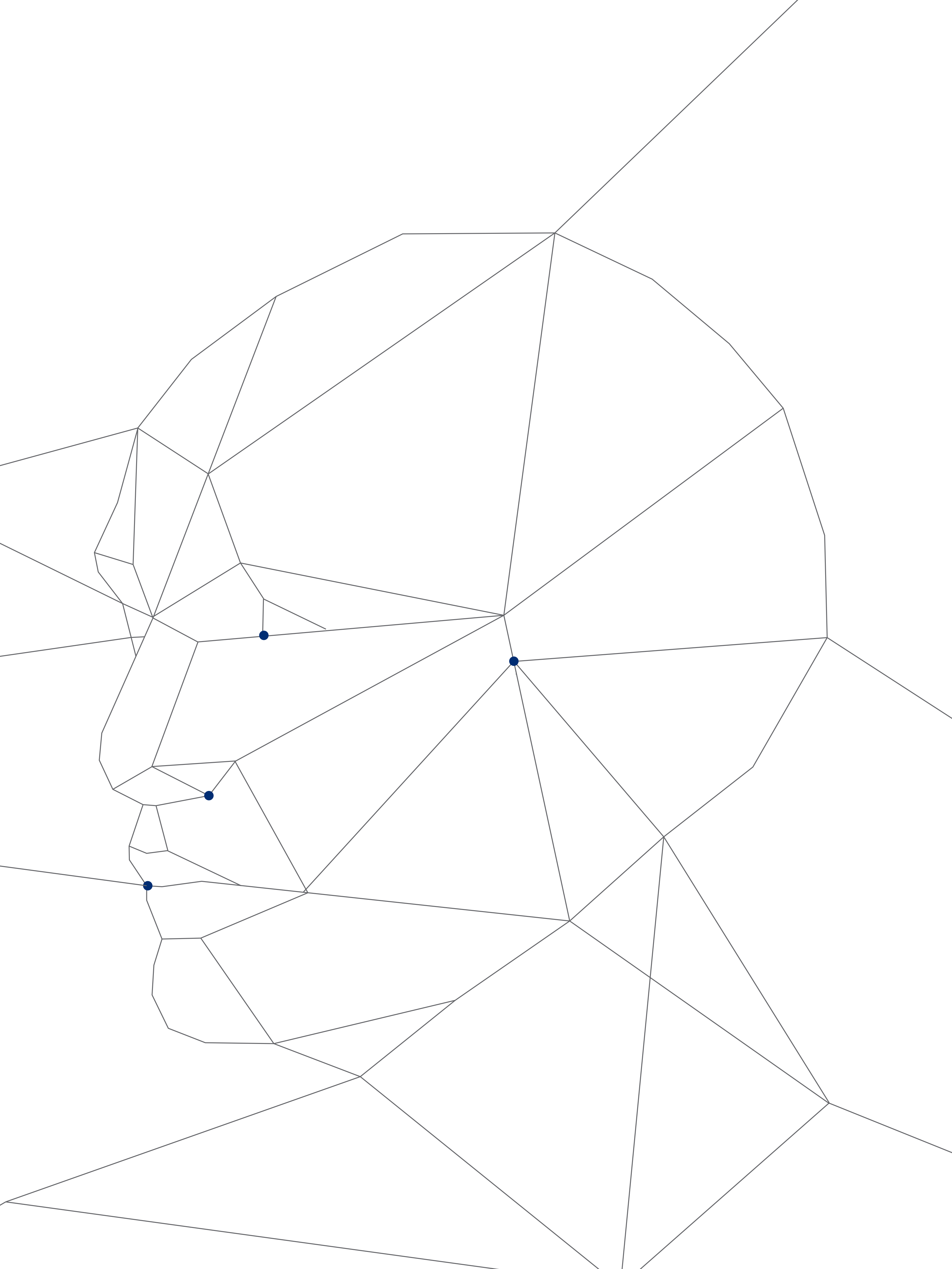
Martin Schily
Economics Graduate (Diplom-Ökonom),
Düsseldorf/Germany (since 2015-02-01)

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

Ralf Willeck*
First Authorized Representative IG Metall (Metalworkers' Union),
Heidenheim/Germany

* Elected by the employees.



01 Background

Voith is a global technology group. With its diversified product and service portfolio, Voith sets standards in the markets of energy, oil & gas, paper, raw materials and transport & automotive. Founded in 1867, Voith today has locations in more than 50 countries worldwide. As a family-owned company, Voith focuses on sustainable profitable growth. Visible progress was made during the year under review on the implementation of the Group-wide Voith 150+ success program.

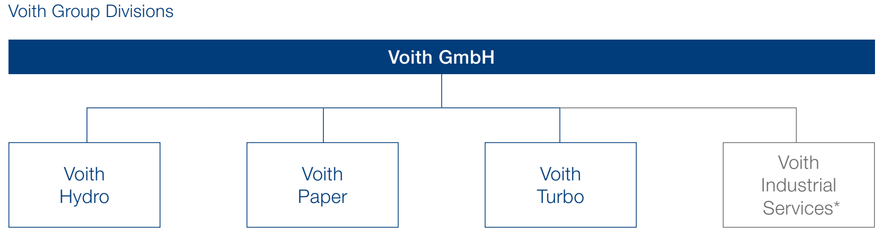
01.1. Group structure and business activities

Family-owned, global technology group

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

Voith GmbH, based in Heidenheim an der Brenz, Germany, is the operative management holding company of the Group. It is 100% family owned. The Board of Management of Voith GmbH is responsible for the 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 the Board of Management.

Organizational structure
Voith Group Divisions



*Discontinued operation (in accordance with IFRS 5).

Concentration on three Group Divisions

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

Further information can be found in section 1.4. "Group strategy."

In the 2014/15 fiscal year the Corporate Board of Management of Voith GmbH decided to concentrate the Group on its technology and engineering strengths, with the three fields of core business Voith Hydro, Voith Paper and Voith Turbo, and to sell Voith Industrial Services. Voith Industrial Services is therefore treated as a discontinued operation in this annual report, in accordance with International Financial Reporting Standards (IFRS 5). For this reason, the segments discussed in the following chapters refer to the three existing Group Divisions, Voith Hydro, Voith Paper and Voith Turbo, as in the notes to the consolidated financial statements.

As a full-line supplier for equipping hydropower plants, Voith Hydro is one of the world's leading industrial partners for hydropower plant operators. This applies both to the field of electricity generation and to the pumped storage of energy. Voith Hydro's portfolio of products and services covers the entire life cycle and supplies all major components for large and small hydro plants: from generators, turbines, pumps and automation systems right through to aftermarket business in spare parts and maintenance services.

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

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

The discontinued operation Voith Industrial Services is a leading supplier of technical services to the key automotive, energy, chemical and petrochemical industries. Its portfolio of services ranges from facility management, maintenance, automation and installation through to planning and development.

01.2. Management system

The key financial performance indicators for the Voith Group are the development of sales and orders received as well as the profit from operations and return on capital employed (ROCE).

The profit from operations is calculated from operating activities and is the balance of sales and costs plus operating interest income but before the financial result and income taxes.

The profit from operations is based on an earnings indicator generated for external reporting purposes, i.e. the operational result before non-recurring items. The operating interest income and several other adjustment items are added to the latter to derive the profit from operations. Operating interest income comprises income received from 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 include one-off effects which are shown as other operating income and expenses in the consolidated statement of income. In relation to ordinary business operations, however, these must be treated as non-recurring effects and the profit from operations is therefore adjusted for these amounts to provide a better basis for the internal control and assessment of business operations.

For more information on the calculation of the ROCE, see also section "Notes on segment reporting" in the notes to the financial statements.

Capital employed describes the funds associated with generating sales within the Company. These primarily comprise property, plant and equipment and net working capital.

The ROCE is calculated by bringing the profit from operations and capital employed into relation with each other.

This act of bringing a performance indicator from the statement of income (profit from operations) into relation with a stock variable from the balance sheet (capital employed) complies with generally accepted standards for overall company management and with value-based management.

The indicators and reports submitted to the Corporate Board of Management of Voith GmbH as well as within the Group Divisions and the operating companies are based on these group management ratios.

01.3. Values, guidelines, compliance

Voith – Engineered Reliability

All of our actions are based on trust. This is also reflected in our values: professionalism, respect for the individual, helpfulness towards colleagues, openness, reliability and integrity. We summarize our canon of values in our slogan "Voith – Engineered Reliability." Voith stands for reliable technology that creates added value for its customers and acts fairly, openly and reliably in dealings with its employees, partners and customers.

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

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

Code of Conduct

Voith's Code of Conduct defines rules that govern dealings with customers and business partners as well as dealings between employees within the Company. We require each and every employee to comply with the applicable laws and also our own internal guidelines (compliance). This applies to all levels of the hierarchy throughout the Group. Infringements are met with sanctions. Rules and protocols 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 of 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
- Respect for human rights, fair working conditions, and rejection of child and forced labor

The text of the Voith Code of Conduct is available on the Internet at: **http://voith.com/de/coc-english.pdf**

Each employee is bound to report any suspicion of an infringement of the Code of Conduct. This can be done in person by reporting to the immediate supervisor or the compliance officer responsible for the Group Division as well as electronically via the helpdesk or by e-mail. We also follow up anonymous complaints using a global system for input from whistleblowers. The whistleblower system can also be used by people outside the Company to report infringements of any kind.

Compliance organization

The Compliance program and related training measures are coordinated and developed by the Compliance Committee, whose chair reports directly to the CEO. This committee comprises the Head of the Corporate Office (chair), the Head of Corporate Legal Affairs, the Head of Corporate HR Management and the Head of

Corporate Internal Audit. There are compliance officers in all units who are responsible for implementing the Code of Conduct.

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 we also provide our employees with training. All Voith employees are required to engage with the obligatory e-learning program to ensure that their compliance knowledge is brought up to date every three years as a minimum. Employees without PC access are briefed by compliance officers or by their supervisors. In addition to the e-learning programs, executives at the top four levels as well as employees in sales and procurement also take part in classroom training covering important topics such as corruption, competition issues and export controls. Compliance officers are offered separate, in-depth training.

Voith's compliance management system has been audited by a major audit firm.

01.4. Group strategy

Geared towards sustainable profitable growth

At Voith, business success is defined as a long-term goal. Our focus on sustainable growth has shaped the 148-year success story of the Voith Company. Voith's commercial strength is based on four pillars which have been carefully built up over the decades:

Information about Voith's innovation activities is provided in section 5, "Research and development."

- Our diversified product portfolio which is based on megatrends
- Our international footprint and local roots
- Our innovative strength
- Our financial independence as a family-owned company

Voith 150+ success program ensures competitiveness

We launched the Group-wide success program Voith 150+ in the fall of 2013 on the basis of these strategic pillars. In the framework of this program we are working to optimize our product and service portfolio, to increase our efficiency by means of improved processes and to continue developing our corporate culture. With the Group transformation process we aim to secure the long-term competitiveness and capacity for growth of the Voith Group – well beyond the Company's 150th anniversary in 2017.

Voith 150+ is made up of three elements:

Portfolio optimization: Among other things, Voith 150+ strives to safeguard, streamline and expand our existing business. This involves diverse restructuring and capacity adjustment measures which are necessary in order to respond to changing market conditions. We also work intensively on the further development of our product and service portfolio. This includes acquisitions as well as disposal of business fields which are not as profitable as anticipated or, as in the case of Voith Industrial Services, for strategic reasons no longer fit into our portfolio.

Process optimization: Secondly, under the heading “Excellence@Voith” we are optimizing internal structures and processes. By making processes more effective and more efficient, reducing the complexity of procedures and increasing the level of standardization, we aim to increase the speed at which we react to events worldwide and to reduce costs.

Corporate culture: Thirdly, the strategic and operating initiatives described above are supported by the strengthening and enhancement of our corporate culture. As well as the current values we live, we encourage our employees to act more proactively, to contribute their own ideas regardless of hierarchy and to draw direct attention to sources of errors or emerging problem areas. This requires our executives to consistently delegate responsibility, to pick up suggestions from their team in a constructive manner and to make each individual’s contribution to the Company’s success transparent.

Consistent progress on the Group transformation process

Our implementation of Voith 150+ is right on schedule and we made important progress in the fiscal year under review. What have we achieved to date?

We have reached important milestones with the extensive restructuring of the Voith Paper Group Division, whose market is experiencing a deep structural transformation and has permanently contracted. The restructuring measures initiated in the 2011/12 and 2012/13 fiscal years have now been implemented. In February 2015, Voith Paper approved a further package of measures designed to concentrate its European activities at just a few locations and to reduce the size of the workforce by a further 900 jobs. These measures will be completed by the end of 2016. The restructuring work undertaken to date has resulted in a tangible reduction in Voith Paper’s personnel costs and other operating expenses in the fiscal year under review and Voith Paper has significantly improved its profit from operations as a result.

Further details about company sales and acquisitions during the fiscal year can be found in section 4.4. “Financial investments and participating interests.”

Portfolios were adjusted in the other three Group Divisions. These measures included the sale of business units, the relocation, and the reduction in size or closure of locations. In selective areas we have strengthened our portfolio by making acquisitions. The most extensive changes affected Voith Industrial Services: we sold the entire DIW Group on September 30, 2014 and focused the Group Division on technical services for key industries.

In the year under review, we began the extensive restructuring of our indirect activities, for example procurement, IT, finance, controlling, accounting and human resources. The new uniform Group-wide structures and processes are aimed at streamlining administration as well as at simplifying processes and providing the best possible support for the operative units and freeing them to concentrate on their core business.

Key elements of the new organizational model are global business service centers, competence centers and business partner structures. In the future, administrative tasks which can be standardized will be bundled in the four regional global business service centers; these include, for example, the purchase of non-production material, payroll accounting or accounts receivable, accounts payable and general ledger. All indirect activities also maintain a competence center which is responsible throughout the Group for defining global standards and dealing with individual topics which require specialist knowledge. Decentrally based business partners offer the business units customer-oriented support with specific projects on a one face to the customer basis.

The new organization has been implemented successively since the summer of 2015. The four global business service centers in Kunshan (Asia-Pacific region), York (North America), São Paulo (South America) and Heidenheim (EMEA) will be completed in September 2016 and the new structure will be up and running by then at the latest. The reorganization will result in staff reductions of around 720 in the Voith Group. 150 of these jobs are in Voith Paper and are already included in the figures referred to above (900 jobs at Voith Paper). The job cuts involved in the reorganization of the indirect activities will have been implemented by the end of the 2015/16 fiscal year.

We recognized adequate provisions in the 2014/15 consolidated financial statements and the anticipated charges are consequently already covered in the consolidated financial statements for the year under review.

Further information can be found in section 2.1. “Overall assessment” and 2.5. “Results.”

The restructuring and efficiency improvement measures implemented in recent years showed the first signs of success in the year under review. At the Group level this was reflected in a tangible increase in profit from operations.

From the 2016/17 fiscal year we wish to reduce our cost basis with the program by €250 million and to release around €100 million in further liquidity by reducing working capital.

Future focus on technological competence in the digital age

We also made two important strategic decisions in the year under review which will change and determine our portfolio in the years ahead. The first was for Voith to focus on its technology and engineering strengths, and the second was to sell the Voith Industrial Services Group Division.

Voith Industrial Services is a profitable and successful undertaking with excellent prospects for further growth. However, the Voith Industrial Services business model is based on the provision of labor intensive services, generally performed at the customer's premises. These services require specific knowledge of the customer's processes. In this respect, the business model of Voith Industrial Services differs fundamentally from that of the other three Group Divisions, each of which has its own intellectual property basis. Voith does not consider it to be appropriate to pursue both types of business model in parallel. We announced our intention to sell in February 2015 and initiated a value maintenance sale process for the Group Division during the fiscal year. We anticipate this being completed in the 2015/16 fiscal year.

Further information on this acquisition can be found in section 4.4. "Financial investments and participating interests."

At the same time, Voith's acquisition of a stakeholding in KUKA Aktiengesellschaft has strengthened its involvement in the automation/Industry 4.0 field. The KUKA Group is a pioneer and leading manufacturer in the field of robots and automated production lines and solutions. As part of a broad-based digital agenda, and by means of organic growth and acquisitions, we will invest in key competencies for the Industry 4.0 megatrend in the years ahead and will develop further capacities in electronics, sensor systems/technology and automation. The shareholding in KUKA Aktiengesellschaft is an important first step in this direction. Digitalization, networking and the fast and economic processing of large quantities of data will radically transform the entire industrial value chain, including the engineering sector. Our goal: over the next few years we aim to make Voith a technology leader in the digital age and to actively shape this fourth industrial revolution. The foundations have already been laid: technological engineering competence is at the heart of Voith's DNA. Our three manufacturing Group Divisions, Voith Hydro, Voith Paper and Voith Turbo, are technology leaders in our markets and hold a market leading position in many segments. Our products play a central role in our customers' core business. In the year under review we initiated a coordinated project with engineering, automation and production employees as well as software engineers to give concrete form to the Group's Industry 4.0 strategy.

02 Business development and earnings position of the Group

Voith has stabilized its orders received and achieved a modest increase in sales in a persistently weak economic setting. The improvements in efficiency obtained from the Voith 150+ success program are reflected in significantly higher profit from operations and improved profitability. As announced, restructuring costs produced a negative net result.

02.1. Overall assessment

Profitability improved, Group objectives achieved

The Voith Group established important strategic goals in the 2014/15 fiscal year and achieved visible successes on its way towards new strength in a persistently difficult market environment.

After the declines in recent years we were able to increase our Group sales in the fiscal year by 3% to €4,302 million and to stabilize orders received at about the same level as the previous year at €4,389 million. Our Group-wide Voith 150+ success program is noticeably successful. Efficiency improvements resulted in above-average growth of 15% in profit from operations up to €270 million. The ROCE improved to 12.2% (previous year: 10.4%). This means that we have modestly exceeded the targets for sales, profit from operations and ROCE which we published in the 2014 annual report and have also met our targets for orders received.

These Group figures include the continued operations Voith Hydro, Voith Paper and Voith Turbo. Voith Industrial Services, on the other hand, is presented in this annual report under discontinued operations owing to the intention to sell, which was published in February 2015, in compliance with the International Financial Reporting Standards (IFRS 5). The contribution to profits made by Voith Industrial Services is included in the consolidated statement of income under net result from discontinued operations. The figures for the previous year have been adjusted accordingly in the consolidated financial statements for the 2014/15 fiscal year. These adjustments are taken into account in the following sections.

The Group's three continued Group Divisions were either able to stabilize (Voith Hydro) or increase (Voith Paper and Voith Turbo) their sales in the 2014/15 fiscal year. All three reported positive operating figures, although trends differed in each. Voith Hydro reported profit from operations which, as projected, remained at the same high level as in the previous year. The restructuring measures undertaken in Voith Paper and Voith Turbo in recent years are having a tangible impact. As a result, Voith Paper's profit from operations rose strongly and exceeded our forecast. In contrast, the efficiency gains, which would have lifted Voith Turbo's operating results higher than had been projected, were overlaid by a negative one-time effect in particular, to such an extent that, contrary to expectations, this Group Division's profit from operations deteriorated.

As announced in the Interim Report 2015, despite the operative improvement, the Voith Group's net result for the year under review is negative. Subject to negative non-recurring effects in connection with ongoing restructuring measures, the net result was €-93 million, but will be clearly positive next year. Cash flow from operating activities was again positive. As a result of investments in KUKA Aktiengesellschaft (see below) the overall cash flow was negative and net debt was €574 million.

Future focus on technological competence

Information about the strategic background to these two decisions and the status of the Group restructuring process can be found in section 1.4. "Group strategy." Details about the acquisition of the shareholding are provided in section 4.4. "Financial investments and participating interests."

We made good progress on the restructuring of our Group during the year under review. We also made two important strategic decisions. The first was for Voith to focus on its technology and engineering strengths in the future and consequently to sell the Voith Industrial Services Group Division. The process of selling Voith Industrial Services is on schedule and will probably be completed in the 2015/16 fiscal year. The second strategic decision was to invest in the years ahead, by means of organic growth and acquisitions, in key competencies for the Industry 4.0 megatrend as part of a broad-based digital agenda. As the first step in this direction, we have acquired a significant shareholding in KUKA Aktiengesellschaft, a leading supplier of robots and automatic production lines worldwide.

02.2. Economic environment

Weakened trends for emerging markets

In the 2014/15 fiscal year global economic trends did not live up to the expectations of economic analysts issued at the end of 2014, the date that our last annual report was published. The main reasons for this were the economic slowdown in China combined with a high degree of global uncertainty. These uncertainties, including numerous regional trouble spots, the rise in US interest rates announced by the Federal Reserve for the end of 2015 or 2016 and persistently high levels of private and public debt, are all weighing negatively on the propensity to invest in the advanced economies and emerging markets, despite historically low interest rates.

On average, the rate of growth of the world's economy in 2015 was a little lower than in the previous year. The International Monetary Fund (IMF), for example, has reduced its global economic growth forecast for 2015 to +3.1 % (compared to an estimate at October 2014 of +3.8 %), and for 2016 to +3.6 % (estimate at October 2014: +4.0 %).

Economic growth
Real change in GDP on the previous year[1]

World output	2014	3.4%
	2015	**3.1%**
Advanced economies	2014	1.8%
	2015	**2.0%**
United States	2014	2.4%
	2015	**2.6%**
Euro area[2]	2014	0.9%
	2015	**1.5%**
Germany	2014	1.6%
	2015	**1.5%**
Emerging market and developing economies	2014	4.6%
	2015	**4.0%**
China	2014	7.3%
	2015	**6.8%**
ASEAN-5	2014	4.6%
	2015	**4.6%**
India	2014	7.3%
	2015	**7.3%**
Brazil	2014	0.1%
	2015	**-3.0%**
Russia	2014	0.6%
	2015	**-3.8%**

Source: International Monetary Fund; World Economic Outlook, Oct. 2015.
[1] 2014: estimates; 2015: forecasts.
[2] Including Germany.

Emerging markets growth has slowed significantly. According to IMF forecasts, overall emerging markets growth in 2015 will be just 4.0% compared to 4.6% last year. The momentum of the Chinese economy slowed down much more than had been anticipated. As China is at the same time endeavoring to shift the structure of its economy towards a greater focus on domestic consumption, this slow rebalancing disproportionately affects Chinese industrial production and demand for capital goods. India is less closely integrated in the global economy and, as a result, remains comparatively robust and is predicted to develop more positively than anticipated in our 2014 annual report. The significant fall in oil prices and the continuing Ukraine conflict – with the associated economic sanctions applied by the West – have created a recession in Russia as well as a drastic reduction in expected economic progress. The sanctions and the poor economic conditions in Russia are having an above-average effect on the German mechanical engineering sector. Owing to its unresolved political problems Brazil failed even to achieve its projected low rate of growth and – reinforced by low oil prices, weaker business in the Far East and severe droughts – will, according to the IMF, even report falling gross domestic product in 2015.

Gross domestic product in the advanced economies is projected by the IMF to grow by 2.0% in 2015, again below the expectations expressed in the fall of 2014. Even the moderate growth which did take place was itself the result of special effects. The advanced economies benefited from falling raw material and energy prices. The weak euro also benefited economies in the euro zone, thanks to improvements in export competitiveness on worldwide markets. Growth in the US continues to outpace the average for the advanced economies. Nonetheless, owing to the strong dollar, the very positive prospects for growth identified towards the end of last year have not materialized as expected.

Voith markets: gloomy investment climate prevails

In two of the five target markets served by Voith – oil & gas and raw materials –, investing activities contracted significantly in the year under review and were even weaker than we had anticipated at the time our Annual Report 2014 was published. The energy market was subdued, as was expected. With regard to investing activities in new paper machines, the downturn in the market seems to have bottomed out. Major segments of the transport & automotive market have developed positively on the whole.

Energy: rising share of renewable sources

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

The energy market is currently suffering from the uncertain future of the global economy and regulatory regimes. This has a particularly negative impact on the hydropower market, as hydropower plants take significantly longer to plan and construct than gas or coal-fired power stations, for example.

Worldwide electricity production increased marginally during the period under review, in particular owing to higher levels of consumption in Asia, the Near and Middle East and in the US. In an effort to expand their electricity-generating capacity, all regions of the globe are putting great emphasis on renewable energy sources. Investments in renewable energy have risen considerably, driven by major growth in the emerging markets. The largest share of overall investment found its way into solar energy, followed by wind power. Renewable energy sources now account for some 28% of total existing electricity-generating capacity. By far the greatest share of such electricity-generating capacity (62%) still comes from hydropower. The situation for pumped storage technology remains difficult with investments being particularly low in North America due to the boom in shale gas. Developments are also subdued in Central Europe where the large-scale expansion of and subsidies for wind power, and especially for midday peaking solar energy, has drastically impaired the business model for pumped storage technology.

The market for nuclear power technology remains weak. New projects have been on the horizon in India since the change of government, although these are still at a very early stage. New nuclear power plant construction in China is taking place at a modest level. Nonetheless, the market for nuclear power is becoming more vibrant. In North America the large supply of cheap shale gas has led to a tangible strengthening of activities on the market for gas and combined-cycle power plants.

Oil & gas: significant decline in investment activity

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

Demand for oil and gas, which are still the most important primary energy sources worldwide, continued to rise in the 2014/15 fiscal year and, according to industry experts, will continue to rise in the years ahead. However, a glut of oil on the oil & gas market has depressed the price of oil. The OPEC countries have responded to the massive extraction of shale oil and gas from wells in the US by stepping up their own production to compete for market share. The very low price of oil is putting pressure on the profits of the large oil companies, and these in turn are putting their own investments on hold or canceling them altogether.

Capital spending on the extraction and transportation of oil and gas dropped significantly as a result in the year under review. While the downstream sector benefited on the whole from lower oil and gas prices (which pushed down the variable costs of oil and gas refineries), investing activities contracted in this area, too. This is because refineries are often operated by large oil producers which, owing to the strains they are experiencing in the upstream sector, are being forced to clamp down on capital spending in the downstream sector. This situation is exacerbated by existing overcapacities.

Paper: market for paper machines stabilizes at a low level

The paper market encompasses all aspects of the paper making process, from stock preparation through to paper production, surface finishing, rewinding and packaging of paper reels, sludge and wastewater treatment as well as automation. The Voith Paper Group Division serves the paper market with new machines, rebuilds, optimization products, services and spare parts as well as fabric and roll-cover products.

Global paper production rose slightly in Voith's 2014/15 fiscal year, according to estimates produced by industry analysts at RISI, albeit at slower rates than assumed at the time our 2014 annual report was published. Future growth projections have been adjusted downwards. Global paper production is expected to grow at lower annual rates than global GDP up to 2019. The more negative market outlook impacted all paper categories, with the exception of board and packaging paper. Production of graphic paper has dropped continually since 2010, and is expected to decline further in the years ahead, as demand has fallen with the digitalization of everyday life. By contrast, there is growth potential for board and packaging paper for which demand is rising in the wake of expanding online shopping. Consumption of tissue paper is also set to rise in the emerging markets of Asia and Latin America in line with the strongly growing middle class in these countries. From a regional perspective, Asia (excluding India) grew most strongly in the year under review in both absolute and relative terms, although expectations for this region were also revised downwards substantially.

The market for new paper machines appears to have bottomed out. Demand for new machines for the production of graphic paper has contracted significantly and permanently in line with the structural changes taking place in the paper industry. Our customers are also continuing to reduce their own production capacities for graphic paper. Where capacities are being expanded at all, this is primarily for the production of board and packaging paper, for which demand is rising in the wake of expanding online shopping. The market situation in Europe and North America has improved marginally. On the other hand, there was a continuing and noticeable reluctance by paper producers in Asia and South America to engage in investments. Demand for consumables and spare parts picked up somewhat as volumes of paper production also rose slightly.

Raw materials: dramatic fall in prices puts brake on investments

We define raw materials as 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 treated 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 further processing in the steel industry. Both are supplied by the Group Division Voith Turbo.

The level of investment in the mining sector continued to drop in the period under review. The crucial factor here was the dramatic fall in prices for most raw materials, which is putting considerable cost pressure on producers. According to industry analysts, the fall in the price of iron ore and copper continued to accelerate in 2015, for example, and the price of coal also dropped considerably in 2015 following a significant fall in the previous year. In the light of the economic situation in and weaker demand from China, there are now significant excess capacities for iron ore and coal on the market.

Global crude steel production is currently stagnating. Continuing excess capacities have pushed down the price of steel significantly, particularly in China. Capital spending on new capacities is concentrated in the emerging markets.

Transport & automotive: predominantly positive development

The transport & automotive market includes diverse transport routes and the means of transport used on them for moving people and goods. Two of Voith's Group Divisions serve this very heterogeneous market: Voith Turbo supplies drive components and solutions as well as braking systems for the commercial vehicle industry, the railway industry and also the marine segment. Voith Industrial Services offers infrastructure and production services as well as contract engineering for various segments of the transport market focusing in particular on the automotive industry.

The passenger and commercial vehicle industry developed overwhelmingly positively in the period under review. Growth in the passenger vehicle and light commercial vehicles segment tailed off in 2015 and came primarily from China and the US. By contrast, the South American market continued to shrink while the Russian market is in free fall. The heavy- and medium-duty vehicles segment proved robust. Following a decline in the previous year worldwide sales picked up slightly in 2015. In this context the euro zone benefited from the weak euro and low diesel prices, while truck production fell in China with the announcement of new emissions standards and in South America in line with the weaker economic situation. Following the stagnation of the previous year the bus market grew modestly.

The rail sector, which is dominated by public sector investment in infrastructure, developed solidly in the period under review. The main driver behind this is urbanization in the emerging markets, primarily in China, which is linked to high demand for metro systems and local public transport systems. International consolidation and more intensive competition between rail vehicle manufacturers are, however, having a negative effect on margins.

Despite considerable cooling-off of demand for offshore special ships in the wake of the low oil price, the marine market has developed positively thanks to projects in the tugs and ferry segment.

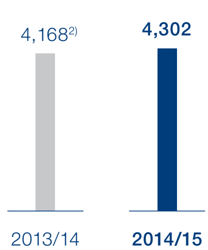
02.3. Sales

Sales grown by 3%

In the 2014/15 fiscal year, we were able to increase our sales modestly after the falls in previous years. Sales in the 2014/15 fiscal year from continuing operations amounted to €4,302 million (previous year: €4,168 million). At a plus of 3% over the comparable figure for the previous year we exceeded our targets (projection in the 2014 annual report: “constant”). Group sales do not include the sales of the discontinued Group Division Voith Industrial Services.

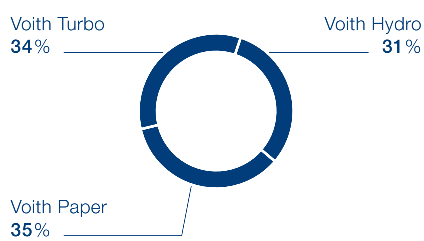
Voith Paper (+5%) and Voith Turbo (+4%) both succeeded in increasing their sales. Voith Hydro (+0%) matched its sales figures from the previous year. Voith Paper was the largest contributor to Group sales at 35% (previous year: 34%) followed

Sales Group[1]
in € millions

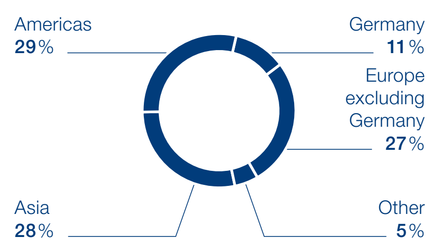


[1] Excluding the discontinued Group Division Voith Industrial Services.
[2] Previous year restated.

Sales total €4,302 million[1]
by Group Division



by region



[1] Excluding the discontinued Group Division Voith Industrial Services.

Detailed information on the development of sales in the separate Group Divisions can be found in section 3, "Business development and earnings position of the Group Divisions."

by Voith Turbo at 34% (previous year: 34%). Voith Hydro accounted for 31% of sales (previous year: 32%).

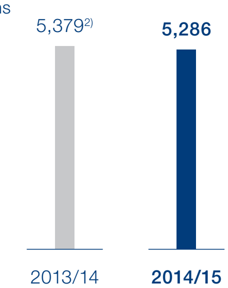
This development was supported by positive currency effects of €129 million as a result of the weak euro. This affected all the Group Divisions, if not to the same degree.

