

Voith 2014: Seizing opportunities, shaping change

Annual Press Conference, Stuttgart, December 10, 2014

Agenda

- 1. Voith 2014 – Summary**
2. Voith 2014 – Key financial indicators
3. Strategy and outlook

Opportunities and change at Voith – Issues we are addressing

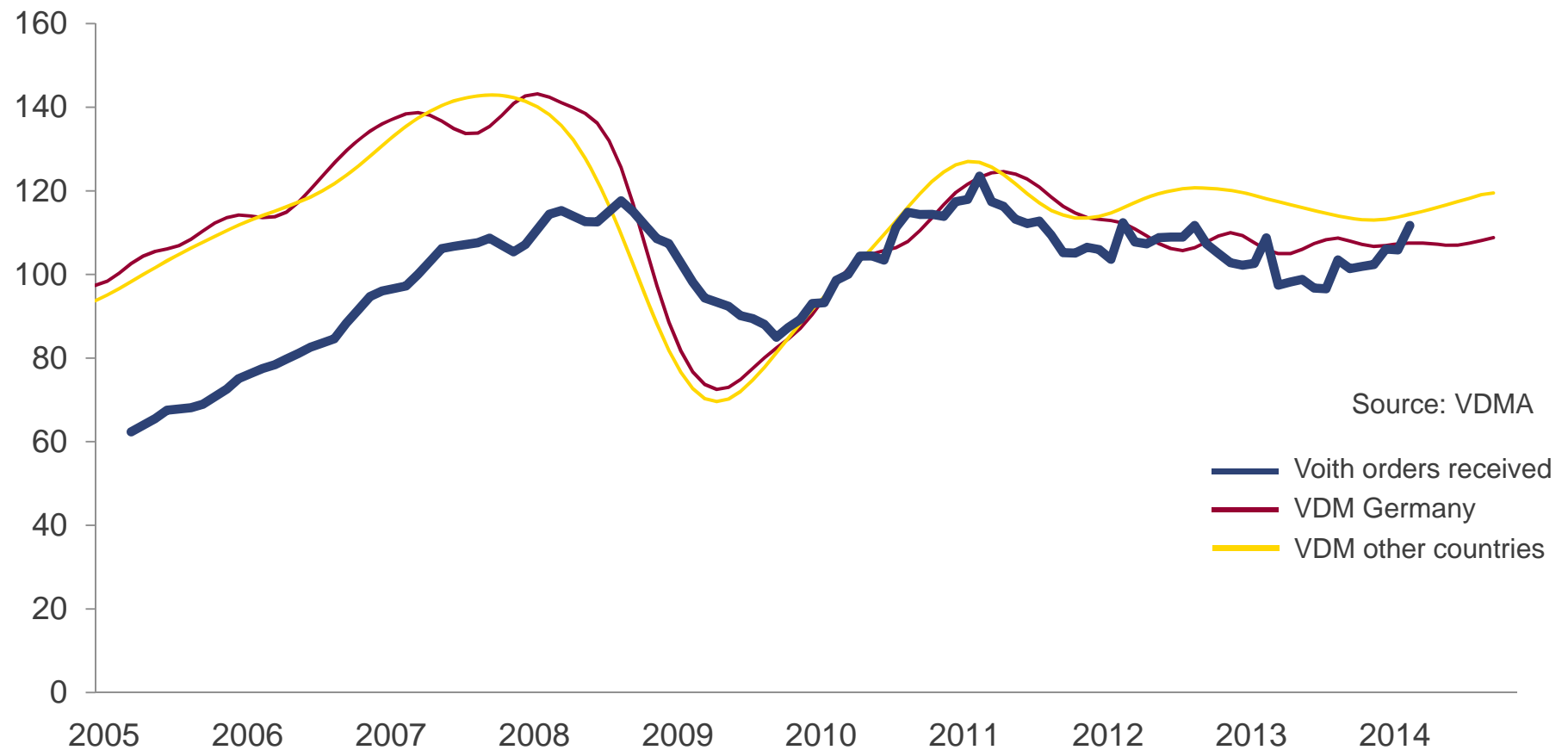
- Ongoing major challenges in the business with new machines at Voith Paper
- Pressing forward with portfolio enhancement
- Reorganization of global structure in the administrative functions
- Stake in KUKA is a step towards positioning the Group in the field of electronics, sensor systems and automation

Work will continue on these issues in the coming weeks.

