VOITH

Annual Report 2011
Contributions

The Voith Group in Figures

in € millions	2010/11	2009/10
Orders received	**6 358**	5 300
Sales	**5 594**	5 198
Operational result before non-recurring result	**416**	353
Return on sales in %	7.4	6.8
Income before tax	**322**	234
Net income	**200**	121
Cash flow from operating activities	**244**	390
Total cash flow	**-261**	199
Investments	**211**	234
Research and development	**259**	266
in % of sales	4.6	5.1
Equity	**1 287**	1 107
Equity ratio in %	22.1	18.8
Balance sheet total	**5 815**	5 902
Employees*	**40 691**	39 754

*Without apprentices.

The Voith Group

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Dear ladies and gentlemen,
Dear business partners and friends of our company,

I am pleased to be able to tell you about another very good fiscal year in the 144-year history of the Voith family business. In 2010/11, we received orders worth €6.4 billion, thereby clearly exceeding the previous best set in the boom year of 2007/08. Sales rose to €5.6 billion, which is also a record. On an especially positive note, our operational result before non-recurring result grew over-proportionally to sales, increasing by 18%. And we witnessed an even larger increase in net income, which rose by 64%. In total, the company earned €322 million before tax and €200 million after tax.

I would like to sincerely thank all those who helped make this possible, primarily our employees and also our partners, who once again chose to do business with Voith in this fiscal year.

The profit from operations of all four Group Divisions enjoyed double-digit growth, ensuring that Voith is in excellent shape. The Group enjoys strong foundations and its activities enable us to take advantage of the prospects in our different markets.

The positive figures are clear confirmation that our four-pillar strategy to ensure long-term, sustainable growth is the right one:

- A balanced, diversified product portfolio that is oriented towards future markets and global megatrends;
- A broad, international setup with deep roots in the regions where we operate;
- A technical capacity to innovate. Our engineers continually strive to develop better products to help solve the challenges of our times;
- Voith's independence, stability and long-term orientation as a 100% family-owned company.

This proven and successful strategy has been consistently followed over the past fiscal year. We further enhanced our product portfolio, which is our first strategic pillar. Focusing on the core markets of energy, oil & gas, paper, raw materials and transport & automotive compensates for financial market risks and allows us to continually develop at the Group level. By broadening the company's product and service spectrum in existing markets as well as opening up new activities, we further expanded these positive aspects in fiscal 2010/11.

Thanks to its product portfolio, Voith is active in pivotal areas in the value-added chain. This is exemplified by our hydroelectric activities. In 2011, the meltdown of the Fukushima reactor shocked the world. In Germany, "energy revolution" became a common expression, and around the globe, we can expect many countries to increasingly align their national power supply towards renewable energy solutions. With its many possibilities, hydroelectric power will play a key role in this restructuring process. It just so happens that pumped storage technology is the backbone of this change in energy policy, given that pumped storage facilities are essential for reliably using the fluctuating quantities of wind- and solar-based power in the grids. Large hydroelectric plants that enable industrial-scale electricity generation in a dependable, predictable, cost-effective and climate-friendly manner play a major role in the growth and social prosperity of emerging nations such as China, Brazil, and India.

In addition to these tried and tested technologies, we are also conducting research in other areas of renewable energy. We see ourselves as spearheading development when it comes to utilizing the power of water to generate electricity. We believe in the concept of allowing humans to use the energy that exists in the oceans. In July 2011, the world's first wave power plant was placed into operation in Spain. The Voith facility in Mutriku, northern Spain, provides electricity for 250 households. It's a small but promising start. Elsewhere, we installed and launched a prototype of our tidal current power plant on the seabed off the coast of South Korea. In the summer of 2011, we successfully completed the groundwork for another Voith tidal current turbine off the coast of Scotland's Orkney Islands. Trial runs will begin in 2012. These tests are milestones on the path to large-scale ▷

“We don’t just focus on the short term, instead planning with a long-term view and sustainability in mind, extending over several generations.”

tidal current power stations that should provide enough output to supply tens of thousands of households with electricity generated by the sea.

In the last fiscal year, we further reinforced the second pillar of our growth strategy by completing a variety of assignments and projects. Our objective is clear: We want to be as deeply rooted in our international markets as we already are in Germany. The only way the company can fully deploy its strengths over the coming years is by becoming a local business in our markets, by integrating and being accepted as members of the local society, and by being perceived, for example, as a Chinese, Indian or Brazilian company of German origin. To make this happen, Voith must provide customized solutions suited to local particularities and specific requirements being developed in the respective countries and regions. We can accomplish this by utilizing local management teams that have a thorough understanding of the culture, market conditions and requirements – and simultaneously embody our Voith values around the world.

A step we have already taken on this path is the Corporate Service Center in Shanghai, which was opened in July. It will become an important interface between Germany and China, which is one of Voith’s most important growth markets. Indeed, the entire company benefits from the ever-stronger roots that are growing in developing markets – roots that are a prerequisite for Voith’s long-term growth.

The third pillar that allows sustainable, profitable growth is our innovation strength. Voith currently holds more than 11,000 patents, with another 400 being added every year. As a family-owned company, we have the endurance and farsightedness needed to turn these patents into market-ready products.

This capability was displayed with the recent opening of our development center for the industrial production of carbon fiber-based composite materials in Garching, near Munich, in September 2011. Here, Voith will apply all of its experience to develop and enhance industrial processes used in the manufacture of carbon fiber-reinforced plastic components. If it becomes possible to industrially process this material to the same degree as metal, for example, then lightweight construction will become a field with attractive potential in various sectors, such as the automotive and aviation industries. Despite our confidence in our expertise, however, this is very much a medium-term perspective.

Our efforts in the area of carbon fiber materials are representative of our philosophy: Voith strives for success through diversification and innovation. We don't just focus on the short term, instead planning with a long-term view and sustainability in mind, often extending over several generations.

Thanks to this conviction, Voith is able to reinvent itself within the scope of its existing activities. We are especially proud that in the past year, we have achieved a leading position in the high-growth tissue market thanks to our innovative, resource-saving ATMOS technology. The technological basis for this innovation impetus was developed by Voith in Brazil, by the way.

At Voith, we make responsible growth part of our initiatives and projects around the world. Accordingly, we see ourselves as a company that does more than "merely" deliver products and solutions. Voith technologies are used in key points along value-added chains that would be unable to function without our plants, systems, components and maintenance services. We make valuable contributions to basic services required by people and industries, to proper living conditions as well as to sustainable, economic and social development.

Sustainability and responsibility are the principles that set clear guidelines for day-to-day business at Voith. As an employer, too, we want to live up to these standards. This is conveyed, for example, in our extraordinarily successful Group-wide program for improving occupational safety. Being a responsible employer also means that we don't cut corners when it comes to social standards. Voith's values and standards apply universally, wherever the company operates in the world. And that applies to the reliability of our products in the same way it does to our business approach and the way we treat our employees. ▷

Together with our strategy, this self-conception forms the strong foundation upon which the Voith Group stands. At the same time, they also serve as a compass for the future development of our company. We know where we came from, we know who we are and we know where we want to go.

In the short term, the environment in which Voith operates seems like it is becoming more unstable. The economic forecasts are significantly more cautious than they were a year ago. The debt problem in Europe and the United States is unsettling countries around the world and causing volatility on the stock markets. In regard to Voith, however, we see no cause for undue alarm. We assume that, given the backdrop of a slowing world economy over the next few years and beyond, we will still be able to increase both sales and our profit from operations.

However, even in case of a substantial economic downturn, we believe that the company is well equipped to overcome it. Voith continued to grow and become stronger in the crisis years of 2008 and 2009. Today, we can respond quickly to changes thanks to an efficient early-warning system. And we demonstrated during the last crisis that we are able to do business and take action in a consistent and responsible manner. Without tending toward complacency, this gives us the self-confidence to say today, “Voith is prepared.”

Over the medium to long term, we see very good prospects for Voith. We are serving the global megatrends that will have a considerable impact over the coming decades, namely mobility, urbanization, resource preservation and renewable energies. Voith is already well positioned in developing markets and will continue to strengthen its presence there – thereby truly evolving into a globally active company. Accordingly, we will continue to rely on establishing deep local roots. In addition, Voith sees significant potential in the company’s existing portfolio in both developing markets and highly developed regions, particularly in Europe and North America.

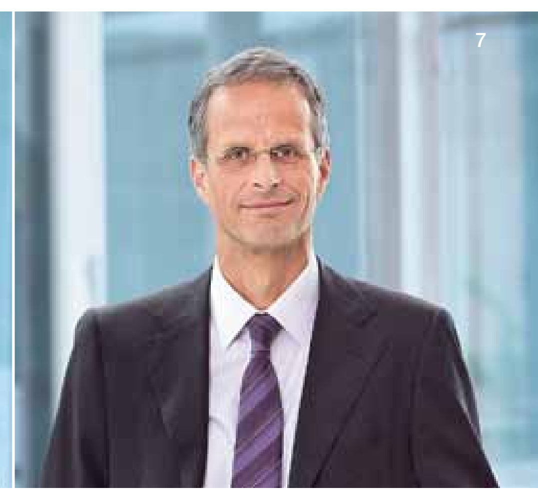
“As a family-owned company, Voith has the freedom to focus fully on implementing its medium- to long-term strategy.”

As a family-owned company, Voith has the freedom to focus fully on implementing its medium- to long-term strategy and we will fully utilize this advantage. Over the next several years, Voith will become even bigger and more international, yet it will always remain true to itself – for our customers, business partners, employees and owners, who all give us their unconditional support as we proceed on our ambitious course.

Best regards,

Hubert Lienhard

1 Hubert Lienhard, President and CEO
2 Hermann Jung, Finance and Controlling
3 Hans-Peter Sollinger, Voith Paper
4 Bertram Staudenmaier, Voith Paper
5 Martin Hennerici, Voith Industrial Services
6 Peter Edelmann, Voith Turbo
7 Roland Münch, Voith Hydro



“Over the next several years, Voith will become even bigger and more international, yet it will always remain true to itself.”

The Corporate Board of Management

Report of the Supervisory Board

Dear reader,

In the 2010/11 fiscal year, Voith returned to its traditional legal form of a GmbH (German limited liability company) as a large family-owned company. As a result, the rights and responsibilities of the Supervisory Board are once again governed by the German Codetermination Act (MitbestG). Exercising its rights and responsibilities, the Supervisory Board met at four meetings to address the strategic challenges and the specific operative issues of the Voith Group in particular. The Supervisory Board shared the Board of Management's growing confidence that Voith has overcome the recent global economic crisis, mastering the crisis with its impetus and flexibility. The meetings took place on October 4, 2010, December 7, 2010 as well as on March 4 and May 24, 2011. All the meetings of the Supervisory Board were characterized by frank and intensive exchanges of views with the Board of Management.

Discussions were based on detailed written and oral reports by members of management on the current situation, corporate planning (including financial and investment planning), the development of the economic situation of the Group and the anticipated effects on the four Group Divisions, developments in the Company's earnings and financial position, and actions to be taken in the context of risk management and quality management. The plans to step up the global orientation of the Group and its divisions, in particular in China and India, both in terms of product development and adjustment as well as the focus of the services offered, including considerations on cooperation and acquisitions, were discussed in detail. The ensuing financial and capital expenditure planning for the current and subsequent year was approved unanimously at the meeting in October.

The success of a company's business is not reflected solely in good business figures but is also geared toward sustainability for the protection of people and their environment as well as the good of future generations. This is why Voith endeavors to adopt an economically, ecologically and socially compatible approach to business that embraces sustainability as a fixed principle in all processes and procedures across the entire value added chain. The Supervisory Board supports this initiative by management to drive sustainable business in all areas of the Voith Group. Among other things, the measures taken benefit industrial safety and the health and safety of Voith employees, with a dramatic drop in the number of industrial accidents already. The Supervisory Board was delighted to see the first visible sign of this sustainability strategy in the form of the 2010 sustainability report published for the first time in June of this year.

The Chairman of the Supervisory Board was kept constantly informed about significant developments and key decisions by management. He consulted regularly with the President and Chief Executive Officer on matters of material importance.

The Personnel Committee met twice in the fiscal year under review, on October 4, 2010 and on December 7, 2010. There was no need to convene the Mediation Committee formed pursuant to Sec. 27 (3) German Codetermination Act (MitbestG).

The composition of the Audit Committee changed in the year under review, with Mr. Gerd Schaible replacing Mr. Florian Haupt as a new committee member. The Audit Committee met twice, on December 6, 2010 and May 24, 2011. The first meeting, which was held in the presence of the auditors who examined the annual financial statements, conducted an in-depth examination of the financial statements of both the consolidated Group and Voith AG for fiscal 2009/10, and of the report submitted by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The committee and the auditors also discussed issues regarding the further improvement of the year-end close process. The Audit Committee was also informed at length by management about the shareholding structures and tax group structures in Germany as well as by the head of the Compliance Committee on the compliance management system in place since the fall of 2008.

An external audit came to the conclusion that all elements required for the implementation and effectiveness of the compliance management system are established globally in the Voith Group. Beyond this, the head of the Internal Audit unit discussed the Group audit report prepared for the fiscal year under review at length with the committee and explained improvements which had been made during the course of the year.

At its second meeting the Audit Committee considered the unaudited half-yearly financial statements of the Group as at March 31, 2011 as well as the status of the risk management system, the firewall concept in the Group to maintain financial independence and to avoid risks that could jeopardize the Group's existence as well as Law 8666/93 in Brazil. Further improvement measures were also discussed in this context.

The shareholder meeting on January 22, 2011, exonerated management and the Supervisory Board for their work in the 2009/10 fiscal year and reappointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditor for the 2010/11 fiscal year. The Supervisory Board subsequently approved the corresponding engagement to appoint the auditors.

The auditor examined and granted its unqualified audit opinion on the accounting records, the annual financial statements and management report of Voith GmbH and the consolidated financial statements and management report for the Voith Group as at September 30, 2011. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Ernst & Young GmbH paid special attention to "Application of the German Accounting Law Modernization Act (BilMoG)", and "Employee old-age pension benefits" and "Revenue recognition" in accordance with the mandate laid down by the Supervisory Board.

At its meeting on December 7, 2011, the Audit Committee examined the annual financial statements prepared for Voith GmbH and the Group and recommended that the Supervisory Board approve said financial statements, which it did at its meeting on December 8, 2011. Both meetings were attended by the relevant member of the auditor's Management Board and the person who led the audit. They explained the significant audit findings and were available to provide additional information. The Supervisory Board also approved the management report of Voith GmbH and the Group and concurred in the proposal submitted by management regarding the appropriation of net income.

At the meeting of the Supervisory Board in October 2010, a decision was taken to reappoint Mr. Peter Edelmann effective June 1, 2011. Mr. Martin Hennerici was then reappointed at the meeting in March 2011 effective February 1, 2012. The reappointments were made for five years in each case.

Finally, the Supervisory Board would like to thank the members of management of Voith GmbH and the management of the subsidiaries, the employees of the Group and the representatives of the workforce for their dedicated commitment and their successful endeavors in the fiscal year under review.