The regional distribution of Group sales was as follows: as in the previous year, 11% of sales of continuing activities were in Germany. The region of Europe excluding Germany accounted for 27% (previous year: 29%) of Group sales. The Americas were the strongest region in terms of sales, contributing 29% (previous year: 31%). Asia's share of sales rose to 28% (previous year: 25%). 5% (previous year: 4%) was attributable to other regions (in particular Africa and Australia).

02.4. Orders received

Detailed information on the development of orders received in the separate Group Divisions can be found in section 3, "Business development and earnings position of the Group Divisions."

Orders on hand Group[1)]
in € millions



[1)] Excluding the discontinued Group Division Voith Industrial Services.
[2)] Previous year restated.

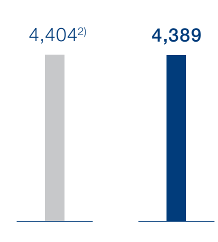
Orders received at almost the same level as in previous year

In the 2014/15 fiscal year, the Voith Group secured new orders through its continuing operations totaling €4,389 million, almost equal to the figures for the previous year (previous year: €4,404 million, -0%). Orders received benefited from positive currency effects of €178 million and were in line with our expectations (projection in the 2014 annual report: "constant"). Orders on hand as at the end of the period under review were worth €5,286 million (September 30, 2014: €5,379 million).

As announced, Voith Hydro Group Division (-5%) was unable to sustain the high level of orders it received in the previous year, and Voith Turbo (-3%) also reported a slight drop rather than the anticipated stable level of orders received. Orders received by Voith Paper were up by 7%, which was higher than originally expected.

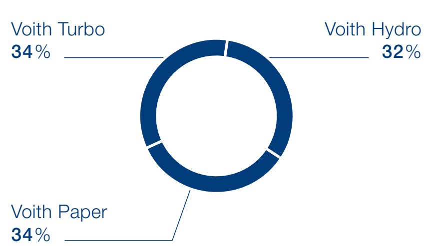
Voith Paper (previous year: 32%) and Voith Turbo (previous year: 34%) contributed 34% to the orders received by the Group respectively. Voith Hydro accounted for 32% of sales (previous year: 34%).

Orders received Group[1)]
in € millions

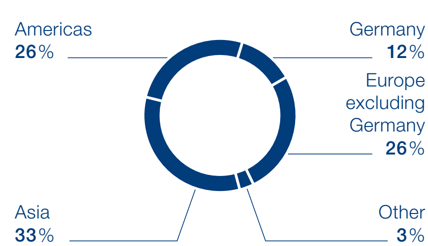


[1)] Excluding the discontinued Group Division Voith Industrial Services.
[2)] Previous year restated.

Orders received total €4,389 million[1)]
by Group Division



by region



[1)] Excluding the discontinued Group Division Voith Industrial Services.

With a share of 33% (previous year: 29%) Asia was the most important region in terms of orders received by the continuing operations. The regions Europe excluding Germany (previous year: 28%) and the Americas (previous year: 28%) both contributed 26% to the orders received by the Group. Germany's contribution amounted to 12% (previous year: 12%). As in the previous year, all the other regions contributed 3% of new business.

02.5. Results

Significant improvement in profit from operations, net result down as announced

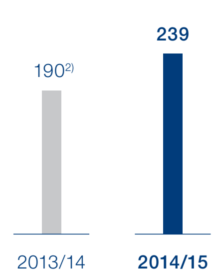
As outlined elsewhere in this report, owing to the intention to sell Voith Industrial Services it is treated as a discontinued operation. The separate income and expense components in the consolidated statement of income contain the continued operations and are consequently shown after adjustment for the relevant share of Voith Industrial Services. The overall contribution to the Voith Group's profits made by Voith Industrial Services is included under net result from discontinued operations. The income statement for the previous year has been adjusted in the same way.

Although we made significant improvements in the continued operations in operational earnings indicators and were able to improve return on sales in the 2014/15 fiscal year, the Group's net result (including Voith Industrial Services) is negative, as advised in the 2015 interim report at €-93 million (previous year: €41 million). This negative net result is due to expenses incurred in connection with efficiency improvement measures instigated in the reporting period (these are described below under results from non-recurring items), in particular job-cutting costs.

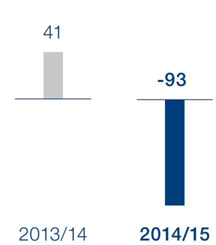
For information on the development of sales, we refer to section 2.3. "Sales."

Consistent with the increase in sales we were also able to increase the Group's total output modestly: total output increased by €152 million to €4,319 million (previous year: €4,167 million, +4%). Trends in the total output of the Group's divisions were uneven, as was the case with sales (Voith Hydro +0%, Voith Paper +6%, and Voith Turbo +5%).

Operational result before non-recurring items Group[1] in € millions



Net result Group in € millions



[1] Excluding the discontinued Group Division Voith Industrial Services.
[2] Previous year restated.

Material expenses increased to €1,833 million (previous year: €1,777 million, +3%). The material ratio (the relationship between cost of materials and total output) fell slightly to 42.4% (previous year: 42.6%). This was due in part to the slight contraction in the share of the Group's total output contributed by Voith Hydro's material-intensive business.

Personnel expenses increased slightly by €10 million to €1,434 million (previous year: €1,424 million, +1%). The ratio of personnel expenses (ratio of personnel expenses to total output) fell to 33.2% (previous year: 34.2%). This is the first tangible outcome of the efficiency-boosting measures which have enabled reductions to be made in the number of employees and which have led to significantly better profitability.

Depreciation and amortization fell to €142 million (previous year: €152 million, -7%). €-5 million of this decline was due to Voith Paper and resulted from the adjustments made in the latter's production capacities. Owing to the increase in total output the ratio of depreciation and amortization to total output fell to 3% (previous year: 4%).

The balance of other operating expenses and income increased to €-673 million (previous year: €-623 million, +8%). The ratio to total output increased to 15.6% (previous year: 14.9%). Fundamentally this was due to the negative impact of provisions for warranty costs recorded by Voith Turbo.

The operational result before non-recurring items was substantially better than last year and rose by 25% to €239 million (previous year: €190 million). The profit from operations, which is used for internal management purposes, was also significantly higher and was up by 15% to €270 million (previous year: €235 million), thereby exceeding our targets (projection in the 2014 annual report: "grow slightly"). Return on sales as a ratio of the profit from operations to sales rose to 6.3% (previous year: 5.6%). The ROCE (return on capital employed) rose – in line with our projection ("modest growth") – as a result of the improved profit from operations to 12.2% (previous year: 10.4%).

Detailed information on the development of profit from operations and the ROCE at the separate Group Divisions can be found in section 3, "Business development and earnings position of the Group Divisions."

The result from non-recurring items in the reporting period totaled €-185 million and primarily reflects the following measures:

As part of the Group-wide success program Voith 150+ and the reorganization of indirect activities, standardized administrative functions are being combined across divisions. This will lead to savings of 720 jobs in the Group. Current planning envisages these measures being implemented by the end of the 2015/16 fiscal year. This led to expenses associated with the planned job cuts in all Group Divisions.

In response to increased competitive and price pressures and in order to adjust the cost structure to the permanent lower market volumes for machines for the production of graphic paper, Voith Paper submitted a package in the 2014/15 fiscal year designed to concentrate activities at a small number of locations and to cut a further 900 jobs worldwide. 150 of these jobs concern the Voith 150+ program and are already included in the figures referred to above (720 jobs to be cut). Current planning envisages these measures being implemented by the end of 2016. All in all, Voith Paper's non-recurring result was €-128 million.

Voith Turbo's non-recurring result includes expenses in connection with the Voith 150+ program as well as separate follow-on effects arising from restructuring activities launched in previous years. In total, Voith Turbo contributed €-12 million to the Group's non-recurring result.

Impairment losses on capitalized development costs were recognized for Voith Hydro which are shown in the non-recurring result. The background to this is that the expectations for tidal power stations in the Ocean Energies product sector have not been met owing to limited government spending capacities. The plan now, therefore, is to continue operating this product sector on a considerably scaled-down basis. In total, Voith Hydro's non-recurring result, including the expenses for Voith 150+, amount to €-35 million.

Further details on the measures in connection with the Voith 150+ program and at Voith Paper can be found in section 7 "Employees." We also refer to note 7 in the notes to the consolidated financial statements for a more detailed explanation of the non-recurring result.

The areas with holding function contributed a total of €-10 million to the non-recurring result. This includes expenses arising from the Voith 150+ program as well as for measures in the field of central location service functions which were adopted following the restructuring activities in Voith Paper described above.

The balance of interest expenses and interest income amounted to €-64 million (previous year: €-68 million). The improvement of €4 million is largely due to a fall in interest expenses for pension obligations. Lower interest income (e.g. from cash investments) and lower interest expenses (e.g. for the first of US private placements paid back in August 2014) were almost equal.

The other financial result amounted to €-11 million (previous year: €-41 million) and includes income from equity investments (€+5 million) and impairment losses on securities with a negative effect on the result amounting to €-16 million (previous year: €-41 million).

Income taxes totaled €-48 million (previous year: €-59 million).

The net result from continued operations amounts to €-71 million (previous year: €-6 million).

The net result from discontinued operations, which represents the contribution made by Voith Industrial Services to the Voith Group, was €-22 million (previous year €47 million). Last year's results were positively affected by the sale of the DIW Group. In the year under review results were negatively affected by non-recurring factors, such as the expenses for restructuring measures and the sale of P3 Voith Aerospace Holding GmbH.

03 Business development and earnings position of the Group Divisions

The Group's three continued operations were able to stabilize (Voith Hydro) or increase (Voith Paper and Turbo) their sales. All three reported positive operating figures, although trends differed in each. Voith Hydro reported profit from operations which, as planned, remained at the same high level as in the previous year. Voith Paper benefited from the restructuring measures undertaken in recent years and reported a strong improvement in profit from operations as a result. The efficiency improvement measures implemented by Voith Turbo also had a positive impact, but were more than cancelled out by a negative one-time effect.

03.1. Voith Hydro

Stable, profitable growth

Voith Hydro looks back on a satisfactory 2014/15 fiscal year. Sales and earnings were at much the same level as in the previous year. Owing to the lower volume of projects awarded in the market the number of orders received was, as anticipated, below the values for the previous year.

Sales at same level as previous year

Voith Hydro generated sales of €1,313 million in the 2014/15 fiscal year. As announced (projection in the 2014 annual report: "stable sales") these were at the same level as the previous year (previous year: €1,313 million).

In addition to South America, and Brazil in particular, North America was one of the regions which enjoyed the strongest sales. Asia also gained in importance.

As announced, fewer orders received than in previous year

Fewer orders were received in the hydropower market in the 2014/15 fiscal year than in the previous year. However, significantly more projects were awarded in the second half of the year than in the weak first half. Impetus came above all from large hydro projects, while the small hydro segment (power plants with a generating capacity of up to 30 MW per unit) remained at the low level of the previous year. Worldwide demand for spare parts and maintenance services developed stably. Voith Hydro operated successfully on the market, winning orders worth €1,404 million (previous year: €1,471 million, -5%). This drop was not as great as had been anticipated (projection in the 2014 annual report: "noticeable decline"). This does not represent a mid-term trend but is due solely to the irregular award of major hydropower projects. We generated substantial growth in the automation of hydropower plants and in business with spare parts and maintenance services. Orders on hand improved to €3,139 million as at the end of the fiscal year on September 30, 2015 (previous year: €3,091 million).

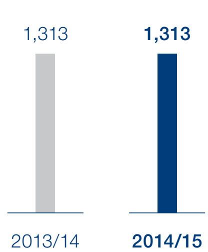
Orders received in the year under review were primarily shaped by many medium-sized and a few smaller-scale hydropower projects.

Numerous new hydropower plants are still being initiated in Asia to cover the region's rising energy needs. Alongside China the whole of Southeast Asia is also growing in importance as a hydropower market. In the year under review we received orders for new small hydropower plants in Indonesia, Vietnam and the Philippines. In Sri Lanka we will be modernizing and significantly boosting the capacities of a power plant for the biggest energy supplier in the country.

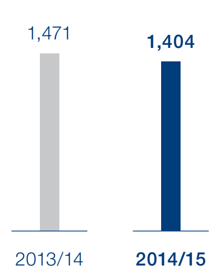
The Latin American market showed weaker development in Voith's 2014/15 fiscal year than in the previous year, although it remains one of the largest and most important. We received an additional order for the delivery of a turbine and generator unit, electrical and mechanical auxiliaries and the plant control and automation system for the Belo Monte hydropower plant, which has been under construction in Brazil since 2012 and which is currently the third-biggest hydropower plant in the world. Overall, however, current political instability and the weak economic climate in Brazil are holding back infrastructure projects and are having a negative effect on hydropower tenders.

The US and Canada are established hydropower markets which continue to offer modernization potential. We won several orders for the modernization of existing hydropower plants in both countries. While renewable energies are being driven back to some extent in the US by gas power plants due to the boom in shale gas, new hydroplants are planned in Canada as a result of progressive energy policies. Voith Hydro successfully acquired an extensive order for the equipment of the Riel converter station. This is located in the Canadian Province of Manitoba at the

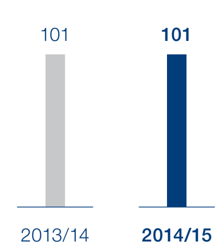
Sales Voith Hydro
in € millions



Orders received Voith Hydro
in € millions



Profit from operations Voith Hydro
in € millions



junction of important high voltage power lines. Voith is supplying four synchronous condensers, each providing reactive power of 250 megavolt amperes, which is necessary to guarantee grid stability bearing in mind that the major power plants are hundreds of kilometers away from the conurbations where large amounts of energy are consumed.

Owing to the current energy policy situation in Europe existing hydropower potential remains unused and the market is consequently as difficult as ever. In Southern and Western Europe high levels of government debt in some countries as well as low demand for electricity associated with the weak economic climate stand in the way of higher investments in hydropower. This situation has been exacerbated in Germany by the massive build up of wind and solar plants. Despite this we won several orders in the small hydro segment in particular, such as in Italy and Austria. Voith Hydro also won orders in the difficult pumped storage segment. Société Electrique de L'Our S.A. awarded us the contract for the modernization of the Vianden pumped-storage power plant in Luxembourg which feeds electricity directly into the German grid and which can be used to stabilize and regulate the grid as part of the energy transition. In Northern Europe we won several smaller orders in the small hydro and automation fields, including from Norway, Sweden and the United Kingdom. In Russia, due to the weakness of the ruble and controversial Western sanctions, domestic providers are being given preference when hydropower projects are awarded. Despite the difficult market conditions we have successfully won a project in Russia.

Infrastructure development in Africa is making increasing use of the continent's huge hydropower potential. In the year under review additions to contracts already awarded in South Africa and Liberia accounted for a major share of the orders received by Voith Hydro.

Profit from operations at previous-year level

In the 2014/15 fiscal year Voith Hydro generated profit from operations of €101 million. As projected, this value has not changed in the last 12 months (previous year: €101 million). Return on sales was the same as last year at 7.7% (previous year: 7.7%). The ROCE (return on capital employed) was 21.1% (previous year: 21.8%). The modest increase in capital employed coupled with unchanged earnings meant that it was not possible to achieve the planned year-on-year improvement in ROCE.

03.2. Voith Paper

Restructuring measures take effect

In a persistently difficult market, Voith Paper was able to increase both its sales and orders received. Profit from operations has improved significantly. The consistent restructuring measures adopted in recent years are taking effect and are manifesting themselves in much higher profitability.

Sales grow by 5%

In the 2014/15 fiscal year, we generated sales of €1,506 million (previous year: €1,430 million). At a plus of 5% we exceeded our projections (2014 annual report: "stabilization on a par with the previous year"), thanks in part to positive currency effects.

We were able to increase our sales in project business (new machines and major rebuilds) for the first time in four years. Thanks to isolated investments in Asia, project business picked up to some extent in the 2013/14 fiscal year. As a result, the total number of orders received by Voith Paper went up as reflected in sales for the year under review. Business with products, consumables and services developed consistently well and sales in this area grew at a somewhat higher rate than in project business.

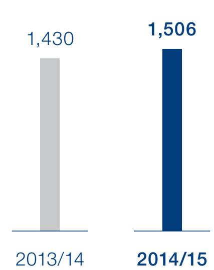
Asia remained the strongest region in terms of sales and grew further in importance in the year under review. The share of sales contributed by Germany and the region of Europe excluding Germany both declined.

Orders received up by 7%

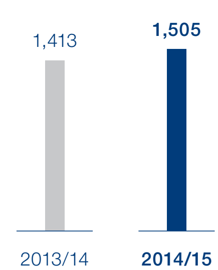
The positive trends, including for orders received, were sustained in the 2014/15 fiscal year despite the persistently adverse market environment. All in all, we won new contracts worth a total of €1,505 million (previous year: €1,413 million) and increased orders received by 7%. In this respect, we were at the upper end of our expectations (projection in the 2014 annual report: "slight increase"), whereby this development was also due to positive currency effects. As at the end of the fiscal year on September 30, 2015, orders on hand were worth €961 million (September 30, 2014: €1,078 million).

Production of board and packaging paper as well as of tissue paper is growing while production of graphic paper continues to decline. In contrast to previous years, growing global paper production is no longer primarily covered by existing production capacities and there is renewed, albeit modest, demand by paper

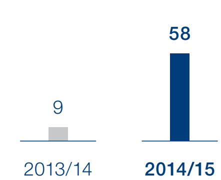
Sales Voith Paper
in € millions



Orders received Voith Paper
in € millions



Profit from operations Voith Paper
in € millions



manufacturers for new machines. The positive trend in new orders received by Voith Paper was also driven by the substantial growth in business with products, consumables and services. Compared to the previous year, project business has only improved very modestly.

The larger share of orders received by Voith Paper in the year under review originated from the EMEA region from where we received significantly more orders than in the previous year. A substantial contribution was also made by Asia, where last year's trend was sustained and where capital was again invested in new paper machines. North America, with its focus on products, consumables and services, also developed positively. The market in South America for new machines has all but collapsed owing to the recession in Brazil. Nonetheless, we were able to increase the number of orders received in South America thanks to a higher volume of orders for consumables.

As far as new machines are concerned, we were mainly able to win orders in the reporting period under review for the manufacture of board and packaging paper, whereby demand was primarily for medium-sized machines. A major order for a machine in the manufacturing of packaging paper was received from Germany. Schoellershammer Papierfabrik awarded us a contract for the delivery of a complete process line for the production of testliner and corrugating medium with an annual capacity of 250,000 tonnes. In the field of tissue paper we also received an order from South America for a new machine. However, all in all activities in the tissue segment failed to live up to our expectations. In the speciality paper segment we were able to win orders for machines for the production of banknotes and nonwovens.

Our project business continued to be shaped by major rebuilds, whereby the focus here was also on machines for board and packaging paper. In addition to two rebuild orders from North America and a substantial rebuild order from China, the Dutch manufacturer Parenco also awarded us a contract for the rebuild of a production line from newsprint to packaging paper. Conversion and facility renovation will enable Parenco to bring this machine back into production, after several years during which it has been out of operation, and to position itself on the market for packaging paper as a competitive supplier. We also won rebuild orders in the market segments of speciality and grafic paper machines. The Chinese manufacturer Shandong Huatai Paper awarded us a contract for the rebuild of a production line from newsprint to offset paper, for example. Altogether, production of graphic paper continues to decline.

Exponential increase in profit from operations

In the 2014/15 fiscal year, Voith Paper generated profit from operations of €58 million, which is a strong year-on-year improvement (previous year: €9 million, +564%). This pleasing development exceeded our expectations (Annual Report 2014: "noticeable increase"). Alongside an increased level of sales this is the result of a tangible reduction in personnel costs and other operating costs. Voith Paper was therefore able to improve its return on sales to 3.8% (previous year: 0.6%) and its ROCE to 6.8% (previous year: 1.0%) thereby meeting its projections. The significant increase in profitability demonstrates the success of the consistent restructuring measures taken.

03.3. Voith Turbo

Challenging fiscal year

In the difficult market climate which prevailed during the 2014/15 fiscal year Voith Turbo was able to achieve a modest increase in sales but failed to match last year's figures for orders received. The efficiency programs had a significantly positive impact, although Voith Turbo's profit from operations dropped noticeably owing to the formation of provisions for warranty costs.

Slight increase in sales

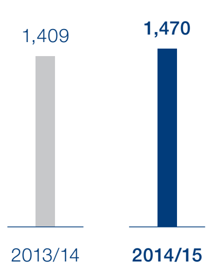
In the 2014/15 fiscal year, Voith Turbo generated sales of €1,470 million (previous year: €1,409 million). At a plus of 4% we exceeded our planning (projection in the 2014 annual report: "constant"), thanks in part to positive currency effects. The Rail division made significant improvements. The Commercial Vehicles and Power, Oil & Gas divisions remained stable on a par with the previous year. In a difficult market setting, sales in the Mining & Metals division were down on the previous year.

More than half of sales in the past fiscal year were again generated in Europe (including Germany). The Asia-Pacific region accounted for more than one-quarter of sales. Voith Turbo reported its highest rates of growth in North America and Africa. In Asia Voith Turbo achieved modest growth after falling sales the previous year.

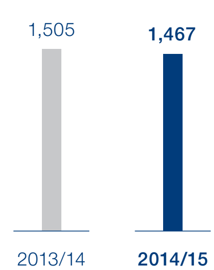
Orders received slightly down on last year

In the 2014/15 fiscal year Voith Turbo received new orders worth a total of €1,467 million (previous year: €1,505 million, -3%). These figures correspond with the lower end of our projections and mean that we failed to match the very high figures for last year (2014 annual report: "stable development"). This was due to low raw material and dramatically lower oil prices combined with uncertainties regarding the state of the economy – market conditions which have seriously impaired the investment activities of our customers in the Mining & Metals and Power, Oil & Gas divisions and have had a correspondingly negative impact on our new business. The Mining & Metals division reported a substantial drop, and the Power, Oil & Gas division a modest decline. In contrast, the Commercial Vehicles division received slightly more and the Rail division much the same number of orders, in both cases at a high level. Orders received also benefited from positive currency effects. On September 30, 2015, Voith Turbo had orders on hand worth €1,186 million (previous year: €1,210 million).

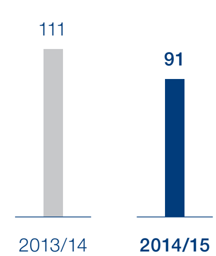
Sales Voith Turbo
in € millions



Orders received Voith Turbo
in € millions



Profit from operations Voith Turbo
in € millions



With its acquisition of sections of the company Hese, Voith Turbo has now expanded its product portfolio in the Mining & Metals division to include equipment for raw material mines and mining companies. Hese is a reputed company in the mining sector for the development of the TT-intermediate drive (carrying belt and pushing belt), which is currently one of Hese's most important products in the mining belt conveyor systems.

Owing to the strategic importance of the North American market we opened the company's new Houston, Texas headquarters for the Power, Oil & Gas division for the North and South America region. The "Houston Energy Corridor" is a global hub for the industry.

Profit from operations down owing to provisions

In the 2014/15 fiscal year Voith Turbo generated a profit from operations of €91 million (previous year: €111 million). This is equal to 18% over the comparable figure for the previous year and was lower than we had projected (2014 annual report: "slight increase"). The main reasons for this are provisions for warranty costs which negatively impacted the year ended. Adjusted for this effect the profitability of the operative business is markedly positive. Voith Turbo benefited from the rapid and successful implementation of the efficiency programs which have already been instituted and which have had a significantly positive impact on the profit from operations without, however, compensating in full for the special burden. At 6.1%, the return on sales in the year under review was down on the previous year (7.8%). The capital employed was reduced, although this positive development was overlaid by the opposing impact of the lower profit so that the ROCE of 12.3% was, contrary to projections, lower than the previous year (14.7%).

04 Net assets and financial position

The structure of the Voith Group's assets, equity and liabilities is healthy. We have also earned highly positive operative cash flows in the year under review, although the investment in KUKA resulted in a negative overall cash flow. Investments in property, plant and equipment were significantly reduced following the intensive investments made in previous years.

04.1. Balance sheet

Negative net result reduces equity ratio

The balance sheet total as at September 30, 2015 was €5,451 million (including Voith Industrial Services) which is approximately equal to the balance sheet total in the previous year (€5,453 million). Substantial changes occurred within each of the balance sheet items compared to the previous year, owing in particular to the intended sale of Voith Industrial Services. The assets and liabilities for this Group Division were reclassified in the balance sheet as assets held for sale (assets) and liabilities directly associated with the assets classified as held for sale (liabilities). More information about these two compound items and an outline grouped according to separate balance sheet items can be found in note 18 to the consolidated financial statements). In addition, the sale during the reporting period of P3 Voith Aerospace Holding GmbH, which was also assigned to the Voith Industrial Services Group Division, also contributed to a reduction in certain balance sheet items. In compliance with IFRS 5 the prior year balance sheet is not, in contrast to the consolidated statement of income, adjusted for these effects.

The Voith Group's non-current assets increased by a total of €136 million to €2,539 million (previous year: €2,403 million, +6%). This was primarily due to the acquisition of a shareholding in KUKA Aktiengesellschaft, Augsburg, which largely explains the increase in the amount recorded in the balance sheet for investments accounted for using the equity method (€+577 million). The €-254 million fall in intangible assets is mainly due to the effects arising from Voith Industrial Services as described above (€-246 million). The decrease in property, plant and equipment (€-131 million) basically includes depreciation, amortization and impairment losses totaling €-159 million as against investments of €94 million. The impact of Voith Industrial Services on property, plant and equipment amounts to €-65 million.

Current assets fell in value to €2,913 million (previous year: €3,050 million, -5%). Total trade receivables and inventories fell in value by €272 million (of which €-246 million was due to the impact of Voith Industrial Services). The decrease in cash and cash equivalents (€-366 million) was mainly related to the acquisition of the KUKA shareholding. The assets held for sale of €583 million represent exclusively the assets of Voith Industrial Services. In the previous year (€30 million) this item included the assets for Voith Hydro's tidal power station product sector. This product sector will now be operated by Voith Hydro on a substantially reduced basis.

Non-current liabilities declined by €64 million to €1,931 million (previous year: €1,995 million, -3%). A key role here was played by the reduction in long-term bonds, bank loans and other interest-bearing liabilities of €-57 million, which was mainly due to the reclassification of a tranche of the US private placement as current liabilities (€-76 million). The repayment of this tranche is scheduled for the 2015/16 fiscal year. Non-current provisions for pensions declined by €29 million (of which €-21 million for Voith Industrial Services). On the other hand, other non-current provisions rose by €40 million. Adjusted for the effect arising from Voith Industrial Services amounting to €-31 million, this increase includes higher order-related provisions (€+32 million) and higher provisions for restructuring (€+32 million) in connection with the measures explained in sections 2.5. "Results" and 7 "Employees".

Current liabilities increased by €219 million, from €2,427 million to €2,646 million (+9%). This was largely due to the item bonds, bank loans and other interest-bearing liabilities (€+282 million). In addition to the reclassification to this item of a tranche of the US private placement explained above, low interest short-term loans taken out for working capital purposes also played a role here. The increase in current other provisions (€+12 million) is largely explained following adjustment for the effect arising from Voith Industrial Services by €-39 million for an increase in restructuring provisions (€+51 million). Trade accounts payable dropped by €114 million, of which €-67 million resulted from Voith Industrial Services. The reduction in current other liabilities (€-238 million) is primarily due to lower down payments received on account of orders from customers (€-199 million, of which €-23 million from Voith Industrial Services). The liabilities associated with assets held for sale of €280 million represent, analogously to the corresponding item in the assets, exclusively the liabilities of Voith Industrial Services. In the previous year (€6 million) this item included the liabilities for Voith Hydro's tidal power station product sector.

The net balance of deferred tax assets and liabilities increased by €23 million, driven primarily by higher deferred tax income in connection with temporary differences.

Further information on the capital structure can be found in the section 9.2. of the management report under "Liquidity and financial risks" as well as in note 22 in the notes to the consolidated financial statements.

Equity fell to €874 million (previous year: €1,031 million, -15%). This fall is mainly due to the Group's negative net result, dividend payments and a reduction in equity attributable to holders of non-controlling interests in connection with the sale of P3 Voith Aerospace GmbH. The equity ratio fell to 16.0% (previous year: 18.9%).

04.2. Liquidity

Overall cash flow negative due to investment in KUKA

The cash flow from operating activities amounted to €151 million (previous year: €191 million) in the period under review. The year-on-year reduction was mainly due to the increase in the net working capital in the period under review (€+140 million; previous year: fall of €45 million) largely due to a lower level of down payments received on account of orders from customers. This was not compensated for by the improvement in the operating results.

The cash flow from investing activities of €-693 million (previous year: €-57 million) is primarily due to investments in financial assets (€-614 million, previous year: €-9 million) mostly in connection with the acquisition of the shareholding in KUKA Aktiengesellschaft. Investments in property, plant and equipment and intangibles amounted to €-103 million (previous year: €-134 million).

The cash flow from financing activities of €185 million (previous year: €-232 million) was largely the result of additional loans. Financial liabilities were repaid on schedule during the previous year, including the first tranche of the US private placement.

Total cash flow amounted to €-357 million (previous year: €-98 million).

Net debt, measured as the difference between interest-bearing financial liabilities and liquid financial assets, amounted to €574 million (previous year: €-40 million = net asset position). The net position is the outcome of the financing requirements for the acquisition of the KUKA shareholding and the positive cash flow from operating activities.

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	2014/15	2013/14
Cash flow from operating activities	151	191
Cash flow from investing activities	-693	-57
Cash flow from financing activities	185	-232
Total cash flow	**-357**	-98

04.3. Capital spending

Investments reduced as planned

In the 2014/15 fiscal year we invested a total of €80 million (previous year: €103 million, -22%) in improving productivity and in the future strategic alignment of the Voith Group. This does not include the investments made in the discontinued Voith Industrial Services Group Division of €23 million (previous year: €31 million).

The fall in investment volume compared to the previous year is basically due to lower investments in cross-divisional projects. Last year this also included the training center in Heidenheim. It was also possible to reduce investments in Voith Paper and Voith Hydro following the intensive investments made in previous years.

The investment ratio in terms of sales came to 1.9% of Group sales in the period under review (previous year: 2.5%).

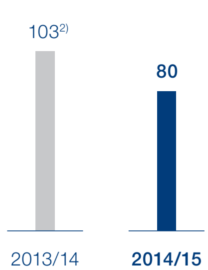
Strong commitment to Asia

We sustained our strong commitment in Asia. The intensive investment activities of previous years have already led to many important projects being completed in this strongly growing region. In the year under review we invested a total of €20 million (previous year: €25 million) in Asia, primarily in China. This figure accounts for 26% of our total investment spending (previous year: 24%). We invested a total of €16 million in the Americas (previous year: €16 million) or 20% (previous year: 16%) of the total volume. 43% of our investments (previous year: 49%) were made in Germany at a volume of €35 million (previous year: €51 million). In Europe excluding Germany, investments in the period under review came to €8 million (previous year: €11 million), equal to a share of 10% (previous year: 11%).

Voith Hydro: volume of investment reduced following massive expansion in capacity

In the year under review Voith Hydro invested a total of €19 million (previous year: €22 million, -15%) in the capacities of its value chain. This corresponds to an investment ratio of 1.4% (previous year: 1.7%). In the last six years Voith Hydro has invested a total of over €280 million in its worldwide production. The corresponding

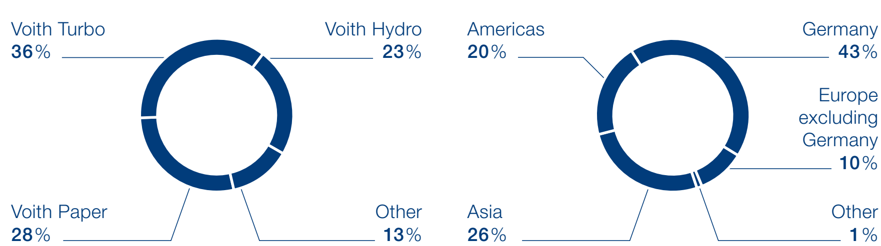
Investments Group[1)]
in € millions



[1)] Excluding the discontinued Group Division Voith Industrial Services.
[2)] Previous year restated.

