

Voith Group

On a good footing for future growth

Stuttgart, December 7, 2017

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1.1 Highlights in the 2016/17 fiscal year

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Overview of the 2016/17 fiscal year

A good year for Voith



1

Positive performance in operating business, sustainable improvement in earnings power confirmed.



2

Significant strengthening in the balance sheet, room for maneuver significantly expanded.



3

Digital agenda moves forward as planned – First key milestones reached.

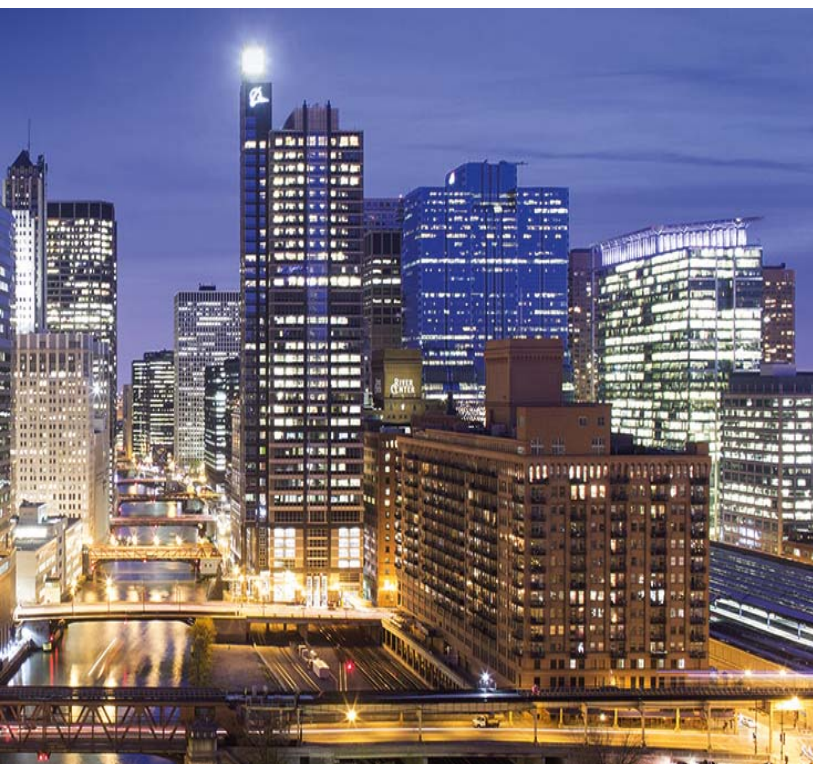


4

Core business developed with an eye to the future, pioneering innovations in all Group Divisions.

1. Positive performance in operating business

Sustainable improvement in earnings power confirmed



- Forecasts for the 2016/17 fiscal year achieved and even exceeded in some cases.
- Orders received above expectations in a slightly brighter investment climate, sales as anticipated stable at the high level of the previous year.
- Rise in profit from operations in core business, increase in efficiency as part of the Group's reorganization more and more visible.
- Start-up costs for Voith Digital Solutions covered from current operations.
- Net income (after tax) for the year at an all-time high.

2. Significant strengthening in the balance sheet Room for maneuver significantly expanded



- Equity ratio reached a historical high.
- Voith Group posts a sharp increase in net liquidity before embarking on its next phase of growth.
- Change in legal form from a GmbH to GmbH & Co. KGaA is to give Voith more headroom and support the growth strategy.

3. Digital agenda moves forward as planned First key milestones reached



- Internal development of Voith Digital Solutions almost completed: Products and services, projects and teams transferred from the three traditional Group Divisions and Group's own IT integrated.
- Expansion of the portfolio of digital offerings, first lighthouse project launched in the shape of the online marketplace merQbiz.
- Numerous incubator projects instigated in all Group Divisions.
- Majority holding in the digital agency Ray Sono as the first largish acquisition.

4. Core business developed with an eye to the future

Pioneering innovations – example electric drive

- Voith on the way to becoming a system vendor of electric drives and for digital vehicle and fleet management systems.
- Our approach is a combination of electrical drive and precise real-time fleet management system (launch will be at the IAA Commercial Vehicles trade fair in 2018).



Where we now stand

Conclusion

- Robust market position further strengthened in a challenging competitive setting.
- Efficient structures and sustainable improvement in return on sales in core business achieved following the Group's successful reorganization.
- Innovativeness increased throughout the Group, technology leadership lastingly strengthened thanks to greater forward-looking investments.
- Fully developed strategic and financial agility for organic growth and growth through acquisitions.

