

## Press Release

Voith GmbH  
Corporate Press Office  
St. Pöltener Straße 43  
89510 Heidenheim, Germany  
Telephone +49 7321 37-2219  
Telefax +49 7321 37-7107  
www.voith.de

### **Voith Maintains Course for Growth with Robust Half Year Broad Portfolio Offsets Slump in Paper Market**

2012-05-31

- **Sales rise by 4 percent to Euro 2.7 billion**
- **Orders received are below record value of previous year as expected, orders in hand continue on very high level**
- **Group earnings weighed down by decline at Voith Paper**
- **Voith CEO Lienhard: "Voith has once again proven its robustness in a challenging market environment"**

Heidenheim, 31 May 2012. Against the background of an overall difficult market environment, the Voith Group has ended the first half year of fiscal 2011/2012 (per 31 March) with a satisfactory result. Compared to the record value achieved over the same period in the year before, the globally active family-owned company was able to increase its Group sales by another 4 percent to Euro 2.7 billion. As anticipated, at Euro 2.6 billion, orders received remained behind last year's outstanding value of Euro 3.4 billion. Among other reasons, the previous high value had been the result of an unusually large volume of major orders in the Division Voith Hydro. Compared to the end of the past fiscal year, orders in hand remained fairly stable at Euro 5.9 (6.0) billion.

"Against the background of a demanding market environment, Voith has once again proven the robustness of its business model in the first half of the current fiscal year," stated Dr. Hubert Lienhard, CEO and President of the Management Board. "Thanks to our diversified portfolio and our

overall strong market position, we are always able to offset any weaknesses in individual industries and markets," Lienhard continued.

In the period under review, all markets were characterized by high price pressures and a general sense of nervousness due to a multitude of macro-economic insecurities. During the first six months of the current fiscal year, four of the five markets served by Voith - energy, oil & gas, raw materials as well as transport & automotive - were on a moderate course for growth. As a result, the Divisions Voith Hydro, Voith Turbo and Voith Industrial Services continued to develop positively with consistently rising sales, among which Voith Hydro stood out with a plus of 12 percent.

In contrast to the above, the paper market is undergoing a radical structural change: on the one hand, the far-reaching digitalization of everyday life through terminals such as the iPad and the ensuing changes in consumer habits has led to a faster-than-expected drop in demand for so-called graphic papers. Such paper grades are, for example, needed for printing newspapers or magazines. On the other hand, the medium to long-term growth in demand for paper machines refers mainly to Asia and concentrates primarily on the highly contested market for medium-size paper machines. This new segment is marked by low price structures, a more aggressive and larger circle of local competitors and significantly higher price pressures. For this reason, the Group Division has decided to introduce a comprehensive restructuring program during this fiscal year, in order to adapt quickly to this development. The goal is to ensure a sustainably profitable position for the Group Division Voith Paper in a paper market with recognizably changing structures and to retain market leadership also in the future.

Against the background of these changes, the Group Division Voith Paper was unable to continue the positive development of the past year. It listed a slight decline in sales, a noticeable minus in orders received and a significantly decreased financial result that also weighs down the

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overall Group result. With Euro 63 million (previous year 95 million), Voith was, however, able to achieve a satisfactory half-year result, due to the positive situation in the other three Group Divisions.

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As a demonstration of the forward-looking attitude of Voith and a commitment to the location Germany, Voith CEO Lienhard used the publication day of the company's half-year figures to officially announce that Voith will be investing about EUR 16 million for the construction of a new training center. The design of the Leinfeld-based architect Eberhard Faecke aims for transparency, functionality and inspiration. Building work will commence in the next few weeks. Completion and official opening of the new training center is scheduled for the end of 2013.

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Despite the prevailing economic insecurities and the fundamental transformation of the paper market, Voith continues to be cautiously optimistic. With the exception of Voith Paper, it is assumed that all Group Divisions will be able to increase their sales and revenue figures in fiscal 2011/12. Therefore, a slight plus is expected as far as the overall Group result is concerned. Due to the normalizing effects already announced in the Annual Report 2010/2011 - there was an extraordinary number of major projects - and the unexpectedly drastic slump in the paper market, orders received across the whole business year are likely to be below the high levels of the previous year.

"The current fiscal year is more challenging than the previous one. Due to the ongoing anxiety in the Eurozone and the economic slowdown in Asia it is difficult to make any predictions. Yet we have once again proven that we are able to react fast and decisively to challenging situations. Our balanced portfolio helps us to offset weaknesses in individual areas and to continue our course for growth on Group level," says Voith CEO Lienhard. Provided that the fundamental economic assumptions for 2012, especially for the Eurozone and for Asia, continue to apply, the company's forecast anticipates to end fiscal 2011/2012 with a positive

operative cash flow, a further increased equity ratio and a once again significantly improved result.

The complete Interim Report per 31 March 2012 can be accessed under <http://voith.com/en/press/reports-and-magazines-18929.html>.

*Voith sets standards in the markets energy, oil & gas, paper, raw materials and transportation & automotive. Founded in 1867, Voith employs almost 40,000 people, generates € 5.6 billion in sales, operates in about 50 countries around the world and is today one of the biggest family-owned companies in Europe.*

**Contact:**

Voith GmbH  
Markus Woehl  
Head of Corporate Media & Public Relations  
Phone: +49 7321 37 2219  
E-Mail: [markus.woehl@voith.com](mailto:markus.woehl@voith.com)

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