Investments total €80 million[1)]
by Group Division

by region



[1)] Excluding the discontinued Group Division Voith Industrial Services.

expansion of capacity is largely completed. For this reason only very little investment was required for Voith Hydro compared to the other Group Divisions and previous years. A large proportion of Voith Hydro's investments were made in the Americas and Asia.

Voith Paper: investments in quality and productivity improvements

Following the conclusion of the "Build up China" investment project, which has been underway for several years, Voith Paper's investments were below the level for the previous year at €22 million (previous year: €29 million, -25%). The investment ratio was 1.5% (previous year: 2.1%). A larger share of the overall lower volume of investments by Voith Paper was again made in Asia. North America grew in importance as an investment location, particularly in the field of consumables.

Voith Turbo: investment focus on Germany and Asia

Voith Turbo invested a total of €29 million in property, plant and equipment in the 2014/15 fiscal year (previous year: €31 million, -6%). This corresponds to an investment ratio of 2.0% (previous year: 2.2%). Voith Turbo's investments were focused primarily on Germany, followed by Asia.

04.4. Financial investments and participating interests

Detailed information can be found in section 1.4. "Group strategy."

Further information on investments accounted for using the equity method can be found in section 12 of the notes to the consolidated financial statements.

Strategic shareholding in KUKA Aktiengesellschaft

Voith acquired a 25.1% shareholding and voting rights in KUKA Aktiengesellschaft, Augsburg, in the first half of the 2014/15 fiscal year. The KUKA Group is one of the leading suppliers of robots and automatic production lines and solutions worldwide. For Voith, this is one of the largest M&A investments made in recent years. KUKA Aktiengesellschaft had Group sales of €2,096 million and an EBIT of €142 million in 2014. We regard the shareholding in KUKA Aktiengesellschaft as a strategic investment and an important step forward as part of our Industry 4.0 strategy. The investment is accounted for using the equity method in the Voith GmbH consolidated financial statements.

In the second half of the fiscal year Voith increased its shareholding in KUKA Aktiengesellschaft from 25.1% to 27.96%. The shareholding has been increased as a precautionary measure to prevent potential dilution if a KUKA convertible bond is converted to shares.

05

Research and development

Research and development has traditionally played a central role at Voith. 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. In the period under review, we invested €210 million, or 4.9% of consolidated sales, in R&D.

Innovative strength as key success factor

Voith's strong position on its markets and in its regions is largely based on the technological engineering competence it has built up as a result of decades of research and development work. Since the Company was founded, our engineers have been writing history with their inventions in the field of technology. All three of our Voith Hydro, Voith Paper and Voith Turbo Group Divisions have a strong portfolio of patents. The Voith Group currently has many thousands of active patents around the world, and hundreds more are registered each year.

Innovative products and services are also the cornerstone of the Company's future business success. This is why we also invest in research and development for new products even in difficult economic times – around €1.2 billion in total over the past five years. In the 2014/15 fiscal year the Group's R&D spending amounted to €210 million (previous year: €216 million, -2%). At 4.9%, the ratio of the Voith Group's R&D spending to Group sales was slightly below that for the previous year (5.2%). Of the total R&D spending of €210 million, €3 million was capitalized, as was also the case the previous year. Impairment write-downs of €33 million have been recorded against capitalized development costs in the period under review (previous year: €14 million).

R&D spending was distributed roughly evenly between the Voith Hydro, Voith Paper and Voith Turbo Group Divisions. Also included are R&D spending for Group-wide development activities.

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

Aligned with global megatrends

One of Voith's objectives as a supplier to industry is to contribute to sustainable economic development. 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. Resource and energy efficiency, urbanization and mobility are not only the key challenges for the 21st century, they are also the central themes of our research and development strategy at Voith.

In the years ahead we will also concentrate on consistently exploiting the opportunities offered by digitalization and networking to develop customer-oriented engineering solutions and to contribute to the future shape of Industry 4.0. Our aim is to use intelligent, networked offers to create significant added value for our customers and to present Voith as a technology leader in the digital age. All Group Divisions run flagship projects and adopt approaches for intelligent products as part of Industry 4.0.

Further information on our Industry 4.0 strategy can be found in section 1.4. "Group strategy."

In the year under review, all Group Divisions again made substantial progress with their research and development work.

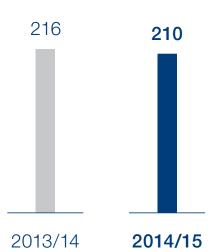
Voith Hydro: continuous advances

In the year under review Voith Hydro continued to work intensively on the ongoing development of the most established and important form of renewable energy in the world, i.e. hydropower.

In early 2015, we successfully put into operation the first commercial project to use our environmentally friendly compact turbine StreamDiver®. The Swedish hydropower plant Bruksfors, which is located around 200 kilometers to the north of Stockholm, will be powered by a 250-kilowatt StreamDriver turbine after completion of extensive rehabilitation work. The StreamDiver is an innovative turbine generator unit for small hydropower plants which reduces the scope and impact of building work on the environment to a minimum, eliminates any threats to the quality of water and minimizes maintenance costs. The innovative powerplant concept is also suitable for developing areas for the production of energy from hydropower in which it has not been possible to date to construct conventional hydropower plants owing, for example, to insufficient heads or for reasons of nature conservation.

We have also achieved considerable success in the year under review in another key area of development, namely very-high-performance turbines and generators: the high-performance generator-turbine units supplied by us have been put into operation for one major hydropower plant. The units are the most powerful generator-turbine units we have ever built, and therefore represent an important technological milestone on the road to developing the first one-gigawatt generating unit. Successful performance tests were carried out for further large-scale projects in an external test laboratory and the highly ambitious specified values were reached.

Research and development
in € millions



The Hyperbole research project which is sponsored by the EU, which was announced in the 2014 annual report and in which Voith Hydro is taking part as one of a total of nine cooperation partners from the business and scientific communities, has been successfully launched and is developing according to plan. Hyperbole concerns the expansion of the operating range of Francis and pump turbines. The project seeks better integration of renewable energy sources into the grid by increasing the operational flexibility of hydropower plants. Extensive measurement campaigns for structural and dynamic analyses were carried out in the year under review.

We also continued to develop our high-end simulation tools for the flow mechanics and electromagnetic fields in the year under review.

Voith Paper: “Papermaking 4.0” program presented

In the year under review Voith Paper presented its “Papermaking 4.0” innovation program at leading industrial trade fairs around the world and introduced it to the paper industry. In this context, the focus is on connected, smart solutions and processes which offer paper producers clear added value. An important new product launch in this connection was the ComCore automation platform which has been especially developed to meet the needs of the paper industry. With its modular structure, ComCore is already contributing to the digital factory which must meet the highest demands for decentralization, cost efficiency and the intelligent capture and processing of data. ComCore is a modular, scalable platform which can be easily integrated in a paper producer’s existing automation infrastructure by means of standardized communication interfaces. ComCore can be used to integrate a wide range of measurement, control and IT systems regardless of whether the equipment is from Voith or another vendor. ComCore enables information to be shared by all the machine components along the customer’s entire value chain.

In addition, Voith Paper continued to concentrate on resource-saving solutions which also offer customers substantial cost benefits and again launched several products in the 2014/15 fiscal year. These include the new InfiltraScrewpress, another product in the BlueLine product family for stock preparation. InForce, a new polyurethane roll cover for the press section, has also been launched on the market. With QualiFlex Crest and QualiFlex Crown we have presented two press sleeve product lines which are tailored to the relevant paper grade and the specific requirements of each paper machine. We have also launched two new, heat-resistant dryer fabrics on the market: Pyrox and PyroxHigh are part of the CleanWeave product family and have been especially designed for dryer sections with moderately high temperatures. Another innovation in the year under review was C-bar HerculeX, a new screen basket. This is one of the strongest screen baskets on the market. It is made of wear-resistant material and is suitable for various applications in stock preparation.

The Infinity press fabric which was launched last year and which ensures constantly high drainage of the paper web has proved successful on the market and has now been sold more than 1,000 times. The Infinity press fabric is available for all graphic paper grades, packaging paper grades and board.

Our efforts to develop sustainable products were again rewarded with a prize during the period under review. Voith Paper 2015 was successful at the Baden-Württemberg Environmental Technology Award with its sealing strip for suction roll designs. The Company came second in the “Technologies for Emissions Reduction, Treatment and Separation" category. The Baden-Württemberg Ministry of Environment, Climate and Energy awards the prize for outstandingly innovative products in environmental engineering every two years.

Voith Turbo: ongoing work on cross-divisional R&D issues

In the 2014/15 fiscal year Voith Turbo pooled its R&D activities more stringently and established central responsibility for them. In addition to development work in the separate divisions and business units a central innovation division was installed which concerns itself with basic topics and cross-divisional projects. The most important common topic in the year under review which will continue to dominate in the years ahead is the development of innovations for Industry 4.0. We also aim to add electrical engineering to Voith Turbo's core mechanics and hydrodynamics competences and are working on new functions that arise when mechanics and electronics are combined.

Voith Turbo has already developed several Industry 4.0 products, including the DIWA SmartNet telemetry system which provides regular monitoring of operational and service data for bus transmissions. The Commercial Vehicles division launched the new Generation 2.0 on the market in the year under review. The OPRA software platform on which the DIWA SmartNet runs is also used for the fleet management of rail vehicles and, as such, is marketed to customers of the Rail division. We have also made progress on big data solutions for the evaluation of the large volumes of data generated by test runs and during the operation of variable speed drives and turbo gear units. This allows the customers of the Mining & Metals and the Power, Oil & Gas divisions to be supplied with status-oriented service strategies.

Voith Turbo also launched new products in all divisions in the year under review, including SelCon, the self-contained linear actuator for the valve controls of gas and steam turbines. SelCon's fail-safe functions combine the advantages of hydraulic and electromechanical solutions. The hydraulics provide high force density and dynamics while the electromechanical side contributes simple, cost-effective system integration. Various standardized communication interfaces and the use of real-time Ethernet protocols make the SelCon ready for all common Industry 4.0 concepts, such as intelligent process optimization, remote diagnostics and condition monitoring.

The Voith Linear Jet (VLJ) is an innovative ship propulsion system which is designed to pave our way for entry into the market for fast vessels with profiles of between 25 and 40 knots, including faster ferries, yachts, workboats of the offshore industry and coastal protection vessels. The VLJ is a robust, low-noise and low maintenance propulsion system.

We have developed a new fluid coupling for Chinese coal mines. The CPC700 enables armored face conveyors to be started up smoothly whilst protecting against overload and maximizing the availability of the system. The coupling is produced directly in China for the local market and is suitable for price-sensitive markets in the mid-range performance segment.

We have also launched various systems and components for rail vehicles, such as the RailPack 600DH, a new power class of drive system for use in railcars and special vehicles.

Success for carbon fiber development center

We continue to research and develop industrial production methods for CFRP (carbon fiber-reinforced plastic) components at our cross-divisional development center for carbon fiber products which we opened in 2011. For many years now we have used CFRP for lightweight components, such as ship propellers, in paper machines and in drive systems, among other applications. This is a long-term research project for which we hold great hopes for the future. The benefits of this material – such as low weight, high resilience and good formability – lead us to expect that the use of carbon fiber components will become increasingly significant in light of the demand for resource-efficient production in many industries. In the reporting period, an order was won from Audi AG for the high-volume production of a CFRP component for a future Audi model which represents an important milestone in the industrialization of composite production. In particular, this is a success for the development partnership with Audi, which was also launched in 2011 and which focuses on the further development and highly automated production of fiber-reinforced materials for use in future automotive projects. The order which has now been received will continue the successful work of this partnership in the form of a series-produced product.

06 Sustainability

For us, sustainable business and the pursuit of corporate success go hand in hand. We aim to create measurable added value in the areas of economy, ecology and society and make Voith the benchmark for our industries, also with regard to sustainability.

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. Our motto is for Voith to make a tangible contribution to sustainable development. Voith follows the approach of giving equal consideration to economic, ecological and social factors.

Sustainability management is integrated in the Group in defined fields of action. These include sustainable business management, the pursuit of profitable growth, responsibility for products and supply chains, for the environment, for our employees and social responsibility. Information on the field of action regarding profitable growth can be found in sections 2, 3, 4, 9 and 10 of this management report. How Voith meets its responsibility to its employees can be found in section 7 of this management report. The other fields of action are described in this chapter.

The Voith Sustainability Report 2014 is available on the Internet at: **http://www.voith.com/en/Voith_NHB_E_2014_WEB.pdf**

Voith began implementing sustainability management throughout the Group in 2008. Since 2009, Voith has recorded and analyzed all relevant environmental data, material indicators and selected personnel data in database systems. Our sustainability report, which has been published every year since 2011, contains detailed information on sustainability management at Voith, including specific goals, performance indicators and results. The project is geared towards the requirements of the Global Reporting Initiative (GRI) for sustainability reporting.

Over 1,000 participants from 43 countries contributed to the anonymous online surveys. The study findings can be found on page 15f of the Voith Sustainability Report 2014.

Our most important stakeholders are Voith's owners and supervisory bodies, employees, works council, customers, suppliers and investors, the local population at the locations, industrial associations, public authorities and the scientific and policy communities.

We conducted a detailed materiality analysis in the 2014/15 fiscal year based on the findings of a shareholder survey. The purpose of this analysis was to identify the importance of particular topics and to focus our sustainability management and reporting on the issues which matter most. We will continue systematically with our stakeholder dialog in the years ahead. The stakeholder survey will be repeated every two years.

Responsibility for the environment

We have set ourselves the goal of steadily minimizing our ecological footprint. We expect to create measurable economic added value for Voith by taking a responsible approach to the environment.

In developing Voith further as a sustainable company, we are pursuing three areas of focus regarding the environment. Our first area relates to compliance with and implementation of environmental legislation and corporate environmental protection (eco standards). Secondly, we aim to improve energy and resource efficiency at our production and service locations taking into account economic viability (ecological business management). Thirdly, we are driving energy and resource-efficient product innovations forward through the systematic analysis and assessment of Voith's products and services (eco technologies).

On the basis of the 2011/12 fiscal year, the Corporate Board of Management has defined three central goals for the conservation of resources and environmental protection. Within six years, by the 2017/18 fiscal year, we want to reduce our sales-related energy consumption by 20%, our volumes of waste by 25% and fresh water consumption by 10%.

We have already received a number of awards for our commitment to the environment. In November 2014, for example, we won the prestigious Dekra Award 2014 in the category "Environment" for our innovative management of hazardous materials. We were awarded the Green Controlling Prize by the Péter Horváth Foundation in September 2015. The accolade was presented for our solution, which is derived from conventional financial controlling processes, which makes economic and ecological efficiency potentials measurable and controllable and systematically implements appropriate improvements.

Responsibility for products and supply chains

We have set ourselves the standard of providing top-quality innovative products displaying a level of safety, reliability and efficiency that our customers can rely on. Voith has implemented a Group-wide management system for technical risks and quality (TRQM) which is used to control targets, processes and methods for the development and production phase. We carry out risk assessments to check the safety of our products.

Our products and services should make a contribution to the conservation of resources and environmental protection throughout the entire value chain, from the manufacturing process through to their use. In this context an important role is played by a close dialog of trust with our customers. Our customers' expectations are integrated in our product development, and we support our customers with special trainings and advice on the most resource-saving use of our products.

Our understanding of corporate responsibility also includes our suppliers. The quantity and broad spectrum of procured goods and services make it a challenging task to ensure our supply chains are sustainable. We have integrated social, ecological and economic sustainability aspects in our General Terms and Conditions of Purchase (AEBs). We require suppliers to pass on these requirements to subsuppliers. We also require self-disclosures from our suppliers. The suppliers with the strongest sales are regularly evaluated in the departments responsible. The results are stored in our central supplier management database. In a weighting of amounts purchased and risk, more and more suppliers will be entered and assessed in the database. Long-term relationships of trust with our suppliers will help us to minimize risks in the procurement process. In this context we work with a “preferred supplier” and a “blocked supplier concept”. Sustainability aspects are included in both concepts.

Social responsibility

We wish to make a contribution to the positive development of society and to support local institutions everywhere in the world where Voith is based. The type and scope of our commitment as well as eligibility criteria have been documented in the donations and sponsorship Group directive since 2008. As part of our commitment to society, we support activities and organizations in the fields of education, social welfare, sports and culture. And, quite apart from all of the above, Voith takes action where it perceives an urgent humanitarian need.

07

Employees

Qualified, motivated and dedicated employees are the foundation and motor of our success. We endeavor to offer our employees who meet our high demands challenging tasks, individual development opportunities and an attractive workplace. We take into account each of our employee's personal situations and enable them to pursue a wide range of different career options. At the close of the 2014/15 fiscal year we employed around 20,200 people in the Voith Group and its continued operations Voith Hydro, Voith Paper and Voith Turbo, as well as around 17,300 people in Voith Industrial Services, the Group Division which is currently being sold.

Headcount down again

As at September 30, 2015, we employed 20,223 full-time equivalents (excluding apprentices) in the Voith Group as part of our continuing operations. Overall, this is 720 or 3% fewer jobs than one year previously (September 30, 2014: 20,943). This figures does not include the 17,253 jobs (previous year: 18,359) in the discontinued Voith Industrial Services Group Division.

Further information on the reorganization of indirect activities can be found in section 1.4. "Group strategy."

This decrease in jobs is largely due to the Voith 150+ success program which is currently being implemented worldwide. The greatest impact was on the Voith Paper Group Division (-680 jobs) and, to a lesser extent, the Voith Hydro Group Division (-31 jobs) and Voith Turbo (-21 jobs). A total of 12 jobs were added in the Group Holding; this reflects the beginning of a shift of indirect functions from the Group Divisions to the Group Holding in the framework of Voith 150+.

38% of employees with Voith Paper

Excluding the discontinued personnel-intensive Voith Industrial Services Group Division, Voith Paper has, with 38% of the total headcount, more employees than any other Group Division. 7,739 people were working there at the end of the period under review (previous year: 8,419 employees). Voith Turbo had 6,254 employees (previous year: 6,275) or 31% of the Group's headcount. With 5,188 people, Voith Hydro employed 26% of the Group's total workforce (previous year: 5,219 employees). The remaining jobs (1,042, previous year: 1,030) were located in areas with a holding function.

40% of the workforce based in Germany

In a regional context, Voith continues to employ most of its staff in Germany, which accounts for 40% of the total number of employees in the Group. The Americas were still the second most important region with a share of 25%. We employed 20% of our staff in Asia. The region of Europe excluding Germany accounted for 14% of the total workforce. 1% of all employees work in other regions.

We have cut back on jobs in all regions. In Germany, the number of employees working in our core business ("continuing operations") fell by 347 to 8,128 employees as at September 30, 2015 (previous year: 8,475). In Europe excluding Germany, we employed 2,769 people or 158 fewer than in the previous year (2,927). The number of employees in the Americas fell by 117 to a total of 5,091 positions (previous year: 5,208). There were 4,060 employees in Asia (previous year: 4,146, -86).

Further job cuts at Voith Paper unavoidable

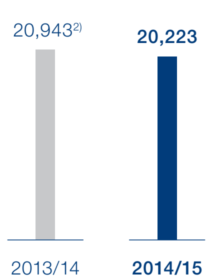
In order to adjust the cost structure of Voith Paper to the permanent contraction in market volume and, against the background of increasingly fierce competition and high pressure on prices, to ensure that it can continue to operate successfully in the future, Voith Paper submitted a further package of measures in February 2015 involving the concentration of its European activities at just a few locations as well as further job cuts. It is envisaged that a total of 900 jobs worldwide will be cut. Based on current planning these measures will be implemented by the end of 2016.

Bundling of worldwide administrative functions will reduce staff by more than 700

We also aim to reorganize our indirect activities and to reduce staff by 720 as part of the Group-wide success program Voith 150+. 150 of these jobs are in Voith Paper and are already included in the figures referred to above (900 jobs to go at Voith Paper). We are already working on the implementation of new structures. The associated slimming down of the workforce has already been partly undertaken and will be completed by September 30, 2016. All the job cuts described here have already been taken into account in the accounts for the 2014/15 consolidated financial statements.

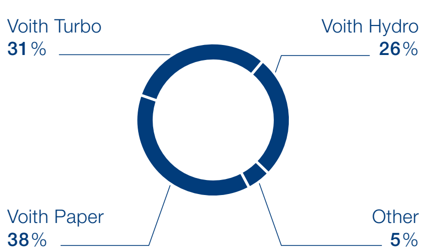
Further information on the reorganization of indirect activities can be found in section 1.4. "Group strategy."

Employees Group[1]

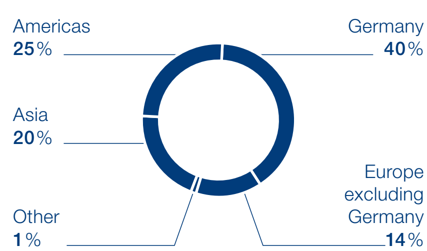


[1] Excluding the discontinued Group Division Voith Industrial Services.
[2] Previous year restated.

Employees total 20,223[1]
by Group Division



by region



[1] Excluding the discontinued Group Division Voith Industrial Services.

First-class professional training

We train young people in more than 40 technical, commercial and trade professions. In the period under review, we once again provided a large number of young people with career prospects and increased the number of trainee placements compared to the previous year. At the close of the 2014/15 fiscal year, 1,142 apprentices and students were employed at Voith locations around the globe (previous year: 1,294).

As a matter of tradition, we set great store by first-class vocational training. We place great value on interdisciplinary learning and a holistic approach of imparting a combination of both social and professional skills. The high quality of our training is repeatedly demonstrated by the excellent performance of Voith apprentices at state and federal level. In the 2014/15 fiscal year, 55% of our apprentices in Heidenheim received a final grade of 1.9 or higher (equivalent to good). One of our apprentices was named best product technician of the year by the German Chamber of Commerce and Industry.

In the 2014/15 fiscal year, the first 19 specialists successfully completed a one-year training program at our important Chinese production location in Kunshan, where we opened a large training center in April 2014. All 19 were taken on by Voith.

As part of our Global Graduate trainee program, we offer the trainee graduates of technical and business management disciplines that we recruit worldwide a challenging entry into our Company. The participants combine practical experience with training sessions, are supported by a mentor and work in various Group Divisions and regions.

Needs and goal-oriented training

We require our employees to be willing to keep on learning over the entire span of their careers and help them to constantly develop. Our goal: we always seek to have the right employee with the right qualifications and appropriate competencies at the right place in the company. Our leadership concept, which includes numerous leadership tools, provides the operative framework for this purpose. The key elements are two formal discussions which are held with every employee once a year. While performance reviews focus on the individual's personal contribution to the achievement of corporate goals, employee appraisals concentrate on work tasks and the working environment, the relationship between the employee and supervisor and the employee's own personal development perspectives. The information gained from these discussions are entered in our People Excellence Platform ("pep."), an IT-based personal information system, with the findings of the management review process so that development measures can be defined and centrally controlled in line with needs in the company and the requirements of any function to which an employee may aspire.

Further information about pep. can be found in this section of the management report under "Group-wide personal information system implemented."

Based on individual training needs we offer our employees access to internal and external training and personal development measures that foster professional, social and intercultural skill sets as well as coaching. The range of topics in standardized “Voith training” covers occupational safety and health, environmental protection, technology, IT, quality, languages, economics as well as management and personality. We provide specific training to employees from procurement, finance and human resources as well as project managers in the Voith Management School. Our executives also take part in a uniform development program to create a common understanding of leadership in all Group Divisions and regions. The executives at top management level also take part in the training program offered by our Voith Academy.

In the period under review, around 2,500 employees worldwide (previous year: around 2,200) took part in our internal training programs which are designed to accompany their professional or management career paths. There were also various seminars with external training providers as well as internal training measures that were selected locally according to specific requirements at individual business units.

Occupational health and safety management

Occupational health and safety are top priorities for us. By taking a responsible approach in designing workplaces and processes, we aim to avoid accidents and work-related illnesses as far as is possible.

The Group guidelines on occupational safety prescribe binding mandatory minimum requirements and standards for the Voith Group. All employees are involved in the occupational safety program. Our executives are given goals that cascade through the organization to the managers in their unit. Personnel managers train their staff and address safety issues at regular meetings.

Since 2009, the frequency rate, calculated pursuant to an international standard and documenting the number of accidents per one million working hours, has been falling consistently. We achieved our goal of a frequency rate of 2.0 for the 2017/18 fiscal year as early as 2013/14 with a significantly lower rate in the year under review of 1.5. This makes Voith one of the world’s best companies in the field of occupational safety. We also calculate the severity rate. We exceeded our goal for the 2017/18 fiscal year of a maximum of 350 lost hours per one million working hours for the first time during the year under review in which just 288 per one million hours were lost. We aim to continue improving both performance indicators in the years ahead.

We also wish to take systematic and preventive action to improve the health of our employees – a task which is growing in importance, particularly bearing in mind the aging workforces at our European and North American locations. It is our intention that our employees should be able to maintain their ability to work and retire in good health at the end of their working life. In this regard, we concentrate on four fields of action: a safe working environment in line with demographic developments, health promotion and preventive health care, support in the event of illness and combating stress as well as corporate culture, leadership and health.

Diversity and equal opportunity

Voith employs men and women that are at different stages of their lives, come from over 120 nations, and bring their own individual experiences with them. This diversity enriches our corporate culture, encourages team creativity and innovative drive and contributes to the economic success of our Company. As an employer, Voith sees it as its duty to offer all its employees equal opportunities and to ensure that the workplace is free from discrimination.

Under our Diversity & Inclusion (D&I) program which we launched across the Group in the 2012/13 fiscal year, we are working on fostering employee diversity and equal opportunity throughout the entire Group. Our regional D&I team's train-the-trainer courses were completed in the year under review for the regions Asia, North and South America. Most of our top executives and their team leaders have now received training and are aware of the relevant issues. Achieving higher proportions of women in the workforce, and particularly in management positions, remains a priority in all regions. We also pursue the principle of filling leadership positions in the regions with local personnel whenever possible. The challenges relating to the age structure of workforces vary depending on the demographic development in the regions.

Family and career

We wish to offer our employees an attractive workplace that can be flexibly adapted to meet their respective situation in life. For this reason, we support them in combining family life with work.

We offer a wide range of working models, such as part-time or a combination of home office and presence at the Company. We offer childcare facilities for employees' children up to the age of ten at several of our locations in Germany. Various locations in Germany have their own parent-child office allowing our employees to bring their child with them to work when other childcare options fail at the last minute.

Employees in Germany can also obtain information by telephone or e-mail about issues such as caring for family members – an issue which, owing to demographic trends, is growing in importance for many employees. This service, and the arrangement of childminding, au-pair and other childcare services, is offered in cooperation with an external consultancy firm. Our employees can find additional practical information on child care, nursing care and careers on our Germany-wide intranet platform.

Group-wide personal information system implemented

Functioning processes and sound decision-making depends on highly efficient integrated human resources IT systems. In a project conducted over a period of years, we have developed a personal information system for Voith which maps all the relevant human resources processes worldwide. We completed implementation in the year under review and our human resources experts and executives in the business units are now using our globally standard People Excellence Platform (pep.).

The pep. platform contains basic information, such as qualifications and development information, on all employees worldwide. It also maps the organizational structure of all business units in Voith and provides transparency regarding reporting lines and expert know-how, which in turn makes it easier to establish virtual teams across country and divisional boundaries. We use pep. to control our entire talent management, from employee recruitment through to employee appraisals and performance reviews as well as further training and succession planning. Our personal information system can also be used to generate diverse human resources reports automatically and to provide regular information on performance indicators, such as employee structure, new hires and success rates for internal refill positions. In this way pep. is the central source of information for facts and figures relating to human resources.

The integration in a single system of all data and processes relating to human resources and the efficient tools which can now be used by our executives and human resources experts are a huge step forward for Voith. The interest expressed in our personal information system and the feedback received from human resources managers in other large German corporations confirms that we have set a benchmark in German industry. We intend to continue along this route and to develop our personal information system to lay the foundations for strategic personnel planning. Our objective is to identify the needs relating to job profiles in advance based on quantitative and qualitative information and to develop measures on this basis, such as training and development programs, recruitment initiatives or redeployments.

Excellent employer

We want to be an attractive employer for both experienced employees and qualified jobseekers. Voith has been one of the most popular employers in Germany among engineering graduates for many years. This is apparent from the many different studies carried out every year, such as the Graduate Barometer carried out by trendence, the research institute which specializes in personnel marketing. Students' positive expectations are clearly confirmed by their experiences on placement with Voith. In Praktikantenspiegel, a placement rating survey undertaken among 7,500 trainees by the independent institute Clevis, Voith was given the highest company rating – four stars in 2015 – for the quality of the placements it offers. In addition to quality, the survey also examined the employer's brand image. Overall, Voith is among prestigious companies such as Audi, BASF or Ikea in the top group of stars in the Clevis placement rating.

We also received an award for our endeavors in the year under review to improve the work-life balance of our employees. In November 2014 Voith received the Family-aware company award from Baden-Württemberg's familyNet company network for its systematically family-aware human resources policy. In the year under review Voith also received accolades for its innovative recruiting initiative, including in December 2014 the HR Excellence Award given by the journal Human Resources Manager. Various seals of approval have also been given to Voith for the values the Company lives. These seals also make the Company's values transparent for potential employees.

All the recommendations and awards won by Voith as an employer can be found on the Internet at: **http://www.voith.com/en/career/why-voith/awards-42093.html**

08

Subsequent events

Voith GmbH successfully placed a promissory note for €300 million on the market in November 2015. The loan is for general company financing purposes and for the refinancing of financial liabilities in particular. In the course of its placement, banks and institutional investors subscribed to promissory notes in tranches with terms of five, seven and ten years at fixed and variable interest rates.

No additional significant developments have occurred since the close of the 2014/15 fiscal year.

09 Risks and opportunities

Entrepreneurial activity includes making decisions under conditions of uncertainty. Our risk management system allows us to identify and manage risks to protect the Company. There continue to be no risks to the Voith Group's ability to continue as a going concern. The most significant risks which could cause the results to deviate negatively from those forecast/targeted continue to be external. The risks are matched by opportunities that could have a positive influence on business development.

09.1. Risk and quality management

Aligned toward increasing the value of the Company

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

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

Decentralized nature of the risk management system

Voith distinguishes between two overarching risk groups with a total of six risk categories:

1. Risks to the Group
- External risks
- Management risks
- Liquidity and financial risks
- Infrastructure risks

2. Risks to performance
- Contractual risks
- Technical risks

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

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 that they will arise. Wherever possible, the scope of potential damage is quantified as a cost factor. The worst case scenario and a realistic scenario are analyzed for each identified risk to performance to assess the potential risk, and its impact on the financial situation of the Group is examined. This involves reporting those individual risks with a maximum risk level of >€5 million or a realistic risk level of >€2 million, including the measures taken to mitigate this risk such as existing insurance policies, recognized provisions or recorded depreciation, to the Group's management on a monthly basis.

- 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 Corporate Board of Management to analyze risks and take well-founded decisions.

09.2. Risks

In the following, we describe risks which could have a substantially negative effect on our net assets, financial position and results of operations and cause the results to deviate negatively from those forecast/targeted. The order of the risks within the six risk categories presented below reflects how we currently estimate the importance of these risks for the Voith Group. Unless otherwise stated, the following risks relate to all the Group divisions. Additional risks of which we are currently unaware or risks we currently estimate to be immaterial may also have a negative impact on our business activities.

09.2.1. Risks to the Group

External risks

Our economic environment is determined by global demand for capital goods. This demand is influenced by the global macroeconomic environment. The gradual recovery in the global economy forecast by economic analysts is extremely fragile. If economic development were to fall substantially short of expectations, it is highly probable that this would have negative effects on Voith's net assets, financial position and results of operations. Economists see significant risks for the projected global economic development.

The most serious risk confronting the global economy at present is the large number of geopolitical conflicts: if one of the current geopolitical crises – such as the extremely unstable situation in the Near and Middle East – were to escalate into a global conflict or were to continue for an unexpectedly long period of time, this could disrupt international trade, drastically raise energy prices and unsettle the global investment climate. This would also have a directly negative effect on our business with local companies. We believe that the specific risks of tensions between Russia and the EU worsening further and of economic sanctions being expanded into a full-scale embargo have diminished. We have already integrated the assumption of limited business with Russia into our planning for the 2015/16 fiscal year.