→ **Ready for the next phase of growth!**

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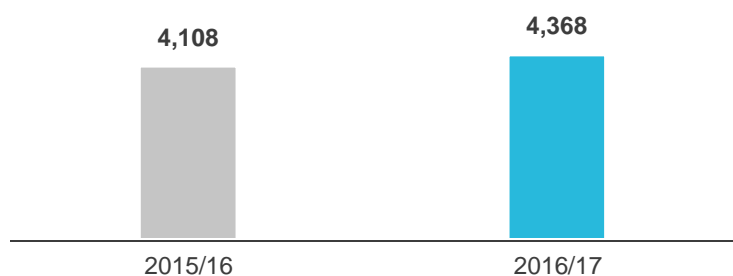
2.1 Outlook for 2018

2.2 Medium-term objectives

Orders received in the Group

Appreciable increase

Orders received Group in € millions



Orders received Group (€4,368 million)

by Group Division (rounded)

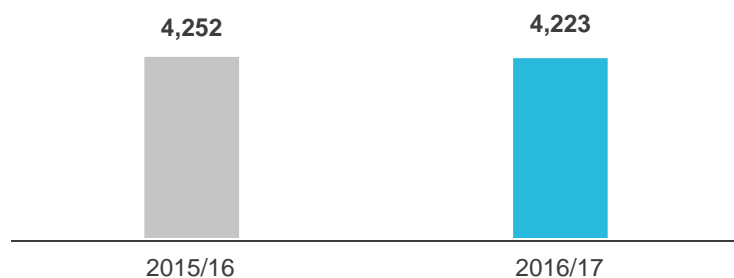


- Orders received: year-on-year increase of 6.3 %
- Strongest rise (24 %) in orders received by Voith Paper.
- Orders on hand remain at a high level: €5.2 billion (€5.3 billion).
- Book-to-bill rate greater than 1.

Group's sales

As expected at the previous year's high level

Sales Group in € millions



Sales (€4,223 million)

by Group Division (rounded)

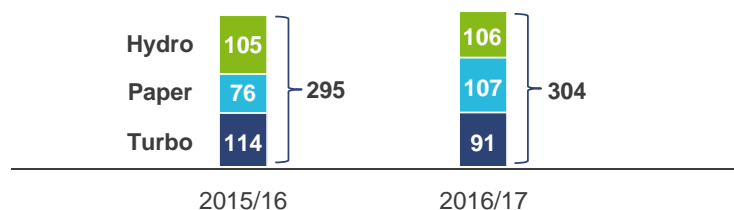


- Stable sales performance in line with the forecast for the year.
- Heterogeneous developments in the three core divisions:
 - slight increase at Voith Paper,
 - stable performance at Voith Hydro,
 - decline as expected at Voith Turbo.
- Portfolio remains well-balanced with three core divisions that are of virtually equal importance.

Profit from Operations

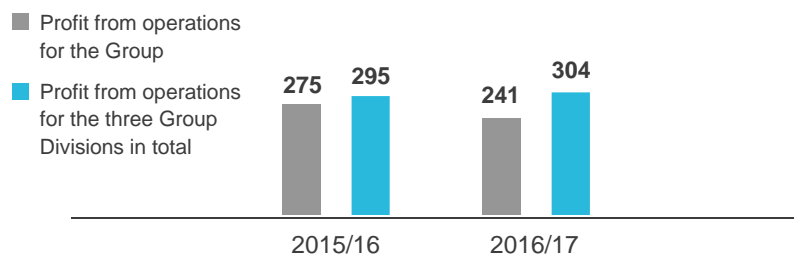
Profitability in core business increased further

Profit from operations in core business in € millions



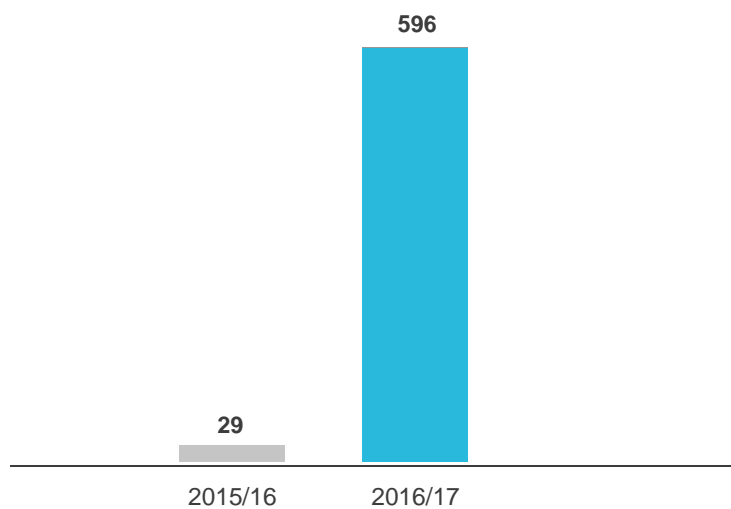
- Profits of the three core operating divisions up on the previous year in total, especially thanks to the sharp increase at Voith Paper.
- Decline in the profit from operations for the Group due to planned start-up costs for Voith Digital Solutions.