Heidenheim, December 8, 2011

Chairman of the Supervisory Board

Dr. Manfred Bischoff

The Supervisory Board

Dr. Manfred Bischoff
Chairman,
Chairman of the Supervisory Board Daimler AG,
Stuttgart/Germany

Gerd Schaible[1)]
Deputy Chairman,
Chairman of the corporate works council of Voith GmbH,
Heidenheim/Germany

Rudolf Bädorf[1)]
Vice President Manufacturing & Logistics
and Site Representative of
Voith Paper GmbH & Co. KG,
Heidenheim/Germany

Walter Beraus[1)]
Secretary of the Metalworkers' Union,
Regional Organization Baden-Württemberg,
Stuttgart/Germany

Thomas Brezina[1)]
Member of the works council of the common entity
of companies of Voith Paper Heidenheim,
Heidenheim/Germany

Ulrich Eckelmann[1)]
General Secretary
European Metalworkers' Federation,
Brussels/Belgium

Sonja Gorsch
Teacher,
Erftstadt/Germany

Prof. Dr. Bernd Gottschalk
Member of the Board of Management
of Mercedes-Benz AG (retired)

Dr. Alan Hippe
Member of the Executive Board
F. Hoffmann-La Roche AG,
Basel/Switzerland

Bernd Kauba[1)]
Chairman of the works council
DIW Mechanical Engineering GmbH & Co. KG,
Radebeul/Germany

Dr. phil. Nicola Leibinger-Kammüller
President of the Board of Management
of Trumpf GmbH + Co. KG,
Ditzingen/Germany

Reinhard Leigraf[1)]
Process technology engineer for special papers,
Voith Paper GmbH & Co. KG,
Ravensburg/Germany

Ophelia Nick
Veterinarian,
Wülfrath/Germany

Dr. F. Oliver Porsche
President and CEO of Familie
Porsche AG Beteiligungsgesellschaft,
Salzburg/Austria

Gerold Schaubmayr[1)]
Chairman of the works council
of Voith Turbo GmbH & Co. KG,
Crailsheim/Germany

Ute Schurr[1)]
Chairwoman of the works council of the common
entity of companies of Voith Turbo Heidenheim,
Heidenheim/Germany

Klemens Schweppenhäuser
Member of the Board of Management of
Familiengesellschaft J.M. Voith GbR,
Mannheim/Germany

Andreas Strobel[1)]
1st Representative of the Metalworkers' Union,
Heidenheim branch,
Heidenheim/Germany

Dr.-Ing. E. h. Jürgen Weber
Chairman of the Supervisory Board
of Deutsche Lufthansa AG,
Cologne/Germany

Dr.-Ing. E. h. Heinrich Weiss
Chairman of the Board of Management
of SMS GmbH,
Düsseldorf/Germany

[1)] Elected by the employees.

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01 provide

Voith contributes to growth and well-being in key areas of modern society. With its diverse portfolio of technical systems, equipment and services, the company is in tune with the mega-trends of our time. Growing global mobility and urbanization, together with an increasing use of renewable energies and the drive to conserve resources all raise questions for which Voith provides answers. The Group maintains development and production facilities in growth regions across the world in order to supply a variety of local markets.

Aspiring India

Achieving sustainable growth, generating energy from renewable sources and managing mankind's ever-growing mobility are some of the major challenges of our time. Emerging markets such as India, China or Brazil are rapidly developing into modern economic giants. They need reliable infrastructure and industries that can produce in an environmentally friendly way. Voith technology is providing its contribution to their development. The company is active where its customers need local solutions, for example in the Indian cities of Hyderabad, Vadodara, Bangalore, Chennai, Pune and around New Delhi. //

The energy revolution needs pumped storage plants

Wind, solar, biomass and water are the pillars of the energy mix of the future. Pumped storage plants contribute significantly to the success of green energy: solar power plants and wind turbines can only be expanded on a large scale with their help. They act as massive energy storage tanks, balancing out the irregular yield from solar and wind energy. If too much electricity is present, an electric motor triggers a pump turbine that sends the water into the higher reservoir. If the demand for electricity increases, water is released from the upper reservoir through a pressure pipe, rushing onto the pump turbines that drive the generator. Voith can look back on over 100 years of experience with pumped storage technology. The green energy trend pursued by many countries encourages the expansion of proven, cost-effective technology in Europe. Voith is currently working on new pumped storage plants in several countries across Europe as well as in South Africa. The Limberg II pumped storage plant in Austria (pictured here) went into operation in October 2011. To carefully preserve the natural surroundings, the pressure tunnel, surge tank, pressure shaft as well as machines and transformers are all located in a chamber inside the mountain. //

Kaprun, Austria

Invisible, but indispensable

Deep in western China, in the Xinjiang Uygur Autonomous Region, lies the nation's most important natural gas reserve – a huge resource for an energy-hungry country. Valuable raw materials are concealed under the Earth's surface, such as here in the Tarim Basin, or deep under the sea floor: ores, oil and gas, all treasures of the Earth that play a fundamental role in the function of modern industrial societies. Through 4,200 km of pipelines, natural gas is transported from drilling rigs across 17 provinces along the Yangtze River to the vibrant economic centers on the east coast. For decades, Voith technology has proven its excellence in the mining and processing of raw materials all over the world. Couplings, transmissions, transformers and propeller shafts often operate behind the scenes. Where conveyor systems, steel mills and refineries connect, these elements make an indispensible contribution to smooth, reliable operations in large industrial facilities. //

Record growth in the People's Republic

In its latest five-year plan, the Chinese government is focusing on sustainable growth, renewable energies and an expansion of the transportation infrastructure – all of which adds up to an excellent opportunity for Voith. In Shanghai, Liaoyang and Kunshan, the company is developing and making products for the domestic market. And it plans to recruit hundreds of qualified employees and managers in China.

Maintaining tradition in modern life: Women perform the traditional movements of their morning exercise routine on the Bund riverside promenade in Shanghai.

Liaoyang,
Kunshan,
Shanghai,
China

Mini-projects don't get you very far in a huge country. If you took the Empire State Building out of New York City and placed it on one of China's largest building sites, it would disappear completely. On the border between Sichuan and Yunnan, in a 400-m-deep ravine on the Jinsha River, a tributary of the Yangtze, the Xiluodu hydropower plant is being built. In the summer, Voith supplied the first turbine runner for this massive project. Overall, the company will install three 770 MW Francis units for Xiluodu from its plant in Shanghai. When the hydropower plant begins operations in 2013, it will produce up to 13.9 GWh of electricity annually, which will make it one of the most powerful plants of its type in the world.

No other country is building more major power plants than the world's fastest-growing economic powerhouse. ▷

In 2035, according to forecasts by the International Energy Agency, the People's Republic will require three times as much power as today. Coal is still fueling China's ascent to global economic power, but this black gold is a major contributor to the rise in climate-changing greenhouse gases worldwide. The Chinese government is aware of its responsibility, which is why its current five-year plan sets ambitious goals: The country wants to cut its greenhouse gas emissions by up to 45% by 2020. To this end, the government is putting its money on sustainable growth and renewable energies. For an innovative technology firm like Voith, this is a major opportunity. "The plan offers Western companies with relevant products and intellectual capital a platform on which to engage with China in business," says business consultant Dr. Edward Tse, Senior Partner at Booz & Company in Shanghai.

China currently generates 22% of its electricity via hydropower. The government plans to expand this from 220 GW today to 380 GW in 2020. Between 2011 and 2016 alone, €550 billion will go into renewable energies. Martin Andrä, CEO Voith Hydro Shanghai, therefore expects, "that some projects will be accelerated." Andrä can already celebrate two major orders today. Voith will supply the generators for two 300 MW units for the Yan Tan power plant on the Hongshui River and three Francis turbines, with an output of 408 MW each, for the Yang Qu hydropower plant on the Yellow River. These two projects will create 1,824 MW of new hydropower capacity. Guoqing Chen, Vice President Voith Hydro Shanghai, is proud to note that his employer has thus far been involved in all of the major hydropower projects in the country. "And the most important thing is," Chen adds, "that all customers have been extremely satisfied with the high quality and reliability."

Chen is one of 10 native Chinese on the 12-person management committee of Voith Hydro in Shanghai. Nearly all customer contact goes through them. "For that reason, Voith is perceived here as a Chinese company," explains Chen, "particularly as 95% of our components are purchased or produced locally." This production is being expanded further: "We are currently enlarging all of our production buildings," reports Andrä. And the Shanghai site wants to do even more to develop products specifically for the Chinese market, as some have to meet very specific requirements. The plant near the port metropolis is increasingly becoming the main hub for both Asia and other continents. "We want to raise Voith's market share in countries such as Vietnam, Laos and Thailand, for example," adds Andrä.

Voith is pursuing similarly ambitious plans in Kunshan. In the Chinese paper production center near Shanghai, the company is intensively expanding its ▷

Voith workers in Shanghai manufacture gigantic turbine runners. The plant is currently being expanded and will soon serve other Asian countries such as Vietnam, Laos and Thailand (top).

The Xiluodu dam construction site runs day and night. What will be one of the most powerful hydropower plants in the world is scheduled to begin operations in 2013 (bottom).

22
percent

of China's electricity, or 220 GW, is currently generated from hydropower. This output is set to increase to 380 GW by 2020.

Paper City. Office buildings and production halls are currently being expanded – with an exemplary ecological concept. Here, Voith produces complete paper machines, fiber processing plants (especially those used for the recycling of waste paper), automation systems as well as roller covers and fabrics for paper machines. More and more components and spare parts, which today are still being imported from Germany or Brazil, will be produced in Kunshan in order to be able to supply the fast-growing markets in China more quickly and efficiently. "Many products can be produced here at just as high quality, while transport times and costs are also lower," says Senior Vice President of Voith Paper Fabric & Roll Systems Asia, Robert Kietaibl. In addition, Voith has been producing manufacturing rolls for paper machines in the city of Liaoyang, in the northeast part of the country, for many years.

Voith doesn't just sell paper machines, though, the company also offers its customers support and service for the entire life cycle of its products. "We stand by our customers for their everyday production," says Kietaibl about the concept. Voith employees in three service centers ensure that worn parts for fabrics and roll covers are replaced on schedule – a major benefit for the manufacturers. "This helps them to save energy, water and fibers," explains Kietaibl. These costs are constantly on the rise, while the pressure on paper prices is also growing. Meanwhile, the government is pressing for production

methods that conserve resources. Voith's service centers and production sites in China work very closely together to help the paper mills to achieve manufacturing processes that are both efficient as well as resource-conserving.

Conservation of resources is also on the agenda for Voith Turbo. The aim of China's latest five-year plan to expand both the country's alternative energies and its transport infrastructure is giving the Group Division some momentum. The current Executive Vice President in Shanghai, Martin Wawra, was, until last year, Head of Voith Turbo Scharfenberg in Salzgitter, Germany. As a mechanical engineer, he is intimately familiar with the minute details of railcar couplings. He is proud to report that Voith has just developed new B-Metro-Scharfenberg couplers which are tailored specifically to the Chinese market. Jason Hu, Vice President Rail in China, adds: “We are producing the new short couplers in our plant with local materials. When it comes to quality, we're not taking any shortcuts.” The cities of Kunming and Suzhou plan to install the couplers in their metros soon.

The new production concept is also being applied to the Retarder VR 115 CT retarder. This nonwearing brake could prevent many accidents in China and help save lives. Small haulage companies in particular have to struggle with price pressures in the industry, meaning they frequently overload their vehicles. “Most of them tend to carry a lot of water with them on each trip so that they can adequately cool their brake discs ▷

China is already the world's biggest paper producer and consumer, and the demand for the raw material for newspapers, books, hygiene paper and cardboard continues to rise.


VOITH
VOITH

“We already purchase or produce 95% of our components locally.”

Guoqing Chen, Vice President Voith Hydro Shanghai

The world’s biggest paper machine, the Hainan PM2 is 430 m long. Operating in a plant located on the island of Hainan in the South China Sea, it produces high-quality, multi-coated fine paper. Its components include CarboTec rollers made by Voith (above left).

In Shanghai, Voith is manufacturing couplers specially developed for Chinese metros as well as many other components for railcars and buses (left).

when coming down mountains,” says Wawra. It is a dangerous practice common among small companies.

In order to be able to develop more products in and for this large country, Wawra is urgently seeking native engineers. “The Voith brand must become even better known in China in order to attract more of the best workers,” he says. The new Voith Corporate Service Center in Shanghai should aid this. Some 20 employees are already working here. At its opening in July 2011, CEO Dr. Hubert Lienhard said: “The Corporate Service Center will become one of the most important links between China and Germany.” Voith aims to be just as much at home in China as in Germany – something the Corporate Service Center employees play an important role in. One of them is Lily Wang. The human resources manager has built a team of four young HR professionals in record time. “It wasn’t easy,” says Wang. “Human resources experts are highly sought after in Shanghai. But we have interesting opportunities to offer and German technology companies have a very good reputation here.”

The young HR team led by Lily Wang will support the Voith units in China in the recruiting and qualification of technical and management personnel. A central training center is also planned and will begin operations in 2013. Here, engineering students and technical school graduates will complete a one-year training program geared specifically to the requirements at Voith. Another area of focus for Wang and her team is to set up a leadership program for management training. Workers can acquire key qualifications in communications, personnel leadership, strategic thinking and Voith’s values. The program will convey a shared understanding of the Voith performance standards and, at the same time, support the HR work of the Group Divisions. “It is our aim to make Voith one of the best-known and most desirable employers in China,” Wang says. Voith plans to recruit at least 2,000 new employees in the next few years alone – a Herculean task. //

Oceans and rivers – Energy storage with enormous potential

Voith Hydro Inc. CEO Kevin Frank discusses the huge potential of hydropower in the United States as well as the prospect of Alaska becoming a model region for utilizing ocean energy.

Kevin Frank has led Voith Hydro Inc., in the American town of York, Pennsylvania, since November 2010. Prior to that he was Senior Vice President of Voith Fabric and Roll Systems, Voith Paper North America.

USA

In the United States, there are approximately 84,000 dams, but only 3% are used for generating electricity. What opportunities does this potential for generating energy offer?

There are hundreds of dams that could produce electricity but do not currently have the capacity to do so. Additionally, we can get more power out of existing power plants. The turbines in these dams have been in existence for decades – if we modernized these facilities with the most up-to-date technology, there would be significant energy gains. By powering non-powered dams, retrofitting existing plants and putting the right policies in place, experts estimate that we could generate an additional 60,000 MW of power in the United States. That is the equivalent of 40 nuclear power plants, or 60 coal power plants.

Is it easier to modernize existing facilities rather than install new turbines on non-powered dams?

Yes, because all new facilities have to go through a complicated approval process that can take five to 10 years. We don't go through the same process for basic modernizations.

Does this approval process for new facilities put hydropower at a competitive disadvantage?

Unfortunately, yes. The permits for wind and solar plants are issued much faster, sometimes within months. The time itself is less of a concern than the uncertainty

of the process. If we had some degree of certainty about how long a permit would take, it would bring hydropower closer in line with other sources of energy.