The continuing economic development of the important emerging markets of China and Brazil will be subject to intensive observation: the global economy as a whole as well as Voith's earnings position in particular would suffer if growth in China were to slow even more than currently projected or if Brazil were to slip further into recession than presently anticipated by economists.

In this connection the announced rise in interest rates in the US dollar area represents an additional risk. This would probably result in further capital outflows from emerging markets. In combination with other encumbering factors, such as low raw material prices and falling exports the outflow of capital could accelerate the weakening of economic growth in various emerging market countries with potential spillover effects for the entire global economy.

A more medium-term risk for the world's economy is the as yet unresolved crisis in the euro zone. Despite showing signs of recovery, the countries of the euro zone remain vulnerable to setbacks as they continue to face significant challenges. First and foremost are the high level of sovereign debt and the structural reforms urgently needed in several countries to increase international competitiveness, which, bar a few exceptions, have yet to be undertaken. A viable solution has not yet been found for Greece, either. In our view, low energy prices and euro exchange rates will only compensate for the weaknesses in the euro zone in the short term.

We continue to regard financial markets as having become increasingly detached from the real economy due to the loose monetary policy and believe that the risks described are at present insufficiently priced into securities prices. Negative developments in the real economy could therefore trigger overreactions and, in the worst case scenario, financial market shocks which would have further feedback on the global economy.

Various market risks could have a negative impact on Voith's earnings position should they eventuate.

Two fundamental market risks are associated with development of raw material prices, on the one hand, and oil prices on the other. If these prices remain as low as they are now for a long period of time, or even fall further, the investments originating from raw material producers and oil companies would be likely to contract further. This could have a negative impact on the earnings position of our Voith Turbo Group Division with its Mining & Metals and Power, Oil & Gas divisions.

For Voith Hydro, the stepped-up development of shale gas extraction could in the mid to long term lead to partial displacement of new investments and renewal work on existing hydropower plants in North America, which would diminish this Group Division's earnings position. Uncertainties regarding energy policy, to which Voith Hydro and Voith Turbo will have to adjust, are affecting the power generation market worldwide.

The future of the paper market is also a source of risk. If the forecast growth in paper production underlying our business plan is not realized in the coming years, investments in paper machines would be lower than expected and increased competitive pressure would have a negative impact on prices. Both of these outcomes would make it more difficult for Voith Paper and the Voith Group as a whole to reach their sales and earnings targets. However, in recent years we have adjusted to the contraction of and structural shifts in the market with new products, a cost structure tailored to a smaller market and greater efficiency, and we now believe that the negative potential contained in this risk is much lower than it was a year ago.

On the market for several of Voith Turbo's application fields, mechanical drive solutions are frequently in competition with electrical alternatives. Voith Turbo protects itself against this risk by constantly developing its product portfolio with a view to improving efficiency as well as by changing the cost structures by becoming even more localized. If we fail to maintain our competitive position in the future through technological progress, this would cause Voith Turbo's market position in the affected segments to deteriorate and would thus hamper the Voith Group's earnings position.

Furthermore, individual market segments in which we operate could also be impacted in the future by slowed market growth, falls in demand or intensifying competition, and we may consequently find ourselves faced with pressure on prices in some cases. However, the damage potential of these market risks is considered lower as it is limited to individual divisions or business units.

The political situation in Europe, which has been very stable for a long period of time, has appeared to be jeopardized more recently by diplomatic conflicts within the European Union. Particularistic interests are being placed above the common good and it is becoming increasingly difficult for Member States to reach consensus on difficult decisions. In the medium to long term sharpening political differences and even greater divergences in the actions of Member States could impair trade within the EU and weaken the economic area as a whole. This would impair the earnings position of the Voith Group which generates a large share of its sales in Europe (excluding Germany).

The location risk in Africa, which we identified for the activities of Voith Hydro last year in connection with the possibility of the spread of Ebola, no longer exists.

The scenarios described below were analyzed by the Voith Group. The management of Voith GmbH is prepared to act decisively as soon as economic 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. By monitoring all the important indicators on a monthly basis Voith believes it is well placed to rapidly respond to the consequences of external risks.

Management risks

Under the multiyear success program Voith 150+, we are involved in a process of strategic adjustments. These include restructuring measures, capacity adjustments and process improvements. As is always the case with such processes, there is the general risk of the strategic adjustments not being implemented within the planned time period or of them not generating the planned savings. In this respect the planned cost savings will be achieved later or not in full. This in turn would have a negative impact on the net assets, financial position and results of operations of the Voith Group and restrict our scope for further growth. We are currently completely on course with the implementation of Voith 150+.

Beyond the risk described above, there are currently no specific identifiable risks arising from Group management; for example, from the reporting system, the corporate image or the lack of coordination of business activities within the Group.

Liquidity and financial risks

The key objective of liquidity and financial management is to make sure at all times that the Company is able to continue as a going concern and to ensure the financial independence of the family-owned business. The liquidity reserves remain at a secure level to ensure that the Company is always in a position to meet its payment obligations.

Cash management is the task of the Group's treasury function as well as the related regional treasury and finance centers. The Group maintains cash pooling systems in Europe, China, India and North America, which it uses to concentrate its cash and cash equivalents as far as possible (where legally permissible) and lower interest expenses caused by external debt financing. Borrowings are generally taken out by Voith GmbH and provided to the Group companies when needed.

The Voith Group's diversified financing structure is designed to safeguard long-term stability. The syndicated euro loan for €770 million, which was arranged in 2011 and increased in 2014 under an amend-and-extend agreement, was extended for a year in August 2015 and now runs until 2020 with the option of extending for another year. The loan has not been drawn on and is available as a strategic liquidity reserve if needed, as are additional bilateral lines of credit available to us from banks. The syndicated loan placed in China in 2012 was extended in May 2015 until 2020 under an amend-and-extend agreement. The loan has a total volume of CNY 2.1 billion, of which a good 55% are available on the balance sheet date. This facility secures the finance for future investments in the same currency as the operating business on the local market. These instruments will allow for long-term growth in a changing global market. Voith has given high priority to the availability of liquidity from existing loan agreements. Risks of termination are minimized in that compliance with the terms and conditions of the respective contracts is monitored on an ongoing basis. As in the previous years, all contractual terms and conditions were complied with in the 2014/15 fiscal year.

The investment grade rating given by the Moody's agency was downgraded in September of this year to "Ba1 outlook stable." The year before Moody's gave the Voith bond investment grade rating of "Baa2 negative outlook."

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.

As a globally operating company, Voith remains exposed to the risk of fluctuating exchange rates which could have a negative impact on the net assets, financial position and results of operations. To contain risks arising from cash flows in different currencies (mainly US dollars but also currencies from emerging markets such as China, Brazil or India), defined foreign currency management procedures are applied consistently throughout the Group. All Group companies are required to hedge foreign currency items when these occur. Revaluation of the euro against various other currencies could have negative effects on sales and earnings due to currency translation for the financial statements prepared in foreign currency. This could further have an impact on our competitive position as cost benefits in weaker currencies are possible for competitors. Moreover, interest risks are covered by appropriate hedges in order to obtain long-term interest and financing security.

To hedge existing transactions such as future cash flows in different currencies or variable-rate financing, Voith uses a variety of derivative financial instruments, in particular forward exchange contracts to manage currency risks and interest rate swaps to manage interest risks. The instruments used and the hedge strategies are defined and documented at the start of a hedge in line with the goals of corporate risk management. The risks are constantly monitored and, if necessary, the hedges are adjusted.

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.

Counterparty risks with financial partners are monitored constantly.

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

No particular liquidity or financial risks are perceivable at the present time. For more information, please refer to the notes to the consolidated financial statements. The related reporting as well as reporting on financial instruments (Sec. 315 (2) No. 1 HGB) is provided in the section entitled “Other notes.”

Infrastructure risks

In the area of infrastructure risks, Voith primarily identifies IT risks, human resources risks, compliance risks and environmental protection risks, against which the Company takes specific countermeasures. No particular risks relating to the Group’s infrastructure are perceivable at the present time.

Our successful business activities are underpinned by state-of-the-art and secure information technology. This is why we have our own IT function, Voith IT Solutions, which ensures that reliable data processing services are provided from our own data center. The experts at Voith IT Solutions manage the whole IT infrastructure for the entire Group and also maintain the specific application systems used by each Group Division. Our information security management is based on the international standard ISO/IEC 27001, and thus meets the most stringent standards. Our central computer center operated by Voith IT Solutions Germany is certified under this standard. Our primary objective when it comes to managing IT risks is ensuring the availability of our IT infrastructure and IT applications used. Outages of basic systems owing to technical faults, virus attack or force majeure would result in business processes being massively disrupted or coming to a complete standstill. In order to prevent such business interruptions, we have built redundancy capacity into the core systems of our IT landscape at two data processing centers. At the application level, we address the risk of defective software in addition to the risk of outages. We ensure the reliability ("integrity") of applications with a strict quality management system, which involves new software versions and programs being subject to a multistep test and approval process before they are implemented. In order to maintain the confidentiality of our data, these are categorized according to predefined confidentiality levels. Depending on the level of confidentiality, we use IT tools of varying complexity such as encryption technology, which we use to securely save and transfer data. This also ensures that our intellectual property is protected as best as possible. In addition to these technical measures, we train and inform our employees about how to securely handle confidential data by means of e-learning programs and awareness campaigns.

Highly qualified professionals and executives are key to our products, our image and ultimately to the success and growth of Voith. If we were unable to cover our qualitative and quantitative personnel needs over a longer period of time, this would call into question our ability to reach our corporate targets. For this reason, we strive to provide ongoing further training and to bind experienced employees to Voith while remaining an employer of choice for newly trained candidates on the labor market. We compete with other international players and act with foresight in order to ensure we have a sufficient number of such employees. With a family-friendly human resources policy and flexible working hours, international career development prospects and performance-linked compensation systems as well as a broad spectrum of training and development programs, we offer an attractive work environment. We are also extending our Group-wide personal information system in the direction of strategic personnel planning in order to identify requirements in advance and to take suitable measures to cover them.

Further information on our personal information system can be found in section 7 "Employees."

At Voith, we base all our actions on integrity and trust. The guidelines and values defined by the Corporate Board of Management are summarized in the Voith Code of Conduct. This is equally binding for all Voith employees worldwide and provides clear-cut rules of behavior toward third parties such as business partners, competitors, political parties and government authorities. Compliance with these principles is monitored by the Group's Compliance Committee and the compliance officers in the Group Divisions and in each entity of the Group. As part of a structured worldwide process which covers all locations, compliance officers draw up a risk control matrix for their specific area of responsibility which covers all potential corruption risks. The findings for all units are aggregated and form the basis for internal compliance reviews. We place great value on functioning compliance management, as issues ranging from non-compliant behavior through to illegal acts committed by employees could be damaging for our reputation and lead to sanctions, penalties and ultimately to a fall in earnings.

Further information on compliance management can be found in section 1.3. "Values, guidelines, compliance."

The business activities of an industrial company give rise to risks for people and the environment. For this reason, industrial safety as well as compliance with environmental legislation and corporate environmental protection is a top priority for us. Such risks occurring could also result in production outages, claims for damages being filed and a loss of image. To avoid environmental and health risks, all production processes in the Voith Group are subject to corporate guidelines on quality, risk management, and occupational safety and environmental protection. Integrated management systems monitor compliance with these guidelines and ensure that both production and products consistently meet the same high quality and environmental standards. Since the 2009/10 fiscal year, data relevant to the environment has been systematically recorded and analyzed. Environmental risks can thus be identified at an early stage and appropriate countermeasures initiated. Adequate accounting provisions have been made for residual risks.

09.2.2. Risks to performance

Contractual risks

Long-term contracts, especially for major projects, form a key component of our plant engineering business at Voith Hydro and Voith Paper. Such contracts are associated with a host of risks and we attach great importance to managing these risks. For example, the earnings margins generated by fixed-price contracts may deviate from the values originally calculated as a result of changes in costs or productivity during their term. Also possible are cost overruns or contractual penalties stemming from unexpected technical problems or unforeseeable developments at the project locations. Several of our multiyear contracts also contain demanding timelines or provisions to ensure that legal guidelines are observed. If not met, these requirements could lead to contractual penalties, damage payment obligations, payment refusals or contract terminations. 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 early on. Regular checks ensure that adequate provisions have been made to cover any 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 provisions are made for special risks arising from existing contracts if these risks can be reliably quantified.

Technical risks

Technical risks relate to innovation-related risks, sourcing risks and sales risks due to decreasing customer satisfaction. There are currently no indications of any particular technical risks within the Voith Group.

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 to use state-of-the-art production technologies and service processes. Our earnings situation could be negatively impacted by investments in technology that does not work as planned or find the level of market acceptance expected. 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 5, "Research and development."

Collaboration with suppliers on the global procurement markets involves three types of risk: supply outages, unforeseen cost increases and non-compliance with environmental and social standards. We have embedded effective measures to secure our supplies – supplier selection and order processing – in our processes. Moreover, a permanent Group-wide risk management process has been implemented to identify supply risks and the risk of insolvency among suppliers at an early stage. Our dual sourcing strategy excludes dependence on individual suppliers to the greatest possible extent. Back-up strategies are thus in place in case suppliers who provide core components for the Group's products and services should default. Moreover, in the 2014/15 fiscal year Voith once again used all the means at its disposal to contain the risks posed by cost increases. It did so by concluding fixed-price contracts. We have integrated environmental and social standards in our General Terms and Conditions of Purchase. We review compliance with these standards on the basis of voluntary disclosures made by our suppliers and by means of audits conducted on our suppliers' production materials.

Detailed information on our supply chains system can be found in section 6 "Sustainability."

Our customers' satisfaction is key to achieving sales success and maintaining or increasing our market share. In the mid to long term, a fall in customer satisfaction would have a negative impact on our earnings position. For this reason, we develop technologies for and in cooperation with our customers that help them get ahead. Maintaining long-term partnerships is a high priority for us. We are proud to have collaborated with many customers, suppliers and other business partners over generations – some of our relationships even go back over 100 years. We survey customer satisfaction in order to objectively assess and enhance our customer service.

As part of our regular internal reporting on performance risks we monitor the theoretical maximum risks associated with specific risk positions as well as the risks which after careful assessment are deemed to be realistic. Maximum risks are considered in the light of potential existential threats. No existential threats existed at the time of this report. The risks which may be realistically expected are considered for profit planning purposes and in order to assess the precautionary measures in the balance sheet. In total, provisions for fundamental performance risks amounting to €204 million had been established and included in the balance sheet as provisions and impairments (maximum risk: €314 million).

09.2.3. Overall risk

To the best of our knowledge at the time this report went to press, there are no risks which, either individually or aggregately, could jeopardize the ability of the Voith Group to continue as a going concern. The risk situation for Voith has not changed significantly compared to the previous year. Of all the risks facing the Voith Group, external risks could have the strongest negative impact on business development. We are convinced that, in light of our strong diversification, our financial strength and the instruments used to control risks, our Group is able the bear the risks associated with our business activities.

09.3. Opportunities

In addition to the systematic management of risks, it is also essential that we support our corporate success by actively managing opportunities. The identification of opportunities and their strategic and financial assessment plays an important role in the strategic discussions the Corporate Board of Management holds regularly with those responsible for the operating units. The results of these meetings are incorporated into the Voith Group's strategic decisions as well as into the annual planning process.

In the following, we describe significant opportunities which could have a positive impact on our net assets, financial position and results of operations and cause the results to deviate positively from those forecast/targeted. The order of the opportunities presented below reflects how we currently estimate the importance of these opportunities to be for the Voith Group. Unless otherwise stated, the following opportunities relate to all the Group divisions.

Growing service business from postponed new acquisitions

In the currently subdued investment climate spending on new equipment and machines is being postponed in many industries. Owing to the extended service life of existing equipment customers are increasingly tending to make more intensive use of our range of services, such as maintenance, performance enhancing components and spare parts. This offers opportunities in all Group Divisions for our service activities, which might grow more than currently anticipated.

Opportunities associated with the global economy

Given the slow recovery of the economy and persistent uncertainties, we currently expect the 2015/16 fiscal year to be shaped by a persistently gloomy investment climate. If important sales regions and, as a result, the global economy recover more quickly and durably than currently anticipated and if investor trust stabilizes, this could have a positive impact on Voith's net assets, financial position and results of operations. Particular attention must be given to Brazil and China in this respect. If this scenario were to occur, the impact would be tangible in all Group Divisions, albeit with a different time lag in each division.

Expanding the portfolio with product innovations

For information on current production innovations, see section 5 "Research and development."

Further information on our Industry 4.0 strategy can be found in section 1.4. "Group strategy" and section 5 "Research and development."

We are constantly working on developing new technologies, products and solutions as well as improving existing ones. In the period under review, we once again launched numerous new products on the market in our Group Divisions Voith Hydro, Voith Paper and Voith Turbo. In the best possible case, this not only allows us to secure our market position but also to generate sales and market shares that are yet to be integrated in our business plan, especially if innovations are recognized as value adding by our customers much faster than currently assumed. We gear our development activities towards global megatrends as well as current technology trends and new industry-specific requirements, for example those that are regulatory in nature. In the years ahead we will be focusing on solutions for Industry 4.0 in particular.

Growth through acquisitions

Under the Voith 150+ program, we are working intensively to strengthen our portfolio of products and services, also by means of strategic acquisitions. In the short term, these offer opportunities for additional earnings not provided for in the business plan; in the mid-term they can help improve our position in certain markets or tap promising new fields for Voith. One special area of focus is on major investments in KUKA Aktiengesellschaft in the 2014/15 fiscal year as well as during the years ahead on acquisitions in the Industry 4.0 field. In this way we will develop further competences in the electronics, sensor systems/technology and automation fields.

New sales markets for existing products and services

In addition to expanding our portfolio of offerings, our Voith 150+ program will see us scout for market opportunities for our existing products and services in all of our Group Divisions in those regions where we have been underrepresented to date or have no presence at all. We will also try to transfer our already successful products to new fields of application or sales areas. The resulting additional sales potential has yet to be integrated in our business plan.

Opportunities in focus regions

The low level of global growth on the whole is attributable to the varying degrees of development in the different regions. We expect the world to witness three different speeds of development in the coming years, with the strongest growth stimulus coming from the emerging markets in Asia, and North America also posting strong growth on account of low energy prices due to the large scale of shale gas extraction and demographic advantages, while most of the remaining industrialized nations, especially those in Europe, will show barely any growth. Generally speaking, we have prioritized Asia and North America as strategic growth regions for the Voith Group and will intensify our investments in an attempt to put down even deeper roots at our locations and localize products so as to participate in this growth. We will also try to use the opportunities offered to us by special developments in individual markets, segments and countries for particular Group Divisions or business units. Should individual regions record better development than expected or should we manage to be more successful in the defined focus regions than expected, this would have a positive impact on our earnings position.

Persistently low euro exchange rate provides short-term global competitive advantages

From today's perspective the continuing low euro exchange rate is an opportunity which could have a positive impact on our net assets, financial position and results of operations. If the euro persists at its currently weak exchange rate this could improve the competitive position of our products on the global market and have a positive effect on our results. In the short term we have based our planning for the 2015/16 fiscal year on the assumption that the euro will remain at relatively the same level as during the year under review in comparison with the key currencies in our markets.

09.4. 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. Amendments to 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 organized on a decentralized basis. 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 specified line items of the financial reporting and contain corresponding instructions on controlling activities, responsibilities and documentation duties. Among other elements, the control activities comprise analytical reviews as well as processing and controlling of key and complex business transactions by different people. Complex accounting issues (e.g. financial instruments) are referred to corporate departments or external experts (e.g. measuring the pension obligation). The activities and controls for these subjects are also considered in the risk control matrices.

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

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

The proper functioning 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 reviews of the proper functioning, correctness, reliability and efficiency of all internal control and risk management systems in the Voith Group independent of the affected processes. Suitable measures are promptly taken to remedy any gaps or weaknesses that may be identified.

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

10 Forecast report

Thanks to its strengthened operative earnings power and strategic refocusing, the Voith Group is moving in a positive direction. Against the backdrop of a persistently subdued investment climate we expect both the sales and orders received to remain constant in the 2015/16 fiscal year. At the same time, we aim to improve our profitability, increase our profit from operations further and generate a substantially positive net result.

10.1. Business environment

Global economic recovery remains fragile

Economic analysts anticipate somewhat stronger worldwide economic growth over the next two years than during the year under review. An important exception is this regard is China. For example, in its latest release the International Monetary Fund (IMF) is forecasting global rates of growth of between 3.6% and 3.8% for the calendar years 2016 and 2017 compared with a plus of 3.1% in 2015. However, overall the recovery remains fragile and is associated with a high number of risks, particularly in connection with the future development of China and Brazil, while we deem the chances of development exceeding our expectations to be poor. Due to high levels of uncertainty the environment for capital goods remains difficult. Consumables and products for existing machines and equipment, in contrast, as well as the most diverse services could benefit from the basically positive trend.

For more information on the risks and opportunities for the global economy, see section 9.2. and 9.3. of this management report.

Emerging markets as a whole continue to grow at a faster rate than the advanced economies. Developments vary widely from country to country. Nonetheless, with the exception of China, GDP is projected to grow faster in 2016 than in 2015 in all the key emerging markets which are relevant for Voith. Despite the slowing down in the pace of economic growth, China continues to grow at rates well above the global average and remains an important pillar of global economic development. The dynamic economic development of India is projected to continue. We are more pessimistic about Brazil and Russia, both of which have been in recession in 2015 and where economic output is forecast to contract once again in 2016. Various unsolved structural and political problems in each country are damaging investor confidence. Russia's economy is being weakened further by the low prices

Economic growth
Real change in GDP on the previous year[1)]

World output	2016	3.6%
	2017	3.8%
Advanced economies	2016	2.2%
	2017	2.2%
United States	2016	2.8%
	2017	2.8%
Euro area[2)]	2016	1.6%
	2017	1.7%
Germany	2016	1.6%
	2017	1.5%
Emerging market and developing economies	2016	4.5%
	2017	4.9%
China	2016	6.3%
	2017	6.0%
ASEAN-5	2016	4.9%
	2017	5.3%
India	2016	7.5%
	2017	7.5%
Brazil	2016	-1.0%
	2017	2.3%
Russia	2016	-0.6%
	2017	1.0%

Source: International Monetary Fund; World Economic Outlook, Oct. 2015.
[1)] Forecasts.
[2)] Including Germany.

of raw materials, the low ruble as well as by the economic sanctions imposed by the EU and the US in connection with the Ukraine crisis. We expect continued strong solid growth in Southeast Asia. In the medium and long term Africa will grow in importance.

The slow economic recovery will probably continue in the industrialized nations. This is based on the assumption that oil-importing countries continue to benefit from the low oil prices resulting from a market glut. While the strong dollar has taken some of the momentum out of the highly positive recent prospects for growth in the US, low energy prices due to production of its own shale gas and oil are responsible for the re-industrialization of the country and are expected to generate GDP growth in the US exceeding the average for the advanced economies. This provides opportunities for capital goods and industrial services providers in particular and makes the US a strategic growth market for Voith. We expect the cheaper euro to support ongoing gradual recovery in the euro zone with investing activities remaining subdued despite interest rates being at a record low. Moreover, the euro zone remains vulnerable to setbacks. Continuing moderate growth and below-average performance in the engineering industry is expected in Germany.

The forecast for our business assumes that there will be no economic or political shocks which could tip the global economy into recession.

Investing activities in the Voith markets predominantly subdued

In four of our five target markets – energy, oil & gas, paper, raw materials – we can see little stimulus for growth and an ongoing gloomy investment climate in the 2015/16 fiscal year. We are optimistic about the transport & automotive market.

As global energy needs continue to rise, electricity-generating capacities are being expanded further, although most likely at a slower rate than in the past. This involves all regions putting greater emphasis on renewable energy sources. The generally positive outlook for hydropower as a renewable energy will be hampered in the short to mid term by global uncertainties and the expansion of shale gas and oil activities in the US, even if the pace of this expansion is set to slow considerably.

The oil & gas market is also projected to continue suffering from a glut and resulting low market prices. Investing activities are therefore most likely to contract in the 2015/16 fiscal year. It is still unclear what impact low energy prices will have on investments in the North American shale gas and oil market.

Consumption of paper will continue to rise gradually, although there will be huge differences between the various grades of paper and regions. In the 2015/16 fiscal year, we assume that investment in new paper machines will remain low on account of the deteriorating market prospects of paper manufacturers. Demand for consumables and services is expected to rise somewhat.

In the long term, the market for raw materials will see a growth trend driven by the industrialization of emerging markets in Asia and a strong demand for coal to meet rising energy needs worldwide. In the short and medium term, manufacturers' investing activities will be curbed by the fall in prices for raw materials and existing excess capacities. We do not anticipate any improvement in the 2015/16 fiscal year. The growing backlog in investment in the industry should, however, contribute to renewed growth in demand for mining equipment in the medium term.

We continue to be optimistic about Voith's most important segments of the transport & automotive market. The commercial vehicles segment is expected to continue to grow with impetus coming from the EMEA region and India. We expect the Rail segment to generate solid growth.

10.2. Future development of the Company

All Group Divisions returning a clear profit

Thanks to its strengthened operative earnings power and strategic refocusing, the Voith Group is moving in a positive direction. The coming year will be the next stage along the way. Against the backdrop of continuing challenging conditions we expect both sales and orders received to remain constant in the 2015/16 fiscal year. All the Group Divisions will again return a clear profit from operations, although – depending on what are in part difficult markets – their sales and orders received will not develop uniformly. We are continuing to work on increasing our results and on achieving a tangible improvement in profitability. However, if the key markets were to contract strongly, the measures we have taken to enhance efficiency would not be sufficient to compensate for the related volume effects on results.

With regard to the business of the Voith Hydro Group Division we expect the hydropower market, which will be primarily determined by the award of major projects in North and South America, Africa and Asia, to remain stable in the coming years. Owing to the high volumes associated with particular large-scale projects, fluctuations may occur from year to year which do not necessarily reflect a medium-term trend. The growing economic and political uncertainties have resulted in repeated delays in the award of contracts, over which we have no influence. Therefore, our projections for the fiscal year 2015/16 are conservatively based on the assumption of a lower market volume than in the year under review. For this reason, our plans foresee Voith Hydro's orders received falling tangibly. As a result of the development of orders received in the year under review we anticipate sales decreasing slightly in the 2015/16 fiscal year. Profit from operations is also expected to fall slightly. We anticipate ROCE (return on capital employed) remaining constant.

In the Voith Paper Group Division we expect that, based on the encouraging development in the year under review, we will be able to stabilize sales and orders received in the 2015/16 fiscal year at levels that are on a par with the previous year. We are planning for noticeable growth in profit from operations as the cost savings generated by restructuring are expected to have further positive effects in the 2015/16 fiscal year. We therefore assume that, while the capital employed will remain almost constant, the ROCE will increase noticeably to a high one-digit figure. With regard to the orders in hand, we project that the market as a whole will remain challenging but stable. Our business will profit from increasing demand for board and packaging paper, as well as tissue. However, at the same time, the trend for graphic paper continues to be downward. In the short term, owing to the recession, Brazil will be a difficult market, particularly for project business. We plan to compensate for the negative influences on project business by growing business with products, consumables and services.

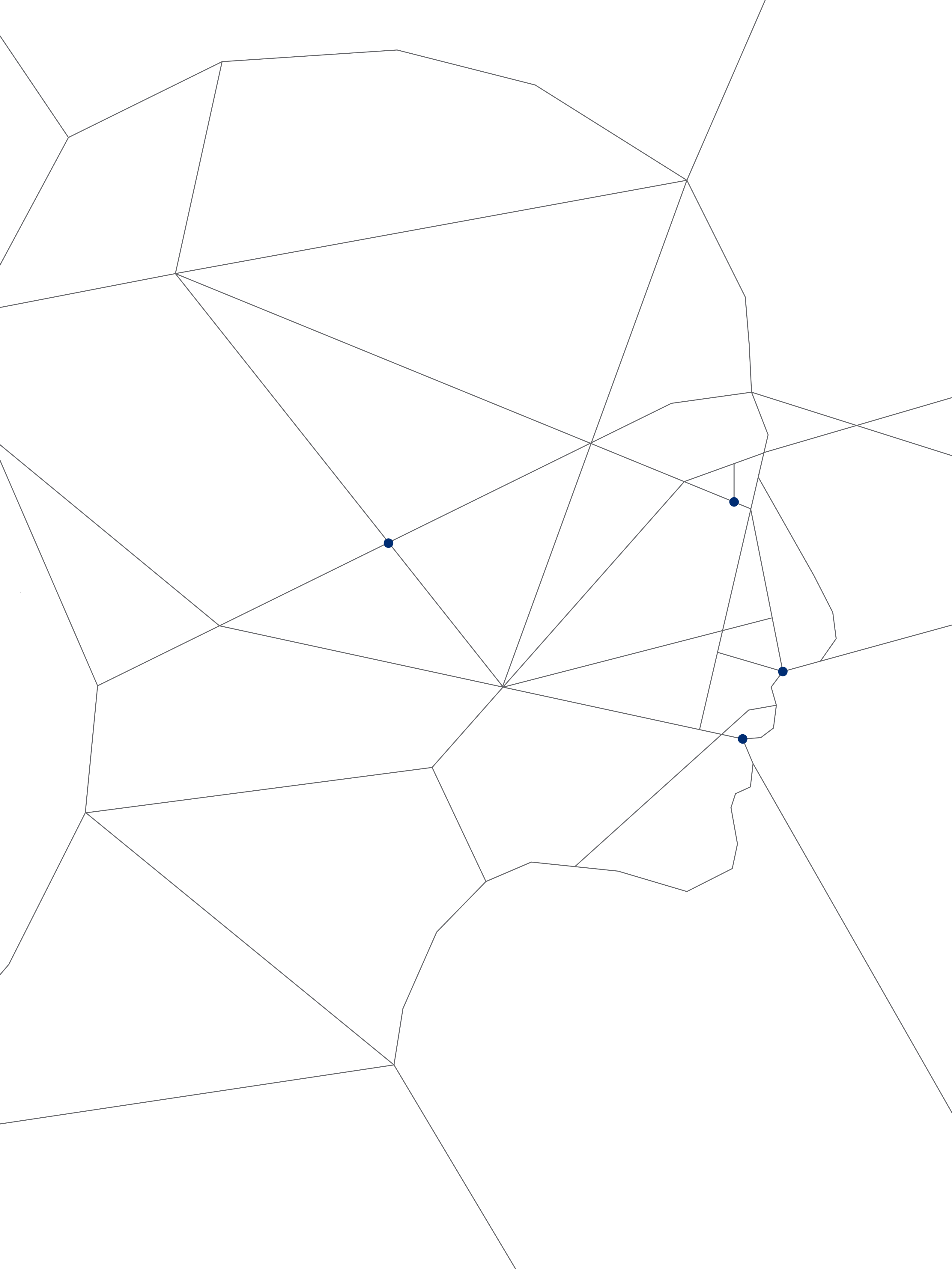
In Voith Turbo we plan to achieve sales in the 2015/16 fiscal year at much the same level as in the previous year. We expect a large increase in profit from operations. As well as the cessation of the one-time burden during the year under review the outcome of the efforts to enhance efficiency in the framework of the Voith 150+ program will also lead to an improvement in the return on sales. Improved profitability will also be apparent in the ROCE which will increase to a clear double-digit level. The orders received by Voith Turbo will remain constant. Whether we achieve this objective depends critically on market conditions in the oil & gas market, in mining as well as on political developments, such as those in Russia.

Profitability of the Voith Group on the rise

After achieving important subsidiary goals in the course of the year under review and after taking far-reaching decisions, we will continue to press ahead with the transformation of the Group as planned in the 2015/16 fiscal year. As part of the Group-wide success program Voith 150+ we will also bring a number of initiatives which have already been launched to a conclusion. We assume that the process of selling the Voith Industrial Services Group Division will be completed in the 2015/16 fiscal year. In order to strengthen our technological expertise we will take further steps, as part of our digital agenda, to establish ourselves in our markets as a competitive technology leader in the digital age.