Fiscal year 2014: Challenging environment continues

- Increasing burden from geopolitical uncertainties
- World economic growth remains below expectations, Europe and Latin America particularly weak
- Subdued demand for capital goods especially in the Voith target markets Energy, Oil & Gas and Raw Materials
- Intensified competition for ever fewer major orders exerting increasing pressure on margins in sectors relevant to Voith such as the business for new paper machines

Mechanical engineering orders received



Source: VDMA

- Voith orders received
- VDM Germany
- VDM other countries

Development of KPIs not uniform within the Group



- Earnings before taxes up on previous year
- Reversal of the trend in orders received becomes stable, significant rise of 7% – well-balanced portfolio generates growth again
- Book-to-bill rate > 1 implies Voith is building up substance
- For years positive free cash flow and no net debt despite ongoing restructuring
- Fundamental financial resources of the company



- More downward pressure on sales from markets, exchange rates and the economic environment than originally anticipated
- Operational result remains clearly positive, but hampered by the fall in sales and non-recurring items
- Fall in sales, non-recurring items and restructuring expenses also impact net income

Significantly improved KPIs for 2014 after eliminating burdens from Voith Paper's business with new machines

ROCE*



Group actual / assumption*

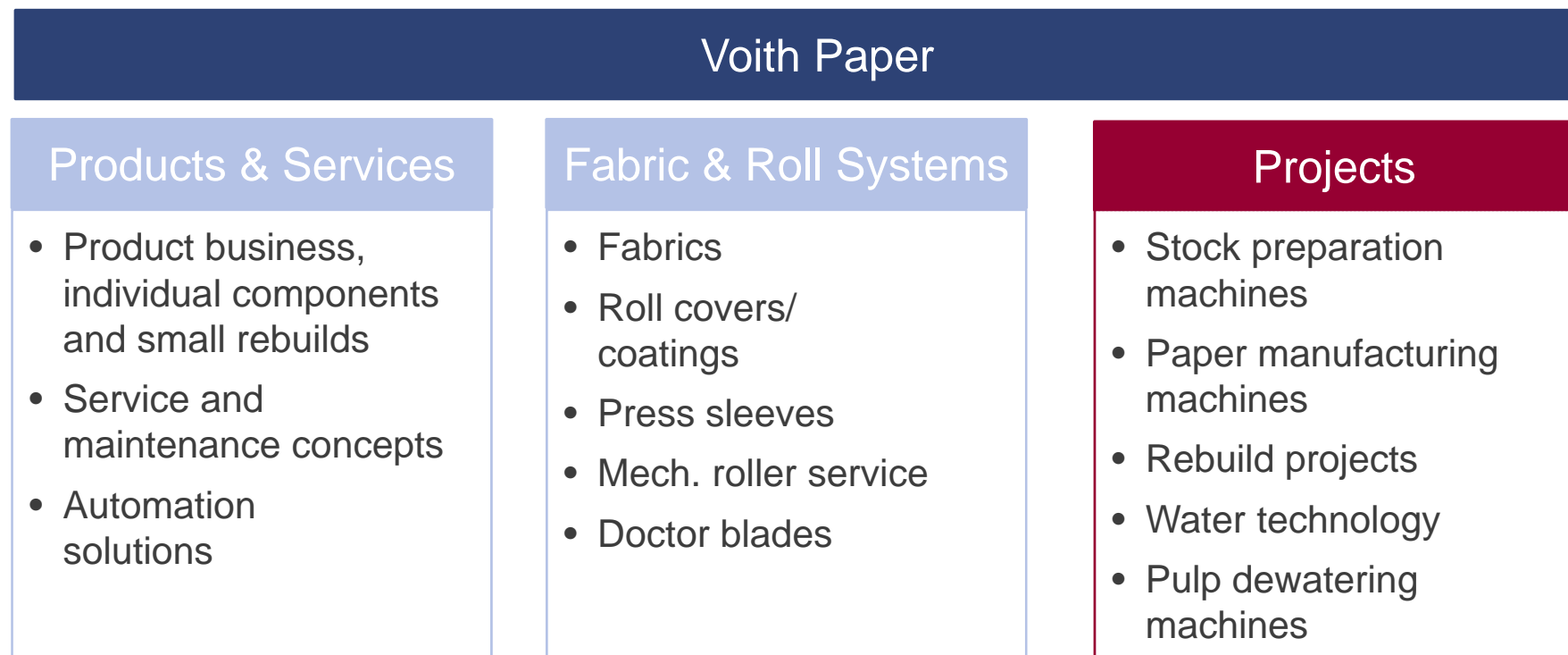
ROS*



Group actual / assumption*

*Assumption: Voith Paper Projects with earnings =0, all other figures VP Projects unchanged.

Our greatest challenge: adjustment process at Voith Paper Projects



Two of the three divisions of the Voith Paper Group Division are very well positioned and profitable.