Profit from operations: Group vs. core business in € millions



Group's net result At a high level

Group's net result in € millions

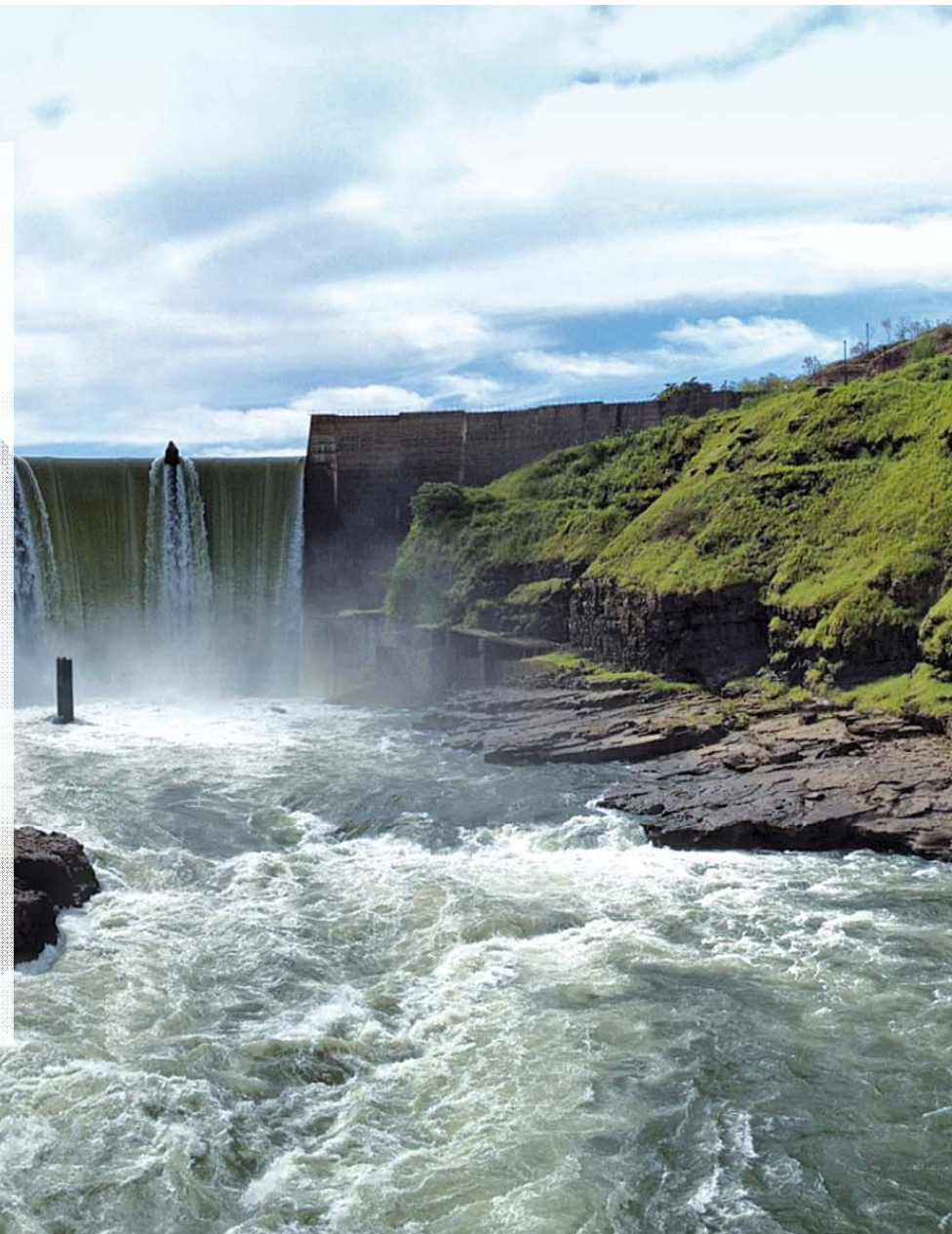


- The Group's net result was impacted substantially by revenue from the sale of KUKA.