We will continue to focus on improving return and cash flow in the Voith Group. With the help of Voith 150+, we aim to increase our efficiency and profitability in the short term and to grow our sales in the medium term. In the 2015/16 fiscal year, we forecast that Group sales will remain at the same level as the period under review. Our sales projections are based on the high level of orders on hand as at September 30, 2015 and stable development of orders received in the 2015/16 fiscal year. The profit from operations and consequently also the ROCE of the Voith Group are expected to grow slightly, as the measures introduced under Voith 150+ are going to show further positive effects. We plan to return to a clearly positive net result in the 2015/16 fiscal year.

Forecasts are always subject to considerable uncertainty. A host of macroeconomic and industry-specific factors can influence, positively or negatively, the development of individual Group Divisions or the entire Group. For information on the significant risks and opportunities which could lead to a negative/positive forecast deviation, we refer to sections 9.2 and 9.3 of this management report. We will closely observe further developments as they occur and, where necessary, respond rapidly and decisively to changing conditions. Voith is a fundamentally healthy company. Our robust financial constitution provides us with the headroom we need to implement the decisions we regard to be expedient. 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 excellently equipped to meet the challenges ahead. 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.



Consolidated statement of income

for the period from October 1, 2014 to September 30, 2015

in € thousands	Note	2014/15	2013/14
Sales	(1)	4,302,299	4,168,453
Changes in inventories and other own work capitalized	(2)	16,654	-1,694
Total output		**4,318,953**	4,166,759
Other operating income	(3)	362,837	306,263
Cost of material	(4)	-1,832,900	-1,777,100
Personnel expenses	(5)	-1,433,859	-1,424,344
Depreciation and amortization		-141,747	-152,387
Other operating expenses	(6)	-1,035,070	-929,476
Operational result before non-recurring items		**238,214**	189,715
Non-recurring result	(7)	-184,846	-29,867
Operational result		**53,368**	159,848
Income from companies accounted for using the equity method		-1,423	2,142
Interest income		10,564	15,807
Interest expenses		-74,553	-83,644
Other financial result	(8)	-10,680	-40,565
Result before taxes from continuing operations		**-22,724**	53,588
Income taxes	(9)	-47,886	-59,326
Net result from continuing operations		**-70,610**	-5,738
Net result from discontinued operations		**-22,051**	46,534
Net result		**-92,661**	40,796
Net result attributable to shareholders of the parent company		-102,859	21,997
Net result attributable to holders of non-controlling interests		10,198	18,799

Consolidated statement of comprehensive income

for the period from October 1, 2014 to September 30, 2015

in € thousands	2014/15	2013/14
Net result	**-92,661**	40,796
Components of other comprehensive income that will not be recycled through profit or loss in later accounting periods:		
Remeasurement of defined benefit plans	8,976	-122,796
Taxes on components of other comprehensive income that will not be recycled through the statement of comprehensive income in later accounting periods	-1,705	31,435
Components of other comprehensive income that will be recycled through the statement of comprehensive income in later accounting periods:		
Gains/losses on available-for-sale financial assets	-859	-33,395
Gains/losses on cash flow hedges	-4	-34
Gains/losses on currency translation	-18,107	15,665
Gains/losses from the currency translation of net investments in foreign operations	-2,735	-1,144
Taxes on components of other comprehensive income that will be recycled through the statement of comprehensive income in later accounting periods	1,146	490
Other comprehensive income	**-13,288**	-109,779
Total comprehensive income	**-105,949**	-68,983
Total comprehensive income attributable to shareholders of the parent company	-115,419	-87,758
Total comprehensive income attributable to holders of non-controlling interests	9,470	18,775
	-105,949	-68,983

Consolidated balance sheet

as at September 30, 2015

Assets

in € thousands		Note	**2015-09-30**	2014-09-30
A.	**Non-current assets**			
I.	Intangible assets	(10)	458,974	712,854
II.	Property, plant and equipment	(11)	1,058,902	1,189,950
III.	Investments accounted for using the equity method	(12)	617,882	41,320
IV.	Securities	(16)	111,206	134,176
V.	Other financial assets		36,045	32,501
VI.	Other financial receivables	(15)	52,735	75,160
VII.	Other assets	(15)	21,524	32,868
VIII.	Deferred tax assets	(9)	180,803	183,878
Total non-current assets			**2,538,071**	2,402,707
B.	**Current assets**			
I.	Inventories	(13)	610,501	734,421
II.	Trade receivables	(14)	664,858	812,520
III.	Receivables from customer-specific contracts	(14)	276,773	324,054
IV.	Securities	(16)	62,187	49,552
V.	Current income tax assets		63,949	74,527
VI.	Other financial receivables	(15)	130,294	111,978
VII.	Other assets	(15)	86,478	112,616
VIII.	Cash and cash equivalents	(17)	434,953	800,823
			2,329,993	3,020,491
IX.	Assets held for sale	(18)	582,961	30,012
Total current assets			**2,912,954**	3,050,503
Total assets			**5,451,025**	5,453,210

Equity and liabilities

in € thousands		Note	2015-09-30	2014-09-30
A.	**Equity**			
I.	Issued capital		120,000	120,000
II.	Revenue reserves		624,938	737,573
III.	Other reserves		-15,565	6,930
IV.	Profit participation rights		6,600	6,600
Equity attributable to shareholders of the parent company			**735,973**	871,103
V.	Profit participation rights		96,800	96,800
VI.	Other interests		41,470	63,400
Equity attributable to holders of non-controlling interests			**138,270**	160,200
Total equity		(19)	**874,243**	1,031,303
B.	**Non-current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	722,673	752,425
II.	Other provisions	(21)	234,774	194,931
III.	Income tax liabilities		325	965
IV.	Bonds, bank loans and other interest-bearing liabilities	(22)	841,642	899,282
V.	Other financial liabilities	(24)	48,454	18,348
VI.	Other liabilities	(24)	32,282	52,690
VII.	Deferred tax liabilities	(9)	50,851	76,730
Total non-current liabilities			**1,931,001**	1,995,371
C.	**Current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	28,604	27,683
II.	Other provisions	(21)	307,065	294,656
III.	Income tax liabilities		74,229	90,847
IV.	Bonds, bank loans and other interest-bearing liabilities	(22)	377,985	96,547
V.	Trade payables	(23)	397,928	512,317
VI.	Liabilities from customer-specific contracts	(14)	46,128	12,708
VII.	Other financial liabilities	(24)	282,979	297,758
VIII.	Other liabilities	(24)	850,410	1,087,753
			2,365,328	2,420,269
IX.	Liabilities directly associated with the assets classified as held for sale	(18)	280,453	6,267
Total current liabilities			**2,645,781**	2,426,536
Total equity and liabilities			**5,451,025**	5,453,210

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company				
in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
2014-10-01	**120,000**	**737,573**	**4,491**	**-1,063**	**10,808**
Net result		-102,859			
Other comprehensive income		9,935	-499	-4	-20,218
Total comprehensive income	**0**	**-92,924**	**-499**	**-4**	**-20,218**
Allocation of reserves to profit participation rights		-5,590			
Changes in non-controlling interests as a result of changes in group structure					
Share of income attributable to profit participation rights					
Dividends		-15,000			
Non-controlling interests – put options		2,276			
Other adjustments		-1,397			
2015-09-30	**120,000**	**624,938**	**3,992**	**-1,067**	**-9,410**

	Equity attributable to shareholders of the parent company				
in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
2013-10-01	120,000	829,750	38,122	-1,040	-1,787
Net result		21,997			
Other comprehensive income		-88,248	-33,631	-23	12,595
Total comprehensive income	0	-66,251	-33,631	-23	12,595
Allocation of reserves to profit participation rights		-5,501			
Acquisition of non-controlling interests		771			
Share of income attributable to profit participation rights					
Dividends		-15,000			
Contributions from holders of non-controlling interests		-1,564			
Non-controlling interests – put options		-3,000			
Other adjustments		-1,632			
2014-09-30	120,000	737,573	4,491	-1,063	10,808

			Equity attributable to holders of non-controlling interests			
Net investment in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total equity
-7,306	**6,600**	**871,103**	**96,800**	**63,400**	**160,200**	**1,031,303**
		-102,859		10,198	10,198	-92,661
-1,774		-12,560		-728	-728	-13,288
-1,774	**0**	**-115,419**	**0**	**9,470**	**9,470**	**-105,949**
	363	-5,227	5,227		5,227	0
		0		-26,409	-26,409	-26,409
	-363	-363	-5,227		-5,227	-5,590
		-15,000		-9,195	-9,195	-24,195
		2,276		5,849	5,849	8,125
		-1,397		-1,645	-1,645	-3,042
-9,080	**6,600**	**735,973**	**96,800**	**41,470**	**138,270**	**874,243**

			Equity attributable to holders of non-controlling interests			
Net investment in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total equity
-6,858	6,600	984,787	96,800	58,147	154,947	1,139,734
		21,997		18,799	18,799	40,796
-448		-109,755		-24	-24	-109,779
-448	0	-87,758	0	18,775	18,775	-68,983
	363	-5,138	5,138		5,138	0
		771		-3,024	-3,024	-2,253
	-363	-363	-5,138		-5,138	-5,501
		-15,000		-7,327	-7,327	-22,327
		-1,564		1,809	1,809	245
		-3,000		-5,546	-5,546	-8,546
		-1,632		566	566	-1,066
-7,306	6,600	871,103	96,800	63,400	160,200	1,031,303

Consolidated cash flow statement

in € thousands	2014/15	2013/14
Result before taxes of continuing and discontinued operations	-39,701	119,292
Depreciation and amortization	227,991	215,178
Interest expenses/income	65,149	68,051
Other non-cash items	26,581	3,107
Gains/losses from the disposal of property, plant, equipment and intangible assets	-6,305	920
Gains/losses from the disposal of consolidated companies	16,756	-40,937
Gains/losses from investments	-4,077	56
Changes in other provisions and accruals	125,476	-101,432
Change in net working capital	-140,172	44,821
Interest paid	-49,501	-53,836
Interest received	8,930	17,267
Dividends received	13,500	3,300
Tax paid	-93,379	-84,508
Cash flow from operating activities	**151,248**	191,279
Investments in property, plant, equipment and intangible assets	-103,011	-133,802
Proceeds from the disposal of property, plant, equipment and intangible assets	27,148	8,885
Investments in financial assets	-613,578	-8,991
Subsequent purchase payments for earlier acquisitions	169	0
Acquisition of subsidiaries	-3,000	-10,550
Receipts and payments in connection with the disposal of consolidated subsidiaries	5,015	68,900
Proceeds from the disposal of financial assets	4,164	1,504
Changes in investments in securities	-9,857	17,469
Cash flow from investing activities	**-692,950**	-56,585
Dividends paid	-29,785	-27,828
Contributions from holders of non-controlling interests	0	245
Acquisition of non-controlling interests	0	-6,825
New bonds, bank loans and overdrafts	294,142	51,229
Repayment of bonds, bank loans and overdrafts	-75,099	-239,498
Changes in other interest-bearing financial receivables and liabilities	-4,592	-9,600
Cash flow from financing activities	**184,666**	-232,277
Total cash flow	**-357,036**	-97,583
Exchange rate movements and valuation changes	-14,925	3,530
Reclassification to assets held for sale	6,091	-6,091
Cash and cash equivalents at the beginning of the period	800,823	900,967
Cash and cash equivalents at the end of the period	**434,953**	800,823

Notes to the consolidated financial statements for the 2014/15 fiscal year

General information

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

The Board of Management of Voith GmbH authorized the consolidated financial statements for presentation to the Supervisory Board on November 26, 2015.

The consolidated financial statements of Voith GmbH for the 2014/15 fiscal year were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC) pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a HGB. 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 which are domiciled in the EU to prepare their consolidated financial statements solely on the basis of IFRS as endorsed by the EU. Voith GmbH has issued debt securities which are traded on the Luxembourg stock exchange, a regulated market. 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). Minor rounding differences may occur.

The Voith Group is divided into four segments: Voith Hydro, Voith Industrial Services, Voith Paper, and Voith Turbo. An announcement was made in February 2015 of the Voith Group's intention to concentrate its focus on its technology and engineering competency and to dispose of the Voith Industrial Services segment. Accordingly, Voith Industrial Services is presented in this report as held for sale and as a discontinued operation. Voith Industrial Services is no longer included in the segment reporting. Details of the business activities pursued by the Group's segments are provided in the explanatory notes to the segment reporting.

Basis of consolidation

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

Subsidiary companies are consolidated in full from the date on which the Group obtains control. They are no longer included in the consolidation as soon as the parent company ceases to have control. For four companies (previous year: 12) control over companies included in the consolidation is obtained due to the fact that the Group has a majority of voting rights in the relevant decision-making bodies.

There were no cases in which Voith has a majority shareholding while it does not control the entity. In the previous year there were two cases; for those companies the composition of the decision-making bodies was based on equal representation.

The following companies are included in the consolidated financial statements:

	2015-09-30	2014-09-30
Voith GmbH and its fully consolidated subsidiaries:		
· Germany	43	56
· Other countries	128	139
Total number of fully consolidated companies	**171**	195
Companies accounted for using the equity method:		
· Germany	6	6
· Other countries	12	13
Total number of companies accounted for using the equity method	**18**	19

The number of fully consolidated entities decreased mainly due to disposals and intragroup mergers.

The following significant companies are included in the consolidated financial statements:

VZ Voith GmbH, Heidenheim

VHH Voith Hydro GmbH & Co. KG, Heidenheim, Germany
VHY Voith Hydro Inc., York (PA), United States
VHP Voith Hydro Ltda., São Paulo (SP), Brazil
VHPO Voith Hydro GmbH & Co KG, St. Pölten, Austria
VHMA Voith Hydro da Amazonia Ltda., Manaus, Brazil
VHM Voith Hydro Inc., Brossard (QC), Canada
VHS Voith Hydro Shanghai Ltd., Shanghai, China
VHFK Voith Fuji Hydro K. K., Kawasaki-shi, Kanagawa, Japan
VHV Voith Hydro AB, Västerås, Sweden

VIKI	Voith Industrial Services GmbH & Co. KG, Kirchseeon, Germany
VIAS	Voith Industrial Services Ltd. & Co. KG, Stuttgart-Vaihingen, Germany
VICU	Voith Industrial Services Inc., Cincinnati (OH), United States
VIER	Voith Industrial Services GmbH, Mainhausen, Germany
VIPA	Voith Serviços Industriais do Brasil Ltda., São Paulo (SP), Brazil
VIWA	Voith Industrial Services Limited, Warwick, United Kingdom
VIHC	Voith Engineering Services GmbH, Chemnitz, Germany
VIHE	Helix Systems, Inc., Bessemer (AL), United States
VISH	Voith Industrial Services (Shanghai) Co., Ltd., Shanghai, China
VIDK	Voith Industrial Services A/S, Ringsted, Denmark
VPH	Voith Paper GmbH & Co. KG, Heidenheim, Germany
VPP	Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP), Brazil
VPEZ	Voith Paper Fabric & Roll Systems GmbH & Co. KG, Heidenheim, Germany
VPIT	Voith IHI Paper Technology Co., Ltd., Tokyo, Japan
VPC	Voith Paper (China) Co., Ltd., Kunshan, Jiangsu, China
VPFS	Voith Paper Fabric & Roll Systems Inc., Wilson (NC), United States
VPA	Voith Paper Inc., Appleton (WI), United States
VPS	Voith Paper GmbH, St. Pölten, Austria
VPFI	Voith Paper Fabrics Ipoh Sdn. Bhd., Chemor, Perak Darul Ridzuan, Malaysia
VPTA	Voith Paper S.A., Ibarra (Guipúzcoa), Spain
VTA	Voith Turbo GmbH & Co. KG, Heidenheim, Germany
VTSK	Voith Turbo Scharfenberg GmbH, Salzgitter, Germany
VTI	Voith Turbo Inc., York (PA), United States
VTBS	Voith Turbo BHS Getriebe GmbH, Sonthofen, Germany
VTKT	Shanghai Voith Schaku KTK Coupler Technology Co., Ltd., Shanghai, China
VTPL	Voith Turbo sp. z o.o., Wola Krzysztoporska, Poland
VTCN	Voith Turbo Power Transmission (Shanghai) Co., Ltd., Shanghai, China
VTIP	Voith Turbo Private Limited, Hyderabad (A.P.), India
VTHL	Voith Turbo H + L Hydraulic GmbH & Co. KG, Rutesheim, Germany
VTPA	Voith Turbo Ltda., São Paulo (SP), Brazil
VTGB	Voith Turbo Limited, Croydon, United Kingdom
VTSH	Voith Turbo Schneider Propulsion GmbH & Co. KG, Heidenheim, Germany
VTEA	Voith Turbo Limited, Hong Kong, China
VTAU	Voith Turbo Pty. Ltd., Wetherill Park, N.S.W., Australia

An exhaustive list of the companies and other investments included in the consolidated financial statements is included as a section of the consolidated financial statements. The consolidated financial statements of Voith GmbH are filed with the Bundesanzeiger pursuant to Sec. 264b No. 3 HGB and Sec. 264 (3) No. 4 HGB.

Non-controlling interests are held in the following significant subsidiary companies:

Voith Hydro GmbH & Co. KG, Heidenheim

	2015-09-30	2014-09-30
Non-controlling shareholding, in %	35	35

The voting share capital of Voith Hydro GmbH & Co. KG is equal to the percentage of share capital held.

The following table shows the financial data of significant subsidiary companies with non-controlling shareholders (the figures are those of the Voith Hydro GmbH & Co. KG segment):

Voith Hydro GmbH & Co. KG, Heidenheim

in € thousands	2015-09-30	2014-09-30
Sales	1,316,066	1,317,384
Net result	17,080	36,734
Net result attributable to the non-controlling shareholders	4,513	13,483
Other comprehensive income	-11,824	-1,715
Total comprehensive income	5,256	35,019
Total comprehensive income attributable to the non-controlling shareholders	754	12,020
Current assets	1,060,980	1,015,633
Non-current assets	305,910	305,920
Current liabilities	966,223	956,651
Non-current liabilities	210,796	169,728
Net assets	189,871	195,174
Net assets attributable to the non-controlling shareholders	59,654	61,223
Cash flow from operating activities	34,837	37,225
Cash flow from investing activities	-25,503	-17,020
Cash flow from financing activities	20,761	-17,977
Total cash flow	30,095	2,227
Exchange rate movements of valuation changes	-8,973	-215
Reclassification to assets held for sale	6,091	-6,091
Net increase/- decrease in cash and cash equivalents	27,213	-4,079

Significant business combinations in the 2013/14 fiscal year

Acquisition of Helix Systems Inc., USA

Voith Industrial Services acquired all of the interests and voting rights in Helix Systems Inc., USA with effect from July 31, 2014. The company has been integrated into the Automotive division. With this acquisition, Voith Industrial Services aims to strengthen its position in the growth market of North America, thereby expanding its portfolio by adding activities with a technical focus. In addition, new customer groups are also to be tapped.

Part of the intangible assets purchased, e.g. the know-how of the employees, could not be recognized in the financial statements because the recognition criteria were not met. Accordingly they were subsumed under goodwill. Apart from that, goodwill stemmed from the aforementioned expected positive effect for the Voith Industrial Services Group Division. Goodwill was not tax deductible.

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

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	4,095
Other non-current assets	1,553
Inventories	103
Receivables	5,999
Other assets	215
Cash and cash equivalents	387
Liabilities	-3,929
Deferred tax liabilities	-1,939
Net fair value	**6,484**
Goodwill	4,453
Purchase price of the interests purchased	**10,937**
Cash and cash equivalents	-387
Cash outflows	**10,550**

Business combinations in the 2014/15 fiscal year

In the 2014/15 fiscal year Voith Turbo acquired assets from a business unit of Maschinenfabrik Hese GmbH, Gelsenkirchen, a company in insolvency proceedings, under an asset deal.

The acquisition enabled Voith Turbo to expand its activities in the raw materials exploitation and mining sector. Given Voith's worldwide marketing activities we see opportunities for increased marketing of Hese technology-based products. In addition we expect to benefit from the know-how of the Hese employees that have joined us.

The assets acquired were allocated the following fair values at the acquisition date:

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	1,420
Other non-current assets	250
Inventories	13
Net fair value	**1,683**
Goodwill	1,317
Purchase price of the assets acquired	**3,000**

Part of the intangible assets purchased, e.g. the know-how of the employees, could not be recognized in the financial statements because the recognition criteria were not met. Accordingly they were subsumed under goodwill. Apart from that, goodwill stemmed from the expected positive effect for the Voith Turbo Division described above.

Acquisition in the 2013/14 year of further interests in entities over which the Group already has control

Voith Hydro acquired the remaining 20% of the interest in Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim, Germany in the 2013/14 fiscal year. In addition, Voith Paper acquired the remaining 50% of the interests in Voith EcoSolutions GmbH & Co. KG, Heidenheim, Germany. The purchase price for the two transactions totaled €6,825 thousand.

Disposals in the 2013/14 fiscal year

As at September 30, 2014, Voith Industrial Services sold the subsidiaries of the DIW Group. The sale is part of the strategic realignment of the Group Division. Furthermore, in the course of streamlining the product portfolio Voith Industrial Services and Voith Turbo each sold one product segment. In total, the sale included the disposal of goodwill of €19,531 thousand, property, plant and equipment of €3,289 thousand, trade receivables of €35,551 thousand, other current assets of €33,680 thousand, provisions of €11,787 thousand, trade payables of €11,004 thousand, and other liabilities of €25,077 thousand. A total gain of €40,937 thousand was realized on the disposal. This was primarily generated on the sale of the DIW Group.

Disposals and discontinued operations in the 2014/15 fiscal year

An announcement was made in February 2015 of the Voith group's intention to concentrate its focus on its technology and engineering competency and to dispose of the Voith Industrial Services segment. Accordingly, Voith Industrial Services is presented in this report as held for sale and as a discontinued operation.

The income after taxes from discontinued operations included in the statement of income includes the following:

in € thousands	2014/15	2013/14
Sales	1,044,506	1,199,749
Changes in inventories and other own work capitalized	-4,202	17,197
Other operating income	20,861	21,941
Operating expenses	-1,028,937	-1,208,345
Operational result before non-recurring items	**32,228**	30,542
Non-recurring result	-45,729	33,409
Operational result	**-13,501**	63,951
Financial result	-3,476	1,754
Result before taxes	**-16,977**	65,705
Income taxes	-5,074	-19,171
Net result	**-22,051**	46,534

Cash flow from discontinued operations:

in € thousands	2014/15	2013/14
Cash flow from operating activities	8,945	-6,591
Cash flow from investing activities	-18,256	27,995

The carrying values of the assets and liabilities held for sale attributable to the Voith Industrial Services division are presented in note 18.

Voith Industrial Services had already sold its entire shareholding in P3 Voith Aerospace Holding GmbH and its subsidiaries on April 30, 2015. The purchase price amounted to €18,560 thousand. The significant assets disposed of represented goodwill of €31,092 thousand, intangible assets €6,840 thousand, other non-current assets of €3,847 thousand, inventories of €12,022 thousand, trade receivables of €20,783 thousand, and other current assets of €21,596 thousand.

The significant liabilities disposed of were non-current liabilities of €2,532 thousand, and current liabilities of €33,149 thousand. As a result of the sale, a reduction of €25,352 thousand has been shown in non-controlling interests in equity and a loss of €16,587 thousand has been recorded in the net result under discontinued operations.

As part of the planned portfolio streamlining, the Voith Turbo segment disposed of its shareholding in a subsidiary in the 2014/15 fiscal year. This disposal resulted in the sale of non-current assets totaling €1,075 thousand, current assets of €3,819 thousand, non-current liabilities of €245 thousand, and current liabilities of €2,444 thousand. The purchase price was €955 thousand. As a result of this sale, a reduction of €1,081 thousand has been shown in non-controlling interests in equity and a loss of €169 thousand has been recorded which is included in the operational result before non-recurring items.

Basis of consolidation

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

Any contingent consideration is recognized at acquisition date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in profit or loss in accordance with IAS 39 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 a 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. Accordingly, 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 without affecting the result for the period from the 2009/10 fiscal year onwards.

Companies in which Voith GmbH has the power to directly or indirectly exercise a significant influence on financial and operating policy decisions (associates) are accounted for using the equity method, as are joint ventures over which common control is exercised together with other companies. Changes in the share of the associate's/joint venture's equity that are not recognized in profit or loss are likewise recognized directly in equity in the consolidated financial statements. 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 eliminated on consolidation. 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 exchange rates.

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

Differences arising from currency translation are netted with other reserves.

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

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

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, which are recognized at fair value.

Consistent accounting policies are used to prepare the separate financial statements for the companies included in the consolidated financial statements. Significant accounting policies are described below.

Income and expenses

Sales (adjusted for customer bonuses, cash discounts, and other rebates) 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. Revenue earned under long-term contracts, which is primarily relevant for Voith Paper and Voith Hydro, are recognized in proportion to the completion of the contract performance obligations ("percentage of completion"). Please refer to the explanations on accounting for long-term 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 monetary consideration are recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives.

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, that the generation of future economic benefits is probable. The manufacturing costs include all costs which are directly attributable to the development process and a proportionate share of overheads. These assets are amortized using the straight-line method from the date of completion, i.e. the start of production, over a defined period, which is usually between three and five 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 recorded in accordance with IAS 36 if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use, the present value of expected future cash flows from the use of the asset, and the fair value less costs to sell. Should the reasons for impairment losses recognized in previous periods no longer apply, these impairment losses are reversed.

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

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

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 groups of cash-generating units. In line with the management's internal reporting practices, these 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 the relevant groups of cash-generating units.

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

The Board of Management of Voith GmbH assumes business trends will remain stable in the 2015/16 fiscal year. Based on this, the following assumptions apply:

Voith Hydro:
Voith Hydro's orders received were above average in the 2014/15 fiscal year. Primary drivers of this were hydropower plant projects awarded in Asia and North America, including a large number of medium-sized projects and two large projects. Based on the assumption of a stable market volume in hydropower for the coming years, Voith Hydro also expects its orders received to be stable. Sales are stable in line with the orders received. For the terminal value, the Group Division expects to see a slight increase in orders received and sales.

Voith Industrial Services:
In the first budget year 2015/16 Voith Industrial Services expects a slight fall in sales following the sale of the P3 Voith Joint Venture. Starting in the 2016/17 fiscal year, it is planning on a higher level of sales growth. In the calculation of its terminal value, it is planning on a rise in sales on the basis of the last budget year.

Voith Paper:
In the 2015/16 and 2016/17 budget years, Voith Paper expects the market volume for the project business to remain almost unchanged, and accordingly that sales will stabilize at the current level. The volume of business is also expected to remain stable at this level in the medium term. For the Products & Services division, Voith Paper plans to see a continued increase in orders received and sales against the background of existing growth potential in North America and Asia. For Fabric & Roll Systems, moderate growth largely in line with market development is expected. For the terminal value, the Group Division expects to see a slight increase in orders received and sales.

Voith Turbo:
Planned business activity levels reflect the overall slow development in the market. In the second budget year (2016/17) Voith Turbo expects a moderate growth in sales – an upturn is expected for the CV and Rail divisions. In the medium term Voith Turbo plans for higher sales and a significant improvement in profitability.

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

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

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. The present values are determined using after-tax interest rates of 4.6% (previous year: 6.8%) for Voith Hydro, 4.9% (previous year: 6.2%) for Voith Industrial Services, 5.5% (previous year: 7.5%) for Voith Paper and 4.3% (previous year: 5.8%) for Voith Turbo. Extrapolated from these amounts the pre-tax rates for which IAS 36 disclosures are required are 5.6% for Voith Hydro (previous year: 9.2%), 7.4% for Voith Industrial Services (previous year: 8.4%) 7.1% for Voith Paper (previous year: 10.1%) and 5.9% for Voith Turbo (previous year: 7.8%).

No impairment requirements arise if, for sensitivity purposes, a 1 percentage point increase in the discount rate or a 5% reduction of the future cash flows is assumed.

Property, plant and equipment

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

Useful life

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

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

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

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

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.

Leasing

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 the 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 accounted for 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 instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset of one party to the contract and a financial liability or equity instrument of the other party to the contract. Financial assets and liabilities are only recognized in the consolidated balance sheet when Voith is a contract party to a financial instrument.

The Group classifies non-derivative financial assets into the following categories: “Loans and Receivables”, “Available for Sale Financial Assets”, and “Financial Assets at Fair Value through Profit and Loss”.

The Group classifies non-derivative financial liabilities as “Financial Liabilities Measured at Amortized Cost”.

The derivative financial assets and liabilities are classified as “Held for Trading” unless they are designated as hedging instruments and are effective for that purpose.

Loans and Receivables

The Group recognizes loans and receivables at the date they are originated. Such assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest rate method.

Available for Sale Financial Assets

Shareholdings in businesses accounted for as financial assets and reported within other investments are measured at fair value on initial recognition. Subsequent to initial recognition, such investments are stated at cost where no active market exists for individual companies and it is impracticable to determine their fair value at reasonable cost. In cases where there is objective evidence of impairment, the carrying amount is reduced by the amount of any impairment.

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

The securities held by the Voith Group are normally available for sale. In the case of customary purchases and sales these are accounted for on the trading date, and subsequent to initial recognition they are measured at fair value, whereby the change in fair value is not recognized in the statement of income.

Any gains or losses arising from changes in the fair value of available-for-sale securities are recognized in other comprehensive income until the asset is derecognized. 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 sustained or significant decline in their fair value. The sustainability criterion is met if the impairment lasts longer than twelve months. The decline is regarded as significant if the fair value of the investment falls more than 30% below its cost. If this happens, the amounts hitherto recognized under other comprehensive income are recognized in profit or loss.

Financial Assets at Fair Value through Profit and Loss

A financial asset is measured at fair value through profit and loss if it is held for trading purposes or if it is designated to be measured at fair value through profit and loss on initial recognition. Attributable transaction costs are recognized in the statement of income at the date they are incurred.

The Group holds small volumes of securities that are classified as at fair value through profit or loss upon initial recognition. Certain securities are assigned to this category to eliminate measurement inconsistencies in the accounting for long-term employee benefits.

Financial Liabilities Measured at Amortized Cost

Non-derivative financial liabilities are measured on initial recognition at fair value less attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method.

Financial assets and liabilities Held for Trading

All derivative financial instruments are recognized at fair value on the trading date. Gains and losses on financial assets and liabilities that are held for trading are recognized in the income statement.

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 financial instruments which are identical in all significant aspects.

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 fair value hedge accounting of firm commitments 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 that is attributable to the hedged risk. Such hedging relationships are considered to be highly effective in offsetting the risks of fair value changes. Their effectiveness is assessed on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss for the period. In the case of fair value hedges, the carrying amount of a hedged item is adjusted by the profit or loss that is attributable to the hedged exposure, and the difference is reported in profit and loss. 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 the carrying amount is amortized through profit or loss over the remaining term to maturity.

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

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated, or exercised, 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 in any case begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Embedded derivatives

When the Group becomes party to a contract, it assesses whether any embedded derivatives should be separated from the host contract. Embedded derivatives can arise, for example, in cases where commercial agreements include requirements that payments are made in non-trading currencies. 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 there are embedded derivatives for which separate recognition is required, such derivatives 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.

Inventories

Materials and supplies, merchandise, work in progress and finished goods are all stated under inventories at the lower of cost and net realizable value. In addition to direct costs, cost includes an appropriate portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. The 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 in which they are incurred. Expected losses on such contracts are based on recognizable risks.

Receivables and other assets

Receivables and other assets (with the exception of derivatives) are assigned to the category “loans and receivables” and are measured at their nominal or acquisition cost. They are regularly tested for impairment on an individual basis. Where objective evidence of possible loss exists (for example, 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 in arrears with 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), 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 fall 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.

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.

Discontinued operations and non-current assets held for sale

Non-current assets and disposal groups held for sale are classified as non-current assets held for sale or as liabilities directly associated with assets classified as held for sale, respectively, 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 twelve 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.

Discontinued operations are recognized as soon as any component of an entity with business activities and cash in- and outflows that can be clearly distinguished from the rest of the entity for operational and accounting purposes is classified as held for sale or has already been disposed of, and such business division either (1) represents a separate major line of business or a geographical area of operations, and (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (3) is a subsidiary exclusively acquired with a view to resale. Earnings of discontinued operations are reported separately from income and expenses from continuing operations in the income statement. Figures shown for previous years are presented on a comparable basis. Cash in and outflows from discontinued and continuing operations are not presented separately in the consolidated cash flow statement, and figures shown for previous years in the cash flow statement are not restated. Figures disclosed in the notes to the consolidated financial statements for items in the consolidated income statement relate to continuing operations. Information on discontinued activities is provided in the section “Disposals and discontinued operations”. Sales revenues and expenses generated within the Group have been eliminated in order to present the financial effect of the discontinued operations with the exception of sales revenues and expenses which are expected to continue after the sale of the discontinued operations.