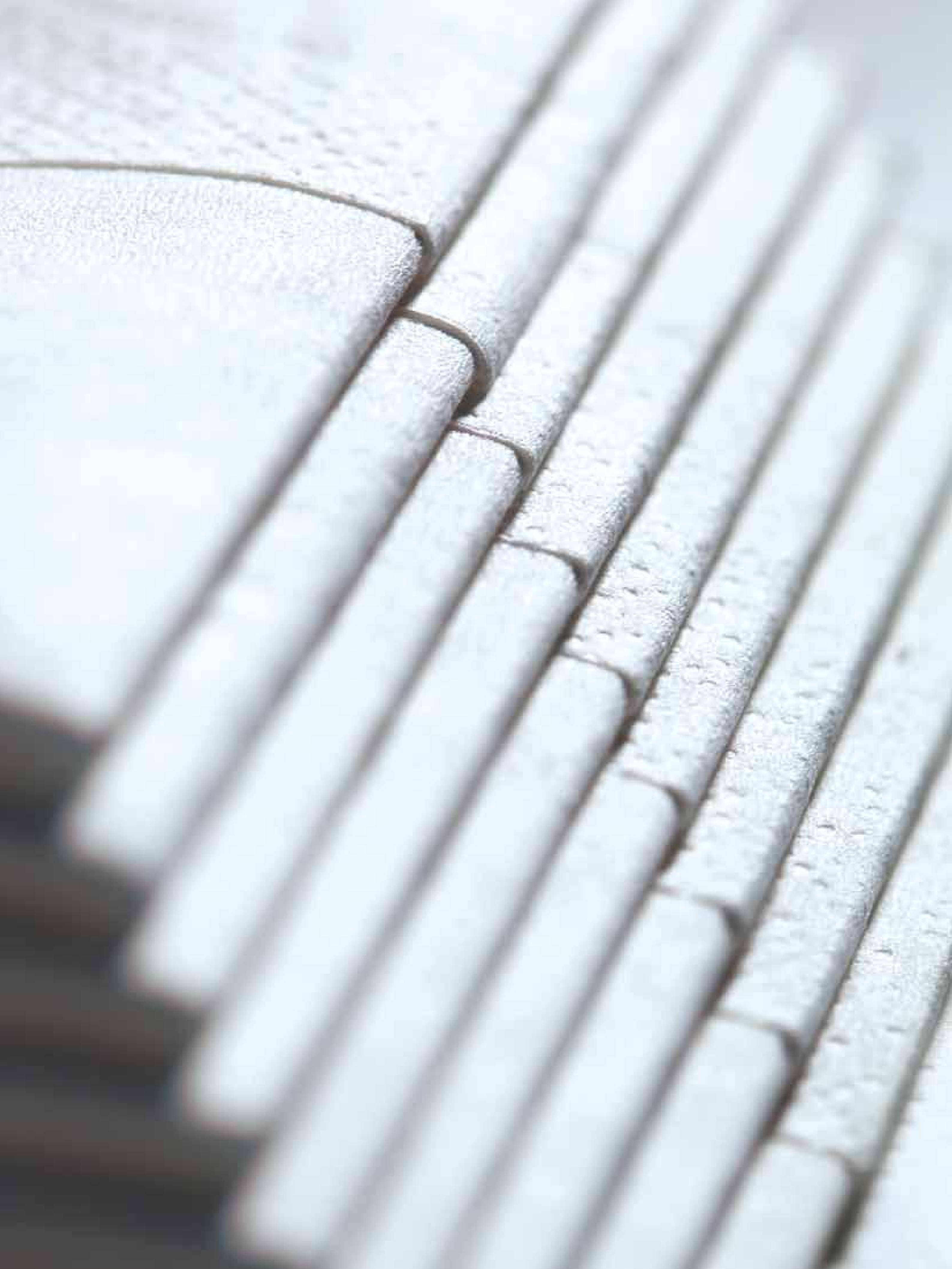
Is there legislation in Congress that will speed up the licensing of small hydro?
There is legislation pending in both the House of Representatives and the Senate aimed at expanding the use of small hydro across the United States. This focuses on streamlining and shortening the licensing process as well as providing funding for research and development. These bills enjoy support from members of both parties. In my opinion, the licensing process shouldn't take longer than two years, something we have been championing for a long time. In some parts of Alaska, for example, electricity can cost more than eight times the national average. As a result, there are currently hundreds of sites for potential small hydro development, especially in remote and underserved areas.

Small power plants in remote areas – that sounds like a very traditional application of hydropower. What about emerging hydro technologies?
Voith Hydro has many high-tech innovations, such as marine power plants. This has great potential in Maine on the east coast and Oregon on the west coast. We also see potential in Alaska, where there are areas with huge tides, which would be ideal for tidal technology. Alaska has nearly 34,000 miles of coastline, with many communities relying on diesel for their power generation. Additionally, Alaska has set a goal of obtaining 50% of its energy from renewable sources by 2025. All of these factors combined make it an ideal region for emerging ocean technology.

The west coast is known for its Pacific salmon migration. Are there opportunities for Voith to use its fish-friendly turbines in the Pacific Northwest?
There are tremendous opportunities for fish-friendly technology. Voith has developed two turbine concepts that provide for improved fish passage. The Alden turbine's three long blades rotate slowly enough so that marine life can pass safely through, with survival rates of up to 98% even in relatively small turbines. We also have our Voith Minimum Gap Runner technology, which has been very successful in allowing safe fish passage in larger turbines, including several sites in the Pacific Northwest. Fish-friendly technology is an area where government policies could be helpful; if they make fish safety a priority, Voith Hydro has the technology to meet their needs. //

The US state of Oregon has around 580 km of largely uninhabited, wave-battered coastline – perfect for providing ocean energy (far left).

Voith is equipping the Willow Island, Cannelton and Smithland power plants on the Ohio River with eight turbines with a total capacity of 208 MW (left).



Hard facts behind soft paper

Voith offers the latest technology for the cost-efficient and resource-saving production of premium hygiene paper – a success story with Brazilian roots.

Unremarkable it may be, but, tissue is the paper that cleans, dries and absorbs. We use it in toilet paper, facial tissue and paper towels. And more and more of us are using it, especially in dynamic developing nations, where a better standard of living is raising hygiene consciousness.

Voith offers the latest technology for the cost-efficient production of conventional and premium tissue. As a production equipment manufacturer, the company has profited from the rising demand in recent years. Since 2008, Voith has sold 20 new tissue machines and modernized seven existing plants by installing formers and shoe presses. "We are already fully booked into next spring," says Rogério Berardi, Sales and Marketing Manager for America and Oceania.

The demands on premium paper towels are high: Not only must they be soft, but also extremely absorbent and tear-resistant.

The roots of this success originate in the rolling hills in the northwest of the industrial metropolis of São Paulo, in southern Brazil, where the 300,000m² Voith complex is located. In total, Voith employs 6,000 workers in all Group Divisions in Brazil. The Group has been in the Jaraguá district of São Paulo since 1964, which was the first major subsidiary outside Europe. Brazil's mighty rivers offer excellent opportunities for producing hydro electricity, while the country's hot, humid climate is ideal for the fast-growing eucalyptus tree, a real boon to the ▷

paper industry. For Voith, São Paulo has developed into the most important location in the tissue sector. This is where the competence center, including research and development, is located, where the pilot machine is housed and where the global responsibility lies for Voith's tissue business.

An engineer and marketing specialist, Berardi has worked for Voith in São Paulo for 13 years and knows the markets well. For around a third of the year the family man is on the road throughout the world. "Tissue is a complex material," he says, "and every market has its own unique character." Even within a national market there can be major differences. For example, Brazilians in the industrial metropolis of São Paulo each consume 9 kg of hygiene paper a year, while the annual per capita consumption in the poorer northeast part of the country is only around 500 g – a figure comparable to inland China.

The biggest consumers of hygiene paper are North Americans, at 20-24 kg a person, depending on the region. They wash their windows, clean their floors and polish their cars with the material. For such uses, the paper must have specific characteristics. For one thing, it needs to be extremely absorbent. Paper towels made from premium tissue can absorb up to 15 times their own weight, double the amount of conventional tissue.

"North American consumers buy the most tissue, but they also place the highest demands on it," explains Berardi. They prefer dual-ply, highly structured material, while Europeans want as many plies as possible. "We have to study the habits of the end consumers in all markets in order to develop products that meet their needs." Hygiene paper the way they like it in North America is made using the ▷

Eucalyptus plantations supply the raw material for paper production. The tree, common in subtropical countries, grows extremely fast and is excellent for harvesting pulp (above right).

The more recycled paper that can be used, the less wood is required for production. Voith has succeeded in developing a new process for producing premium tissue with recycled material (right).

"In terms of sales, we are already number two in the world."

Rogério Berardi, Sales and Marketing Manager for America and Oceania

complex TAD process (Through-Air Drying). A light stream of air flows directly through the fabric during the drying process – an energy-intensive and expensive procedure that dates back to the 1960s. "Our goal," says Berardi, "was to develop a solution with which we could produce high-quality premium tissue for less." And they succeeded.

Voith engineers in São Paulo, and thousands of kilometers away in Ravensburg, Germany, developed a new technology which requires considerably fewer resources than the TAD principle: ATMOS (Advanced Tissue Molding System). In this process, the paper web is dewatered with a vacuum suction roll and via hot air and steam. The latter two raise the temperature, thus accelerating the dewatering process.

Newly developed felts and an additional fabric provide extra support for the dewatering of the web. The fabric, which is fixed close to the the paper web, is corrugated, allowing the sheet to maintain its three-dimensional structure. When the process is finished, an extremely soft, absorbent premium tissue rolls off at the end of the line.

The great strength of this new process is its sustainability. It requires 25% less fibers than conventional tissue machines, while ATMOS lines also need just 60% of the energy consumed by comparable TAD machines. Another plus is the fact that an ATMOS machine can take 100% recycled fibers and make premium tissue from them; something of a revolution, as TAD systems can only process a maximum of 20% recycled fibers. Despite the benefits, the road to success was not an easy one. The first ATMOS unit was installed in late 2006 at CMPC in Chile, the second-largest tissue producer in South America. However, it was another three years before Voith sold a second machine. "We were facing a double challenge," explains Berardi. "We had to introduce a completely new technology and survive the economic crisis of 2008." The real breakthrough came in

40

percent

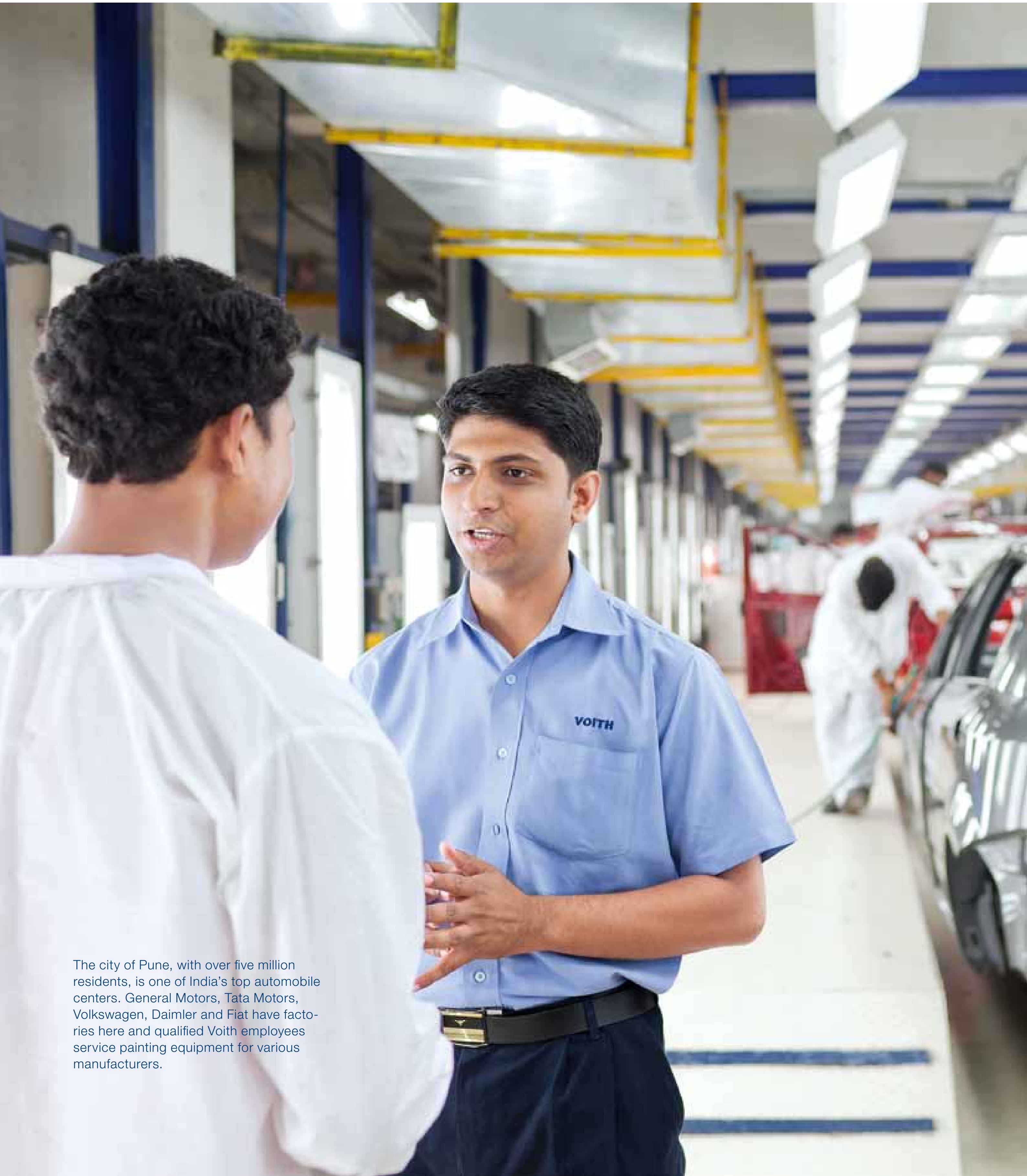
The ATMOS process, an innovative technology for tissue production, saves electricity. And it can use 100% recycled fibres. This sustainable process was developed by Brazilian and German Voith engineers.

Rogério Berardi is pleased with Voith's success on the tissue market. The engineer has worked for Voith in São Paulo for 13 years (below).

The Voith VTM 4 tissue machine at CMPC Tissue. The plant in Altamira, Mexico, came into operation in the summer of 2010 (below right).

2011, when Voith sold three ATMOS machines; one in Europe and two in North America, where the company also carried out an ATMOS retrofit.

At the same time, business picked up with conventional machines in various sizes. Voith sold six in South America alone, and 11 tissue lines in other parts of the world: three in Europe, five in China, two in Indonesia and one in Bahrain. Turnover quadrupled within three years. "In terms of sales, we are already number two in the world," says Rogério Berardi proudly. "We are certainly reaping the fruits of our earlier labors." //



The city of Pune, with over five million residents, is one of India's top automobile centers. General Motors, Tata Motors, Volkswagen, Daimler and Fiat have factories here and qualified Voith employees service painting equipment for various manufacturers.

From energy guzzlers to stress analysis

In just three years in India, Voith Industrial Services has already managed to gain a foothold in a variety of industries. Its employees are busy making automobile production processes more efficient or simulating the stress limits of airplane components.

Pune, Chennai, Bangalore, India

All of a sudden the lights go out. Entire city districts plunge into darkness – a common nuisance in India. In the seventh-largest nation on earth, energy is notoriously scarce and horrendously expensive. “Electricity costs almost as much in India as in Germany,” says Dr. Manoj Gupte, who helped establish Voith Industrial Services India in Pune, in the state of Maharashtra, and managed it until September 2011. An old commercial hub in the western part of the country, Pune is one of the four centers of the Indian automobile industry. Volkswagen, Daimler, Tata Motors, General Motors and Fiat all manufacture cars there. The other top centers are greater New Delhi, Chennai (a port city on the southeast coast) and Bangalore, about 300 km inland from Chennai. Here, in the green hills of the state of Karnataka, temperatures are relatively mild. Sweden’s Volvo builds buses for public transportation systems in Bangalore – known as India’s Silicon Valley. To cut costs, the Swedes hired Voith to conduct an energy audit. For weeks, Voith employees searched high and low for potential savings. “We combed through the entire operation. Of course, the biggest energy guzzlers were in production,” explains Gupte. Among the Voith team’s findings were numerous gigantic ventilators used in the painting process. “They were working quite inefficiently, so we recommended some improvements to help Volvo save energy in this area,” adds Sudhir Gurtoo, Gupte’s successor. ▷

“The auto industry is outsourcing an increasing number of tasks to innovative and highly qualified service providers.”

