

Press release

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Voith improves its earnings power once again in its anniversary year

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- **Further improvements in the operating core business in the first half of the year; Voith Paper with a 54 percent increase in profit from operations**
- **Orders received up eight percent, sales roughly at the previous year level, Book-to-Bill Ratio significantly above one**
- **Digital agenda consistently driven forward**
- **Forecasts for the full fiscal year confirmed**
- **Voith's CEO Lienhard: "2016/17 fiscal year promises to be another good year for Voith"**

Heidenheim. The Voith Group is making great progress along its path towards a sustainably successful future. Over the course of the anniversary year 2016/2017 to date, the operating business has presented itself in even better shape: the volume of orders received rose noticeably in the first half of the year. Despite the market environment that remains challenging, the Group succeeded in maintaining sales at a roughly stable level and further increasing the operating result in the core business overall. At the same time, Voith has consistently driven forward its strategic agenda. Already in the first year of its existence, the new Voith Digital Solutions Group Division has fully met the expectations placed in it. Voith is developing into a company that is playing a major role in the digital transformation of its industries. Aided by the successful sale of the KUKA shares, the Group's financial situation has likewise clearly improved.

"In the first half of the year, Voith has once again succeeded in increasing its return on capital and its return on sales, while sales remained roughly at the same level. Additionally, we are making substantial progress in the



gradual implementation of our digital agenda. Thanks to central strategic decisions made in past years, Voith has a profitable core business, a coherent strategy for the future and a strong balance sheet. Following the Company's successful transformation it is now in a good position to achieve profitable growth on a sustainable basis," explained Dr. Hubert Lienhard, President & CEO.

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Developments in the core operating business as planned

In the first half of the 2016/17 fiscal year, the Voith Group's core operating business continued to see positive developments. The volume of orders received by the three core businesses, Voith Hydro, Voith Paper and Voith Turbo, totaled €2.32 billion. This is an increase of eight percent on the previous-year period. The volume of orders on hand likewise increased by eight percent in comparison to the level seen at the end of the past fiscal year and now stands at €5.75 billion (€5.31 billion). Significantly above one is Voith's Book-to-Bill Ratio with a value of 1.18 – this confirms the positive development of the company.

At €1.97 billion (€2.04 billion), Group sales were nevertheless around the previous-year level as a result of the low level of market-related orders received by Voith Turbo from some customer industries in the previous year. At the same time, Voith succeeded in further improving the profitability of the core business: the profit from operations of the three established Group Divisions increased to a total of €117 million (€110 million) with Voith Paper excelling with a growth of 54 percent. In the core business, the return on sales increased to 6 percent (5.5 percent). The ROCE (return on capital employed) also rose to 11.8 percent (11.2 percent). The total profit from operations recorded by the Group fell slightly in comparison to the previous year to €91 million (€97 million) primarily on account of the budgeted build-up costs for Voith Digital Solutions of double-digit millions. With a significant effect coming from the proceeds of the the sale of the shareholding in KUKA completed in January 2017, the group net result rose on



the previous year period to €566 million (€-48 million). But even without this non-recurring effect, Voith was able to generate a positive net result once again.

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The Group's financial situation has similarly significantly improved over the first half of the year, primarily on account of the high cash inflows from the KUKA sale. The equity ratio rose to 23.8 percent as of March 31 reporting date after 14.9 percent as at the end of the previous fiscal year. The Group's net liquidity increased over the same period from €168 million to €597 million. "We have considerable financial headroom at our disposal for organic growth or acquisitions that we are planning to consistently exploit over the coming years – not only in our established business but also in the area of digital services," says Voith's CEO Lienhard.

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Digital agenda driven forward.

In the past months already, Voith has been driving forward its digital transformation and launched numerous projects and initiatives. The new Voith Digital Solutions Group Division, where Voith has bundled its entire expertise in the fields of automation, IT, software and sensor technology, is at the heart of the Group's digital agenda. Voith Digital Solutions not only acts as a digital "enabler" for the established core activities but also develops new digital products and solutions. For example, Voith launched merQbiz in the US in March, the first digital trading platform for recovered paper worldwide; and by middle of May 1,100 metric tons had already been traded on this platform. The recently agreed acquisition of the majority shareholding in Ray Sono, one of the leading providers of digital services in Germany, will also contribute to further implementation of the digital agenda.

Core operating business according to plan

Voith Hydro looks back on a good first half of the fiscal year. With sales remaining stable, the Group Division succeeded in increasing its profit from



operations. As a smaller market volume was awarded in the reporting period than in the comparative period of the previous year, as expected, there was a fall in Voith Hydro's orders received.

The turnaround initiated at **Voith Paper** in the past fiscal year stabilized and accelerated further in the first half of the year. Thanks to several major orders, the volume of orders received was 74 percent up on the previous year value. Sales remained just about stable. On account of increases in productivity as a consequence of the successful restructuring measures in previous years, profit from operations rose significantly by 54 percent.

Voith Turbo saw satisfactory developments in the first half of 2016/17 in a market environment that continued to be challenging in many areas. Sales and profit from operations declined, as anticipated, as a consequence of the fall in orders received in previous years. Voith Turbo achieved a slight increase in orders received for the first time after two years of declining volumes.

Outlook: Voith Group on track for the future

Voith retains its confidence with regard to the full fiscal year 2016/17. The Group will continue to invest in its digital transformation over the remaining course of the year. All in all, an additional €100 million has been earmarked for the development of new digital products and solutions over the coming two fiscal years. But the Group is also driving forward the growth of its core activities. One example of this is the opening of a new Voith Turbo production location in China in the past half year. This will be one of the most modern sites worldwide in the Voith network. The plans for the new Voith plant situated not far from Shanghai are to produce Mobility division products such as retarders and wheelset transmissions for the local Chinese and Asian markets.

In the operating business, Voith continues to expect sales roughly matching the previous-year level and a slightly increasing volume of orders received in an ongoing challenging environment. The profit from operations

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will be clearly positive but is likely to fall below the level seen in the previous year as a result of the build-up costs for the Voith Digital Solutions Group Division in line with planning. The group net result will reach a record level in the anniversary year. The effect on results from the sale of the KUKA shares made a particular contribution to this development.

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“The current fiscal year promises to be another good year for Voith. This means that Voith remains well on track for the future. We are consistently pursuing our goal of positioning Voith as a key digital industry player,” explains CEO Lienhard.

Voith technologies have been inspiring customers, business partners and employees worldwide for 150 years. Founded in 1867, Voith today has around 19,000 employees, sales of €4.3 billion and locations in more than 60 countries worldwide and is thus one of the largest family-owned companies in Europe. As technology leader, Voith sets standards in the markets of energy, oil & gas, paper, raw materials and transport & automotive.

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