Deferred and current taxes

Deferred tax assets and liabilities are recognized for temporary differences between the amounts carried in the tax balance sheet and the amounts reported for IFRS purposes (temporary concept) in accordance with IAS 12. 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 under other comprehensive income 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 are presented on a net basis 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

The profit participation rights amounting to €103,400 thousand are reported as a separate component of the Group's equity, in accordance with 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

Provisions for pension obligations are measured based on actuarial valuation methods using the prescribed projected unit credit method for defined benefit plans as required by IAS 19. 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 expenses for these benefit plans are divided into service cost and interest cost on the net debt from the obligations and plan assets. Both expense items are recognized in the income statement. Revaluations of the net debt recognized are disclosed under other comprehensive income net of deferred taxes.

Other provisions

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 only 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 and subsequently 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 the income statement.

Classification of non-controlling interests of third party shareholders in limited partnerships based on termination rights of non-controlling shareholders and put options

In accordance with IAS 32, financial instruments that entitle the holder to repayment of the capital made available to the partnership must be classified as liabilities. In companies that operate as limited partnerships, partners have the right under German law to demand repayment of the capital they have made available to the partnership. This right cannot be excluded by the partnership agreement. This provision also extends to other comparable repayment rights of holders of non-controlling interests with a settlement agreement. Put options create sale rights for the holder of the put 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. Based on this, a share of net result for the year is allocated to holders of non-controlling interests. At each reporting date, it is assumed that the put option will be exercised and 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 the share of equity attributable to non-controlling interests is treated as a transaction between owners and has been recognized from the 2009/10 fiscal year onwards as a change in equity without any effect on the statement of income. Until and including the 2008/09 fiscal year such transactions were regarded as a business combination achieved in stages and the difference stated as goodwill. The Group elected to retain these amounts under the transitional arrangements provided for under IAS 27 (2008).

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 cost taking account of the attributable share of net result.

Amounts reclassified from equity to financial liabilities totaled €71,824 thousand in the 2014/15 fiscal year (previous year: €80,262 thousand).

If the non-controlling interests in limited partnerships are terminated or if the respective comparable termination rights or 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 disclosed as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized.

Exercise of judgment and estimates by management

The presentation of assets, liabilities and statement of operations in the consolidated financial statements requires the exercise of judgment by management. Management has exercised judgment in the following instances:

- Income taxes: Management must exercise judgment in determining current and deferred taxes, as deferred taxes are recognized to the extent that their realization is probable.
- Determining the measurement and requirement for, and measuring, impairment of intangible assets and property, plant and equipment.
- Determining the requirement for allowances against doubtful receivables.
- Sales revenues from construction contracts: Determining the percentage of completion and estimation of whether a contract is associated with the inflow of future economic benefits.
- Measurement of provisions and assessment of the likelihood of their occurrence

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. Accurate estimates of the percentage of completion are of vital importance under this method. Depending on the method used to measure the percentage of completion, the most significant estimates concern the total contract cost, the remaining costs to complete the contract, 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. We refer to note 14 for details of the carrying amounts.

Trade and other receivables

Determining allowances for doubtful receivables requires significant judgment on the part of management as well as an analysis of the individual debtors that covers their creditworthiness, current economic trends and an examination of historic default scenarios. We refer to note 14 for details of the carrying amounts.

Impairment of goodwill

Determining the recoverable amount of a Group Division to which goodwill was allocated involves estimates by management. The value in use is measured based on planning for the first five years, which is based on taking management's expectations and adjusting them 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. We refer to note 10 and to the segment reporting for details of the carrying amounts.

Development costs

Development costs are capitalized if the recognition criteria described in IAS 38 are met. Initial capitalization is based on management's estimate that the technical and economic feasibility is demonstrated; the forecast of the expected future economic benefit to be gained from assets is essential to the decision whether or not costs are to be capitalized. We refer to note 10 for details of the carrying amounts.

Pension obligations

Estimates of pension obligations depend significantly on key assumptions including discount factors, expected salary increases, mortality rates and healthcare trends. 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. We refer to note 20 for details of the carrying amounts.

Other provisions

Recognizing provisions for anticipated losses on contracts, warranty-related costs and litigation involves the use of significant estimates. Voith recognizes provisions for anticipated losses in all cases where current estimates of the total contract costs exceed expected contract revenues. Onerous contracts are identified by estimating the total costs of the contract, which requires significant judgment. Estimates are also necessary for assessing obligations from warranties and litigation. Provisions for restructuring are based on detailed plans for expected activities which are reviewed and approved by the Board of Management. We refer to note 21 for details of the carrying amounts.

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. We refer to note 9 for details of the carrying amounts.

Adoption of amended and new standards and interpretations

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

In the 2014/15 year, the following new and revised IAS and IFRS standards were applied for the first time:

Standard/interpretation	Amendment/new standard or interpretation
IFRS 10 Consolidated Financial Statements	IFRS 10 creates a uniform definition for control and thus a uniform basis for the existence of a parent-subsidiary relationship and the related demarcation of the consolidated Group. The new standard replaces IAS 27 (2008) “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation – Special Purpose Entities” which had been applicable prior to the change.
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.
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.
Amendments to IAS 32: Financial Instruments: Presentation	Amendments to provisions on offsetting financial assets and liabilities.
Amendment to IAS 36: Impairment of Assets	Amendment of disclosure requirements in respect of the carrying amounts of non-financial assets as a consequence of the new IFRS 13.
Amendments to IAS 39: Financial Instruments: Recognition and Measurement	Novation of derivatives and continuation of hedge accounting.
IFRIC 21 Levies	Accounting treatment of levies raised by public authorities.

None of the IAS and IFRS standards applied for the first time had a significant effect on the net assets, financial position and results of operations of the Group.

The adoption of the following revised and newly issued IFRS and IFRICs was not yet compulsory in the 2014/15 fiscal year, and/or they had not yet been endorsed by the European Commission for adoption in the European Union.

Standard/interpretation	Amendment/new standards for interpretation	Effective date
IFRS 9 Financial Instruments	Regulations for the recognition and the measurement, derecognition and hedge accounting of financial instruments.	Periods beginning on or after January 1, 2018
IFRS 15 Revenue from Contracts with Customers	Combination of revenue recognition rules previously contained in various standards and interpretations.	Periods beginning on or after January 1, 2018
Amendments to IAS 1: Disclosure Initiative	Initiative to research various possibilities in order to examine ways in which existing disclosure requirements made by IFRS users can be improved and simplified.	Periods beginning on or after January 1, 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendment of IFRS 10 and IAS 28 to the effect that a presentation of the results of a disposal of business activity can be reported in full irrespective of whether or not the business activity belongs to a subsidiary.	Periods beginning on or after January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable depreciation methods	Clarification of acceptable methods of depreciation and amortization.	Periods beginning on or after January 1, 2016
Amendments to IFRS 11: Joint Arrangements	Clarification of the accounting for the acquisition of interests in a joint activity.	Periods beginning on or after January 1, 2016
Improvements to IFRS (2010–2012)	Amendments to standards IFRS 2, 3 and 8, IAS 16, 24 and 38.	Periods beginning on or after February 1, 2015
Improvements to IFRS (2011–2013)	Amendments to standards IFRS 3 and 13 and IAS 40.	Periods beginning on or after January 1, 2015
Improvements to IFRS (2012–2014)	Amendments to standards IFRS 5 and 7, IAS 19 and 34.	Periods beginning on or after July 1, 2016

None of the revised and newly issued IFRS and IFRICs subject to mandatory adoption from the 2015/16 fiscal year onwards are expected to have any significant impact on the net assets, financial position and results of operations of the Voith Group. The impact of revised or newly issued standards and interpretations that will be subject to mandatory adoption by the Voith Group at a later date is currently being investigated.

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

01. Sales

in € thousands	2014/15	2013/14
Sale of goods	3,124,158	3,052,039
Rendering of services	1,178,141	1,116,414
	4,302,299	4,168,453

02. Changes in inventories and other own work capitalized

in € thousands	2014/15	2013/14
Changes in inventories of finished goods and work in progress	11,940	-8,713
Other own work capitalized	4,714	7,019
	16,654	-1,694

03. Other operating income

in € thousands	2014/15	2013/14
Income from the utilization of contract-specific provisions	90,560	83,713
Income from the reversal of provisions and accruals	66,929	66,565
Foreign exchange gains	138,171	69,245
Recovered bad debts	6,120	5,040
Gains on the disposal of intangible assets and property, plant and equipment	2,806	1,442
Rental and lease income	4,178	3,919
Income from insurance indemnification payments	9,963	18,549
Other income	44,110	57,790
	362,837	306,263

04. Cost of material

in € thousands	2014/15	2013/14
Cost of material and supplies and of purchased merchandise	1,494,510	1,437,493
Cost of purchased services	338,390	339,607
	1,832,900	1,777,100

05. Personnel expenses

in € thousands	2014/15	2013/14
Wages and salaries	1,188,172	1,170,329
Social security, pension and other benefit costs	245,687	254,015
	1,433,859	1,424,344

Number of employees

	Annual average		As at the reporting date	
	2014/15	2013/14*	2015-09-30	2014-09-30*
Direct production employees	26,936	30,241	26,272	27,549
Administration staff/indirect production	11,430	12,446	11,204	11,753
	38,366	42,687	37,476	39,302
Apprentices and interns	1,142	1,294	1,142	1,275
	39,508	43,981	38,618	40,577

* Presented as direct production employees and administration staff/indirect production from the 2014/15 fiscal year. The figures for the previous year have been adjusted accordingly.

Number of employees by region

	Annual average		As at the reporting date	
	2014/15	2013/14	2015-09-30	2014-09-30
Germany	13,904	17,097	13,379	14,434
Rest of Europe	7,457	8,333	7,259	7,544
Americas	10,789	11,538	10,370	11,594
Asia	6,034	5,520	6,293	5,543
Other	182	199	175	187
	38,366	42,687	37,476	39,302

06. Other operating expenses

in € thousands	2014/15	2013/14
Increase in provisions and accruals	213,185	170,971
Other selling expenses	311,621	309,983
Other administrative expenses	228,505	217,282
Foreign exchange losses	128,832	55,440
Rent for buildings and machinery	50,052	49,071
Bad debt allowances	16,710	10,672
Losses on the disposal of intangible assets and property, plant and equipment	1,796	2,425
Other expenses	84,369	113,632
	1,035,070	929,476

07. Non-recurring result

Voith defines expenses and income arising from major restructuring activities, measures addressing personnel capacity, and the discontinuation of operations as exceptional items and presents them under the non-recurring result.

The result from non-recurring items in the reporting period totaled €-185 million and primarily reflects the following measures:

As part of our Group-wide success program Voith 150+, a reorganization process of the Group's indirect activities is currently under way in which standardized administrative functions across the divisions are being combined. This will enable around 720 jobs in the Group to be cut. Based on current planning, these measures will be completed by the end of the 2015/16 fiscal year. Personnel expenses are being incurred in all the Group's divisions as a result of the planned job cuts.

In response to increased competitive and price pressures and in order to adjust the cost structure to the permanent lower market volumes, Voith Paper presented a package of measures in the 2014/15 fiscal year involving the concentration of its European activities at just a few locations, as well as 900 further job cuts worldwide. 150 of these employees are included in the Voith 150+ program and are already included in the 720 job cuts referred to above. Based on current planning the measures should be implemented by the end of 2016. The measures taken result in expenses in connection with the planned job cuts, impairments of property, plant and equipment, and other expenses incurred as a result of relocating business activities. Offsetting this is other income resulting from gains on the sale of property and from the release of provisions made for measures taken in earlier years. Overall, the non-recurring result at Voith Paper totaled €-128 million.

The non-recurring result at Voith Turbo includes various consequential effects associated with restructuring activities initiated in earlier years, as well as the personnel related costs associated with the Voith 150+ program. Among other things this relates to the relocation of activities, impairments of current assets, gains from the disposal of assets and income from the release of provisions. In total Voith Turbo has contributed €-12 million to the Group's non-recurring result.

An impairment write-down of capitalized development costs at Voith Hydro has been recognized. The resulting charge has been included in non-recurring items. The write-down resulted from the fact that the expectations for the Ocean Energies tidal power division have not been met due to the significant financing limitations facing the public sector and, as a result, this product sector will be continued on a significantly smaller scale. In total, with the personnel costs included in Voith 150+, non-recurring items at Voith Hydro amounted to €-35 million.

The divisions with holding functions have contributed €-10 million to the non-recurring results. These include personnel related expenses as a consequence of the Voith 150+ program as well as measures connected to the central location administrative functions to be closed as a result of the restructuring activities at Voith Paper.

The non-recurring result in the previous 2013/14 fiscal year amounted to €-30 million.

Of this total, Voith Paper contributed €-8 million in connection with the restructuring measures initiated at the headquarters in Heidenheim and various other locations in previous years. These amounts primarily related to personnel-related and other expenses that did not qualify for recognition as a provision in the previous year, as well as to income from reversals of provisions from measures that had already ended.

Voith Turbo's non-recurring result (€-16 million) mainly contains follow-on effects based on the measures initiated in previous years. In detail, these included personnel-related expenses, impairment of property, plant and equipment, and inventories, as well as additional expenses and income in connection with the changes at the headquarters in Heidenheim, the closure of locations, and the discontinuation, relocation and sale of business activities.

Structural or market-related capacity adjustment measures at Voith Hydro at various foreign locations contributed €-6 million to the non-recurring result. This amount largely contained personnel-related expenses.

The results of non-recurring items include the following:

in € thousands	2014/15	2013/14
Personnel expenses	-146,722	-23,407
Depreciation and amortization of non-current assets	-54,121	-2,773
Cost of material/change in inventories	-2,426	-8,815
Other expenses in connection with the sale of business activities	0	-4,561
Sundry other expenses	-8,489	-7,931
Income from the reversal of provisions	10,829	13,676
Sundry other income	16,083	3,944
	-184,846	-29,867

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

08. Other financial result

in € thousands	2014/15	2013/14
Gains/losses from investments	4,070	179
Impairment of other investments and loans	-137	-491
Impairment of securities	-15,608	-40,976
Income from securities and loans	995	723
	-10,680	-40,565

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

The impairments of securities are impairment losses recognized on available-for-sale securities with market quotations, the fair value of which has decreased significantly.

09. Income taxes

in € thousands	2014/15	2013/14
Current taxes	-67,998	-68,241
Deferred taxes	20,112	8,915
	-47,886	-59,326

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.

The deferred tax expense from temporary differences amounted to €24,349 thousand (previous year: tax expense of €12,550 thousand).

The deferred tax expense from tax losses amounted to €4,237 thousand in the 2014/15 fiscal year. This primarily includes the impairment of deferred tax assets of €3,690 thousand which were recognized in the 2013/14 fiscal year, a reduction of deferred tax assets on tax losses of €13,228 thousand as a result of amendments to tax losses from previous years, income of €8,993 thousand from the initial recognition of deferred tax assets on tax losses for the current fiscal year, expenses of €5,001 thousand from the utilization of tax losses from previous years, and income of €9,199 thousand from the initial recognition of previously unrecognized tax losses.

The deferred tax income from unused tax losses amounted to €21,465 thousand in the 2013/14 fiscal year. This primarily includes the impairment of deferred tax assets of €3,879 thousand which had been recognized in the 2012/13 fiscal year, a reduction of deferred tax assets on tax losses of €2,809 thousand as a result of amendments to tax losses from previous years, income of €21,426 thousand from the initial recognition of deferred tax assets on tax losses for the current fiscal year, expenses of €5,343 thousand from the utilization of tax losses from previous years, and income of €12,256 thousand from the initial recognition of previously unrecognized tax losses.

In addition, the current income tax charge was reduced by the use of previously unrecognized deferred tax assets on unused tax losses of €5,210 thousand (previous year: €2,875 thousand).

As at September 30, 2015, no deferred tax assets were recognized on German trade tax losses of €603,384 thousand (previous year: €607,153 thousand), German corporate income taxes of €46,028 thousand (previous year: €4,008 thousand) and on interest expenses currently not deductible under German tax law of €23,382 thousand (previous year: €145,026 thousand) as it is probable that the losses carried forward cannot be used in the near future.

In addition, no deferred tax assets were recorded on foreign federal tax losses carried forward of €51,518 thousand (previous year: €75,467 thousand) and foreign state taxes of €105,561 thousand (previous year: €115,479 thousand), also due to the fact that the utilization of the losses is not probable.

Further changes may be made to the unused tax losses as a result of the current external audit of the companies in Germany and abroad.

In Germany, unused tax losses can be carried forward indefinitely. In general, tax losses recorded outside Germany can be carried forward for a limited period of up to a maximum of five to ten years.

	2015-09-30		2014-09-30	
in € thousands	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	6,490	59,572	6,801	68,918
Property, plant and equipment	3,046	42,776	8,646	46,312
Financial assets and securities	288	18,283	4,872	8,045
Inventories and receivables	38,784	56,563	54,026	67,714
Other assets	11,950	6,046	3,312	24,880
Pension provisions	122,764	12,441	120,649	11,541
Financial liabilities	13,025	2,363	15,615	3,437
Other provisions and liabilities	106,230	12,852	100,256	21,463
Tax effect on distributable earnings of Group entities	0	5,734	0	0
Impairments of deferred tax assets on temporary differences	-4,120		-7,327	
Unused tax losses	42,485		52,608	
Netting	-150,662	-150,662	-175,580	-175,580
Total	**190,280**	**65,968**	**183,878**	**76,730**

Disclosure in the balance sheet

in € thousands				
Continuing operations	180,803	50,851	183,878	76,730
Discontinued operations	9,477	15,117	0	0

For details of the origin of deferred taxes on items recorded directly in equity, please refer to note 19.

Reconciliation of deferred tax assets and liabilities:

in € thousands	2015-09-30	2014-09-30
Balance, October 1	107,148	69,763
thereof: deferred tax assets	183,878	151,832
thereof: deferred tax liabilities	-76,730	-82,069
Deferred tax income/(-expense) reported in the income statement in the reporting period	23,251	6,359*
Deferred tax income/(-expense) reported in other comprehensive income in the reporting period	143	31,925*
Discontinued operations	5,639	0
Reclassified to held for sale	0	285
Business acquisitions and disposals	-945	-2,370
Currency	- 5,284	1,186
Balance, September 30	**129,952**	107,148
thereof: deferred tax assets	180,803	183,878
thereof: deferred tax liabilities	-50,851	-76,730

* Incl. discontinued operations.

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	2014/15	2013/14
Profit before income tax	-22,724	53,588
Expected tax expenses (+)/tax income (-)	-6,781	15,991
Deviations from expected tax rates	14,502	8,616
Effect of changes in tax rates	208	-39
Tax-free income	-6,648	-4,806
Non-deductible expenses	39,944	25,905
Taxes relating to other periods	-5,405	5,666
Change in impairments of deferred tax assets	13,978	-11,369
Other tax effects	-1,912	-3,376
Income taxes	**47,886**	59,326
Effective tax rate (in %)	**-210.7**	110.7

No deferred tax was recorded on temporary differences on investments in subsidiaries of €927,427 thousand (previous year: €771,471 thousand) as the criteria specified in IAS 12.39 were met.

When distributions by foreign subsidiaries to Germany are made, 5% of the distribution is subject to German taxation. In addition, withholding taxes and dividend-related taxes abroad may also be incurred. Further income tax implications must also be observed in the case of distributions from subsidiaries abroad to another foreign entity.

Notes to the consolidated balance sheet

10. Intangible assets

Development of intangible assets from October 1, 2013 to September 30, 2014

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 2013-10-01	237,279	675,336	151,956	1,311	1,065,882
Business combinations	4,114	4,453	0	0	8,567
Currency translation differences	1,742	3,480	-96	1	5,127
Additions	8,488	0	3,650	2,365	14,503
Capitalized interest	0	0	13	0	13
Disposals	-3,857	-19,485	-6,971	-16	-30,329
Other adjustments	43	0	0	0	43
Transfers	101	0	0	-1,223	-1,122
Reclassification to assets held for sale	-349	0	-26,350	-6	-26,705
Cost 2014-09-30	247,561	663,784	122,202	2,432	1,035,979
Accumulated amortization and impairments 2013-10-01	-158,059	-54,179	-90,985	0	-303,223
Business combinations	-19	0	0	0	-19
Currency translation differences	-503	0	69	0	-434
Amortization	-19,441	0	-12,672	0	-32,113
Impairment losses	-144	0	-1,492	0	-1,636
Disposals	4,000	0	6,594	0	10,594
Transfers	802	0	0	0	802
Reclassification to assets held for sale	314	0	2,635	0	2,949
Other adjustments	-45	0	0	0	-45
Accumulated amortization and impairments 2014-09-30	-173,095	-54,179	-95,851	0	-323,125
Carrying amount 2014-09-30	74,466	609,605	26,351	2,432	712,854

Development of intangible assets
from October 1, 2014 until September 30, 2015

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 2014-10-01	**247,561**	**663,784**	**122,202**	**2,432**	**1,035,979**
Business combinations	1,537	1,316	0	0	2,853
Currency translation differences	1,168	5,661	-55	1	6,775
Additions	5,232	0	3,674	542	9,448
Capitalized interest	0	0	24	0	24
Disposals	-22,859	-31,092	-29,858	-17	-83,826
Other adjustments	729	-20	0	0	709
Transfers	2,277	0	26,350	-61	28,566
Reclassification to assets held for sale	-44,986	-199,656	-1,428	-63	-246,133
Cost 2015-09-30	**190,659**	**439,993**	**120,909**	**2,834**	**754,395**
Accumulated amortization and impairments 2014-10-01	**-173,095**	**-54,179**	**-95,851**	**0**	**-323,125**
Business combinations	0	0	0	0	0
Currency translation differences	589	0	44	0	633
Amortization	-15,265	0	-8,551	0	-23,816
Impairment losses	-4,974	0	-24,561	0	-29,535
Disposals	15,770	0	29,849	0	45, 619
Transfers	-937	0	-2,635	0	-3,572
Reclassification to assets held for sale	37,884	0	569	0	38,453
Other adjustments	-78	0	0	0	-78
Accumulated amortization and impairments 2015-09-30	**-140,106**	**-54,179**	**-101,136**	**0**	**-295,421**
Carrying amount 2015-09-30	**50,553**	**385,814**	**19,773**	**2,834**	**458,974**

The impairment charge against intangible assets of €24,561 thousand shown in the development schedule in relation to capitalized development costs primarily relates to the Voith Hydro’s tidal power division. The background to this charge is that previous expectations for marketing tidal power plants in the Ocean Energies division have not been realized given the significant financing limitations of public authorities, and currently it is anticipated that the business unit will be continued on a significantly smaller scale. Accordingly, the assets which were reported under assets held for sale in the previous year have been reclassified to intangible assets.

Impairment charges of €4,741 thousand against intangible assets were required at one business unit at Voith Paper in the 2014/15 fiscal year in connection with the termination of business activities in one product division.

The impairment charges described above are included in the non-recurring result in the income statement in the 2014/15 fiscal year.

Impairment losses totaling €1,636 thousand were recognized against intangible assets in the 2013/14 fiscal year on the basis of updated economic feasibility studies. These primarily related to development costs recorded by Voith Paper and were included in the operating result in the income statement.

An interest rate of 4.4% was used to calculate capitalized interest (previous year: 4.4%).

11. Property, plant and equipment

Development of property, plant and equipment from October 1, 2013 to September 30, 2014

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 2013-10-01	825,372	1,462,006	581,924	104,380	2,973,682
Business combinations	492	469	1,272	31	2,264
Currency translation differences	12,729	26,506	3,811	4,172	47,218
Additions	23,981	39,543	34,466	21,423	119,413
Capitalized interest	78	32	0	1,280	1,390
Disposals	-14,444	-51,880	-50,159	-1,630	-118,113
Transfers	27,124	69,449	1,405	-96,856	1,122
Reclassification to assets held for sale	0	0	-236	0	-236
Other adjustments	957	576	64	-7	1,590
Cost 2014-09-30	876,289	1,546,701	572,547	32,793	3,028,330
Accumulated depreciation and impairments 2013-10-01	-349,912	-1,001,502	-425,181	0	-1,776,595
Business combinations	-15	-134	-562	0	-711
Currency translation differences	-4,400	-19,045	-3,131	0	-26,576
Depreciation	-18,722	-73,726	-46,160	0	-138,608
Impairment losses	-590	-356	-168	0	-1,114
Disposals	12,913	48,244	44,695	0	105,852
Transfers	-1,123	-1,901	2,222	0	-802
Reclassification to assets held for sale	0	0	205	0	205
Reversal of impairments	138	1,083	495	0	1,716
Other adjustments	-942	-534	-271	0	-1,747
Accumulated depreciation and impairments 2014-09-30	-362,653	-1,047,871	-427,856	0	-1,838,380
Carrying amount 2014-09-30	513,636	498,830	144,691	32,793	1,189,950

Development of property, plant and equipment from October 1, 2014 to September 30, 2015

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 2014-10-01	**876,289**	**1,546,701**	**572,547**	**32,793**	**3,028,330**
Business combinations	0	147	103	0	250
Currency translation differences	5,497	13,584	-11	708	19,778
Additions	4,749	24,959	29,971	33,838	93,517
Capitalized interest	0	0	0	524	524
Disposals	-28,241	-55,138	-49,458	-172	-133,009
Transfers	2,428	13,528	3,976	-21,528	-1,596
Reclassification to assets held for sale	-17,382	-44,013	-64,425	-6,452	-132,272
Other adjustments	-20	-363	14,407	150	14,174
Cost 2015-09-30	**843,320**	**1,499,405**	**507,110**	**39,861**	**2,889,696**
Accumulated depreciation and impairments 2014-10-01	**-362,653**	**-1,047,871**	**-427,856**	**0**	**-1,838,380**
Business combinations	0	0	0	0	0
Currency translation differences	-3,020	-11,902	280	0	-14,642
Depreciation	-19,751	-70,459	-43,003	0	-133,213
Impairment losses	-10,769	-13,788	-841	0	-25,398
Disposals	20,296	53,314	37,995	0	111,605
Transfers	0	843	-425	0	418
Reclassification to assets held for sale	4,855	20,046	43,444	0	68,345
Reversal of impairments	0	90	126	0	216
Other adjustments	18	81	156	0	255
Accumulated depreciation and impairments 2015-09-30	**-371,024**	**-1,069,646**	**-390,124**	**0**	**-1,830,794**
Carrying amount 2015-09-30	**472,296**	**429,759**	**116,986**	**39,861**	**1,058,902**

The other adjustments to other equipment, furniture and fixtures of €14,407 thousand include items of equipment that were previously reported under inventories but which are now exclusively used for long-term purposes.

€25,398 thousand of the impairment charges recorded against property, plant and equipment in the financial year 2014/15 includes €23,838 thousand attributable to the Voith Paper segment. The potential future use of property, plant and equipment at the production locations has been examined as part of the restructuring measures implemented in the reporting period, and an impairment recorded if appropriate. The impairment is reported in the income statement within non-recurring results.

An interest rate of 6.0% was used to calculate capitalized interest (previous year: 6.0%).

The prepayments and assets under construction include buildings of €7,488 thousand (previous year: €3,895 thousand), plant and machinery of €27,708 thousand (previous year: €26,126 thousand), other non-production-related equipment of €4,611 thousand (previous year: €2,772 thousand), and other property, plant and equipment of €54 thousand (previous year: €0).

12. Investments accounted for using the equity method

KUKA Aktiengesellschaft, Augsburg

Investments accounted for using the equity method include the investment in KUKA Aktiengesellschaft, Augsburg, Germany for the first time. The investment was acquired in the 2014/15 fiscal year.

KUKA Aktiengesellschaft and its subsidiaries are among the leading suppliers of robots and automated production lines and solutions worldwide. This shareholding is regarded as a strategic investment, primarily in order to make targeted expansions in automation and digitalization skills, complementary to Voith's existing activities, which are primarily at home in the mechanical engineering sector.

	2015-09-30
Shareholding	27.96%
Market value (proportionate share) in € millions	681
Income accounted for using the equity method in € thousands*	-4,026
Dividend paid to the Group in € thousands	3,585

* Including amortization of share of assets revalued to fair value under the purchase price allocation.

The tables below provide a summary of significant financial information obtained from the quarterly financial statements published by KUKA Aktiengesellschaft as of September 30, 2015.

Balance sheet data

in € millions	2015-09-30
Non-current assets	813.3
Current assets	1,243.9
Non-current liabilities	342.4
Current liabilities	1,111.6
Equity (including non-controlling interests)	603.2

Summary income statement data

in € millions	2015-09-30
Sales	2,199.4
Net result of continuing operations after tax	63.4
Net result of discontinued operations after tax	0
Other comprehensive income	34.8
Total comprehensive income (including non-controlling interests)	98.2

The following table shows a reconciliation between the financial data and the carrying value of KUKA Aktiengesellschaft:

in € thousands	2015-09-30
Share of equity attributable to the Group (excluding non-controlling interests)	105,581
Goodwill arising under the equity method, including share of fair value adjustments	491,173
Carrying value of the investment in the associate	**596,754**

Other associates

The following table summarizes the financial information for non-significant associates, whereby the figures presented represent the Group's proportionate share of the respective associates:

in € thousands	2015-09-30	2014-09-30
Carrying value of the investments in associates	5,975	28,192
Share of:		
Net result of continuing operations after tax	1,646	1,183
Other comprehensive income	1,841	347
Total comprehensive income	**3,487**	1,530

Joint ventures

The Group has investments in joint ventures which are not individually significant. The following table summarizes the financial information for these joint ventures, whereby the figures presented represent the Group's proportionate share of the respective joint ventures:

in € thousands	2015-09-30	2014-09-30
Carrying value of the joint ventures	15,152	13,128
Share of:		
Net result of continuing operations after tax	957	959
Other comprehensive income	125	775
Total comprehensive income	**1,082**	1,734

The cumulative unrecognized share of losses from joint ventures accounted for under the equity method totals €0 thousand (previous year: €2,189 thousand). The unrecognized share of losses of companies accounted for under the equity method for the fiscal year just ended totals €0 (previous year: €1,838 thousand).

In some cases the companies accounted for under the equity method have fiscal reporting periods which do not end on September 30. Accordingly, for some companies interim financial statements are prepared to September 30. For other companies the effects of the different year ends are not significant for the Voith Group's income and asset position.

13. Inventories

Inventories consist of the following items:

in € thousands	2015-09-30	2014-09-30
Raw materials and supplies	210,797	219,218
Work in progress	181,006	252,403
Finished goods and merchandise	141,561	156,504
Prepayments	77,137	106,296
	610,501	734,421

Write-downs of inventories recognized as expenses amounted to €2,474 thousand (previous year: €28,049 thousand). Obligatory reversals of write-downs totaling €4,548 thousand (previous year: €6,625 thousand) were made. These amounts are included in the cost of materials.

14. Trade receivables and receivables from customer-specific contracts

Trade receivables consist of the following items:

in € thousands	2015-09-30	2014-09-30
Trade receivables	703,053	848,054
Bad debt allowances	-38,195	-35,534
Receivables from customer-specific contracts	276,773	324,054
	941,631	1,136,574

Trade receivables are classified as current assets. As at September 30, 2015 the volume of receivables that was not expected to be realized within one year was €6,802 thousand (previous year: €6,291 thousand).

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

in € thousands	2015-09-30	2014-09-30
Impairment at the beginning of the fiscal year	**-35,534**	-41,190
Additions	-14,639	-10,352
Utilization	3,405	9,990
Reversal	6,364	5,209
Changes in consolidated group/exchange differences	-447	809
Reclassification to assets held for sale	2,656	0
Impairment at the end of the fiscal year	**- 38,195**	- 35,534

The total reversal of €6,364 thousand (previous year: €5,209 thousand) includes reversals of individual specific allowances of €6,364 thousand (previous year: €4,239 thousand) and reversals of portfolio-based allowances of €0 (previous year: €970 thousand). The additions of €14,639 thousand (previous year: €10,352 thousand) include additions to specific allowances of €14,391 thousand (previous year: €10,352 thousand) and additions to portfolio-based allowances of €248 thousand (previous year: €0).