The business with new machines remains an important basis for Voith's paper business

- The manufacture of new machinery gives us access to all other business areas of the paper industry
- For this reason, we will maintain this business in the future
- However, further restructuring measures will be required

Where we stand in 2014 – Voith at a glance

Voith Hydro



- Financially sound and well-positioned
- Worldwide success with major hydro power projects and small hydro plants as well as with service and automation work

Voith Industrial Services



- Portfolio enhancement well on its way
- Focus on attractive automotive sector bearing fruit
- Turnaround opportunities in Energy & Petro-Chemicals and Engineering Services

Voith Paper



- P&S / FRS divisions profitable
- Business with new machines: market growth insufficient to bring about full utilization of capacities
- Further measures for Projects in examination

Voith Turbo



- Stable provider of earnings
- Strongly positioned in attractive niches
- Growth potential in the division Power, Oil & Gas as well as in technology for Rail and Commercial Vehicles

How we are meeting our challenges: the Voith 150+ success program

The Voith 150+ success program, launched in the fall of 2013, will safeguard our long-term competitiveness and ability to generate growth – far beyond the 150th anniversary of our company in 2017.

Voith 150+ means

- Optimizing the existing portfolio
- Enhancement of structures and processes
- and sustainable reinforcement of our corporate culture in a rapidly changing environment

Voith facing change. Our Voith 150+ achievements in 2014

Voith 150+

Portfolio optimization

- Realignment of Kiel location completed
- Acquisitions and disposals (Helix/DIW) at Voith Industrial Services
- Restructuring of new business at Voith Paper continued

Optimizing processes

- Introduction of new organizational structure in global administration functions launched
- Global OPEX measures to optimize our production facilities, savings until 2016: €100 million

Culture

- Group-wide diversity & inclusion initiative
- Measures to reinforce corporate culture and Voith's values
- Voith will remain true to itself even as it undergoes change

Conclusion for 2014: another stage on the path to securing the long-term future

- Voith 150+ is bringing about the greatest change seen in Voith's recent history
- Financial strength supports the process of change
- Positive cash flow and net assets allows the Group to finance the restructuring from its own resources
- The strategic stake in KUKA makes a major contribution to strengthening Voith on a sustainable basis. KUKA is well positioned in the "Industrie 4.0" megatrend and is therefore a very attractive investment for Voith.

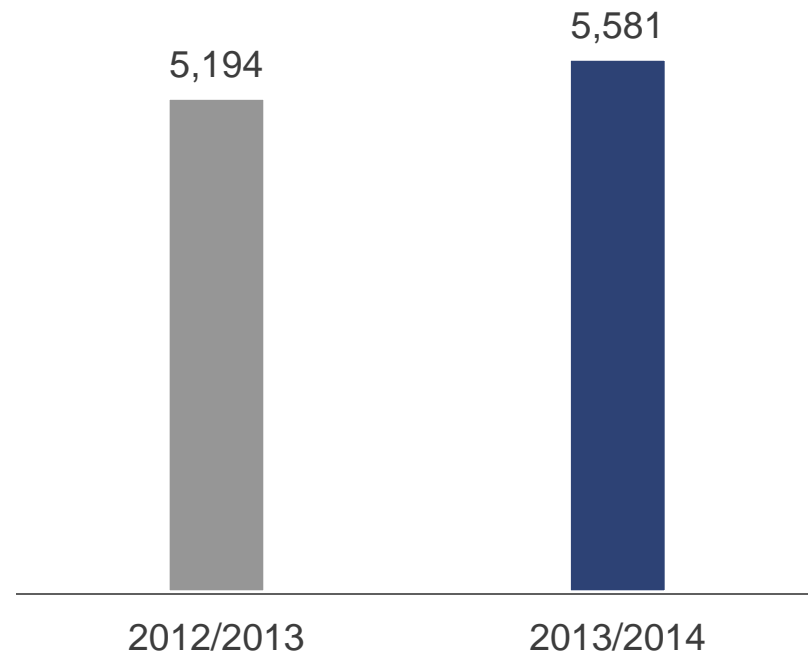
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Orders received: reversal of trend confirmed – significant rise on previous year

Orders received Group

(in € million)



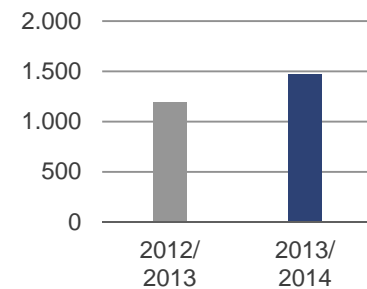
- The Group's new business is developing much more strongly than originally anticipated
- Orders on hand rise to €5.38 billion as of the end of the fiscal year (Sept. 30)

