

Media Release

Voith Group

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Voith Group's results remain solid in the first half of the fiscal year 2019/20

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- Group sales slightly up from the previous year
- EBIT in the Group has increased and all three lines of its core business have positive figures
- Orders received remain at a high level, in particular to the further growth of Voith Paper
- M&A strategy has advanced successfully
- First negative impact of the COVID-19 pandemic in the Voith Group's figures for the end of March

HEIDENHEIM. The Voith Group continued to show solid results in the first six months (October 2019 through end of March 2020) of the current fiscal year 2019/20, despite a very challenging market environment. Voith's figures were negatively affected beginning late March by the COVID-19 pandemic, which first appeared in China – one of Voith's important markets – before spreading around the world towards the end of the reporting period. The pandemic went hand in hand with contact restrictions in many places, initial production stoppages and a noticeable reluctance on the part of customers to invest.

Despite this, Group sales of EUR 2.08 billion were slightly higher than in the same period in the previous year (EUR 2.07 billion). Orders received were worth EUR 2.17 billion, almost as high as in the previous year (EUR 2.29 billion). The value of orders received was EUR 5.58 billion on the reporting date of March 31 and was slightly higher than the high-level in the previous year (EUR 5.54 billion). Voith was able to increase its operating results slightly in the first half of the fiscal year. EBIT increased by 3 percent to EUR 79 million. All three lines of our core business were clearly in the black while future investments in Digital Ventures continued to impact

results, as planned. The Voith Group's EBIT margin rose slightly to 3.8 percent. The net result rose significantly to EUR 23 million (previous year EUR 18 million).

For the first time, the figures for the first half of the fiscal year also include BTG, which was integrated on December 1, 2019. The new Voith subsidiary, a provider of integrated, highly specialized process solutions for the global pulp and paper industry, contributed EUR 51 million of incoming orders, sales of EUR 48 million and operating results of EUR 7 million.

"The Voith Group was in a highly robust operative and financial condition when the COVID-19 crisis broke out. It is at times like these that our broad sectoral and geographical positioning pays off. We are confident that Voith will come through the crisis well and that it is optimally placed to continue on its present course of sustainable and profitable growth," stated Dr. Toralf Haag, Voith President and CEO.

Acquisitions further strengthen core business

In addition to the crisis management which is necessary during the COVID-19 pandemic, Voith is continuing to focus on its targeted strategy of strengthening its core business, in particular through further M&A transactions. The most recent successes in the last few months have been the first steps towards founding the HMS – Hybrid Motion Solutions GmbH joint enterprise with Moog Inc., a developer, manufacturer and supplier of electrical, hydraulic and hybrid drive solutions. The partners will work together to build business with hydraulic drives in various industry markets. Voith is also planning to acquire Traktionssysteme Austria GmbH (TSA) together with the Swiss company PCS Holding. A contract for the joint acquisition of a 59 percent shareholding was signed in April. TSA is the world's leading manufacturer of electric motors, generators and transmissions for rail and commercial vehicles.

Voith had already achieved important milestones in its M&A strategy in the previous months. After completing the integration of BTG, two other important acquisitions were agreed upon in December 2019, and have now closed. The acquisition of a 90 percent holding in the Italian company Toscotec has further strengthened Voith's position in the paper industry. Toscotec's product and service portfolio will extend Voith Paper's offering and further strengthens the position of the company as a full-line supplier in key sectors of the paper industry. The Turbo Division has also made a strategic addition to its portfolio by acquiring a majority shareholding in ELIN Motoren GmbH, a high-tech Austrian company with a global business

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in electric motors and generators for industrial applications. This acquisition will strengthen Voith Turbo's position as a technology-independent supplier of drive systems even further.

Dr. Toralf Haag: "As we explained at our annual press conference in December, we are consistently building our core business in the fields of sustainability, decarbonization and digitalization. The electrification of drivetrains and paper as a sustainable raw material play key roles in this respect. We have the financial flexibility to weather the challenges of the pandemic and to move forward with determination."

Sound development in the Group Divisions

The Group Division **Voith Hydro** reported sales of EUR 504 million, which was substantially lower than in the previous year (EUR 553 million). Orders worth EUR 521 million were received which was, as anticipated, significantly lower than in the very good previous year (EUR 762 million). The Service business continues to develop encouragingly. Operating results of EUR 17 million were lower than in the previous year (EUR 27 million) as a result of sales.

In the first half of the 2019/20 fiscal year, the Group's growth was again primarily driven by the Group Division **Voith Paper**. Despite the normalization of investments in the paper industry, Voith Paper was able to boost the value of orders received significantly up to EUR 901 million (previous year: EUR 747 million). Sales increased to EUR 895 million (previous year: EUR 821 million) thanks to excellent capacity utilization and the acquisition of BTG. Operating results of EUR 46 million were again higher than the previous year (EUR 42 million).

The persistently difficult market environment (e.g. in the oil sector) and the immediately noticeable impact of the COVID-19 pandemic on important customer industries led to the Group Division **Voith Turbo** receiving 7 percent fewer orders (EUR 697 million) and generating 3.3 percent less in sales (EUR 641 million) than in the same period of the previous year. Accordingly, EBIT fell to EUR 20 million (previous year: EUR 26 million).

The Group Division **Voith Digital Ventures** reported encouraging successes in the market and was able to increase the number of orders received by 57 percent to a value of EUR 47 million and also boosted sales by 26 percent to EUR 36 million. Due to important investments in future

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digitalization and start-up activities, the operating results remained negative at EUR -6 million, which was nonetheless an improvement from the first half of the previous year (EUR -18 million).

Outlook: Negative influence of the COVID-19 pandemic anticipated

There has been no fundamental change in the Voith Group's strategic objective of achieving sustainable and profitable growth in the years ahead. In the present circumstances, in which there remains significant uncertainties concerning the full scale of the impact of the pandemic and the timing and speed of economic recovery, it is impossible to provide a reliable short-term forecast. Nonetheless, Voith does expect that the most important key figures will be negatively affected by a substantial degree due to the impact of COVID-19 throughout the rest of the fiscal year 2019/20.

About the Voith Group

The Voith Group is a global technology company. With its broad portfolio of systems, products, services and digital applications, Voith sets standards in the markets of energy, oil & gas, paper, raw materials and transport & automotive. Founded in 1867, the company today has more than 19,000 employees, sales of € 4.3 billion and locations in over 60 countries worldwide and is thus one of the larger family-owned companies in Europe.

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