Voith Hydro

Worldwide active

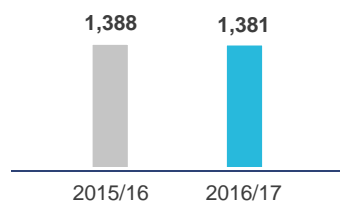
- Electricity for eight million people in Angola: Cambambe 2 hydropower plant put into operation.
- Modernization of South Africa's second-largest pumped storage power plant, and so enhancement of quality and reliability the country's power supply.
- Voith and China Three Gorges sign strategic cooperation agreement – Objective is to promote hydropower business in Africa.
- Additionally Voith will supply two 350-MW units for the Zhejiang Changlongshan pumped storage power plant.



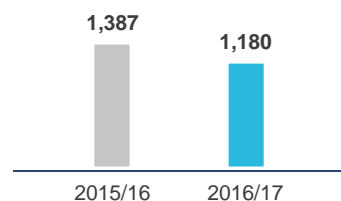
Voith Hydro

Improvement in profitability, sales at a high level

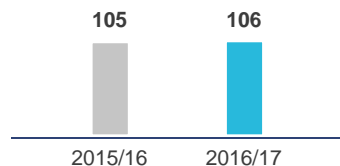
Sales in € millions



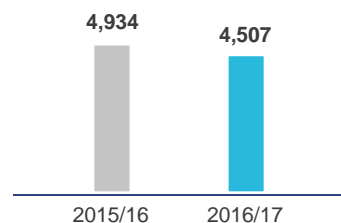
Orders received in € millions



Profit from operations in € millions



Employees



- Sales and profit from operations stable at a high level.
- Slight improvement in return ratios.
- Appreciable fall in orders received due to delays in several major projects.

Voith Paper

Improved market environment

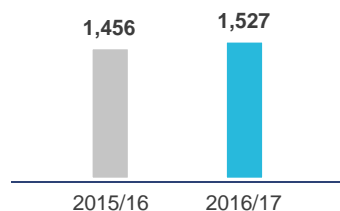
- Voith supplies one of the world's most powerful specialty paper machines to Papierfabrik August Koehler SE.
- Voith sets new record by commissioning the tissue machine supplied to Little Rapids:
The machine achieved its maximum operating speed within one week.
- The Bohui Paper Group signed an order for one of the world's largest board machines.



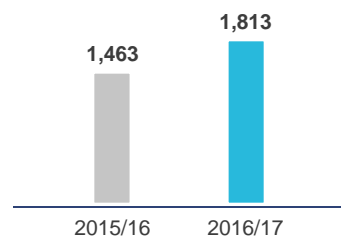
Voith Paper

Significant improvement in all key figures

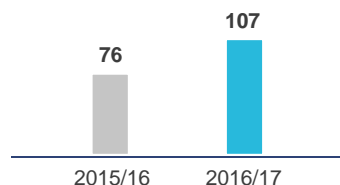
Sales in € millions



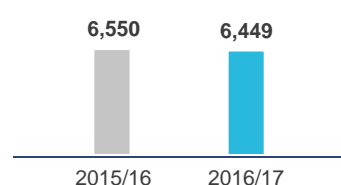
Orders received in € millions



Profit from operations in € millions



Employees



- Sharp increase in orders received (+24 %) in a brighter market environment.
- Sales growth driven by growth across all divisions.
- Above-proportionate 40 % increase in profit from operations; cost cuts and increases in productivity paying off more and more.

Voith Turbo

Challenging market environment

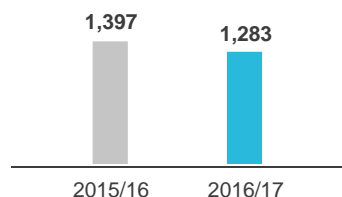
- Voith supplies 100th BHS Turbo Gearbox to Siemens. This gearbox marks a milestone in the cooperation between Voith and Siemens.
- One million retarders shipped worldwide. The VR 115CT has been specially developed to cope with the very toughest operating conditions in China.
- Negotiations on cooperation with CRRC, the world's largest railway manufacturer. As a result, Voith Turbo will grow its business in China sharply.