Orders received rise over the entire portfolio

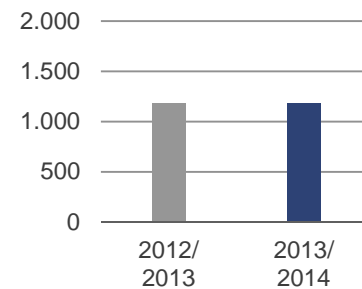
Orders received Group Divisions

(in € million)

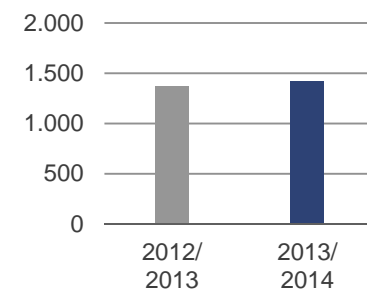
Voith Hydro



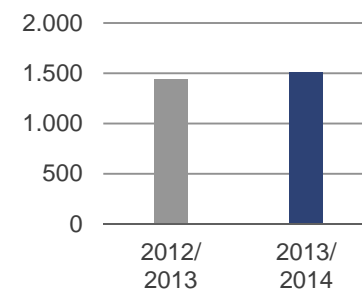
Voith Industrial Services



Voith Paper



Voith Turbo

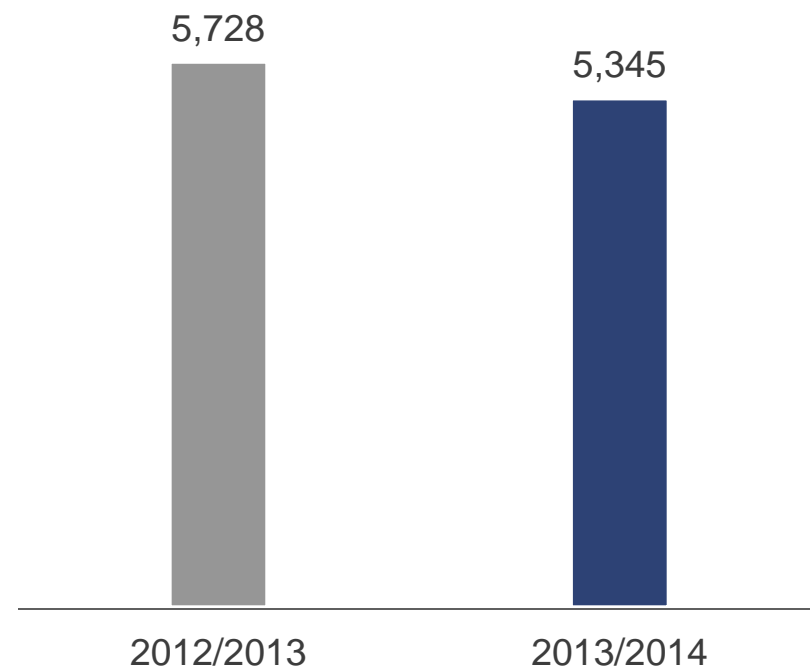


- Voith Hydro sees the largest rise (up 24%); major contracts won in slightly more active market
- Stable development at Voith Industrial Services
- Slight rise at Voith Paper following three successive fiscal years with orders received in decline
- Voith Turbo with a buoyant level of new business in a difficult market environment

Group sales reflect the decline in orders received in previous years

Sales Group

(in € million)



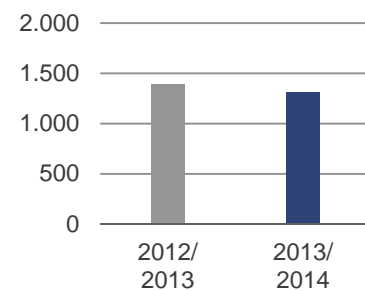
- The target of Group sales matching the level of the previous year was not achieved, primarily on account of the further decline in business at the Projects division of Voith Paper
- Burden from currency effects, especially in emerging markets

Balanced portfolio cushions decline in sales

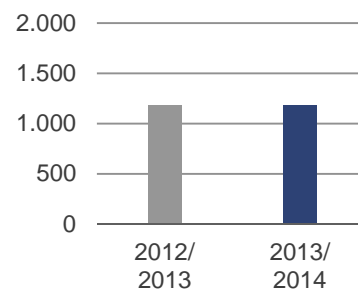
Sales Group Divisions

(in € million)