Sudhir Gurtoo, Voith Industrial Services India

The actual focus of Voith Industrial Services India’s work is servicing the painting equipment of a number of car manufacturers, such as Fiat and Toyota, or local companies like Bajaj Auto. “If a single painting robot breaks down, it can bring production to a complete standstill,” explains Gupte. It’s Voith’s job to make sure that doesn’t happen. Such a high level of service is relatively new in India, but the future looks promising. “The auto industry is becoming more and more open to this principle and outsourcing an increasing number of tasks to innovative and highly qualified service providers,” Gurtoo says.

And the numbers confirm it. India is one of the fastest growing automobile markets in the world, posting double-digit growth rates in the last few months. According to the Society of Indian Automobile Manufacturers (SIAM), sales of motor vehicles are expected to rise from 36 billion to 115 billion US dollars by 2016. While there are no official figures on the actual number of vehicles on the road, it is estimated that less than 1% of the population owns a car. These optimistic forecasts are encouraging companies to expand their production capacities on the subcontinent – and not just to meet potential domestic growth. More and more of them are exporting cars around the world from production sites in India.

Nissan Motor India began shipping the Micra, manufactured near Chennai, to Europe over a year ago, while the Nissan Pixo, which can be seen cruising the streets of countries like Germany, is made by Maruti Suzuki in New Delhi.

Voith is continuously expanding its activities in India. In early 2010, the company opened another location in Bangalore, Voith Engineering Services India. From here, around 50 specialists serve customers in a variety of industries around the world. "The location is simply perfect. A lot of science and technology institutes and companies are based here," explains Managing Director Dr. Suresh Nagesh. The list includes international aviation companies like Airbus and Boeing. Nagesh is particularly proud of the strategic partnership with Airbus Engineering Center India (AECI). "Voith is one of just two firms selected to support the flight physics team at AECI," he notes. Voith engineers developed stress analyses for Airbus' landing flaps and designed a digital mock-up of the A400M transport aircraft that lets Airbus employees use a computer to check the effects of a particular weight distribution. The French city of Toulouse, Europe's airplane manufacturing capital, is also home to another Voith Engineering Services team, which works closely together with the engineers in Bangalore. Currently, they are cooperating on a project to further develop Airbus' behemoth, the A380.

The Bangalore team also designs digital models for other industry segments. They can predict the behavior of industrial gearboxes under high heat, for instance, and they also designed the entire body of a double-decker railcar on a computer, testing potential variations of its internal mechanism directly on the screen. Their Voith colleagues in Germany, France and the United Kingdom are already benefiting from this experience with sophisticated technical simulations and computer models. "In the future, we also hope to support the development teams in other Group Divisions," says Nagesh. "We benefit from the diversity of skills found within a large company and offer a high standard of design and development." The sky is quite literally the limit: soon Voith will begin designing complete aircraft wings. //

Voith's service teams ensure that production never comes to a halt (far left).

Voith engineers in Bangalore and Toulouse are cooperating on a project to enhance Airbus' huge A380 (left).

02 move

Progress cannot be achieved without innovative and efficient products; long-term success cannot be reached without investments in the future. At Voith, research and development are a top priority. Across many areas of its industry, the company is setting standards worldwide.

The right tug for tight situations

Longer, taller, wider – while the shipbuilding industry seems to know no limits, nature certainly does. In channels and straits throughout the world, things can get a little tight for the captains of the latest supertankers or luxury liners. It is for situations like these that Voith collaborated with Canadian ship designer Robert Allan Ltd. to develop a unique tugboat concept called RAVE. Unlike other simimlar tugs, its two Voith Schneider Propellers are aligned longitudinally, with one in the bow and one in the stern, rather than just in the bow. Voith engineers examined the performance of the new concept in a test tank using simulated currents. The results showed how the tug can be maneuvered through channels, harbors and locks with the utmost precision, meaning it can confidently lead the new giants of the sea through even the narrowest of passages. //

Heidenheim, Germany

Cool energy for warm houses

The powerful forces of the sea contain a largely untapped potential for generating clean energy, whether through wave or tidal power plants. Voith is investing heavily in this new field of research. The company recently installed a prototype tidal current machine on the seabed off the coast of South Korea, at the future site of the world's largest tidal energy park. Voith also provided the equipment for the 16 Wells turbine units for the first commercial wave power plant, in the Basque town of Mutriku on Spain's northern Atlantic coast. The plant has been generating enough power for 250 households since the summer of 2011. //

Green light for buses

The fast-growing metropolises of the world need modern, reliable, high-capacity public transportation networks. Today, more and more large cities are relying on bus rapid transit systems (BRTs). High-performance buses, like those in Xiamen, China, drive in separate lanes with their own traffic light system, resulting in higher average speeds that help passengers reach their destinations quickly. Voith engineers developed the DIWA.5 transmission especially for city buses like these. It offers an ideal combination of ride comfort, reliability and efficiency. BRT system operators around the world rely on DIWA transmissions and the top-level service provided by Voith. More than 6,000 DIWA transmissions are in use in BRT systems worldwide. South American metropolitan areas like Curitiba, São Paulo, Santiago de Chile and Bogotá trust Voith technology, as do Chinese cities like Hangzhou, Dalian, Jinan, Changzhou, Zhengzhou and Xiamen. //

Xiamen, China

Focusing on the bigger picture

Paper manufacturing requires great quantities of water, fiber and energy – all increasingly rare and costly resources. Voith engineers are developing new processes that drastically reduce resource consumption.

Duiven,
The Netherlands
Perlen,
Switzerland

Paper gives people wings – in the truest sense of the word. Back in the 18th century, two French paper manufacturers, the Montgolfier brothers, took to the skies for the first time with a paper-covered balloon framework. But, more importantly, paper has given flight to human imagination. Without this bearer of written thought, our culture as we know it would not exist. Paper enabled the printing of books and newspapers – triggering a genuine information revolution.

Nowadays, almost 400 million tons of paper and cardboard are produced each year – a quarter of which on Voith paper machines. The trend is rising, as is the consumption of resources in general, primarily due to economic growth in developing nations. Paper consists mostly of wood fibers, or cellulose, and its manufacture consumes enormous amounts of water and energy. Of course, energy is expensive and water and wood fiber are scarce commodities in many places around the world. For that reason, Voith has set itself the goal of sustainably minimizing the consumption of these resources.

Significant progress has already been made. For example, Voith engineers have developed the Integrated Ecomill (IEM) concept. “We want to embed sustainability in the processes and, at the same time, design paper plants in a way that sets them apart from traditional factories, both economically as well as environmentally,” explains systems expert Markus Oechsle from Voith. “We achieve that by not only tightly integrating every process in the factory, but also integrating the plant into its individual environment and customizing it to meet client requirements.” In Tunisia, for example, operators have acces to substantial amounts of natural gas, but water is scarce. “We use the gas to generate electricity for seawater desalination,” Oechsle says. “Customizations like these are designed to find the most cost-effective solutions for the region and the customer.”

An indispensable building block in sustainable paper manufacturing as well as a valuable resource: recycled paper.

The example of Switzerland’s Perlen Papier AG facility demonstrates how freshwater consumption can be significantly reduced by consistent water management. Voith’s new PM 7 paper machine, which was the first one installed using ▷

the IEM concept, has been running there since June 2011 alongside an older PM 4 machine. Both systems use fibers recovered from recycled paper to produce newsprint. The entire plant has a comprehensive water management system that includes all areas, from recycled paper pulping through both machines to the wastewater treatment system. “A certain amount of water is required for each process step. We pay close attention to ensure that no water is lost and that only the necessary amount is used,” reports Ewald Budweiser, head of Voith’s Mill Concept department.

Sensors record the water levels and a computer controls any additions. The resulting process water is polluted in varying degrees. It is purified with special “kidney” filters and then fed back into the process. “This enables us to determine the quality of water we need for specific process steps. In theory, we could even purify the process water back into drinking water, regardless of how polluted it may be,” states Budweiser.

Both economically and environmentally sound: The pilot plant in Duiven, the Netherlands, processes around 200,000 tons of paper sludge from several different paper factories every year. Valuable minerals and electricity are recovered using the CTC process.

The water treatment plant at Perlen was successfully upgraded and now biologically treated, highly purified water flows into the Reuss River, a waterway rich with fish that originates in the St. Gotthard Massif mountains. For each process step, the water must be at a specific temperature. “In order to achieve optimum quality on the paper machine – rapid drainage and high durability – we maintain the paper temperature at Perlen between 45 and 50°C,” explains Oechsle. But the water cannot be that warm when it enters the treatment system or it will malfunction. To prevent that, a reverse current heat exchanger cools the water beforehand and heats the freshwater being pumped back into the system. This saves energy and water: In total, these measures have reduced water consumption by an average of 33% over the previous setup. The demands placed on the water management requirements vary from one location to another. Some plants are located in dry regions, where little water is available, such as Tunisia, while plants located in population centers are not allowed to release any wastewater and must maintain a closed system cycle.

Energy savings at Perlen are also exemplary. Compared to the retired PM 5 model, the new PM 7 consumes 5% less electricity and produces 10% less thermal energy per ton of paper manufactured. To achieve this, Voith engineers primarily optimized the dryer section. This is the longest production section on the machine as well as the biggest energy consumer, where paper races through a series of steam-heated dryer cylinders at 115 km/h.

Another component of the IEM strategy is CTC technology (Controlled Thermal Conversion). It converts paper sludge, or the sludge created when pulping recycled paper, into salable mineral materials as well as thermal energy. The sludge

"In theory, we could even purify the process water back into drinking water."

Ewald Budweiser, Head of Mill Concept, Voith Paper

is generally incinerated – an inefficient method because of its low energy content. Furthermore, a quarter of the sludge remains behind as ash after the incineration process, requiring costly disposal.

The CTC technology was developed by experts at the MinPlus-CDEM Group in the Netherlands, which Voith acquired in January 2011. The Dutch company worked on the technology at a large pilot plant in Duiven – which had been pulping sludge from several paper factories since 2007 – to make it functional on an industrial scale. "The most crucial factor for developing the technology was the growing problem of sludge disposal," recalls Dr. Joep Biermanns, the primary developer of CTC. "It was clear to us that a long-term solution could only be based on creating new value; we recognized that the sludge's value lay in the minerals it contains."

These minerals – kaolin and calcium carbonate – are added to the wood pulp to achieve specific paper properties. CTC helps them find a second life during the recycling process. For this, the paper sludge first needs to be dried mechanically as it is composed of half water and half solid material (which contains around 50% minerals). Then it undergoes a precisely controlled thermal treatment at a temperature of 700 to 800°C. The kaolin transforms into metakaolin and a portion of the carbonate is removed from the calcium carbonate, similar to the process of lime or cement burning. CTC also creates steam that can be used in the paper plant to dry paper or drive an electrical turbine. The minerals are successfully used for industrial purposes.

A large market awaits this new technology: Over 25 million tons of paper sludge are produced every year as a waste byproduct of the recycled paper pulping process. Interested parties are already emerging in Europe and North America. But this is about much more than the production of paper machines and Markus Oechsle is already thinking ahead: "We have already mastered the complete production process, so in the future we need to address the entire plant. The first IEM project in Perlen is running successfully; we can now say that our strategy can be implemented, we can compete with it." //

25

million tons

of paper sludge is created when used paper is recycled. Half of the sludge is made up of minerals and Voith has successfully developed a new process for recovering these valuable components for industrial reuse.

Braking brings progress

In Germany's Ruhr region, 11 city buses equipped with Voith hybrid drive systems have been in operation since the summer of 2011. They help regional transportation to save fuel, while also playing an active role in climate protection.

Bochum, Germany

When Michael Mutzenbach steps on the brake pedal, one of the things he is doing, besides decelerating, is helping the environment. For the last 12 months, the 53-year-old has been driving buses for the Bochum-Gelsenkirchener Strassenbahnen AG (BOGESTRA) transportation company, which are equipped with an advanced parallel hybrid drive system from Voith. "We use up to 15% less fuel on our routes," he explains.

The principle is actually quite simple. Whenever the driver slows the bus by braking, the energy that is released is stored in devices known as "supercaps" located on the vehicle's roof. These high-performance capacitors are charged by the braking energy and, in contrast to storage batteries, they are not subject to wear and tear. When the bus accelerates again, it uses this energy to reach a speed of around 15 km/h, before the diesel engine automatically kicks in to to take over.

In the summer of 2011, BOGESTRA placed the 11 buses complete with Voith drive systems into service. After successfully completing initial test runs on selected routes, the vehicles, from Polish manufacturer Solaris, are now operating on many routes. The transportation company is more than satisfied with its experiences to date. "We've not had a single malfunction so far," reports Jörg Filter, who is head of the infrastructure and vehicles division at BOGESTRA.

In fact, thanks to the supercaps, the diesel engine is protected somewhat, while the capacitors themselves are entirely maintenance-free. To top it off, particulate emmission is reduced by up to 90% compared to conventional diesel vehicles, carbon dioxide emissions are cut by 30% and the discharge of nitrogen oxides is lowered by almost 40%.

The decision was quickly made, when, in 2009, Voith proposed entering into a collaboration on hybrid technology with one of the biggest transportation companies in the Ruhr. “We really profited from our long-term relationship with BOGESTRA,” says Helmut Zimmermann, project manager at Voith. Filter adds, “It was clear to us that if we wanted to test hybrid technology on a large scale, it would be best to do it with Voith.”

The project was carried out as part of a program of public development schemes. The state of North Rhine-Westphalia subsidized eight of the vehicles and Germany’s Federal Ministry of Transportation provided funding for the other three. Jörg Filter is convinced that without such development funding, hybrid drives for commercial vehicles would not currently be possible, and he is aware that it may take a few more years until the systems really catch on. “Nevertheless, hybrid drives are a transitory technology for which it’s critical to collect as much information as early as possible. In that way, we will be able to safeguard Voith’s leadership in innovation,” he says.

Of course, image plays a significant role, too. Almost every day, driver Michael Mutzenbach is asked by passengers about his bus with the eye-catching green design. A display behind the driver’s seat provides passengers with a “live” display of the braking and accelerating energy flowing through the bus at any given time. They also notice that the ride comfort is different – the hybrid buses run smoother and more silently. The fact that he’s sitting at the wheel of a high-tech machine also increases Mutzenbach’s driving pleasure. Or, as he puts it simply, “I just like driving these things.” //

The green buses represent environmental awareness. The new technology significantly decreases particulate emissions and reduces carbon dioxide and nitrogen oxide pollution by at least one third (far left).

Passengers enjoy the new ride comfort and feel good about taking such a technologically advanced bus. The hybrid drive is also a sound investment in a positive future for the next generation (left).

Humming quietly above streets and traffic jams

Monorails are a mode of transport full of promise for the future. Not only do they move people quickly and safely around metropolitan areas, they also protect the environment.

India,
Saudi Arabia,
Brazil

Flying over the Brazilian metropolis of São Paulo, you truly get a sense of the word 'megacity.' The plane soars over a seemingly never-ending sea of houses punctuated by countless skyscrapers.