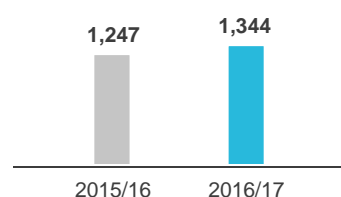
Voith Turbo

Satisfactory performance, turnaround in orders received

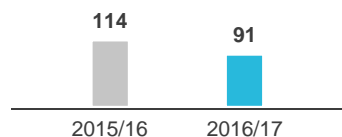
Sales in € millions



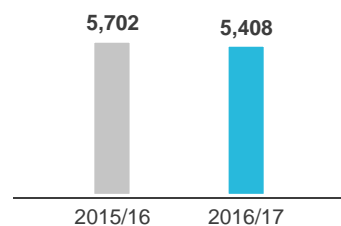
Orders received in € millions



Profit from operations in € millions



Employees



- Orders received with significant growth of around 8 %.
- Sales fell as expected as a consequence of lower orders received in previous years.
- Declining sales volume and shift in the sales mix lead to fall in profits.

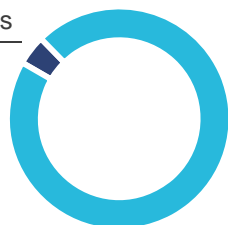
Voith Digital Solutions

Construction progressing as planned

Total sales (€299 millions)

Sales Voith Digital Solutions

€13 million



Sales generated for
traditional Group Divisions

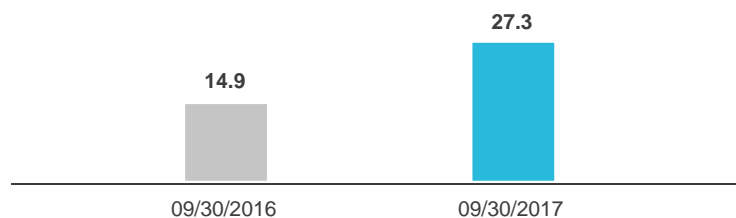
€286 million

- Dynamic development in the first full financial year, sales expectations exceeded.
- Profit from Operations result of €-43 million affected by scheduled start-up costs.

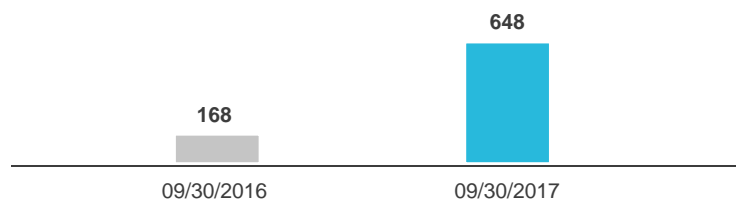
Balance sheet

Strong increase in the equity ratio and further improvement in liquidity

Equity ratio in %



Net liquidity in € millions



- Significant improvement in the Group’s financial position, greater financial freedom for new phase of growth.
- Equity ratio reached a historical high.
- Net liquidity increases by just under half a billion Euros.

Key figures for fiscal year 2016/17

Conclusion

- Voith stands on a strong foundation, with a very solid balance sheet.
- The Group has made visible progress on the path to achieving sustainable competitive profitability in its core operational business.
- Due to its sustainably strengthened portfolio, Voith can finance the development of Digital Solutions from its own operating business.

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Outlook for 2018

Slight improvement in general conditions anticipated

- **Slight economic tailwind:** Upturn in growth in the global economy, with far greater buoyancy in emerging markets than in industrialized countries.
- **Brightening investment climate:** Voith expects a more favorable market environment in most core markets, but demand from the raw materials and oil and gas sectors will likely remain restrained.
- **Latent political risks:** Large number of geopolitical uncertainties and lack of clarity about world trade policy continue to exert pressure.

Outlook for 2018

Clear strategic priorities

- **New growth phase:** Leverage market opportunities in the brighter global economic environment to drive organic growth across all Group Divisions and examine M&A opportunities.
- **Press ahead with digital transformation:** Further development of Voith Digital Solutions into a growth driver for the Group, launch of new digital products and solutions in faster and faster succession.
- **Keep the company competitive and fit for the future:** Following the Group's successful reorganization, implement further measures to optimize structures and processes and further promote transformation of our corporate culture.

Outlook for 2018

Improvement in the most important key figures forecast

- **Orders received:** Positive trend likely to continue in the current fiscal year.
- **Sales:** Appreciable growth forecast, mainly underpinned by Voith Paper and Voith Turbo, as well as Voith Digital Solutions.
- **Profit from operations:** Slight increase in the cumulated profit from operations of the three core business segments. Taking into account the investments in Voith Digital Solutions, profit from operations and the ROCE will improve.

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Medium-term objectives

Secure our strong base, leverage opportunities

- **Our ambition:** Sustainable profitable growth and expansion of our market and technology leadership in our traditional core business.
- **Our mission:** To develop the Voith Group further into a significant shaper of the digital industry.
- **Our motivation:** To secure Voith's long-term independence as a family-owned company.

VOITH

Inspiring Technology
for Generations