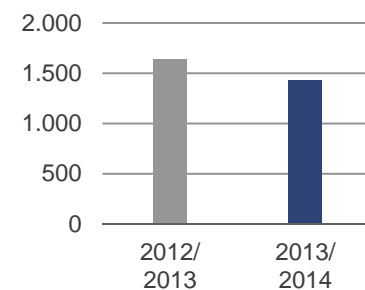
Voith Hydro



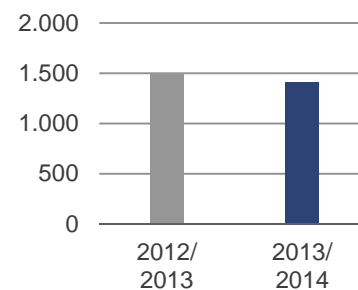
Voith Industrial Services



Voith Paper



Voith Turbo

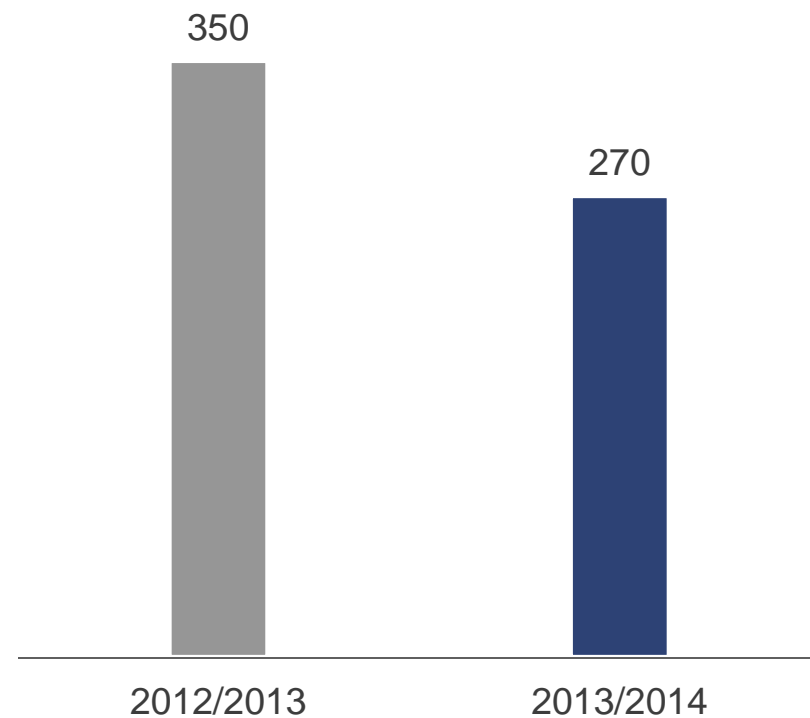


- Voith Hydro down slightly on very high previous-year figure
- Stable development at Voith Industrial Services despite changes in portfolio
- Voith Paper's sales tracks massive slump in orders received in previous years
- Voith Turbo with stable level of sales in continuing core business

Profit from operations coming under pressure mainly from decline in sales

Profit from Operations Group

(in € millions)



- Positive operational result in all four Group Divisions
- Decline primarily caused by Voith Paper