Home to over 10 million people, the city stretches around 60 km north to south and 80 km east to west. Seven million registered vehicles make their way through permanently congested streets. In 2014, the FIFA World Cup will bring even more people to São Paulo, which is one of the host cities for the event. Relief, it is hoped, will come in the form of a planned 24-km-long monorail line with 17 stops connecting the districts of Vila Prudente and Cidade Tiradentes. ▷

Even oil-rich Arab states are investing in sustainable, high-performance transportation. Monorails already move passengers smoothly around Dubai (left) and they will also be used in the new King Abdullah Economic City in Saudi Arabia.

Additional routes and new vehicles are needed to meet the growing need for mobility worldwide. This is especially true for major metropolitan areas in emerging markets like India, China or Brazil, where monorail systems are excellently suited to this purpose.

The monorail will transport 500,000 passengers a day, including soccer fans from around the world.

The city's government is banking on a proven and beneficial transportation system in which monorail trains will run on their own line on stilts high above streets and buildings. These raised lines save space and are particularly safe, eliminating the risk of accidents with other transportation. Monorails cannot derail, either, while the cars' rubber wheels mean they run particularly quietly.

These advantages benefit not just transportation planners but millions of people as well. "Every day, monorail systems around the world transport hundreds of thousands of passengers safely and efficiently," says Kim Pedersen, President of The Monorail Society. "If more were built, then a lot of people would leave their cars at home." His vision may come true: New monorail lines are being planned in many countries. Voith is very much part of this development of the future of transportation. The new Expresso Tiradentes monorail line in São Paulo, for example, will feature 54 trains based on the Bombardier Innovia monorail trains. These use Voith technology in the form of automatic and close coupling, while Voith will also provide 380 cooling systems to protect all the important traction components from overheating.

In King Abdullah Economic City, an urban megaproject in Saudi Arabia, monorails will ensure mobility. The new city with the regal name (and a projected population of two million by 2020) is being built on the country's Red Sea coast. The first high-rises in its six districts are already in place, with a seaport and an expanded industrial zone also under development. The monorail will begin gliding through this new urban landscape at up to

“Every day, monorail systems around the world transport hundreds of thousands of passengers safely and efficiently.”

Kim Pedersen, President of The Monorail Society

60 km/h in 2014. The city’s six districts are being built by a consortium made up of Bombardier Transportation and Saudi Oger Limited. Voith will in turn provide automatic coupling, close coupling and cooling systems as well as energy absorption elements with climbing guards.

A much larger monorail system is currently being developed in Mumbai in order to help ease the endless chaotic traffic of India’s largest city. Its planners aim to make any destination in the city reachable within one hour, which will require a 15-line network spanning more than 100 km. The first 20-km section will link south Mumbai with the eastern suburbs. Trains will run on a six- to nine-minute schedule, serving 18 stops and transporting up to 600 passengers per journey. When complete, the system will move over 2.2 million people a day through the subcontinent’s most important port city. Voith’s role in this project is to provide vehicle head modules for a new type of monorail being developed by an Indian-Malay consortium. The company will ship 30 of these modules to India for the first 15 trains, while the retractable automatic coupling will be supplemented by an additional 45 close couplers.

By providing these products, Voith will help further the 190-year history of the monorail, which began in 1821 when British engineer Henry Robinson Palmer received the patent for the technology. The first monorail line, built for transporting bricks, went into operation in 1825. Its cars were suspended from a single rail and pulled along by horse. A new suspended car system for transporting goods was developed in 1870 by entrepreneur Eugen Langen, from Cologne. It was the driving force behind the suspended monorail system built in Wuppertal between 1897 and 1903, which is still in operation today. //

2.2 million

people will be transported every day by the new monorail system in Mumbai, India. The 100-km-long rail network will link the suburbs with all inner-city destinations and the four-car trains will run on a tight six- to nine-minute schedule.

03 inspire

For generations, Voith has inspired the world with its innovations, precision and reliability. And for over 100 years, Voith technology has played a major role in the development of emerging nations and the prosperity of modern societies. Around the globe, the company is committed to providing excellent working conditions for its employees and sponsoring local projects where its branches and production facilities are located.

São Paulo, Brazil

At home with Voith

Trust, reliability and openness: These values create a bond between Voith and thousands of its employees worldwide. At many production locations, the company employs several family members, such as Jair Pinheiro in São Paulo, seen here taking a break with his son André. Voith encourages long-term relationships with its workers because people who apply all of their knowledge and experience in serving a company over the years are a source for sustained economic success. As the saying goes at Voith: wherever Voithians feel at home, that's where Voith is at home, too. //

Moving ahead in China

Anyone who wants to get around quickly and easily in most Asian cities usually climbs into one of the countless motorized rickshaws. Also known as tuk-tuks, they are an extremely popular and highly maneuverable means of transport in streets that are often congested. While on assignment at the large-scale construction site of the new Longtan hydropower plant, Yu Wenchao, a sales engineer in Shanghai, opted for the three-wheeled taxi. Like most of the Voith employees in China, he is a Chinese citizen – a trend showing that, in this country, Voith is truly evolving into a Chinese company. //

Longtan, China

Excellent prospects for young talent

Understanding complex production processes, ensuring quality, protecting the environment and preserving resources are just a few of the major exciting challenges in today's working world. Here, Brazilian high school students listen intently to a Voith employee in São Paulo during their tour of a plant. Wearing protective eyewear is mandatory because, at Voith, safety in the workplace is a top priority. The Formare Project ("formare" means "training" in Portuguese) is Voith's way of building a bridge between the academic realm and the company. Teens from families who cannot afford to finance vocational training for their children have an opportunity to complete a training program and later obtain a skilled-labor job. //


VOITH
FORMARE

Here for generations – Families at Voith

Voith is a company with a long tradition. The same can be said of several families who have worked here for generations. They appreciate a job that is enjoyable as well as offering security and great opportunities.

Until a few decades ago, family discussions about the children's choice of profession were fairly rare in Heidenheim: "You're going to Voith," was the oft-heard statement from many parents. The Kenntner family is no exception, and today, the third generation of Kenntners is working for the company. It all started with Hermann Kenntner, who was a gardener for company owner Dr. Hanns Voith in the late 1930s. After returning from the Second World War badly injured, Kenntner found another position at Voith – as an office messenger. By the time he retired in the 1980s, he had moved up to tool purchaser and amassed 42 years of service.

Kenntner had also persuaded his sons Rolf and Karl-Heinz of the value of training at Voith. After receiving his degree in engineering, Karl-Heinz worked in stock preparation and later in the paper machine engineering department. Rolf began his apprenticeship in 1960 and by the time he retired in 2008, he had traveled across most of the world. Having started out as an illustrator, he became an advertising expert and was later responsible for Voith Paper's exhibition appearances throughout the world. "He still loves to talk about those days," says Rolf's daughter Silke.

At 27, she is the youngest Kenntner working at Voith. Originally, Silke wanted to be a social worker, but she soon found she could make a living helping others at Voith. Today, she assists families who are preparing for long-term assignments abroad. That she was able to reach this responsible position has a lot to do with the support of her former boss and her continuing education, she says.

"Performance is recognized at Voith," says Silke's older brother Frank, a trained industrial mechanic. He has carried out maintenance operations throughout Europe, the United States and as far away as Brazil and Chile, where he repaired the function rolls of paper machines and also trained the local workers. He recalls these experiences fondly: "The Voith colleagues always made me feel at home, even when I was far away." For the last three years, he has headed the "Spare Parts and Repairs Order Coordination" group for Voith Paper in Heidenheim, Krefeld and Düren. This year, his 15-year-old daughter Leonie got the chance to check things out for herself in an internship at the company. Perhaps one day soon there will be a fourth generation of Kenntners at Voith. // ▷

The Kenntner family's hometown of Heidenheim, Germany, is closely tied to the family company Voith. For Karl-Heinz (left) and Rolf (center), there was never a question of working anywhere else. Rolf's children Frank (right) and Silke (left) work here, too, while Frank's daughter Leonie (right) recently completed an internship at Voith.

São Paulo,
Brazil

They were both very proud, says Ivone Pardini as her husband nods in agreement. She is describing the moment that her son was hired for a trainee position at Voith Paper, straight out of technical school at the age of 17. The young man, like his father, is named Ricardo Pardini, and so everyone knows him as Ricardo Filho – Ricardo Jr. The elder Ricardo has already served 38 years with the company. Now aged 25, technical draftsman Ricardo Filho is the third generation of Pardinis to work at Voith in the hills northwest of São Paulo.

It all started with his grandfather Mauro in 1969. After a few months at the plant, the trained boiler maker was selected for a three-month course at Voith headquarters in Heidenheim. He brought back with him a little language knowledge, a lot of technical know-how and a major passion for his company, where he spent the remaining 19 years of his working life, much of it running the locksmith's shop. "Voith was a great stroke of luck for our family," explains Ricardo Pardini. "My father and I always had stable jobs – a great privilege in our country."

Ricardo Pardini has been with Voith since 18 July 1973. At 14, he filed technical drawings in the design archive. Now and then, his boss let him draw something, too. A small sheet metal part was the first sketch by today's project coordinator in the engineering department. The happiness that Ricardo felt on his way to work each day was due not only to the trust placed in him by his boss, but also to a young woman in the accounting department. Her name was Ivone and she soon became Ricardo's wife. Their son, Ricardo Filho, wants to be the first Pardini engineer at Voith. So, four days a week, after eight hours of design work on the new ATMOS tissue machine, he drives to the engineering science building. "My degree will take me a little longer this way, but the daily work experience helps me a lot in my classes," says Ricardo Filho happily. //

Ricardo Filho discusses a job on the computer with his father Ricardo Pardini. Ricardo Sr. was able to continually improve his qualifications at Voith in São Paulo. Now, his son is on his way to becoming the first in his family to complete his engineering degree, alongside his work at Voith.

After 43 years of work in York, in the eastern United States, Larry Krout can look back on a long, full career. When he started out at 21 in production on the East Berlin Road, he had just finished serving in the military. At the time, his employer was called Allis-Chalmers. When he retired at the end of October, he left as a long-serving Voithian.

Larry Krout and 11 of his relatives – his father, uncle, brothers, cousins and nephews – have all worked at the turbine plant's production facilities. Founded as S. Morgan Smith, the plant became Allis-Chalmers, before Voith Hydro took over in 1986 and made it the company's North American headquarters. The Krouts have witnessed all of these name changes and the developments associated with them.

The 64-year-old Larry still remembers the old-fashioned machines on which he completed his training in 1968. In 1974, when he was promoted to foreman of the machinery department, automation had just arrived on the scene. In 1988, he changed to the department where the gigantic turbine runners are first assembled, then dismantled, and finally loaded for transport. Larry Krout was there when the largest turbines in history were assembled. These have been turning since 1998 at the Yacyretá am Paraná dam and hydropower plant in South America. In 1995, he even spent seven weeks performing installation work in China.

As interesting as that was, he was always happy to come back home. The Krouts are not the wandering type – they love their home in the rural heart of Pennsylvania. "At Voith, we always had steady work. That was crucial for me and my relatives," says Krout in praise of his employer. And something else is also important to the long-term Voithian: After 43 years at the plant, he is, of course, looking forward to a quieter life, sleeping in and going fishing, but he will miss his colleagues: "I always had the good fortune of working with first-class people." // ▷

Larry Krout (left) with two of his relatives, Jeff Flaharty (center) and Keith Krout (right), who also work for Voith in York, Pennsylvania. For decades, turbines for hydropower plants shaped Larry Krout's life. Now that he is retired, he still likes to be near water – when he is fishing.


VOITH
VOITH

It is a wide family tree with many branches. Comprising 18 people, this particular one was drawn up by Rudolf Mischak. Under his name is the number 42. That is how many years he has "belonged to Voith," as they say in St. Pölten, one of the oldest cities in Austria. The other 17 relatives – fathers, uncles, cousins, in-laws – were or are still employed at Voith.

Voith has a long tradition in St. Pölten. The company has been manufacturing in this small baroque city by the Westbahn (Western railway) – one of the country's central railway lines – since 1903. From here, the crown lands of the Austro-Hungarian monarchy were opened up at the beginning of the 20th century. This was also where business with Europe behind the "Iron Curtain" was coordinated after the Second World War. Rudolf Mischak remembers traveling into Czechoslovakia on the Postbus from 1975-1980: "That was the fastest connection in those days." Cars had to wait for hours at the border on the way to the mechanical engineering exhibition in Brünn. The 57-year-old traveled to the East several times while working for the advertising department.

Mischak was 15 years old and fresh from school when he applied for one of the most sought-after training positions at the largest company in St. Pölten. His training at the model joinery shop began in 1969. When a position opened up in the advertising department in 1975, he presented his drawing portfolio and was soon designing the local employee newsletter. This remains part of Mischak's job today and he still works in the local marketing department in St. Pölten. He also organizes company events, such as the open house, last held in September this year. These events are like a small family reunion for Mischak, who has four relatives currently working among the thousand Voith employees.

When Rudolf Mischak started out in the joiner's shop, his great uncle Engelbert, who began the family tradition in 1938, still worked there, along with his father Rudolf and three uncles. All of them worked in the foundry producing cast parts for turbines and paper machinery. Rudolf Mischak Sr. held the position of works council president on the company's board of directors for many years. For 45 years of his life, the elder Mischak "belonged to Voith" and his brothers served 44 and 39 years respectively at the plant. "The company is part of our family history", says Rudolf Mischak today and adds, with a mischievous grin: "The first word babies say in our family say is not 'mama,' it is 'Voith.'" //

In front of the Voith plant in St. Pölten, Austria: Rudolf Mischak, Andreas Demelmaier, Daniela Maleschek, Michael Nassion and Ferdinand Demelmaier (left to right). All are related to one another and all work for Voith, the largest company in their town.

Financial Report 2011

Voith GmbH

Corporate Central Functions

Voith Hydro

Sales: €1 228 million
Orders received: €1762 million
Employees: 5 345

Voith Industrial Services

Sales: €1 006 million
Orders received: €1 006 million
Employees: 18 464

Voith Paper

Sales: €1 827 million
Orders received: €2 005 million
Employees: 9 937

Voith Turbo

Sales: €1 520 million
Orders received: €1 572 million
Employees: 5 965

Management Report

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I. Business and economic environment

I.1. Group structure and business activities

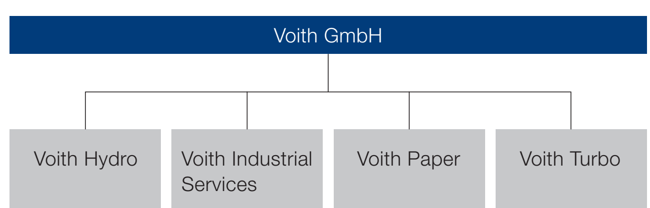
Voith is a global technology group. With its broad portfolio of systems, products and industrial services, Voith serves five essential markets: energy, oil & gas, paper, raw materials and transport & automotive. Voith operates in over 50 countries around the globe, maintaining an extensive network of production, service and sales units on every continent on the planet.

Voith GmbH, the Group's holding company, is headquartered in Heidenheim at the river Brenz/Germany. Voith GmbH is 100% family owned. It is an operative management holding whose Board of Management is directly responsible for strategy in the Voith Group and thus for controlling the Company. The advisory and supervisory bodies are the Shareholder Committee and the Supervisory Board. The latter is also in charge of monitoring management.

The operating business is bundled in four Group Divisions: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. In each Group Division, a legally independent head organization oversees the activities of the Division's subsidiaries.

Corporate control is anchored in a value-based management philosophy that uses the return on capital employed (ROCE) as the key measure of the Company's earnings power. This ratio is calculated from the operational result before non-recurring result and the capital employed. In addition to the value-based ROCE ratio, operating net cash flow was implemented as a second central indicator in the past fiscal year. This figure serves to assess the Group's ability to record sufficient cash flows. All figures and reports submitted to the Group's Board of Management are based on these management ratios.