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

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

in € thousands	2015-09-30	2014-09-30
Manufacturing costs incurred and recognized profits less recognized losses to date on current customer-specific projects	5,021,211	4,760,164
Progress billings to date	-3,417,258	-2,955,688
Future receivables under customer-specific construction contracts before deduction of progress billings	**1,603,953**	**1,804,476**
Advances received (“progress billings”)	-1,373,308	-1,515,172
	230,645	289,304
Thereof receivables from construction contracts	276,773	300,073
Thereof liabilities from construction contracts	-46,128	-10,769

Receivables from customer-specific service contracts from Voith Industrial Services total €17,318 thousand (previous year: €23,981 thousand). Liabilities from customer-specific service contracts from Voith Industrial Services total €770 thousand (previous year: €1,940 thousand). These amounts are presented within assets and liabilities held for sale at September 30, 2015.

Other liabilities include further advances received on customer-specific contracts of €609,528 thousand (previous year: €740,978 thousand), for which no manufacturing costs have been incurred to date. Advances received on customer-specific contracts at Voith Industrial Services of €22,786 thousand (previous year: €13,284 thousand) are recorded at September 30, 2015 and presented within liabilities classified as held for sale.

Sales revenues from customer-specific contracts totaled €2,210,100 thousand (previous year: €2,089,203 thousand).

An amount of €17,494 thousand (previous year: €12,442 thousand) is retained by customers from progress billings as the amounts are payable only on fulfillment of agreed contractual conditions.

15. Other financial receivables and other assets

Other financial receivables

in € thousands	Current	Non-current	2015-09-30	Current	Non-current	2014-09-30
Derivatives used to hedge operational transactions	10,804	2,461	13,265	5,832	1,153	6,985
Derivatives used to hedge financial transactions	10,134	7,623	17,757	53	12,191	12,244
Financial receivables	11,288	188	11,476	41,794	108	41,902
Sundry financial assets	98,068	42,463	140,531	64,299	61,708	126,007*
	130,294	**52,735**	**183,029**	111,978	75,160	187,138

* Includes assets totaling €7,549 thousand (previous year: €38,306 thousand) which are not financial instruments and which are accordingly excluded from the disclosures made in the section "Additional information on financial instruments".

Other assets

in € thousands	Current	Non-current	2015-09-30	Current	Non-current	2014-09-30
Prepaid expenses	22,049	15,340	37,389	29,492	17,766	47,258
Other taxes (without income tax)	64,429	6,184	70,613	83,124	15,102	98,226
	86,478	**21,524**	**108,002**	112,616	32,868	145,484

Other assets totaling €7,663 thousand at the balance sheet date (previous year: €38,416 thousand) are used as collateral for liabilities and contingent liabilities. They may be drawn on if the underlying obligations are not fulfilled or if the contingent liabilities are realized.

16. Securities

Non-current securities totaling €9,611 thousand (previous year: €15,843 thousand) are used to cover future pension obligations. Further information on securities can be found in the section “Additional information on financial instruments”.

17. Cash and cash equivalents

This item mainly consists of time deposits held at banks.

in € thousands	2015-09-30	2014-09-30
Checks	39	36
Cash on hand	626	688
Cash equivalents	19,829	13,507
Cash at bank	414,459	786,592
	434,953	800,823

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.

18. Assets held for sale and liabilities directly associated with assets classified as held for sale

At September 30, 2015 this position includes the assets and liabilities of Voith Industrial Services, a discontinued operation. For further details see the section “Disposals and discontinued operations”. The figures for the previous year represent the assets and liabilities of Voith Hydro’s tidal power product division. This division is continued by Voith Hydro on a significantly smaller scale.

The carrying amounts of the major groups of assets and liabilities held for sale are as follows:

Assets

in € thousands	2015-09-30	2014-09-30
A. Non-current assets		
Goodwill	199,656	
Other intangible assets	8,024	23,756
Property, plant and equipment	63,927	29
Investments accounted for using the equity method	18,075	
Securities	6,467	
Other financial assets	599	25
Other financial receivables	22,798	
Other assets	315	
Deferred tax assets	9,477	21
	329,338	23,831
B. Current assets		
Inventories	35,004	
Trade receivables	177,928	3
Receivables from customer-specific contracts	17,318	
Securities	17	
Current income tax assets	4,853	
Other financial receivables	10,698	87
Other assets	7,805	
Cash and cash equivalents		6,091
	253,623	6,181
Assets held for sale	**582,961**	30,012

Liabilities

in € thousands	2015-09-30	2014-09-30
A. Non-current liabilities		
Provisions for pensions and similar obligations	20,755	571
Other provisions	30,409	
Income tax liabilities	335	
Bonds, bank loans and other interest-bearing liabilities	129	
Other financial liabilities	3,996	
Deferred tax liabilities	15,116	306
	70,740	877
B. Current liabilities		
Provisions for pensions and similar obligations	1,316	
Other provisions	38,945	61
Income tax liabilities	3,593	
Bonds, bank loans and other interest-bearing liabilities	178	
Trade payables	67,341	88
Liabilities from customer-specific contracts	770	
Other financial liabilities	61,481	5,241
Other liabilities	36,089	
	209,713	5,390
Liabilities directly associated with assets classified as held for sale	**280,453**	6,267

19. Equity

Issued capital

Unchanged since September 30, 2006, the issued capital in Voith GmbH of €120,000 thousand is 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).

Revenue reserves and other reserves

The revenue reserves and other reserves consist of retained earnings generated by Voith GmbH and its consolidated subsidiaries as well as the effects of the remeasurement of defined benefit plans, the currency translation of foreign subsidiaries, gains/losses from available-for-sale securities recognized directly in equity without effect on profit and loss, and cash flow hedges pursuant to IAS 39.

The statement of comprehensive income shows the individual components of other comprehensive income. Other comprehensive income consists of:

in € thousands	2014/15	2013/14
Remeasurement of defined benefit plans	**8,976**	-122,796
· Gains/losses in the current period	8,976	-122,796
Gains/losses on available-for-sale securities	**-859**	-33,395
· Gains/losses in the current period	-859	-33,395
· Transfers to profit and loss	0	0
Gains/losses on cash flow hedges	**-4**	-34
· Gains/losses in the current period	-4	-34
· Transfers to profit and loss	0	0
Gains/losses on currency translation	**-18,107**	15,665
· Gains/losses in the current period	-18,107	15,665
· Transfers to profit and loss	0	0
Gains/losses from currency translation of net investments in foreign operations	**-2,735**	-1,144
· Gains/losses in the current period	-2,735	-1,144
· Transfers to profit and loss	0	0
Tax on components of other comprehensive income	**-559**	31,925
Other comprehensive income	**-13,288**	-109,779

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

in € thousands	2015 Pre tax	2015 Deferred taxes	2015 After tax	2014 Pre tax	2014 Deferred taxes	2014 After tax
Remeasurement of defined benefit plans	8,976	-1,705	7,271	-122,796	31,435	-91,361
Gains/losses on available-for-sale securities	-859	331	-528	-33,395	-161	-33,556
Gains/losses on cash flow hedges including share of associates	-4	0	-4	-34	11	-23
Gains/losses on currency translation	-18,107	0	-18,107	15,665	0	15,665
Gains/losses from currency translation of net investments in foreign operations	-2,735	815	-1,920	-1,144	640	-504
Other comprehensive income	**-12,729**	**-559**	**-13,288**	-141,704	31,925	-109,779

Profit participation rights

Profit participation rights with a nominal volume of €103,400 thousand (previous year: €103,400 thousand) qualify as equity under the IAS 32 criteria. The rights are lower-ranking bearer profit participation rights with variable compensation, no bullet maturity and no right of termination on the part of the creditors. Profit participation rights of €96,800 thousand were issued by a subsidiary of the Voith GmbH. Profit participation rights of €6,600 thousand were issued by Voith GmbH. Subject to the approval of the appropriate governing body, profits totaling €5,590 thousand (previous year: €5,501 thousand) are scheduled to be distributed on the sum total of these rights for the 2014/15 fiscal year.

Holders of non-controlling interests

The major portion of non-controlling interests is held by the co-owners of the subsidiaries 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 PT. Voith Paper Rolls Indonesia, Indonesia. Of the profit participation rights totaling €103,400 thousand, €96,800 thousand relates to holders of non-controlling interests.

Appropriation of net result 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 €105,305 thousand to reserves. Dividend payments in the fiscal year amounted to €15,000 thousand (previous year: €15,000 thousand). The distribution per share in the fiscal year amounted to €0.13 per share (previous year: €0.13 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. The Group's managed capital consists of equity and interest-bearing financial liabilities.

in € thousands	2015-09-30	2014-09-30
Equity	874,243	1,031,303
Interest-bearing financial liabilities	1,219,627	995,829
	2,093,870	2,027,132

Year on year, equity fell by 15.2%, primarily due to the loss for the year, currency effects, and dividend payments. Interest-bearing financial liabilities increased by 22.5%. The composition of interest-bearing financial liabilities is described in note 22.

The articles of association of Voith GmbH do not prescribe any specific capital requirements.

20. Provisions for pensions and similar obligations

Provisions for pensions are recognized for benefit obligations in the form of retirement, invalidity, and surviving dependents benefits payable under pension plans. The benefits provided by the Group vary according to local legal, tax and economic conditions in the respective countries and are usually based on the length of employee service and the 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 on either 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 2015 they amounted to €86,887 thousand for the Voith Group as a whole (previous year: €89,713 thousand).

The majority of the pension plans are defined benefit plans that take the form of provisions-based or externally funded schemes.

The pension provisions for defined benefit plans are determined in accordance with IAS 19 using the internationally recognized projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations earned at the end of the period under review. Pension provisions are calculated taking into account development assumptions for those factors which affect the benefit amount. All defined benefit plans require actuarial valuations. These are prepared annually by qualified actuaries.

The amount of the individual pension benefit contribution is generally measured based on the wage or salary level and/or position in the corporate hierarchy, as well as the length of service. The features and related risks of the defined benefit plans available to employees vary according to local legal, tax, and economic conditions in the respective countries. The features of the defined benefit plans that are most significant for Voith are described below.

a) Pension plans in Germany and Austria
The pension plans in Germany include retirement, invalidity and surviving dependents benefits. Traditionally, the pension commitments are measured on the beneficiary's final salary. In recent years, these benefits have been increasingly replaced by capital savings models. Under capital savings models the amount of the benefit is measured from the sum of the annual savings modules. The individual modules are measured from the defined salary-based contribution, using a variable conversion factor for age and interest rates for a defined retirement age.

Numerous Group companies convert the right to a pension benefit into capital savings models.

Current benefits are reviewed in accordance with the terms and conditions of German statutory pension plan requirements, which considers the rise in the consumer price index.

In comparison to the older final-salary-based pension commitments, which involve a relatively high risk of extra funding requirements arising from salary trends, from external input parameters (e.g. the income threshold for the statutory pension insurance scheme), and from the adjustment of current pensions, the current capital savings models only bear a risk from a change in the interest rates used in the calculation.

Pension provisions are recognized for all pension commitments. Funding is therefore only obtained in exceptional cases. The plan assets of German companies take the form of insurance policies. The plan assets of the Group companies do not include any financial instruments issued by entities of the Voith Group.

For mortality and invalidity, the RT 2005G mortality tables by Heubeck are used. Employee turnover probabilities were calculated specifically for the Group.

In Austria the obligations result from a scheme known as severance benefit ("Abfertigungen"). Benefits become due upon termination of the employment relationship (provided the employee is not culpable for the termination), i.e. also upon retirement. Austrian severance benefits all qualify as capital savings. For a number of years the nature of these benefits for new hires has changed to pension benefits on account of new statutory requirements. These qualify as defined contribution plans and are organized via legally independent employee welfare funds. The employer's obligation is limited to payment of the contribution. In addition, obligations exist for retirement, invalidity and surviving dependents benefits on the basis of individual commitments and a pension plan entered into a long time ago for new hires at the St. Pölten location.

b) Pension plans in the US and Canada
The entities of the Voith Holding Inc. Group in the US have a number of defined benefit plans. The plans are closed to new entrants, who are offered defined contribution plans instead. All of the pension plans are frozen. No new participants are accepted and no further provisions will be recognized for future benefit payments or future service cost (apart from a small group of participants in a plan for whom only salary rises are still considered in the calculation of the final average pension). The pensions are primarily based on the final average salary payment or the length of service (i.e. the product of a fixed dollar amount and the number of years of service), and will be paid monthly for life. Moreover, there are two unfunded supplementary plans for benefits paid to a small group of former employees with provisions beyond the normal upper limit for pension plans required by law. These plans have also been frozen and no active employees currently participate in these plans. Finally, there is a plan for post-retirement medical benefits for a group of plan participants who met the age and length of service criteria when the plan was closed to new participants. This plan is unfunded. These defined benefit plans give rise to actuarial risks for the Voith Holding Inc. Group, arising from such factors as the investment risk, interest rate risk, longevity risk, and the risk of a rise in the costs of medical care.

The plan assets for defined benefit plans are invested in a master trust. The entities in the Voith Holding Inc. Group paying the contributions have assigned the responsibility for overseeing the investment of plan assets to an investment committee. According to a trust agreement and US law, the members of the investment committee have a fiduciary duty to act solely in the best interests of the beneficiaries. The committee has drawn up an investment guideline that lays down the investment goals and procedures that must be followed. The trustees of the master trust only act on the express instructions of the investment committee or an authorized representative of the investment committee. The trustee is responsible for the safe custody of the plan assets, but is not generally empowered with decision-making authority.

The legal and regulatory framework for calculating the minimum pension obligation for the plans is based on the relevant US laws, including the Employee Retirement Income Security Act (ERISA) as amended. An annual assessment of the minimum pension obligation is made by the plan's actuary on the basis of these laws. In the past Voith paid into the plans to maintain a funding level of at least 80%, as required by local law. The annual employer's contributions correspond to the net present value of the benefit obligation accumulated in the year, plus the amortization of any lack of funding from the previous year. If the employer's contribution exceeds the minimum pension obligation or if the plan assets exceed the liabilities, the surplus may be offset against future obligations to cover the minimum pension obligation.

The Voith Group maintains two active defined benefit plans in Canada. Both plans are closed to new entrants, who participate in various defined contribution plans instead. The benefits paid under both of these plans take the form of lifelong monthly pensions.

The plan assets of the defined benefit plans are invested in insurance policies with an insurer who manages the plan assets as trustee. The entities in the Group paying the contributions have assigned the responsibility for overseeing the investment of plan assets to the managers and directors of various companies acting as representatives of the Company. According to Canadian law at both federal and provincial level, the Company and its representatives have a fiduciary duty as the managers of the plan assets to act solely in the best interests of the beneficiaries.

The legal and regulatory framework used to calculate the minimum pension obligation for pension plans is based on the laws applying in the Province of Ontario and at federal level in Canada, including the applicable versions of the Ontario Pension Benefits Act and the Ontario Income Tax Act as well as the associated laws and regulations. Based on these laws, either an annual or a three-yearly assessment of the minimum pension obligation for the plans is made by the plan's actuary.

The following contributions to post-employment defined benefit pension plans were recorded in the consolidated financial statements:

	Defined benefit obligation		Fair value of plan assets		Net carrying amount from defined benefit plans	
in € thousands	**2015-09-30**	2014-09-30	**2015-09-30**	2014-09-30	**2015-09-30**	2014-09-30
Germany + Austria	713,393	748,642	-27,933	-25,541	685,460	723,101
USA + Canada	207,938	201,815	-149,999	-154,618	57,939	47,197
Other	29,526	33,165	-21,648	-23,355	7,878	9,810
Total	**950,857**	983,622	**-199,580**	-203,514	**751,277**	780,108

Movements on the net obligation under defined benefit plans from October 1, 2013 to September 30, 2014:

in € thousands	Present value of defined benefit obligations	Fair value of plan assets	Total
2013-10-01	849,902	-176,068	673,834
Current service cost	18,307	-	18,307
Past service cost from plan curtailments	-4,188	-	-4,188
Interest expenses (+)/interest income (-)	30,654	-7,149	23,505
Remeasurements:			
Losses (+)/gains (-) from changes in demographic assumptions	13,108	-	13,108
Losses (+)/gains (-) from changes in financial assumptions	112,853	-	112,853
Losses (+)/gains (-) from experience adjustments	11,697	-	11,697
Remeasurement of plan assets (income less interest income)	-	-15,355	-15,355
Employer contributions to the fund	-	-20,799	-20,799
Employee contributions to the fund	-	-31	-31
Benefits paid	-56,113	25,738	-30,375
Changes in the consolidated Group	-4,499	0	-4,499
Other	-515	113	-402
Currency translation differences on foreign plans	12,416	-9,963	2,453
2014-09-30	983,622	-203,514	780,108

Movements on the net obligation under defined benefit plans from October 1, 2014 to September 30, 2015:

in € thousands	Present value of defined benefit obligations	Fair value of plan assets	Total
2014-10-01	**983,622**	**-203,514**	**780,108**
Current service cost	20,625	-	**20,625**
Past service cost from plan curtailments	-8,025	-	**-8,025**
Interest expenses (+)/interest income (-)	27,687	-7,782	**19,905**
Remeasurements:			
Losses (+)/gains (-) from changes in demographic assumptions	-53	-	**-53**
Losses (+)/gains (-) from changes in financial assumptions	-24,159	-	**-24,159**
Losses (+)/gains (-) from experience adjustments	-508	-	**-508**
Remeasurement of plan assets (income less interest income)	-	15,744	**15,744**
Employer contributions to the fund	-	-11,679	**-11,679**
Employee contributions to the fund	-	403	**403**
Benefits paid	-45,069	19,393	**-25,676**
Changes in the consolidated Group	0	0	**0**
Other	3,029	13	**3,042**
Currency translation differences on foreign plans	19,555	-15,934	**3,621**
Reclassification to liabilities classified as held for sale	-25,847	3,776	**-22,071**
2015-09-30	**950,857**	**-199,580**	**751,277**

Movements on the net obligation under defined benefits plans in Germany + Austria and USA + Canada from October 1, 2013 to September 30, 2014:

Germany + Austria

in € thousands	Present value of defined benefit obligations	Fair value of plan assets	Total
2013-10-01	640,439	-23,361	617,078
Current service cost	17,108	-	17,108
Past service cost from plan curtailments	-5,293	-	-5,293
Interest expenses (+)/interest income (-)	22,019	-870	21,149
Remeasurements:			
Losses (+)/gains (-) from changes in demographic assumptions	-108	-	-108
Losses (+)/gains (-) from changes in financial assumptions	99,076	-	99,076
Losses (+)/gains (-) from experience adjustments	11,083	-	11,083
Income from plan assets (exclusively amounts included in interest expense)	-	-16	-16
Employer contributions to the fund	-	-2,008	-2,008
Employee contributions to the fund	-	0	0
Benefits paid	-32,629	792	-31,837
Changes in the consolidated Group	-4,486	0	-4,486
Other	1,433	-78	1,355
Currency translation differences on foreign plans	0	0	0
2014-09-30	748,642	-25,541	723,101

USA + Canada

in € thousands	Present value of defined benefit obligations	Fair value of plan assets	Total
2013-10-01	179,284	-132,690	46,594
Current service cost	329	-	329
Past service cost from plan curtailments	1,105	-	1,105
Interest expenses (+)/interest income (-)	7,649	-5,502	2,147
Remeasurements:			
Losses (+)/gains (-) from changes in demographic assumptions	13,328	-	13,328
Losses (+)/gains (-) from changes in financial assumptions	12,227	-	12,227
Losses (+)/gains (-) from experience adjustments	899	-	899
Income from plan assets (exclusively amounts included in interest expense)	-	-14,757	-14,757
Employer contributions to the fund	-	-17,450	-17,450
Employee contributions to the fund	-	0	0
Benefits paid	-22,071	24,159	2,088
Changes in the consolidated Group	0	0	0
Other	-2,054	425	-1,629
Currency translation differences on foreign plans	11,119	-8,803	2,316
2014-09-30	201,815	-154,618	47,197

Movements on the net obligation under defined benefits plans in Germany + Austria and USA + Canada from October 1, 2014 to September 30, 2015:

Germany + Austria

in € thousands	Present value of defined benefit obligations	Fair value of plan assets	Total
2014-10-01	**748,642**	**-25,541**	**723,101**
Current service cost	19,217	-	**19,217**
Past service cost from plan curtailments	-7,738	-	**-7,738**
Interest expenses (+)/interest income (-)	18,911	-655	**18,256**
Remeasurements:			
Losses (+)/gains (-) from changes in demographic assumptions	54	-	**54**
Losses (+)/gains (-) from changes in financial assumptions	-20,543	-	**-20,543**
Losses (+)/gains (-) from experience adjustments	246	-	**246**
Income from plan assets (exclusively amounts included in interest expense)	-	128	**128**
Employer contributions to the fund	-	-2,859	**-2,859**
Employee contributions to the fund	-	0	**0**
Benefits paid	-25,772	712	**-25,060**
Changes in the consolidated Group	0	0	**0**
Other	1,608	0	**1,608**
Currency translation differences on foreign plans	0	0	**0**
Reclassification to liabilities classified as held for sale	-21,232	283	**-20,949**
2015-09-30	**713,393**	**-27,932**	**685,461**

USA + Canada

in € thousands	Present value of defined benefit obligations	Fair value of plan assets	Total
2014-10-01	**201,815**	**-154,618**	**47,197**
Current service cost	690	-	**690**
Past service cost from plan curtailments	-288	-	**-288**
Interest expenses (+)/interest income (-)	7,557	-6,214	**1,343**
Remeasurements:			
Losses (+)/gains (-) from changes in demographic assumptions	0	-	**0**
Losses (+)/gains (-) from changes in financial assumptions	-3,794	-	**-3,794**
Losses (+)/gains (-) from experience adjustments	-462	-	**-462**
Income from plan assets (exclusively amounts included in interest expense)	-	15,479	**15,479**
Employer contributions to the fund	-	-7,435	**-7,435**
Employee contributions to the fund	-	491	**491**
Benefits paid	-17,677	17,653	**-24**
Changes in the consolidated Group	0	0	**0**
Other	640	533	**1,173**
Currency translation differences on foreign plans	19,977	-15,888	**4,089**
Reclassification to liabilities classified as held for sale	-520	0	**-520**
2015-09-30	**207,938**	**-149,999**	**57,939**

Costs for defined benefit plans break down as follows:

in € thousands	**2015-09-30**	2014-09-30
Current service cost	20,061	17,773
Past service costs	-7,803	-4,144
Interest expenses from pension obligations and plan assets	19,352	22,690

Current service cost and past service cost are stated under personnel expenses. Interest expenses on pension obligations and interest income on plan assets are stated in the interest result. Past service costs include the effects of the fall in the discount rates for the capital savings plans.

The fund assets consist of the following components:

in € thousands	Market price listing in an active market 2015-09-30	Market price listing in an active market 2014-09-30	No market price listing in an active market 2015-09-30	No market price listing in an active market 2014-09-30	Total 2015-09-30	Total 2014-09-30
Equity instruments	37,947	55,944	63	182	38,010	56,126
Debt instruments	110,516	95,299	0	1,620	110,516	96,919
Real estate	7,307	5,705	2,336	2,167	9,643	7,872
Cash and cash equivalents	11,277	12,305	0	0	11,277	12,305
Other*	1,050	3,680	29,084	26,612	30,134	30,292
	168,097	172,933	**31,483**	30,581	**199,580**	203,514

* Primarily reinsurance policies.

The calculation of pension provisions is based on the following assumptions:

in %	Germany and Austria 2015-09-30	Germany and Austria 2014-09-30	USA 2015-09-30	USA 2014-09-30
Discount rate	2.42%	2.5%	4.05%	3.9%
Pension increases	1.5%	2.0%	0%	0%

The inputs used in the calculation of the defined benefit obligation include assumed discount rates, wage and salary trends, as well as mortality rates. These vary depending on the economy and other factors in the respective country.

Changes to the relevant actuarial assumptions would have had the following impact on the defined benefit obligation:

		2015-09-30 in € thousands	2015-09-30 in %	2014-09-30 in € thousands	2014-09-30 in %
Discount rate	up 0.50% points	-63,224	-6.6%	-65,861	-6.7%
	down 0.50% points	71,147	7.5%	72,651	7.4%
Pension increases	up 0.25% points	16,904	1.8%	15,720	1.6%
	down 0.25% points	-15,156	-1.6%	-16,188	-1.6%
Life expectancy	up one year	27,944	2.9%	29,215	3.0%

The sensitivity analyses presented here present the effect of changes to one assumption with no change in the other assumptions, i.e. possible correlations between the individual assumptions are not considered.

Increases or decreases in the discount rate, the wage and salary trends, and the mortality rates do not have the same impact in absolute terms on the defined benefit obligation (DBO) on account of discounting the obligation to net present value. If a number of assumptions are changed simultaneously, the total impact does not necessarily equate to the sum of the changes to the individual assumptions. In addition, the sensitivity of the DBO to a change in an assumption is only a reflection of the specific size of the change. If the change to the assumption differs to the amount assumed here, this does not necessarily translate to the DBO in linear fashion.

Asset liability matching strategies

Due to the treasury guidelines of the Voith Group, which rule out any speculative transactions, the funded pension plans in the US pursue an investment strategy which is oriented towards the obligations from the pension plans and not primarily towards maximizing the value of the securities portfolios. The goal of the investment strategy is to close any gaps in funding between the defined benefit obligation and the plan assets. If this is attained, the goal is to maintain this status.

The main factors influencing the funding status of pension plans include the development of interest rates and pricing risks inherent in the plan assets. In 2011 Voith installed a dynamic pension management with the involvement of international asset management experts and insurers. A new standard asset allocation is ratified each year by the Voith Pension Committee along the latest efficiency curves between income and risk. This is based on an individual limited risk strategy. However, a fixed percentage of the funding gap is always set as an upper risk limit.

The pension committee ratified an investment guideline that allows the external asset manager to use all defined investment classes from 0–100% for tactical purposes. This allows the asset manager to react ad hoc to market turbulence. In the mid-term, the portfolio will move towards the standard allocation depending on the residual risk budget. The success of such dynamic risk management is reviewed regularly by the pension committee and must be measured against a standard asset allocation without dynamic risk management.

The interfaces between the actuaries, the asset managers, the pension committee and the Group treasury are structured efficiently and functionally. In addition to a monthly comparison of the data and the reporting, the persons involved exchange information on the evolution of the pension strategy on the basis of a predefined schedule.

Future cash flows

Contributions of €8,223 thousand are expected to be paid into the plans in the next reporting period.

The weighted average term of the DBO is thirteen years.

21. Other provisions

Provisions consist of the following:

in € thousands	At 2014-09-30	Change in the consolidated Group	Utilization	Additions	Reversals	Transfers	Discounting effect	Currency translation differences	Reclassification to assets held for sale	At 2015-09-30
Personnel-related provisions	83,975	-525	-17,050	22,893	-3,901	0	475	1,084	-13,012	73,939
Other tax provisions	7,416	0	-1,776	4,045	-440	0	0	211	-3,218	6,238
Warranty provisions	201,083	0	-68,123	134,571	-43,502	-704	62	-1,493	-1,287	220,607
Other contract-related provisions	66,453	-882	-24,592	47,344	-16,596	299	915	-289	-16,000	56,652
Sundry other provisions	130,660	-78	-39,394	141,646	-13,383	-458	467	780	-35,837	184,403
	489,587	**-1,485**	**-150,935**	**350,499**	**-77,822**	**-863**	**1,919**	**293**	**-69,354**	**541,839**

	2015-09-30		2014-09-30	
in € thousands	< 1 year	> 1 year	< 1 year	> 1 year
Personnel-related provisions	19,584	54,355	22,768	61,207
Other tax provisions	6,043	195	7,126	290
Warranty provisions	127,845	92,762	144,022	57,061
Other contract-related provisions	54,301	2,351	61,446	5,007
Sundry other provisions	99,292	85,111	59,294	71,366
	307,065	**234,774**	294,656	194,931

Other provisions include restructuring provisions and provisions for personnel reductions of €170 million (previous year: €94 million).

Refund claims totaling €22.2 million (previous year: €18.5 million) associated with other provisions were capitalized.

Personnel-related provisions mainly comprise the phased retirement scheme 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 recorded based on past experience or on the basis of individual assessments, and represent the legal and contractual warranty obligations as well as goodwill commitments to customers. The provisions generally represent amounts that will be payable within the next two years. 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 are dependent on completion of the orders concerned. Among other items, other provisions cover the obligations related to changes in the size of the workforce and restructuring (see note 7 for more details). Most of the underlying measures will be completed within the next two fiscal years in accordance with the contracts.

22. Bonds, bank loans and other interest-bearing financial liabilities

Financial liabilities include the following:

in € thousands	Current	Non-current	2015-09-30	Current	Non-current	2014-09-30
Bonds	79,367	654,523	733,890	0	715,894	715,894
Bank loans	258,340	114,107	372,447	42,029	101,333	143,362
Financial liabilities from leases	306	997	1,303	424	1,417	1,841
Notes payable	274	0	274	3,745	0	3,745
Other financial liabilities	39,698	72,015	111,713	50,349	80,638	130,987
	377,985	**841,642**	**1,219,627**	96,547	899,282	995,829

Other financial liabilities contain obligations from the classification of holders of non-controlling interests in limited partnerships based on repayment rights and put options.

No financial liabilities are secured by other assets (previous year: €1,748 thousand).

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

in € thousands	2015-09-30	2014-09-30
Euro	804,322	590,254
US dollar	142,760	128,778
Chinese renminbi	128,198	119,172
UK sterling	12,334	871
Other currencies	18,723	20,181
	1,106,337	859,256

Notes on net debt

Net debt as defined in the Company includes the following:

in € thousands	2015-09-30	2014-09-30
Bank loans	372,447	143,362
Bonds	740,637	726,209
Other interest-bearing financial liabilities	113,597	136,573
Securities	-179,877	-183,728
Cash and cash equivalents	-434,953	-800,823
Other realizable financial receivables and loans	-38,208	-61,927
	573,643	-40,334

Net debt as the difference between financial liabilities and realizable financial assets is an important indicator for banks, analysts and rating agencies. This net debt indicator is not defined under International Financial Reporting Standards (IFRS) accounting policies and accordingly 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. The bonds are included here at an amount which is €7 million higher (previous year: €10 million higher) than the carrying amount in the balance sheet. The financial amounts attributable to Voith Industrial Services continue to be included in this ratio. The reclassification to assets held for sale in the balance sheet result in the elimination of net financial assets of €8 million.

23. Trade payables

Trade payables of €9,162 thousand (previous year: €8,592 thousand) are due after more than one year.

24. Other financial liabilities/ other liabilities

Other financial liabilities

in € thousands	Current	Non-current	2015-09-30	Current	Non-current	2014-09-30
Derivatives used to hedge operational transactions	72,395	34,752	107,147	15,963	4,137	20,100
Personnel-related liabilities	104,144	115	104,259	129,024	2,640	131,664
Sundry financial liabilities	106,440	13,587	120,027	152,771	11,571	164,342
	282,979	**48,454**	**331,433**	297,758	18,348	316,106

Personnel-related liabilities at fiscal year-end included outstanding annual bonus payments and outstanding payments for wages, salaries, and social security contributions.

Other liabilities

in € thousands	Current	Non-current	2015-09-30	Current	Non-current	2014-09-30
Tax liabilities	51,375	174	51,549	67,631	22,791	90,422
Advances received	727,076	0	727,076	926,299	0	926,299
Prepaid expenses	5,113	5,563	10,676	6,210	5,125	11,335
Sundry other liabilities	66,846	26,545	93,391	87,613	24,774	112,387
	850,410	**32,282**	**882,692**	1,087,753	52,690	1,140,443

Tax liabilities principally relate to sales taxes (VAT).

Notes on segment reporting

Information on the segment data

The business is managed according to the different products and industries and corresponds to the structure of internal reporting to the Board of Management of Voith GmbH.

As described previously, the Group's Voith Industrial Services division is presented as a discontinued operation, as it is currently held for sale. The segment report has been adjusted accordingly to exclude this division, and the figures for the previous year have been adjusted correspondingly (with the exception of the non-current assets disclosure note).

Segment data is essentially compiled using the same presentation and measurement methods as the consolidated financial statements. Intercompany sales are effected at market prices and intersegment transactions and business are all undertaken in accordance with the accounting policies used for the consolidated financial statements.