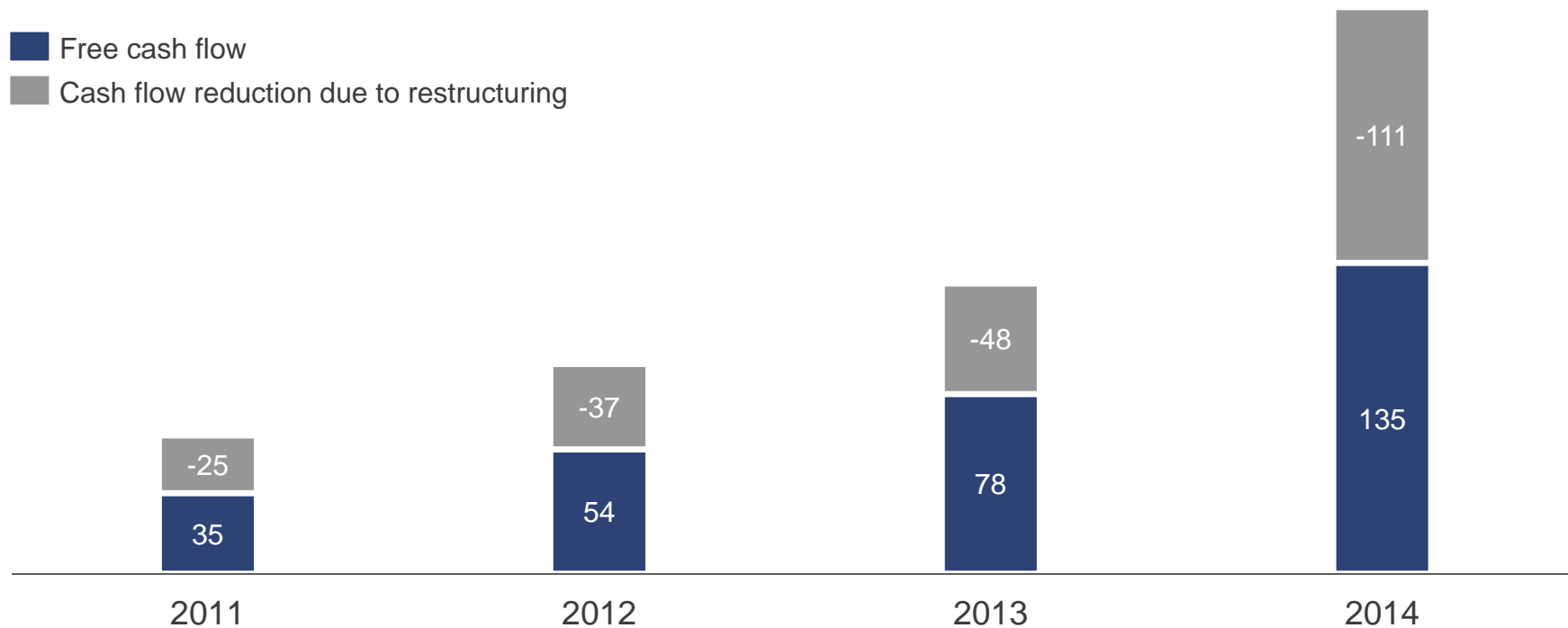
Free cash flow rising constantly over the years despite high restructuring costs

FCF/restructuring costs

(in € millions)

■ Free cash flow

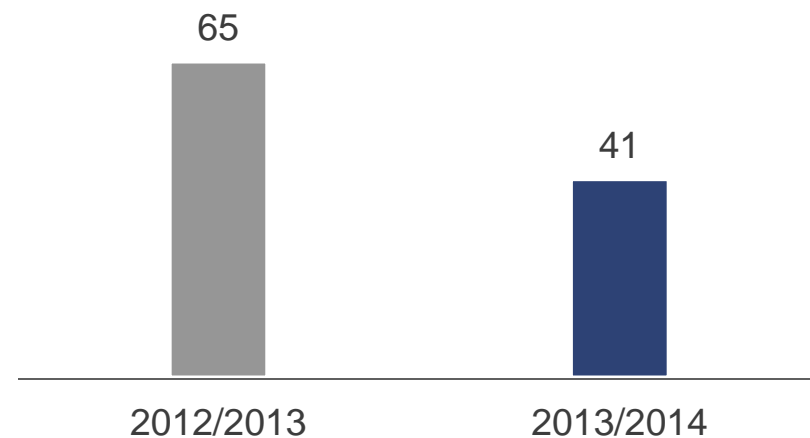
■ Cash flow reduction due to restructuring



Development of sales also impacts net income

Net income Group

(in € million)



- Subdued development of business also hampers the Group's profit
- Additional burden from significantly higher tax expenses than in the previous year

Investments and R&D expenditures scaled back as scheduled

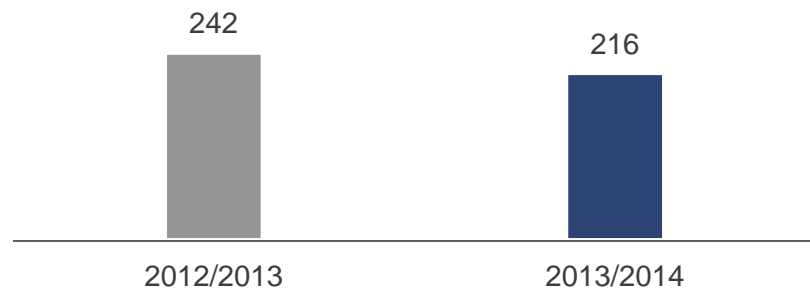
Investments Group

(in € million)



Research and development Group

(in € million)