Organizational structure of the Voith Group



I.2. Values, guidelines, compliance

Voith—Engineered Reliability

All of our actions are based on trust. This maxim is supported and supplemented by our values of professionalism, respect for the individual, colleagueship, openness, reliability and integrity. We summarize our canon of values in our slogan “Voith—Engineered Reliability”. This encompasses our claim of providing reliable and high-quality technology on a sustainable basis and, at the same time, of always acting fairly, openly and with integrity in dealings with our employees, partners and customers. These values and the guidelines derived from them allow us to ensure that Voith acts according to the same business principles and adopts the same philosophy and umbrella brand all over the world. By living these values in practice, we marry the culture of a family-owned business with that of a global group.

Voith’s values are the element that connects the owner family with management, employees, customers and partners. Voith sees itself as a true interest group based on the ideas of performance and mutual respect. We interact closely with the Voith family, which owns the Company. In regard to our employees, we focus on long-term employment relationships and place a strong emphasis on offering them challenging tasks and prospects for their personal development. We have long-term partnerships with our business partners, customers and suppliers that often span several generations. Remaining true to our values, we also seek out open dialog with important stakeholders and target groups: financial services providers and investors, universities and research institutes, NGOs and interested members of the general public.

Compliance—our values are binding

The Voith Code of Conduct was introduced in 2009 from the legacy of previous Group guidelines and our culture of integrity that was formulated as a principle of business conduct back in 1927. The Code of Conduct regulates how we deal with customers and business partners as well as how we interact with each other within the Company. Its aim is to put reliability, integrity and transparency at the heart of our communications and all of our contractual relationships. It is based on compliance with the law and with all internal company regulations. The Voith Code of Conduct provides clear guidance and has binding effect for all of our employees as a standard that applies globally. Punitive action will be taken in the case of any breaches of the Code of Conduct.

The main principles addressed by the Voith Code of Conduct are as follows:

- Compliance with the rules of fair competition
- No agreements that contravene competition law
- No corruption or bribery: no offering and granting or demanding and accepting unacceptable benefits
- Transparency of donations and sponsorship
- Maintaining own and respecting third-party company and patent secrets
- No undue preferential treatment of suppliers and service providers

The wording of this Code of Conduct is available on the Internet at: http://voith.com/compliance.htm.

The Compliance program including related training measures is coordinated and developed by the Compliance Committee, which reports directly to the CEO. The committee comprises the Head of the Corporate Office (Chairperson), the Head of Corporate Legal Affairs, the Head of Corporate HR Management and the Head of Corporate Internal Audit. The compliance officers in the individual Group Divisions are responsible for implementing the Code of Conduct in their respective areas of responsibility and are also important contact persons for all issues relating to compliance. However, ultimately it is the responsibility of each individual employee to act in accordance with our corporate values. In order to raise awareness of this, we ask our executives to act as role models and also provide executives and employees with training and information on topics such as corruption, competition issues and export controls. The employees and executives can also get support in their day-to-day work by contacting the Compliance Committee or the Help Desk on Voith's intranet. At the beginning of the 2011/12 fiscal year, all Voith employees will also have access to an e-learning program that they can use to keep up to date on compliance issues at regular intervals.

I.3. Group strategy

Stability and independence as a family-owned company

As one of Europe's major family enterprises, Voith GmbH benefits from the stability and long-term view taken by its shareholders. The financial independence that this offers provides the economic foundations from which Voith can operate. The self-professed objective of the Group's Board of Management, Supervisory Board and shareholders is to pass Voith on to the next generation as a leading technology firm with enhanced lasting strength. This also explains why the Group's strategy is geared to preserving business agility by ensuring that the Company continues to be focused on sustainable profitable growth. The overriding goal that guides our actions is to develop and offer solutions for customers that make a contribution to society and to protecting the environment and that provide our employees with attractive and secure jobs all over the world.

Sustainable profitable growth

Our successful development is based on our excellently trained employees, our diversified product portfolio, our international gearing and our consistent investment in research and development as well as our stable ownership structure.

A balanced product portfolio

Out of its original core business, mechanical and plant engineering, in recent years Voith has systematically expanded its product and service portfolio to gain a firm foothold in its core markets of energy, oil & gas, paper, raw materials and transport & automotive. In this respect it has proved possible to spread sales fairly evenly between the Group Divisions. Although the share of sales contributed by each line of business varies from year to year depending on general industry performance, all four Group Divisions now account for a substantial share of Group sales.

Our broad strategic positioning as a diversified mixed-industry group acts as a buffer against the majority of economic risks. Because the individual markets follow different economic cycles, a fall in sales on the markets such as oil & gas, raw materials and energy that traditionally respond more slowly to economic trends is offset by growth on the fast-responding paper and transport & automotive markets. This diversification strategy was put to the test during the economic crisis in 2008 and 2009: we were one of the few companies to grow sales and earnings even during the crisis.

An international gearing and local roots

Voith has a long history of international activity. At a time when most German companies were only focusing on the domestic market, Voith was already delivering its products all over the world. At the beginning of the 20th century, we were already building turbines for projects in the USA and Asia and selling paper machines to what was then Austro-Hungary and to Russia and Sweden. This makes Voith one of Germany's pioneers in foreign trade. The company began establishing production facilities in other countries at a very early stage in an endeavor to establish greater proximity to the customer and to shorten transport routes. Voith's first production location outside of Germany was opened in 1903 in St. Pölten near Vienna, while the first manufacturing site outside of Europe was set up in Brazil in 1964. Other international locations followed, for example in the USA in the early 1980s. Voith now has its own companies in more than 50 countries. More and more of these are in Asia, for example in India (since the 1960s) and in China (since the 1990s).

Today, around one-quarter of consolidated sales are generated in the Americas, Asia and Europe excluding Germany respectively, while Germany accounts for more than 20%. Voith has made it its goal to expand its presence further and set down roots in its international markets that are just as strong as in Germany today. This is why we see ourselves as a local actor in the individual locations, with its product development, engineering, production and industrial services making major contributions to the development of each national economy. Our actions center on offering our customers the perfect solutions for the challenges that each of them faces, regardless of whether they are in countries focusing on developing infrastructures or in highly-developed industrial countries where there is a demand for intelligent technologies for optimum efficiency in business. The key to achieving this aim lies in local management and stuff who understand market circumstances and the mentality as well as the needs of the customers because it is part of that culture.

Technical innovation through research and development

Voith's position on the global market is based above all on its technical innovative power. Since the Company was founded, our engineers have been writing history with their inventions in the field of technology. Voith currently has more than 11 000 active patents around the world, and this figure increases by roughly 400 each year. There is no contradiction between a pioneering spirit on the one hand and permanence on the other. This is why we invest in research and development for new products even and specifically in difficult economic times. More than €250 million was invested in each of the past three years, even throughout the economic crisis. Detailed information on the current focus areas of our R&D activities is provided in Section V of this management report under “Research and development”.

Megatrends point the way

Climate change and an increasing scarcity of resources, globalization and mobility, urbanization and demographic change—these are the megatrends of the present era. While these developments can be seen as risks for business in some cases, they constitute major opportunities for companies like Voith. However, the Company must observe social and ecological changes and create space for new ideas and developments. In this way, it can come up with timely solutions to upcoming challenges.

Our success, particularly in times of crisis, is based on a far-sighted positioning on the growth markets and the development of an innovative product portfolio. Our products provide answers to urgent questions of our time, such as CO_2-free energy generation, mobility in megacities and production methods that use as few resources as possible.

I.4. Macroeconomic situation

Economic recovery slowed by shocks and structural problems

In the 2010/11 fiscal year the recovery of the global economy that had begun to take root in the previous year initially continued, as in prior periods, at differing paces in the different regions around the world. However, the year 2011 was characterized by a range of dramatic events. One such event was the earthquake disaster in Japan, which impacted on the supply chains of some industries, with the automotive industry in particular being hit. This did not result in any major economic setback for the Voith Group as a whole. The global economy is struggling due to unresolved structural problems that result in uncertainty on the markets. These problems include national debt levels in the euro zone and in the USA, high unemployment in the USA and in some euro-zone countries, and increased inflationary tendencies around the globe, particularly in some important emerging markets such as India and China. The general uncertainty resulted in turbulence on the financial markets, which has been reflected in a sharp fall in share prices since mid-July as well as very volatile prices and could also have an effect on some of Voith's customers under certain circumstances.

Since the second half of the 2010/11 fiscal year, numerous economic indicators such as purchasing managers' indices, consumer surveys and the IFO business index are pointing toward a dip in the global economy. Based on these data, we expect weaker growth and assume that the risks for the global economy have increased overall. Most economic institutes share this view. For example, the International Monetary Fund (IMF) corrected its forecasts downward in September 2011 and is now predicting a global growth rate of just 4.0% for the whole of 2011. Growth in the industrialized countries is expected to make a weak contribution, at just 1.6% in 2011 based on IMF forecasts after more than 3% in 2010. The USA's GDP is expected to grow by a mere 1.5% in 2011, while an increase of 1.6% is reckoned with for the euro zone. Germany is continuing to benefit more than most industrialized countries from the demand for capital goods in the emerging markets. With forecast growth of 2.7% in 2011, it is the exception amongst Europe's major national economies. The emerging and developing economies are growing at a much faster rate than the industrialized nations, although growth has also lessened there during the year under review. The IMF is forecasting average growth of 6.4% for the emerging markets in 2011. The Chinese economy alone is likely to expand by 9.5% over the whole of 2011.

Voith markets benefit from economic recovery in 2010/11

All five of Voith's markets were buoyed by the economic recovery in the year under review. Not only the markets that respond more quickly to economic trends (paper and transport & automotive) but also the slow-responding markets (energy, oil & gas and raw materials) are on a clear path for growth.

Energy: demand for electricity rises further

The energy market encompasses the conversion of various primary energy sources such as coal, gas, wind or hydro power into electricity and alternative forms of storage. This market is served by the Group Divisions Voith Hydro, Voith Industrial Services and Voith Turbo. The higher global economic output led to a rise in demand for energy in the year under review. The thermal power station segment is back on a course for growth in 2011 after delays in the awarding of major projects resulted in a slight drop in 2010. After a sideways movement in the previous year, the hydro power market is also starting to show signs of recovery in the year under review. Other renewable energy sources such as solar power and wind power continued to develop positively. In the medium and long term, growth prospects on the overall energy market are positive owing to growing demand around the world for more electricity—especially in the world's densely populated national economies. In the industrialized countries, regenerative energy sources are currently the strongest-growing forms of energy generation. In addition, investments in modernization and increased efficiency as well as in reducing the CO_2 emissions of existing power plants are also expected. By contrast, the developing and emerging economies—with China at the forefront—continue to focus more on conventional than on renewable energy sources in their exceptionally fast increase in capacities. Seen globally, the share of renewables in electricity generation is set to increase. This will also raise the potential for pumped storage power plants.

Oil & gas: still major energy sources

The oil & gas market includes both the extraction of crude oil and natural gas and the processing, transport and marketing of these fossil fuels. Voith Turbo and Voith Industrial Services supply the market with specialized products and services. Demand for oil and gas is closely tied to the development of the economy, albeit with a certain time lag. After falling to its lowest level for many years in 2009, worldwide demand for oil and gas has veered upwards again since the spring of 2010 and in Voith's 2010/11 fiscal year. The growing demand for the end product went hand in hand with a rise in investments in equipment and in spending for maintenance measures for oil-drilling platforms and refineries. Oil and gas will continue to be the world's most commonly used energy source in the next 25 years. Demand for fossil fuels will rise noticeably in the developing and emerging economies, in particular in China, while demand in the OECD countries will tend to drop off. The strongest-growing providers of oil and gas will be the developing countries—headed up by Brazil—followed by North America and certain states of the former Soviet Union. By contrast, western Europe will become less important as a provider.

Paper: return to high pre-crisis levels

The paper market is served by the Group Division Voith Paper. After the collapse in 2008 and 2009 on account of the economic crisis, the paper market recovered very well in 2010, thanks primarily to catch-up investment measures. In regional terms, the strongest growth was recorded in South

America and in Asia—particularly in China. The growth rates were influenced by the high demand for packaging and tissue paper. Per capita consumption of all types of paper in the emerging countries continues to be significantly lower than the average for all industrialized countries. This means that, in the medium and long term, key stimulus for the paper market will continue to emanate from these growth regions (particularly China and India). At the same time, demand is growing in all markets for new technologies that will make the paper production process more efficient while consuming fewer resources.

Raw materials: emerging markets as a growth driver

We define raw materials as valuable minerals extracted from the earth, such as coal, copper and iron ore, as well as other geological materials such as stone and sediment used as building materials. The raw materials oil and gas are accounted for separately as part of the oil & gas market. The segments of the raw materials market that are of relevance for Voith are the mining sector and the steel industry. Both are supplied by the Group Division Voith Turbo. After the raw materials boom came to an abrupt end in 2009, the market has picked up again markedly since 2010. The growth drivers included the rise in industrial production as well as increased activity in the construction sector. The growth and industrialization process in the emerging and developing countries reversed the long-term trend of a falling ratio of raw materials in relation to GDP. In particular, there was a massive increase in China's share in the global consumption of raw materials. Investments in the construction sector experienced double-digit percentage growth in 2011, but are not expected to match the pre-crisis level before 2013. Steel production, which had fallen sharply in 2009 on account of the recession, has been climbing at a faster pace than economic growth since 2010.

Transport & automotive: market segments grow at different rates

The transport and automotive market includes diverse transport routes and the means of transport used on them for moving people and goods. This heterogeneous market is served by two Voith Group Divisions: Voith Turbo supplies products and systems for rail transport, commercial vehicles and ships. In addition to automobile manufacturers and automotive suppliers, Voith Industrial Services serves the rail segment and the aviation sector. After the dramatic collapse in 2009, the car and commercial vehicle industry experienced record sales in 2010 and 2011, buoyed by strong demand in Asia. In recent years the rail sector has experienced a boom triggered chiefly by the project to expand the high-speed rail system in China. The entire project has been under review since mid-2011 with the aim of improving quality assurance, and this will cause a slowdown in global market growth. The generally positive trend in the rail segment will continue in future, however, driven by government infrastructure projects intended to facilitate the mobility of people. The marine segment suffered right into Voith's 2009/10 fiscal year from a huge drop in freight traffic, and showed first slight signs of recovery in the year under review. The market for engineering services for the aviation industry was shaped by a drop in the volume of projects awarded as well as consolidation of the EADS suppliers.

II. Business development and earnings position of the Group

II.1. Overall view

Record year for Voith

Voith can look back on a very successful fiscal year in which all of the key indicators were increased. All Group Divisions experienced growth, with sales rising by 8% at group level. With a 20% increase in orders received, we surpassed the record figure of the boom year 2007/08. Our orders on hand exceeded the €6 billion threshold for the first time in the Company's history. In line with our target — sustainable profitable growth — we improved our profitability further. Our operational result before non-recurring result rose at a higher rate than sales, at 18%. The net income for the year grew even more substantially, by 64%.

The results in the year under review are particularly pleasing in light of the strong previous-year figures: not only did Voith come through the recession without a collapse in sales or results, it exhibited continuous growth in the difficult phase for the global economy. This is reflected in the accumulated rise in group sales in the past three years by €685 million. The positive business development of recent years is the result among other things of the Group's successful portfolio strategy. It was this strategy that made it possible to compensate for opposing developments on our five core markets, which are subject to different business cycles. The Company also benefited from the consistent continuation of its internationalization process, which began at an early stage. This allowed us to avail ourselves of the opportunities offered by the growth dynamics on the emerging markets, especially in China, India and Brazil.

