

Press Release

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Voith Constantly Driving Change

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- **Reversal of trend in orders received stabilizes: order volume rose by 7% in the 2013/14 fiscal year**
- **Consolidated sales and net income in decline**
- **Focus remains on implementing the Voith 150+ success program**

Heidenheim. In a market and competitive environment that remained very challenging, Voith made visible progress in the 2013/14 fiscal year with its Group-wide Voith 150+ success program, which was launched in the fall of 2013. Although there was a lack of stimulus for business in virtually all key markets, the technology group's level of orders received increased by around 7% to €5.581 billion despite having still been in decline in the two previous years; adjusted for currency effects, growth would have even come to 11%. This reinforced the trend reversal which had already revealed itself half way through the year. All Group Divisions made a contribution to this rise. Orders on hand stood at €5.379 billion as of September 30, 2014, just under 5% higher than the level seen in the previous year.

The noticeable improvement in the order situation has, however, not yet had an impact on consolidated sales in the past fiscal year. The latter figure fell by around 7% to €5.345 billion on account of declining order volumes in previous years. Of the four Group Divisions, Voith Paper recorded the most significant decline in sales, down 13%. In this Group Division, the situation especially in the business with new machines has not yet bottomed out even after years of market contraction.

Group income also came under pressure mainly from the ongoing unsatisfactory situation of the business with new machines of Voith Paper. The Group's profit from operations fell to €270 million (previous year: €350 million), with the largest share of this decline being attributable to Voith Paper. However, Voith Paper also returned a profit from operations just like all other Group Divisions. The bottom line was net income of €41 million (€65 million); the positive effects from lower restructuring expenses and the disposal of equity investments was more than offset by higher taxes and the impairment of securities.

Page 2 of 5

“Voith fundamentally remains in excellent health. As has been the situation for years now, we continue to have no net debt and were once again able to generate a positive free cash flow despite manifold burdens in a difficult year. This financial strength gives us the headroom to also master the next phase of restructuring the Group from our own resources,” explains Dr. Hubert Lienhard, President and CEO.

Voith 150+ success program driven forward on schedule

In the past fiscal year, Voith pressed forward as scheduled with the fundamental changes begun under the Voith 150+ success program. With this program, Voith is safeguarding its long-term competitiveness and ability to generate growth – beyond its 150th anniversary in 2017. The program aims at optimizing Voith's portfolio and processes as well as reinforcing the corporate culture in a rapidly changing environment. Once the program has been fully implemented, Voith anticipates annual cost savings of €250 million and expects to free up working capital of €100 million.

Up to now, implementation of Voith 150+ has mainly focused on portfolio optimization. In the past fiscal year, this included continuing with restructuring measures at Voith Paper, completing the realignment of the

Kiel location and using acquisitions and disposals to provide a closer focus to the activities in the Voith Industrial Services Group Division.

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One important step in connection with Voith 150+ was the acquisition of a strategic stake in KUKA AG reported only a few days ago. In light of the fact that industrial production in the coming years and decades will be shaped in particular by increasing automation and interconnection, for Voith the stake in KUKA is a strategic step towards positioning itself in the field of "Industrie 4.0".

Page 3 of 5

Development of Group Divisions not uniform

Voith Hydro, the full-line supplier for hydropower plants did not, as anticipated, succeed in fully matching the very high sales of the previous year. With regard to new business, however, this Group Division was very successful in that it increased the level of its orders received by almost a quarter.

Voith Industrial Services, the global service provider for the key industries of automotive, energy, chemical and petrochemical, mechanical engineering and aerospace looks back on a year of intense change primarily revolving around portfolio optimization and strategic focus. Adjusted for changes in the consolidated Group, sales were slightly up on the previous year. In this respect, the development of the largest division, Automotive, was especially pleasing.

Voith Paper continued to suffer from how business developed in the Projects division, i.e. in the business with new machines. On the other hand, business with products, consumables, and services in the Fabric & Roll Systems and Products & Services divisions saw a very pleasing development.

Voith Turbo, the specialist in power transmission, developed positively overall in a difficult market. Adjusted for the realigned activities of the Locomotive business in Kiel, sales stood virtually at the level of the previous year, whereas orders received rose slightly. The development of the division Commercial Vehicles was especially pleasing.

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Page 4 of 5

Outlook: subdued business development, focus on Voith 150+

Once again in the 2014/15 fiscal year, Voith is anticipating a challenging environment in light of a global economy that remains fragile and an investment climate that continues to be subdued in important industries and regions. Accordingly, the Group is assuming a constant level of sales and orders received in the current year overall. The profit from operations and consequently also the ROCE of the Voith Group are expected to see slight growth on account, among other things, of increasing positive effects in connection with measures introduced under Voith 150+.

Voith will press forward with the further implementation of Voith 150+ once again in the current 2014/15 fiscal year. In this respect, the focus is being placed not only on implementing excellence initiatives in all Group Divisions, but also on reorganizing global administrative functions. For 2015, Voith is planning to bundle and streamline parts of its administrative functions at a global and regional level.

“The positive effects of Voith 150+ will gradually become visible over the next two years as the program becomes fully implemented. We are acting quickly and consistently in this regard, but are nevertheless taking the time necessary to press forward with the changes in a thorough manner and conscious of the responsibilities we have for our employees. The objective is to put Voith in a position to achieve long-term success. We have the best starting position for this task: a portfolio focusing on the needs of the future, healthy financial strength, an efficient organization and outstanding employees”, says CEO Lienhard.

Voith sets standards in the markets of energy, oil & gas, paper, raw materials and transport & automotive. Founded in 1867, Voith today has more than 39,000 employees, sales of €5.3 billion and locations in more than 50 countries, making it one of the largest family-owned companies in Europe.

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Page 5 of 5

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