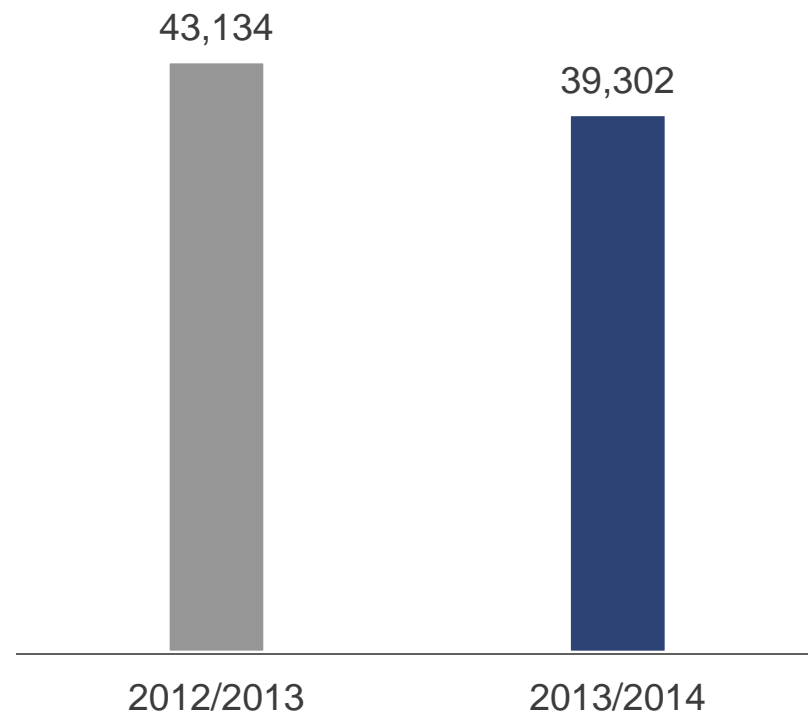


- Investments lowered as scheduled from the high volumes of previous years
- Focal points in the past year: increasing productivity and strategic alignment
- R&D ratio fallen slightly to 4.0% (4.2%) of group sales; therefore still significantly over the industry average

Headcount down significantly on account of restructuring and disposals

Employees Group

as at September 30

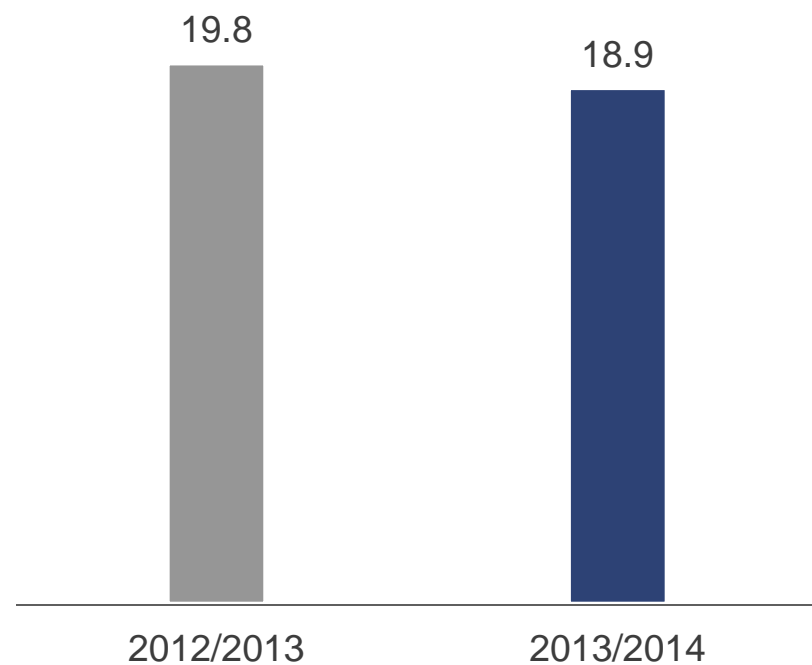


- Most of decline due to disposal of DIW
- Another influencing factor: job cuts at Voith Paper
- Number of trainees risen slightly as of the end of the fiscal year to 1,294 (1,201)