In the Voith Group, the key indicator to assess and manage the individual segments is return on capital employed (ROCE). The calculation of ROCE is defined as profit from operations in relation to the average capital employed.

The operational result is the basis for calculating ROCE and is thus a key management indicator. Basically, it is an operational indicator derived from external reporting, comprising the operational result before non-recurring items. In line with the calculation of profit from operations, the following profit/loss components are taken into consideration:

Operating interest income
Operating interest income is defined as interest received by the Company on the long-term financing of receivables from customers, or as the imputed interest effect attributable to that portion of customer advances that is not used to finance inventories and PoC receivables.

Other adjustments
Other adjustments contain effects which are shown as other operating income and expenses in the consolidated statement of income. In relation to ordinary business activities, however, these are treated as non-recurring effects and are consequently eliminated as such when determining the profit from operations so as to facilitate a better assessment of business activities for internal control purposes.

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, income tax liabilities, deferred income and advances received, which are deducted up to the amount of inventories and PoC receivables.

The capital employed on the reporting date is an average value derived from the values as at the end of the period under review, as at 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 presented

Voith Hydro – one of the world's leading full-line suppliers of equipment, technologies and services for hydropower plants. The product portfolio covers all components for large and small hydropower plants: generators for all turbine types, Francis, Pelton, Kaplan, bulb and pump turbines, pumps, electrical and mechanical power plant equipment, automation systems, and services including spare parts and maintenance. Voith Hydro is a joint venture with Siemens, in which Voith holds a majority 65% of all shares and voting rights.

Voith Paper – as a partner and pioneer for the paper industry Voith Paper provides technologies and products for the entire paper manufacturing process – from fiber through to finished rolls of paper. All over the world, producers of paper, board and tissue have for many years put their trust in the expertise and competence of this system provider. Voith Paper's innovative strength is evident in customer-oriented solutions which optimize the paper manufacturing process. Voith Paper focuses on developing resource-saving products, thus ensuring maximum efficiency in the consumption of energy, water and fibers. Furthermore, Voith Paper offers a broad service portfolio for all sections of the paper manufacturing process.

Voith Turbo – specialist 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 Paper		Voith Turbo	
in € millions	**2014/15**	2013/14	**2014/15**	2013/14	**2014/15**	2013/14
External sales	1,313	1,313	1,506	1,430	1,470	1,409
Sales with other segments	3	4	22	22	5	5
Total segment sales	1,316	1,317	1,528	1,452	1,475	1,414
Profit from operations	101	101	58	9	91	111
Depreciation and amortization of property, plant and equipment and intangible assets[2]	25	30	61	67	44	43
Investments[3]	19	22	22	29	29	31
Segment goodwill	15	15	222	222	141	140
Average capital employed	478	463	843	891	738	752
ROCE	21.1%	21.8%	6.8%	1.0%	12.3%	14.7%
Employees[4]	5,188	5,219	7,739	8,419	6,254	6,275

[1] Subtotal for Voith Hydro, 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.

As the earnings components “Operating interest income” and “Other adjustments” are not shown directly in the consolidated statement of income, these two items are presented separately in the reconciliation of the profit from operations by segment to result before taxes presented below.

Total Core Business[1)		Reconciliation		Total	
2014/15	2013/14	**2014/15**	2013/14	**2014/15**	2013/14
4,289	4,152	13	16	4,302	4,168
30	31	-30	-31	0	0
4,319	4,183	-17	-15	4,302	4,168
250	221	20	14	270	235
130	140	12	12	142	152
70	82	10	21	80	103
378	377	8	8	386	385
2,059	2,106	155	154	2,214	2,260
12.1%	10.4%			12.2%	10.4%
19,181	19,913	1,042	1,030	20,223	20,943

Reconciliation of total profit from operations to the Group's income before taxes:

in € millions	2014/15	2013/14
Profit from operations	**270**	235
Operating interest income	-32	-39
Other adjustments	0	-5
Non-recurring result	-185	-30
Share of profits from associates	-1	2
Interest result	-64	-68
Other financial result	-11	-41
Result before taxes from continuing operations	**-23**	54

Segment information by region

External sales (registered office of customer)

in € millions		2014/15	2013/14
Germany		462	476
Other countries		3,840	3,692
	of which Europe	1,146	1,210
	of which Americas	1,259	1,284
	of which Asia	1,230	1,039
	· thereof China	673	576
	of which others	205	159
Total		**4,302**	4,168

Non-current assets

in € millions		2014/15	2013/14
Germany		533	891
Other countries		985	1,012
	of which Europe	252	269
	of which Americas	347	379
	· thereof USA	247	232
	of which Asia	383	361
	· thereof China	341	317
	of which others	3	3
Total		**1,518**	1,903

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.

In addition, there are risks in connection with the recognition of transfer prices outside Germany amounting to €4 million (previous year: €5 million) and risks from legal disputes of €33 million (previous year: €19 million). A successful outcome is currently expected in both cases.

Neither Voith GmbH nor any of its Group companies are involved in any further current or foreseeable taxation, legal, or arbitration proceedings that could materially influence their economic situation.

Owing to the ongoing tax field audit of German companies, further changes may be made to tax items.

Contingent liabilities

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

in € thousands	**2015-09-30**	2014-09-30
Guarantee obligations	25,258	17,740
Warranties	1,717	3,625
	26,975	21,365

Most of the guarantee obligations expire 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	2015-09-30	2014-09-30
Purchase commitments for capital expenditures	12,696	16,008
Obligations arising from non-cancelable operating leases	144,326	137,945
Other	1,531	1,305
	158,553	155,258

Assets leased under operating leases led to cash outflows totaling €74,922 thousand (previous year: €78,703 thousand). These payments mostly related to leased passenger vehicles, machinery and buildings. The majority of leases run for between one and fifteen 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	2015-09-30	2014-09-30
Nominal value of future minimum lease payments		
· Due in less than one year	47,580	50,734
· Due between one and five years	72,650	66,194
· Due in more than five years	24,096	21,017
	144,326	137,945

Future minimum lease payments include €624 thousand (previous year: €1,620 thousand) from sale and leaseback transactions.

There are expected cash inflows from non-cancelable subleases corresponding to the future minimum lease payments. However, the amounts are not significant.

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 2015-09-30	Amount recognized in the balance sheet in accordance with IAS 39				Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2015-09-30
			Amortized cost	Cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	434,953	434,953					434,953
Trade receivables	LaR	664,858	664,858					664,858
Receivables from construction contracts	LaR	276,773	276,773					276,773
Other financial assets and securities		209,438						
· Financial investments	LaR	60,004	60,004					60,004
· Loans	LaR	5,861	5,861					5,861
· Investments	AfS	30,184		30,184				[1]
· Securities	AfS	113,389			113,389			113,389
Derivative financial instruments		31,022						
· Forward exchange contracts	FAHfT	7,245				7,245		7,245
· Interest rate hedges	FAHfT	6,919				6,919		6,919
· Forward exchange contracts (fair value hedges)	n.a.	6,020				6,020		6,020
· Interest rate hedges (fair value hedges)	n.a.	10,838				10,838		10,838
Other receivables		144,458						
· Financial receivables	LaR	11,476	11,476					11,476
· Sundry financial assets	LaR	132,982	132,982					132,982
Liabilities:								
Trade payables	FLAC	397,928	397,928					397,928
Bonds/bank loans/notes	FLAC	1,106,611	1,106,611					1,149,358
Financial liabilities from leases	n.a.	1,303					1,303	
Derivative financial instruments		107,147						
· Forward exchange contracts	FLHfT	6,722				6,722		6,722
· Forward exchange contracts (fair value hedges)	n.a.	100,425				100,425		100,425
Other financial liabilities	FLAC	111,713	102,315		9,398			417,059
Sundry financial liabilities	FLAC	224,286	224,286					224,286
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	1,586,907	1,586,907					
Available-for-sale (AfS)	AfS	143,573		30,184	113,389			
Financial assets held for trading (FAHfT)	FAHfT	14,164				14,164		
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,840,538	1,831,140		9,398			
Financial liabilities held for trading (FLHfT)	FLHfT	6,722					6,722	

[1] The available for sale financial instruments include investments whose fair values were not reliably measurable and for which a sale is not currently planned.

in € thousands	IAS 39 measurement category	Carrying amount 2014-09-30	Amount recognized in the balance sheet in accordance with IAS 39: Amortized cost	Cost	Fair value through equity	Fair value through profit or loss	Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2014-09-30
Assets:								
Cash and cash equivalents	LaR	800,823	800,823					800,823
Trade receivables	LaR	812,520	812,520					812,520
Receivables from construction contracts	LaR	324,054	324,054					324,054
Other financial assets and securities		216,229						
· Financial investments	LaR	37,198	37,198					37,198
· Loans	LaR	6,477	6,477					6,477
· Investments	AfS	26,024		26,024				[1]
· Securities	AfS	134,465			134,465			134,465
· Option right	FAHfT	5,878				5,878		5,878
· Securities	FAfvtpl	6,187				6,187		6,187
Derivative financial instruments		19,229						
· Forward exchange contracts	FAHfT	2,229				2,229		2,229
· Interest rate hedges	FAHfT	732				732		732
· Forward exchange contracts (fair value hedges)	n. a.	4,756				4,756		4,756
· Interest rate hedges (fair value hedges)	n. a.	11,512				11,512		11,512
Other receivables		129,603						
· Financial receivables	LaR	41,902	41,902					41,902
· Sundry financial assets	LaR	87,701	87,701					87,701
Liabilities:								
Trade payables	FLAC	512,317	512,317					512,317
Bonds/bank loans/notes	FLAC	863,001	863,001					948,435
Financial liabilities from leases	n. a.	1,841					1,841	
Derivative financial instruments		20,100						
· Forward exchange contracts	FLHfT	2,872				2,872		2,872
· Forward exchange contracts (fair value hedges)	n. a.	17,228				17,228		17,228
Other financial liabilities	FLAC	130,987	115,171		15,816			283,764
Sundry financial liabilities	FLAC	296,005	296,005					296,005
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,110,675	2,110,675					
Available-for-sale (AfS)	AfS	160,489		26,024	134,465			
Financial assets held for trading (FAHfT)	FAHfT	8,839				8,839		
Financial assets at fair value through profit and loss (FAfvtpl)	FAfvtpl	6,187				6,187		
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,802,310	1,786,494		15,816			
Financial liabilities held for trading (FLHfT)	FLHfT	2,872				2,872		

[1] The available for sale financial instruments include investments whose fair values were not reliably measurable.

Fair value hierarchy for the financial assets and liabilities recognized at fair value listed in the table above:

in € thousands	2015-09-30	Level 1	Level 2	Level 3
Assets				
Securities	113,389	113,389	0	0
Derivative financial instruments	31,022	0	31,022	0
Liabilities				
Derivative financial instruments	107,147	0	107,147	0
Liabilities arising from the acquisition of investment shareholdings	9,398	0	0	9,398

in € thousands	2014-09-30	Level 1	Level 2	Level 3
Assets				
Securities	146,530	146,530	0	0
Derivative financial instruments	19,229	0	19,229	0
Liabilities				
Derivative financial instruments	20,100	0	20,100	0
Liabilities arising from the acquisition of investment shareholdings	15,816	0	0	15,816

The three-level fair value hierarchy divides the input factors used in the measurement techniques to measure the fair value into three levels, as follows:

Level 1:
Input factors quoted in active markets accessible to the Company for identical assets or liabilities on the measurement date.

Level 2:
Other inputs than those at level 1 for which observable market data which relates directly or indirectly to the financial assets or liabilities is available.

Level 3:
Input factors for which there are no observable market data.

No reclassifications were made between the fair value hierarchies in the 2014/15 fiscal year.

The fair values of derivative financial instruments allocated to level 2 of the fair value hierarchy are taken from the daily observable market prices and interest curves. In addition, fair value measurement includes the risk of both counterparty default and default on the part of the holder. Input factors that take account of counterparty credit risk can be obtained from observable credit default swaps (CDS) from the institutes participating in the respective transaction. At Voith the market CDS rate was used to calculate the Group's own credit risk.

The fair values of liabilities from the acquisition of investment shareholdings allocated to level 3 of the fair value hierarchy are based on internal planning data. These are measured using the discounted cash flow projections taken from the latest business planning prepared by management. The planning assumptions are adjusted to reflect the current information available.

The fair values of financial assets and financial liabilities measured at cost or amortized cost, which need to be measured to meet disclosure requirements, are calculated as follows:

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 fair value of the bond amounting to €636 million (previous year: €675 million) is equal to the nominal value multiplied by the quoted price at the end of the reporting period (fair value hierarchy level 1).

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 (fair value hierarchy level 2).

The market values of the other financial liabilities totaling €374 million (previous year: €230 million) were determined based on internal planning data using discounted cash flow projections taken from the latest business planning prepared by management. The planning assumptions are adjusted to reflect the current information available (fair value hierarchy level 3).

Net gains or losses for each measurement category of financial instruments:

2014/15

in € thousands	Impairments	Other net gains and losses	Total
Loans and receivables (LaR)	-9,147	99,577	90,430
Available-for-sale financial assets	-15,759	862	-14,897
Held for trading financial assets	0	-1,160	-1,160
Financial liabilities measured at amortized cost	0	-53,540	-53,540

2013/14

in € thousands	Impairments	Other net gains and losses	Total
Loans and receivables (LaR)	-5,421	15,591	10,170
Available-for-sale financial assets	-42,358	730	-41,628
Held for trading financial assets	212	-4,680	-4,468
Financial liabilities measured at amortized cost	0	-2,615	-2,615

See note 19 for more information on net gains and losses through equity from financial assets included in the category "available-for-sale".

Impairments against "loans and receivables" primarily relate to trade receivables. In the category "available-for-sale financial assets" impairments primarily relate to write downs of securities where there has been a significant fall in fair value.

All interest income and interest expenses for financial assets or financial liabilities relate to those assets or liabilities that are not measured at fair value through profit or loss.

Offsetting of financial instruments

The following table shows the amounts of potential offsetting under master netting agreements. The agreements do not meet the criteria required for net presentation in the balance sheet due to the fact that the Group does not have a current legal right of set off, as the set off right is conditional on the occurrence of future events.

in € thousands	Gross presentation balance sheet 2015-09-30	Potential set off amount due to master netting agreements	Potential net amount
Assets			
Derivative financial instruments	31,022	20,450	10,572
Liabilities			
Derivative financial instruments	107,147	20,450	86,697

in € thousands	Gross presentation balance sheet 2014-09-30	Potential set off amount due to master netting agreements	Potential net amount
Assets			
Derivative financial instruments	19,229	5,741	13,488
Liabilities			
Derivative financial instruments	20,100	5,741	14,359

Risk management

Principles of financial risk management

The Voith Group is a global business, and is exposed to risks arising from changes in interest rates and exchange rates in the course of its ordinary business activities which affect its liabilities, assets and transactions. These risks could affect its net assets, financial position and results of operations. The aim of financial risk management is to manage and limit these risks.

The principles of the Group's financial policy are laid down by the Voith GmbH Board of Management and monitored by the Supervisory Board. Voith Finance GmbH, a wholly-owned subsidiary of Voith GmbH, implements the financial policy and regularly reports to the Chief Financial Officer on the financial position of the Group and current risk exposures. Certain financial transactions require special approval by the Group's Corporate Board of Management. Long-term refinancing is undertaken by Voith GmbH.

Simple derivative financial instruments are used to limit the risks arising both from operating business and from the resultant financing requirements. These instruments are used in accordance with clearly defined, consistent, Group-wide guidelines. Compliance with these guidelines is verified on an ongoing basis. Hedge transactions and cash investments are placed only with financial institutions that have first-class credit ratings.

Credit risk

The Voith Group does business only with recognized, creditworthy third parties. We verify the creditworthiness of customers who wish to do credit-based business with us.

Cash and cash equivalents:

For the purposes of internal risk management, cash and cash equivalents consist essentially of cash and short-term securities. Default risks associated with term deposits are limited by selecting solvent banking partners and by spreading cash across multiple counterparties. For banks, a ratings-based limit (derived from credit default swaps/rating) is monitored constantly. In addition, the Voith Group invests in securities and monitors the associated risks of these 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 rules that are binding throughout the Voith Group. The maximum risk of default is limited to the carrying amount of the trade receivables, which is €664,858 thousand (previous year: €812,520 thousand). The maximum default risk for receivables arising from long-term construction contracts is €276,773 thousand (previous year: €324,054 thousand). On account of the collateral held, the maximum default risk for trade receivables is reduced by €126,804 thousand (previous year: €116,548 thousand) and by €58,904 thousand (previous year: €75,512 thousand) for receivables from long-term construction contracts.

All orders above a defined contract value are subject to general risk assessment requirements. Without special permission from the relevant governing bodies, Group companies do not accept unsecured orders from customers whose credit rating falls below a defined threshold and who cannot furnish an adequate guarantor.

Political export-related risks classified as Euler Hermes country category 3 or higher must always be hedged, unless approval is issued by the decision-making bodies in individual cases. Further risk assessment is also activated for orders upward of defined contract 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:

2015-09-30 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	**703,053**	439,448	144,672	42,821	40,147
Other financial assets and securities	**348,077**	109,056			
Other financial receivables	**150,478**	141,060	919	1,396	881

2014-09-30 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	848,054	566,490	168,139	27,490	52,617
Other financial assets and securities	339,254	212,464			
Other financial receivables	132,788	123,727	2,034	1,136	1,980

The carrying amounts of cash and cash equivalents, receivables from construction contracts, and derivatives are neither impaired nor past due.

Liquidity risk

To ensure that it can always meet its financial obligations, the Voith Group has negotiated sufficient cash lines and syndicated credit facilities with its banking partners.

The syndicated loan placed in China in 2012 secures the finance for future investments in the same currency as the operating business on the local market. This loan was drawn on during the period under review, as planned. The syndicated euro loan which was arranged in 2011 and increased in 2014 via the Amend-&-Extend method, was extended in August 2015 for a further year and now runs until 2020 with the option of extending for another year – no financial covenants were agreed. It has not been drawn on and is available as a strategic liquidity reserve if needed, as are available bilateral lines of credit from banks.

To safeguard internal and external growth, the Voith Group procures long-term funding on the capital markets by issuing bonds, private placements and individual bank loans.

The credit facilities and the bond placed on the capital markets are subject to the customary market conditions based on Voith's rating and its contractual terms and conditions. As in previous years, all contractual terms and conditions were complied with in the 2014/15 fiscal year. The "Baa3" rating issued by Moody's was changed in September of this year to "Ba1" and provided with a "stable outlook".

Cash pools, intercompany loans, and the allocation of external bank credit lines to individual operating units protect the liquidity of Group companies. Voith Finance GmbH produces monthly finance status reports for the entire Group. Balances of central bank and cash pool accounts and bank guarantees are available on a daily basis.

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

in € thousands	**2015-09-30**	**Cash flows < 1 year**	**Cash flows 1–5 years**	**Cash flows > 5 years**
Trade payables	397,928	388,981	9,446	1
Bonds/bank loans/notes	1,106,611	375,647	826,190	0
Financial liabilities from leases	1,303	341	816	265
Other financial liabilities	111,713	40,287	123	71,892
Sundry financial liabilities	224,286	210,585	13,242	460
Derivative financial instruments	107,147			
· Outflows		276,866	109,095	0
· Inflows		-218,025	-96,014	-3,449
	1,948,988	**1,074,682**	**862,898**	**69,169**

in € thousands	2014-09-30	Cash flows < 1 year	Cash flows 1–5 years	Cash flows > 5 years
Trade payables	512,317	503,725	8,283	0
Bonds/bank loans/notes	863,001	86,502	884,964	0
Financial liabilities from leases	1,841	475	1,087	452
Other financial liabilities	130,987	51,040	6,444	74,195
Sundry financial liabilities	296,005	281,795	13,730	482
Derivative financial instruments	20,100			
· Outflows		266,018	64,917	0
· Inflows		-252,275	-71,931	-2
	1,824,251	937,280	907,494	75,127

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 presented net with cash inflows.

There are no expectations that cash flows presented in the maturity analysis could be incurred significantly earlier, or that there will be significant changes to the cash flow amounts.

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.

Most currency hedging is undertaken by Voith Finance GmbH and the Regional Treasury and Finance Center. Transaction risks arising from the international delivery of goods and services are mainly limited by forward exchange contracts. Essentially, all foreign currency transactions at the Voith Group must be hedged. Major items on the balance sheet and orders (upward of a value of USD 1 million) are hedged individually within the framework of hedge accounting.

In the project business, both the hedge relationship and the objectives of and strategies for risk management must be documented in respect of the underlying (hedged) transactions before external hedges are entered into.

Hedges must be highly effective to be in compliance with the Voith Group's risk management strategy. Where hedge relationships are demonstrated to be effective, the transactions qualify for hedge accounting. As a result, fluctuations in the exchange rate do not affect profit or loss, nor do they influence project costing.

In the Voith Group, derivative financial instruments are traded externally by Voith Finance GmbH on behalf of Group companies. Group companies in countries subject to foreign exchange restrictions hedge their currency risks locally. The Group-wide treasury management software tool is used for central scheduling, monitoring, and documentation of all foreign currency hedges entered into by Voith Finance or Group companies.

Changes in the US dollar exchange rate are significant for the Voith Group. Based on the balance sheet items described above, the effects on the Group's results and consolidated equity are as follows: if the US dollar rises by 5%, the Group's pre-tax profit increases by €9,064 thousand (previous year: increase of €6,908 thousand) and equity (including the effect from income before tax) by the same amount (previous year: increase of €6,929 thousand). If, by contrast, the US dollar falls by 5%, the pre-tax profit decreases by €9,064 thousand (previous year: decrease of €6,193 thousand) with an according effect on equity (including the effect from pre-tax profit) (previous year: decrease of €6,212 thousand).

Interest rate risks:
The Voith Group's exposure to interest rate risks arising from external refinancing is analyzed and managed centrally by Voith Finance GmbH. Medium- to long-term assets and liabilities with fixed interest rates are the main source of interest rate risks at the Group, as changes in market rates of interest can cause the value of a financial instrument to fluctuate. Risks to the market value of fixed-interest receivables and liabilities are hedged on a case-by-case basis. Risks to market value are hedged by interest rate swaps and combined interest rate and currency swaps, which usually qualify for hedge accounting.

The relevant asset positions are essentially cash at banks that is invested in the money market and/or are used to fund the existing cash pools. 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 US private placement, 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 the Group's key financial instruments that are exposed to interest rate risks are grouped by their contractually agreed maturities in the following table:

2015-09-30 in € thousands	Less than 1 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	434,953	0	0	0	0	0	**434,953**
Bonds	79,367	0	0	61,270	0	0	**140,637**
Bank loans	258,086	0	0	0	114,107	0	**372,193**
Fixed interest rate							
Bonds	0	593,253	0	0	0	0	**593,253**
Bank loans	254	0	0	0	0	0	**254**

2014-09-30 in € thousands	Less than 1 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	800,823	0	0	0	0	0	800,823
Bonds	0	72,354	0	0	53,855	0	126,209
Bank loans	39,251	0	101,130	0	0	0	140,381
Fixed interest rate							
Bonds	0	0	589,685	0	0	0	589,685
Bank loans	2,778	203	0	0	0	0	2,981

If the market rate of interest had been 100 bps higher (lower) at September 30, 2015, earnings from the significant floating rate financial instruments would have been €0.6 million lower (higher) (previous year: €5.3 million higher (lower)). Equity would have changed accordingly. This effect chiefly originates from euro-denominated floating-rate financial instruments of €-0.6 million (previous year: €5.3 million).

If the market rate of interest had been 100 bps higher (lower) as at September 30, 2015, the fair value of the significant fixed rate financial instruments would have been €8.5 million lower (higher) (previous year: €17.9 million).

Risks relating to securities and stock prices:
The Voith Group holds stocks and other available-for-sale securities of €113 million (previous year: €134 million). Stock price risks are reflected in the balance sheet

and not in the consolidated statement of income, unless the criteria for impairment are met. Should the underlying share price change by 10%, the equity would change by 10% of the carrying value of the respective shares and the net result would change by approximately €10 million.

It should be noted that all existing stock price risks are analyzed continuously and suitable counteraction taken accordingly.

Commodity price risk:
The Voith Group is exposed to risks arising from changes in commodity prices, as these also affect most of the semi-finished goods that it needs. Voith's Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's materials requirements. On request by Corporate Purchasing, and in consultation and agreement with Group companies, suitable forward commodity contracts can be arranged by Voith Finance GmbH to limit any latent commodity price risks. The Group had insignificant amounts of commodity contracts during the fiscal year.

Hedge relationships:
The following items are used to hedge foreign exchange and interest rate risks:

2015-09-30	Nominal values*		Positive market values		Negative market values	
in € thousands	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	470,531	253,130	4,222	1,798	66,186	34,239
Interest rate swaps (fair value hedges)	76,130	53,739	3,253	7,585	0	0
Other derivatives	299,206	90,936	13,463	701	6,209	513
Total	**845,867**	**397,805**	**20,938**	**10,084**	**72,395**	**34,752**

2014-09-30	Nominal values*		Positive market values		Negative market values	
in € thousands	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	427,785	191,119	3,665	1,091	13,166	4,062
Interest rate swaps (fair value hedges)	0	114,787	0	11,512	0	0
Other derivatives	139,906	120,544	2,220	741	2,797	75
Total	567,691	426,450	5,885	13,344	15,963	4,137

* Nominal value refers to the volume of the hedged transactions in the local currency, translated at the closing rate.

Fair value hedges:
The Group uses fair value hedges primarily to hedge interest rate and foreign exchange risks.

In the 2014/15 fiscal year, a loss of €82,608 thousand was recorded on derivative financial instruments classified as fair value hedges (previous year: a loss of €17,700 thousand). Since the hedges were classified as highly effective, measurement of the hedged transactions at the reporting date produced a contrary gain/loss in the same amount.

There were no effects on earnings from ineffective hedges in the 2014/15 and 2013/14 fiscal years.

Changes in the value of financial derivatives that do not meet the requirements defined for hedge accounting under IAS 39 are recognized as income or expenses in profit or loss at the reporting date.

Research and development costs

In the 2014/15 fiscal year, research and development costs totaled €210,045 thousand (previous year: €215,992 thousand).

Of these, an amount of €3,698 thousand (previous year: €3,663 thousand) were recognized as development cost assets in the balance sheet. The remaining expenses of €135,777 thousand (previous year: €141,273 thousand) includes both planned amortization on these capitalized development expenses and activities for non-customer-specific new developments and improvements, as well as €70,570 thousand (previous year: €71,056 thousand) for development activities capitalized under customer-specific orders.

Transactions with related parties and individuals

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 of the Board of Management).

In the 2007/08 fiscal year, one subsidiary of Voith GmbH was sold to family shareholders in 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 under 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 under arm's length conditions.

A total of €967 thousand was paid at customary market rates to members of the Supervisory Board and former members of the Corporate Board of Management for consulting and other services (previous year: €973 thousand).

The majority of intercompany deliveries and services to related parties (entities and individuals) are shown in the table below:

in € thousands	2014/15	2013/14
Liabilities to family shareholders	19,476	17,743
Services purchased from associates	1,984	6,417
Services rendered to associates	284	203
Receivables from associates	2,815	3,152
Liabilities to associates	828	1,755
Services purchased from other investments	7,793	3,292
Services rendered to other investments	15,686	18,425
Receivables from other investments, incl. advances paid	13,085	16,448
Impairment of receivables from other investments	-81	-102
Liabilities to other investments, including advances received	10,580	27,989
Services purchased from joint ventures	3,727	4,783
Services rendered to joint ventures	766	576
Receivables from joint ventures	252	4,382
Liabilities to joint ventures	1,355	768
Services purchased from the ultimate parent company	10,896	10,287
Services rendered to the ultimate parent company	782	656
Receivables from the ultimate parent company	196	165
Liabilities to the ultimate parent company	5,770	4,852

Liabilities to family shareholders include current floating-rate clearing accounts and pension obligations.

For more information on the profit participation rights of €103,400 thousand (previous year: €103,400 thousand) granted to family shareholders, please refer to note 19.

Guarantees of €11,836 thousand, €1,462 thousand and €543 thousand were issued in favor of one associate, one joint venture and other investees respectively (previous year: €11,836 thousand, €1,545 thousand and €1,364 thousand).

The Group has obligations under outstanding orders with the ultimate parent amounting to €4,242 thousand (previous year: €4,344 thousand). There are no obligations in the current fiscal year under outstanding orders with associates (previous year: €4,681 thousand).

Capital increases of €2,567 thousand (previous year: €1,255 thousand) were carried out in favor of joint ventures.

The investment in KUKA Aktiengesellschaft, Augsburg, an associate, was included in the analysis of transactions with related companies and persons for the first time in the 2014/15 fiscal year. The reportable transactions and balances in the current reporting period were not significant.

Remuneration of governing bodies

The compensation for members of the Board of Management of Voith GmbH, including pension expenses, totaled €10,848 thousand in the fiscal year (previous year: €8,564 thousand). This amount includes short-term benefit components totaling €6,237 thousand (previous year: €7,030 thousand), post-employment benefits of €2,504 thousand (previous year: €1,534 thousand), and termination benefits of €2,107 thousand (previous year: €0), for which provisions of €5,114 thousand (previous year: €1,500 thousand) excluding pension liabilities have been made.

The present value of all defined benefit obligations (DBO) in respect of current members of the Board of Management totals €47,362 thousand at the reporting date (previous year: €46,754 thousand). The present value of defined benefit obligations of past members of the Board of Management totaled €41,754 thousand (previous year (adjusted)*: €33,250 thousand). Plan assets for current members of the Corporate Board of Management total €13,775 thousand (previous year: €16,212 thousand). Plan assets for former members of the Corporate Board of Management total €14,099 thousand (previous year: €8,997 thousand). These amounts are included in note 20.

The members of the Supervisory Board received compensation of €545 thousand (previous year: €529 thousand).

Pension and other payments to former members of the Corporate Board of Management amounted to €2,658 thousand (previous year (adjusted)*: €2,397 thousand).

* Pension obligations and payments to former members of the Group's management which are accounted for by a subsidiary of Voith GmbH are included from the 2014/15 fiscal year. The disclosure amounts for the previous year have been adjusted accordingly.

Auditor’s fees and services

The following fees (including reimbursement of expenses) were paid to the independent auditor for the services rendered in the 2014/15 fiscal year:

in € thousands	2014/15	2013/14
Annual audit	2,378	1,645
Other assurance or valuation services	261	74
Tax advisory services	136	172
Other services	210	83
	2,985	1,974

The comparative figures for the previous year relate to the Group’s predecessor auditor. The predecessor auditor did not audit companies included in the Voith Industrial Services segment in the previous year.

Subsequent events

Voith GmbH has successfully issued a loan note of €300 million on the market in November 2015. The loan is for general business purposes, in particular for the purposes of refinancing financial liabilities.

Under this loan issue, banks and institutional investors subscribed for loan notes in tranches with maturities of five, seven and ten years, carrying both fixed and floating interest rates.

Heidenheim an der Brenz, November 26, 2015

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Martin Hennerici (until March 31, 2015)
Bertram Staudenmaier
Dr. Roland Münch
Carsten J. Reinhardt (until October 19, 2015)
Dr. Uwe Knotzer (since October 19, 2015)

The German language consolidated financial statements of Voith GmbH as at September 30, 2015 as authorized for issue and the unqualified audit opinion issued thereon by KPMG Wirtschaftsprüfungsgesellschaft, Munich will be filed in German at the Bundesanzeiger [Federal German Gazette]. They can be viewed 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 an der Brenz, November 26, 2015

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FSC®
The recycled paper Respecta Silk 60 and the nature paper Maxi Offset are produced in compliance with the international FSC® standard. The pulp is partly manufactured from certified, i.e. responsibly managed, forests. Careful forestry practice also ensures, among other things, that biological diversity and ecological processes are not disturbed when wood products are removed from the forest.

CO_2 compensation
Voith records all CO_2 emissions produced in the course of printing and processing the annual report. By making a proportionately equal investment in a Gold Standard climate project, the corresponding CO_2 emissions will be saved in the future and the carbon footprint left by the Voith annual report compensated for in this way.

This annual report is also available in German. Both versions, as well as other information, can also be downloaded from the Internet at www.voith.com.

VOITH

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