II.2. Sales

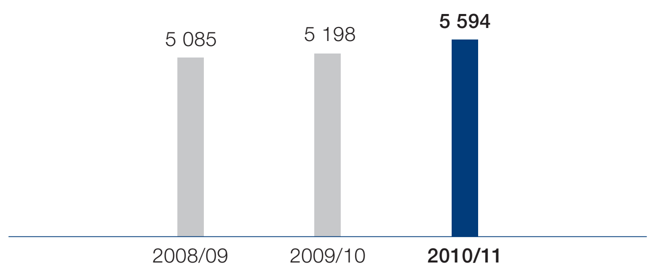
8% growth from an already-high level

In the 2010/11 fiscal year, the Voith Group grew sales by 8% to €5 594 million (previous year: €5 198 million). All four Group Divisions experienced growth, with the highest growth of 13% at Voith Turbo (for the sales development of the individual Group Divisions, see Section III of this management report on “Business development and earnings position of the Group Divisions”).

Each of the four Group Divisions contributed between 18% (Voith Industrial Services) and 33% (Voith Paper) to Group sales. Sales in the Group show a fairly even geographical distribution, reflecting Voith’s balanced business presence in the world’s major economic regions. In the 2010/11 fiscal year, roughly a quarter of total sales came from the Americas, Asia, Germany, and Europe excluding Germany, respectively. Voith responded at an early stage to the rising demand from countries such as China, India and Brazil, contributes actively to value creation in these economies and participates in the rapid growth in these regions. The share of sales achieved in Asia has risen again, to 27% (previous year: 25%). 27% of Group sales also originate in the region of Europe excluding Germany (previous year: 29%). The Americas region contributed 23% to Group sales (previous year: 24%) and Germany 21% (previous year: 20%).

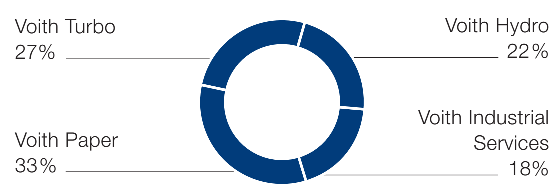
Sales Group

in € millions

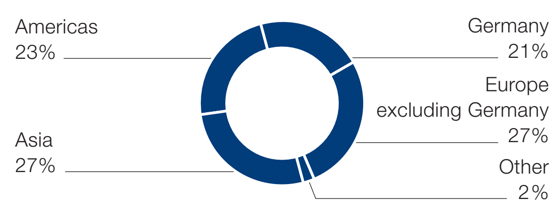


Sales total €5 594 million

by Group Division



by region



II.3. Orders Received

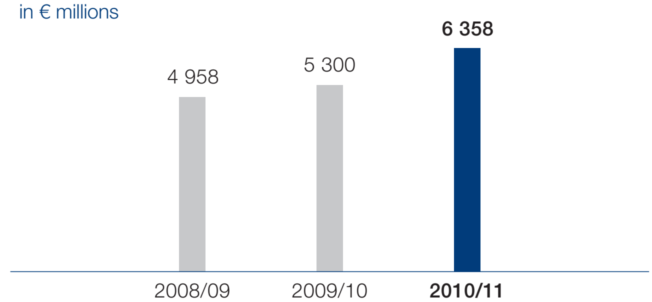
20% rise in orders received

In the 2010/11 fiscal year, the Voith Group received €6 358 million in new orders, exceeding the previous year's figure (€5 300 million) by 20%. Orders on hand rose by €608 million to €6 044 million (previous year: €5 436 million) as at the end of the fiscal year, September 30, 2011.

Voith Hydro recorded the strongest growth of the four Group Divisions. At Voith Hydro orders received were up by 81% thanks to large-scale projects, in particular winning the Belo Monte project in Brazil for the world's third-largest hydro power plant as well as a range of other major projects in a lot of different countries. However, the resulting unusually high volume of orders received cannot be rolled forward for the coming years.

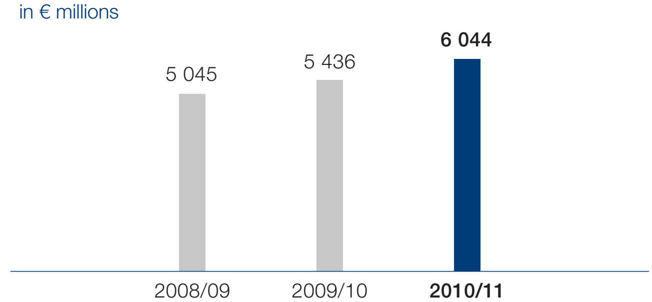
Orders received Group

in € millions



Orders on hand Group

in € millions

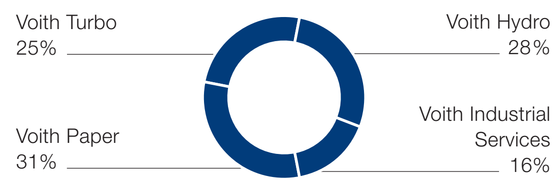


Voith Paper was still the Group Division with the largest share of orders received (31%, previous year: 38%). Voith Hydro (previous year: 18%) contributed 28%, while Voith Turbo accounted for 25% (previous year: 26%). Voith Industrial Services made a contribution of 16% (previous year: 18%).

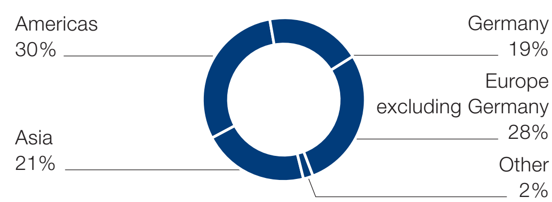
There is a relatively healthy balance in the regional distribution of orders received. Orders from the Americas as a whole climbed to 30% (previous year: 25%), chiefly because of very large-scale hydro power projects in Brazil. After 30% in the previous year, 21% of orders were sourced in Asia in the year under review. Europe excluding Germany accounted for 28% of orders (previous year: 24%), and Germany contributed 19% (previous year: 20%) of the Group's orders received.

Orders received total €6 358 million

by Group Division



by region



II.4. Capacity utilization

Noticeable increase in headcount

937 new jobs were created throughout the Group in the 2010/11 fiscal year. The total number of employees in the Voith Group (not including apprentices) rose from 39 754 in the previous year to 40 691 as at September 30, 2011. This represents an increase of 2%.

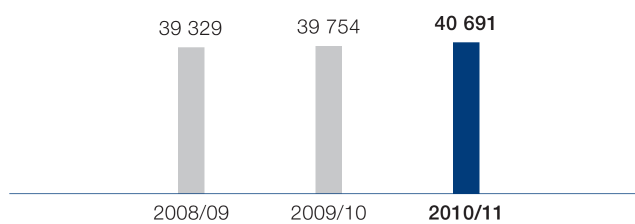
Looking at the divisions, the following picture emerges: Voith Hydro (+107 employees), Voith Paper (+584) and Voith Turbo (+543) all saw sharp rises in personnel capacities in the year under review. At Voith Industrial Services, by contrast, in net terms 2% of jobs (-406) were cut, with decreases in North and South America being partially offset by increases in Germany and Asia.

As a provider of industrial services, Voith Industrial Services accounts for 46% of the total headcount (previous year: 48%), making it the largest Group Division in terms of staff numbers. 18 464 people were working there at the end of the year under review. With 9 937 people, Voith Paper employed 23% of the Group's headcount as at September 30, 2011, unchanged from the previous year. With 5 965 staff members, Voith Turbo made up 15% (previous year: 14%) of the Group's headcount. Voith Hydro employed 5 345 people, and thus a share of 13% (previous year: 13%) of the Group's entire workforce.

Regarding the trend in capacity utilization in the divisions, see also Section III "Business development and earnings position of the Group Divisions".

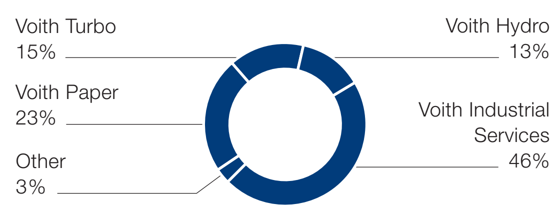
Employees Group

as at 30 September

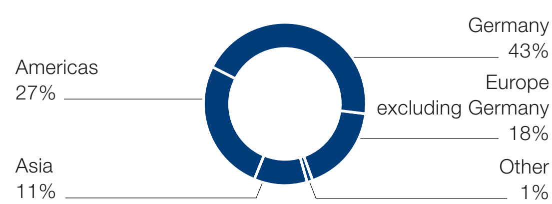


Employees total 40 691

by Group Division



by region



Approximately 650 new jobs in Germany and Asia respectively

The new capacities were increased in a targeted manner and take into account the individual requirements of the Group Divisions in the respective regions. The Group had 17 429 employees in Germany at the end of the fiscal year. This constitutes an increase of 653 or 4% in comparison to September 30, 2010 (16 776). All four divisions contributed to this growth.

We hired 75 new employees in the Europe excluding Germany region. As at the fiscal year-end, we had 7 462 employees in this region (previous year: 7 387).

All Group Divisions significantly expanded their personnel capacities in Asia, where a total of 656 new employees were hired. Thus the number of Voith employees in this high-growth region increased to 4 557 (previous year: 3 901).

Employee numbers were down by 470 in the Americas, with 11 030 employees in total at the end of the fiscal year (previous year: 11 500). In particular, headcount was reduced in this region at the Voith Industrial Services Group Division, while the other divisions increased jobs in South America, particularly Voith Paper.

As a result, the year-on-year regional distribution is only marginally changed. Germany continues to be where Voith has the most employees, with a share of 43% of the Group's total workforce (previous year: 42%). The Americas were still the second most important region with a 27% share (previous year: 29%). We employed 18% of our staff members in the Europe excluding Germany region (previous year: 19%). At 11% (previous year: 10%), Asia accounted for the smallest portion of the Group's headcount, but this share is growing.

Continued strong ethic for basic and further training

We once again invested substantially in training and maintained the number of apprentices as well as the quality of training. At the close of the 2010/11 fiscal year, 1 246 apprentices and students were employed at Voith locations around the globe (previous year: 1 232). Once again, we trained considerably more apprentices than we needed for our own purposes, thus giving many young people good prospects for future employment. In view of the medium-term shortage of suitably qualified specialists to be expected in Germany owing to demographic trends, we see this as an investment in our future as well as Germany's future as an industrial location.

Because we strive for long-term employment relationships, we consider it important for our employees to be open to life-long learning. We offer various internal training measures and also work together with external educational institutions. In the year under review, more than 2 100 employees took part in the Group's standardized internal training programs worldwide that accompany professional or management career paths. There were also various external seminars and internal training measures that were selected locally according to specific requirements at individual entities.

Significant rise in personnel requirements in medium term

We increased personnel levels in response to the positive order situation. This meant that HR operations in the year under review naturally focused on attracting, selecting and hiring new staff.

Our personnel requirements will rise considerably in the medium term. The demographic shift on the European and North American market will result in a large number of employees leaving the Group by the end of the decade, combined with a diminishing number of graduates who have finished their training. We will increase our staff numbers substantially in the growth markets of Asia in order to meet our growth targets. At the same time, competition for suitable professionals and executives is intensifying in those areas. The challenge of continuing to find a sufficient number of qualified staff for Voith is thus the key topic for the coming years.

Greater emphasis on personnel marketing activities

In light of this situation, personnel marketing will have an important role to play. This includes all measures aimed at raising the awareness of Voith as a strong brand on the labor market and positioning the Company as an attractive employer—a task that concerns all major Voith locations worldwide. As far as university marketing is concerned, since this fiscal year we have been focusing on a small number of universities, handpicked according to clear criteria, with which we have stepped up our cooperation. Examples of specific projects include projects to accompany doctorates and carry out tutoring programs. Voith not only has its own employees on site, but also invites the students to visit major locations and to use the trip to experience the complex production processes firsthand. Going forward, we want to implement tried-and-tested employer branding strategies systematically at our large international locations, too.

In the year under review, we gave more than 270 interns within the Group the possibility to familiarize themselves with work in an international technology group and to test their skills in a day-to-day work environment. In addition to the option to join the Company as a direct entry employee, we also offer graduates attractive traineeships in technical and commercial professions. We have continued the long-standing close cooperation with the universities of cooperative education (“Duale Hochschulen”, formerly “Berufsakademien”) in Germany.

In order to continue to be able to hire a sufficient number of new employees and graduates in future, we are already directing our personnel marketing activities at school children who are at the stage of deciding what professional path they wish to pursue. Various initiatives and cooperations of individual company locations with local schools are geared to this target group. One particularly noteworthy measure in this respect was the participation of the Salzgitter location in the summer of 2011 at IdeenExpo, the largest hands-on event for natural sciences and technology in Germany. In the year under review, more than 80 grammar-school attendees made use of the chance to familiarize themselves with a technical or commercial profession at Voith by doing an internship for school pupils.

HR information management to be optimized

In light of globalization and the demographic development, our corporate growth targets will pose major challenges for the HR department. High-performance HR information systems were identified as important strategic pillars for Voith’s HR work, providing a key basis for functioning processes and well-founded decisions. The 2010/11 fiscal year marked the launch of a range of activities and projects geared towards gathering, processing and making available HR-relevant data. The first project stage was defined as analysis, which is to be completed in the spring of 2012. The aim is to be able to provide HR services at a local, regional or global level in future, depending on requirements. As a result, the efficiency and effectiveness of the HR processes is to be raised Group-wide—from recruiting new employees, payroll accounting, time management and training systems to personnel development and succession planning. In particular there are plans to support systematic talent management that will help to advance existing employees in their career and secure a sufficient number of suitable new employees for the long term.

II.5. Results

Net income at an outstanding level

The highly successful 2010/11 fiscal year was reflected in the excellent development of earnings. Net income for the year rose by 64% to €200 million (previous year: €121 million).

The increase in total output to €5 621 million (previous year: €5 193 million, +8%) was largely the result of the rise in sales already described. In addition, the increase in changes in inventories and own work capitalized of €32 million, due to the very good order situation, contributed to the increase in total output.

Cost of material increased to €2 309 million (previous year: €2 081 million, +11%) during the year under review. The material ratio (the relationship between cost of material and total output) increased slightly to 41.1% (previous year: 40.1%). Higher material purchase prices and the development in changes in inventories led to an increase in the material ratio.

Personnel expenses rose by €132 million or 7% to €1 983 million (previous year: €1 851 million). The relationship between personnel expenses and total output fell slightly to 35.3% (previous year: 35.7%) despite the absolute increase in headcount and moderate increases in employee salaries.

Depreciation and amortization increased by €26 million to €189 million (previous year: €163 million). This increase was essentially due to a higher level of depreciation and amortization on account of the high level of capital expenditure in the past and impairment losses recognized on development costs and on property, plant and equipment.

The operational result before non-recurring result rose by 18% to €416 million (previous year: €353 million). Return on sales rose to 7.4% (previous year: 6.8%).

The non-recurring result of €-14 million (previous year: €-13 million) contains measures introduced during the year under review to adjust staffing and structures. These affect the Voith Industrial Services and Voith Turbo Group Divisions. Voith Industrial Services contributed €-10 million, primarily due to adjustments within the scope of restructuring the Group Division as well as the associated sale of subsidiaries. Voith Turbo contributed €-4 million to the non-recurring result due to planned restructuring activities.