Robust equity ratio and still no net debt

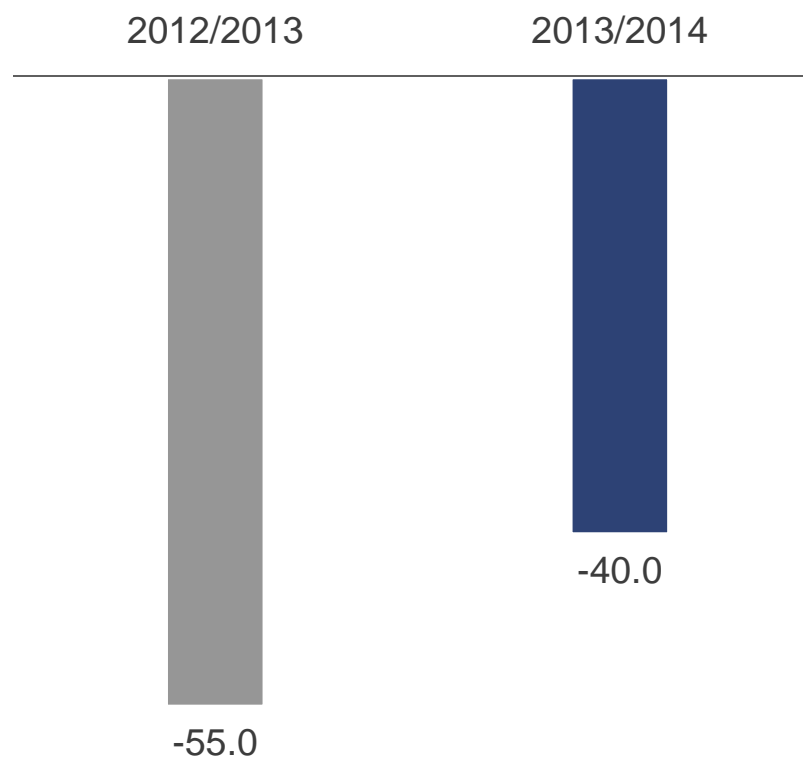
Equity ratio

(in %)



Net new debt

(in € million)



KPIs 2014: Conclusion

- Group continues to generate a positive free cash flow even under difficult conditions and has no net debt. This gives us headroom
- Expenses for Group restructuring are met from current operations as an investment in the future of the company
- Group remains profitable once again in 2014, all four Group Divisions with positive operational result
- The reversal of the trend in orders received will have a positive impact on sales and income only in subsequent periods.
- Financial basis remains very robust, Voith is well positioned for future challenges

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Voith Group: Where we are today

Fundamentally healthy company with four powerful Group Divisions

- Majority of activities with good or satisfactory level of profitability
- But: clear need for action in some areas of the portfolio

Voith 150+ success program on track

- Extensive change process introduced a year ago is progressing on schedule
- But: we still have a long way to go along this path, positive effects on earnings will become apparent step by step

We continue to actively reorganize Voith: What we plan to do in 2015

Voith 150+

Portfolio optimization

- Continue to restructure low-income activities
- Safeguard competitiveness at Voith Paper Projects

Optimizing processes

- Implement excellence initiatives in all group functions and Group Divisions
- Adaption of administrative functions, realization of cost reduction potential

Culture

- Refine guiding management principles
- Reinforce Voith's values
- Maintain tradition of the independent family-owned company

The KUKA Group: Key figures



Group key figures 2013 € in millions

| | KUKA |
|---------------------|-------|
| Sales | 1,775 |
| Orders received | 1,882 |
| Return on sales | 6.4% |
| Return on assets | 4.2% |
| Return on equity | 15.4% |
| Operating cash flow | 221 |
| Employees | 7,990 |

Voith's equity investment in KUKA: The most important facts

- Voith holds a 25.1% shareholding in KUKA.
- Most of the shares were acquired from the previous major KUKA shareholder, Grenzebach, from the capital market and from third parties.
- For Voith, this equity investment is a strategic investment.
- We are a stable anchor shareholder and will join forces with KUKA and its staff as partners. We assume that we will be represented on KUKA's Supervisory Board in the future following new elections.

Why Voith is investing in KUKA

- KUKA is an excellent company that has very good prospects for the future with its core competencies. We will now share in this.
- KUKA is strong in electronics and software, whereas up to now Voith's focus has been primarily on mechanics. For some time we had been looking for an equity investment like KUKA that is ideally suited to us.
- With its highly specialized expertise, KUKA is exceptionally well positioned for the „Industrie 4.0“ megatrend and is accordingly a very attractive equity investment for Voith.
- The equity investment in KUKA is an important contribution to strengthening Voith in the long term.

Outlook for Voith 150+: What our program will bring about

Voith is becoming more efficient and effective. This allows us to generate new financial headroom.

- Annual cost savings of €250 million
- Freeing up additional working capital of €100 million

This success program will help Voith return to its course of profitable growth in the medium term.

- Positive effects on earnings from Voith 150+ will appear successively and will not become fully apparent until the 2017 fiscal year

Outlook for fiscal year 2015: We continue to proactively shape change

- Structural and operational improvements through consistent implementation of Voith 150+: focus on operational excellence and structural efficiency
- Positive trend in profitability, measures in the area of Voith 150+ will have a positive impact
- We expect this will take until 2016, consequently a subdued outlook for 2015:
 - Constant level of orders received and sales anticipated
 - Slight rise in profit from operations and ROCE forecast

VOITH

Engineered Reliability