

Press Release

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In 2013 Voith Is Setting the Course for the Group's Future Development

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- 2013 Group sales stable at previous year's level
- Positive operating results for all Group Divisions
- Result affected by one-off expenditure on restructuring
- Voith 150+ program launched

Stuttgart/Heidenheim. The Voith Group has continued its stable development under challenging conditions in fiscal 2012/13 (to September 30). Despite structural changes in key markets, increasingly tougher competition and a slump in the capital goods sector, the global provider of leading-edge technology and industrial services achieved sales of EUR 5.728 billion, just slightly more than the previous year's figure of EUR 5.724 billion. As forecast mid-year, the orders received of EUR 5.2 billion were below that of the previous year (EUR 5.7 billion), largely due to the recession in the market for paper machines.

The operational result prior to non-recurring items dropped to EUR 308 million (previous year: EUR 341 million). All four Group Divisions made clearly positive contributions to the Group's earnings. The Group's net income for the year was much burdened due to extraordinary items totaling EUR 156 million that resulted particularly from the restructuring measures initiated. Voith's bottom line was Group net income of EUR 63 million (previous year: EUR 114 million). This was at the level expected in the course of the year.

"Although the past fiscal year was more difficult than expected our business model once again provided to be resilient," says Dr. Hubert Lienhard, President and CEO of Voith GmbH. "Not only have we largely made up for market-driven weaknesses in individual divisions, we have also managed to use our own resources to fund a high level of non-recurring expenses to secure our future," continues Dr. Lienhard. Voith

CFO Dr. Hermann Jung adds: "Our fundamental earnings power remains intact. Even in a challenging fiscal year like 2012/13 we have a positive free cash flow. In addition, Voith has no net debt but net liquidity."

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Launch of Group-wide program Voith 150+

To pave the way for a successful long-term future, Voith launched the Voith 150+ program in fiscal 2012/13 (in 2017 Voith will celebrate its 150th anniversary as a company). The focus is on optimizing structures and processes and the existing portfolio of products and services. The restructuring and efficiency improvement measures contained in Voith 150+ will generate annual cost savings totaling EUR 150 million. Moreover, Voith expects it to free up around EUR 100 million of working capital.

Page 2 of 3

The measures include ongoing restructuring and capacity adjustments focused on the market potential and growth prospects in Europe, as well as a review of our product portfolio to identify weaker activities or such without strategic prospects in the Group, such as locomotive manufacture. In addition, the company intends to exploit further growth potential e.g. by developing new markets and regions, expanding the high-growth service segment and creating local value added in growth markets. Apart from organic growth out of these activities, acquisitions are also possible, particularly to round off the existing portfolio.

Different developments in the four Group Divisions

Voith Hydro, the single source supplier for hydro power plant equipment, increased its sales by 6 percent to EUR 1.388 billion. Due to the lack of large-scale hydro power projects of the kind that had characterized new business in previous years, the orders received of EUR 1.2 billion were, as expected, lower than the high value of the previous year, but still at a satisfactory level.

Voith Industrial Services, the global provider of technical services for the key industries automotive, energy, chemicals and petrochemicals as well as mechanical engineering and aerospace, upped its sales by 8 percent to EUR 1.2 billion. The growth was due on the one hand to the good performance in the automotive segment and on the other to additions to the basis of consolidation. Even adjusted for these factors, Voith Industrial Services was still able to increase its sales.

At **Voith Paper**, the paper industry pioneer, sales fell by 6 percent to EUR 1.6 billion due to the ongoing recession in the market for graphic paper machines. As predicted, the market trend left a clear mark on orders received, which dropped by 22 percent to EUR 1.4 billion.

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Voith Turbo, the specialist in power transmission, reported a slight fall in sales to EUR 1.5 billion (down 3 percent), a figure that was nevertheless within the predicted range. Orders received were EUR 1.4 billion, 6 percent lower than the previous year, were largely influenced by lower demand from the mining sector.

Page 3 of 3

On the whole, the Group continued to benefit in fiscal 2012/13 from megatrends like mobility and urbanization, renewable energies or production methods that conserve resources as well as its leading position in all core areas of business.

Outlook for 2014: Earnings expected to increase

For the current 2014 fiscal year Voith still does not expect any noticeable economic momentum on its markets. Against this background the Group's focus will be on further improvement of cash flow and returns. The measures initiated as part of the Voith 150+ program are already having a positive effect in the current fiscal year and are helping to improve the operational result. As the greater part of the restructuring expenditure was already posted in the fiscal year just ended, Voith is expecting net income to increase faster than sales. On the other hand, sales and orders received are likely to remain stable. "We will use this phase of a weakening economic situation in the capital goods sector to energetically pursue our strategic and operational initiatives and therefore ideally align the company for future profitable growth," says CEO Lienhard.

The full annual report for fiscal 2012/13 can be downloaded from our website www.voith.com under Press/Reports & Magazines.

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