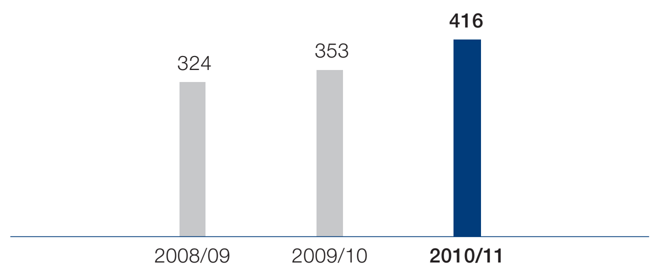
Interest income fell by €16 million to €19 million (previous year: €35 million). The lower level of cash and cash equivalents, particularly in countries with a high interest level, as well as the reduction in securities (reversal of multi-asset fund in the second half of the previous year) also played a role here. Interest expenses came to €-102 million (previous year: €-105 million). The reduction of financial liabilities (repayment of a bond issued on the capital market of €145 million and a note loan of €148 million) was implemented only in the second half of the fiscal year. Consequently, this did not result in a greater decrease in interest expenses.

The other financial result came to €-2 million (previous year: €-39 million). In the previous-year period, there was a write-down of €-39 million recognized in profit or loss on marketable securities held as financial assets.

The other items in the consolidated statement of income changed in line with the pattern of business development.

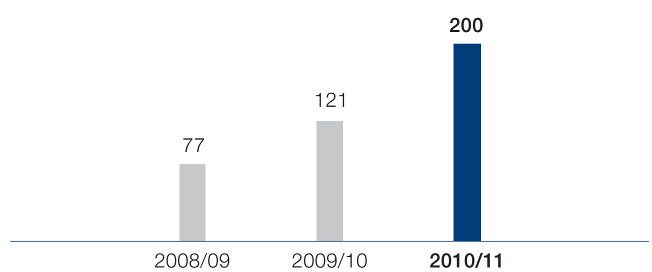
Operational result before non-recurring result Group

in € millions



Net income Group

in € millions



III. Business development and earnings position of the Group Divisions

III.1. Voith Hydro

Exceptionally strong new business

Full-line supplier for hydro power plants

For more than 100 years, hydro power plants throughout the world have been fitted with turbines and their mechanical equipment from Heidenheim. As a full-line supplier for hydro power plants, today Voith Hydro is one of the world's leading industrial partners for power plant operators. This applies both to the field of power generation—using traditional hydro power as well as ocean energy—and to the area of storing electric power.

Voith Hydro's portfolio of products and services covers the entire life cycle of large and small hydro plants and includes all major components: generators, turbines, pumps and automation systems (monitoring and control systems). It also extends to the after-market business, which includes the supply of spare parts and maintenance services. In the field of ocean energies Voith Hydro develops innovative technologies for utilizing tidal currents and waves.

Palpable recovery on the hydro power market

The global hydro market developed very positively in the year under review. The development in the large hydro segment hinges on the realization of individual major infrastructure projects that are usually dependent on decision-making processes spanning several years. In the 2009/10 fiscal year there were no orders at all for large projects in Brazil, a traditionally strong sales region. However, this segment developed unusually well during the year under review. A decisive contribution was made by Belo Monte, a single major project with an installed capacity of more than 11 gigawatts. Thanks to another large-scale project, Teles Pires, Brazil was by far the largest hydro power market in the year under review.

In the small hydro segment (power plants with less than 30 megawatts capacity), where the percentage growth is expected to be stronger in the medium term, the recovery of the previous year was interrupted. On the mature markets, in Europe and NAFTA, the service business is gaining ground because of the increasing age of the equipment.

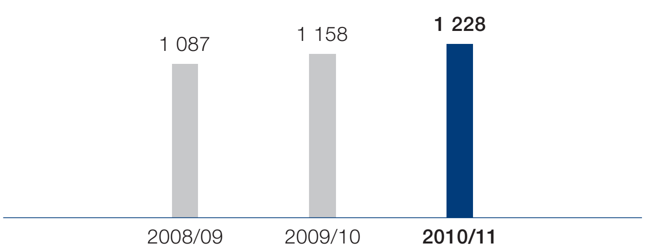
Increased sales

In the 2010/11 fiscal year, Voith Hydro increased its sales by 6% to €1 228 million (previous year: €1 158 million). This constitutes a very strong sales development in light of the lower number of orders received in the previous year. This development was recorded thanks to the high order volumes in recent years, the effect of which on sales was delayed owing to long project and production lead times.

Most sales were recorded in emerging economies. The strongest region in the year under review was still South America, driven by exceptionally large projects in Brazil. As in the previous fiscal year, significant portions of total sales came from Europe excluding Germany and from Asia respectively.

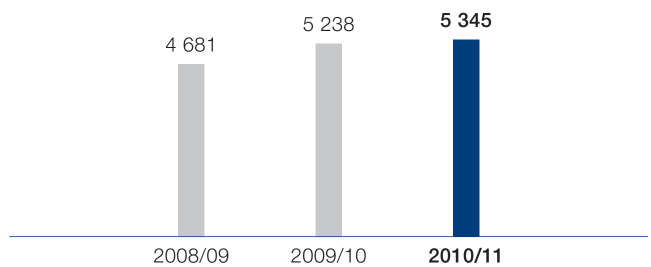
Sales Voith Hydro

in € millions



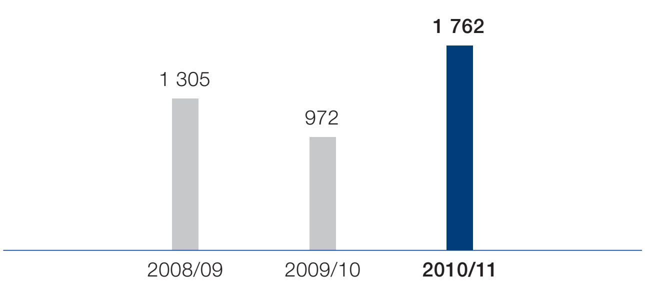
Employees Voith Hydro

as at September 30



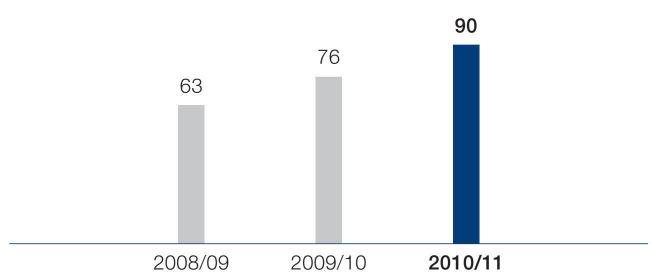
Orders received Voith Hydro

in € millions



Profit from operations Voith Hydro

in € millions



Orders received up by 81%

Voith Hydro performed very successfully in the positive market environment and secured new orders totaling €1 762 million. This is an increase of 81% on the previous year (€972 million). At the end of the fiscal year on September 30, 2011, orders on hand amounted to €3 252 million. This is €431 million more than on the cutoff date in the previous year (September 30, 2010: €2 821 million).

The core markets for our hydro business are still South America, NAFTA and China. In Asia, Japan and India also played a significant role in the year under review, as did Russia and Turkey in Europe. Voith Hydro was able to acquire several very large orders in the year under review. The very high volume of orders received achieved as a result constitutes an exceptional situation that cannot be assumed to continue in the coming years.

The most notable event in the year under review was the order from the Brazilian power plant operator Norte Energia to equip the world's third-largest hydro power plant, Belo Monte. After completion, Belo Monte with its 11 gigawatts will generate the same amount of electricity as 10 nuclear power plants or 15 coal-fired power plants. As the technical leader for the project, Voith Hydro will supply four 620 megawatt Francis turbines and generators, the entire automation systems as well as all high-voltage transformers. The order volume for Voith Hydro alone will be in excess of €400 million.

A further large-scale infrastructure project in Brazil played a major role in the higher number of orders received in the year under review. As the consortium leader for the project, Voith Hydro will be responsible for the electromechanical equipment for the planned hydro power plant Teles Pires. The order comprises the delivery of the 404 MVA generators for five Francis units for the power plant as well as the main ancillary systems for the operation of Teles Pires.

We were also able to win an order in eastern Europe with a nine-digit figure in terms of volume. The utility RusHydro commissioned us to participate in modernizing the Saratovskaya power plant in the southwest of Russia. Together with a Russian partner, we will modernize the Kaplan turbines and increase their output by 13% per unit. The turbine runners have a diameter of 10.3 meters, making them some of the worldwide largest of their kind.

We also received an order from the Portuguese utility EDP (Energias de Portugal) for equipment for the pumped storage power plant Frades II. As the leading partner in a consortium with Siemens Portugal, Voith Hydro will supply the entire electromechanical equipment for two reversible pumped storage sets. This groundbreaking project makes use of variable-speed technology: by varying the rotational speed, the pumped storage sets for Frades II can infinitely adjust their pumping capacity and extract different electricity volumes from the grid. This is a major advantage in combination with wind power and solar energy, where performance is unsteady.

We received a further order in the field of pumped storage technology from French-speaking Switzerland. In the Forces Motrices Hongrin-Léman power plant, two new machine groups in a new subterranean cavern will raise the power plant's installed capacity from 240 megawatts at present to 480 megawatts. Voith Hydro will supply two radial pumps for this purpose. In addition, orders from Turkey and Iceland contributed to the positive order intake from Europe.

In the USA and Canada, Voith Hydro won several orders, including one to overhaul the Canadian power plant Decew Falls 1 in the province of Ontario. The original equipment of the hydro power plant, which was delivered at the beginning of the 20th century, also originated from Voith.

Unlike in the previous year, Asia made a significant contribution to orders received again. In China, two different operators commissioned us to provide the equipment for their hydro power plants. We are supplying three Francis turbines with a capacity of 400 megawatts each for the new Yang Qu power plant on the Yellow River. The turbines are expected to be installed by 2016. We also won an order to expand the Yan Tan power plant on the Hongshui River. We will supply generators for two machine units with 340 megawatts of capacity each. Other orders were received from India and South Korea. In Japan, we took over the turbine business of the machine manufacturer Ebara in the year under review, thus reinforcing our position on the Japanese market.

We were also successful in the small hydro segment (power plants with less than 30 megawatts capacity) and participated appropriately in the market growth. For example, we won several small hydro orders from India and the USA as well as one from Switzerland. Voith also recorded growth in the year under review in the after-market business, which includes the supply of spare parts and maintenance services.

Increase in personnel to cope with high order volume

To be able to cope with the large number of orders acquired and to maintain its customary level of quality while meeting deadlines, Voith Hydro again added to its personnel capacity during the period under review. At fiscal year-end 2010/11, the equipment manufacturer for hydro power plants employed 5 345 persons, up more than 100 on the previous year (5 238, +2%).

Most of the jobs were created in Asia and Germany. New employees were also hired in Europe excluding Germany and in South America with the new location in Manaus. More than half of Voith Hydro's employees work in emerging economies.

Production capacities extended and modernized

After the extensive investments in new production locations in the previous year, Voith Hydro once again made significant investments in its production capacities during the period under review, albeit at a lower level. All told, the Group Division's investments came to €44 million in the 2010/11 fiscal year (previous year: €90 million, -51%).

In Manaus in Brazil, further investments were made in the year under review in the completely new production location that was under construction in the previous year. The Manaus location, where almost all types of mechanical turbine components can now be produced, is to supply the large power plant projects planned in the north of Brazil. Thanks to Voith

Hydro's production locations in São Paulo and Manaus, all components that the company provides for hydro power plants can now be manufactured locally in Brazil with Brazilian executives and local specialist staff.

The new workshop in St. Pölten in Austria, already under construction in the previous year, commenced operations in the year under review. Within the global manufacturing network, St. Pölten is the competence center for milled Pelton runners, which are applied for particularly high heads. Investments were also made in fitting existing production locations with machines at the Shanghai and São Paulo locations.

Greater emphasis on R&D

Voith Hydro invested heavily in research and development once again in the 2010/11 fiscal year. The Group Division raised its R&D expenditures by 5% to €82 million in the year under review (previous year: €78 million). The Group's R&D ratio thus remained unchanged at 6.7% of consolidated sales.

Development work focused among other things on optimizing pumped storage technology. Pumped storage power plants play a significant role in the expansion in renewable energy generation. Owing to the dependence of wind and solar power on particular times of the day and weather conditions, these sources of energy require storage capacities which at present can only be provided economically and in significant volumes by pumped storage technology. In recent years, Voith Hydro's focus was on pumped storage sets comprising pump turbines and motor generators with a speed that is completely variable. This technology will be used for the first time in the Portuguese project Frades II. Variable-speed pumped storage units extend the scope of application of the machine sets, making them more flexible. They can be regulated steplessly even when the pumps are in operation and can thus balance out grid fluctuations in terms of capacity and frequency. Conventional machine sets with a fixed rotational speed do not allow this scope for direct grid regulation. Instead, their pumping capacity has to be regulated subsequently by adding further machine sets or power plants. Combining wind farms with variable-speed pumped storage makes them more reliable and more profitable in terms of energy supply.

Voith Hydro also made progress in the relatively new area of harnessing ocean energy during the year under review. In July 2011, the world's first commercial wave power plant went into operation in Spain. Voith supplied 16 Wells turbines for the plant located in the sea port of Mutriku on the Basque coast. The power plant has a total capacity of 300 kilowatts and produces enough electricity for 250 households. The wave power plant, which is operated by the Basque energy agency Ente Vasco de la Energia (EVE), was integrated in Mutriku's new breakwater (for which plans had already been made) and thus blended into the natural surroundings with a minimum of intervention.

In South Korea, the prototype of our tidal current machine was installed on the seabed and put into operation in the year under review. The first test runs showed extremely satisfactory results that comprehensively confirm the assumptions from the development phase. The test phase in South Korea is expected to end in the 2011/12 fiscal year. Its successful conclusion will be an important milestone on the path towards large-scale tidal current projects with an installed capacity of more than 100 megawatts, which will then be able to supply tens of thousands of households with electricity from the sea. The planned tidal current farm on the South Korean coast will have an installed capacity of more than 150 megawatts when completed, making it the largest of its kind in the world.

Another important step on the path towards commercial use of tidal currents is the intensive testing of the first one megawatt tidal current turbine. Voith has reserved a test berth for this purpose in the waters off Scotland's Orkney Islands, in the European Marine Energy Centre (EMEC). The preliminary work for installing the turbine was completed in July 2011 together with a cooperation partner. The turbine weighs around 200 metric tons, and in order to be able to anchor it safely on the seabed a pile of almost 24 meters in length and two meters in diameter was driven deep into the rocky seabed. The next step is for Voith to install the one megawatt tidal current turbine on top of this foundation to commence its two-year test run. The turbine will measure 13 meters in diameter, and the electricity produced during the test phase will be fed into the public grid for the Orkney Islands.

Profit from operations up 19%

Voith Hydro recorded a profit from operations of €90 million in the year under review. Despite the substantial research expenses for the development of ocean technologies, this figure far exceeded the previous-year result (previous year: €76 million, +19%). Thanks to the efficient management of the projects, the return on sales rose from 6.6% in the previous year to 7.4%.

III.2. Voith Industrial Services

Return-based growth strategy shows success

Provider of technical services to industry

Voith Industrial Services is a high-performing service provider for key industries such as the automotive, energy, chemical, petrochemical, mechanical engineering and aerospace sectors. Its portfolio covers everything from maintenance and technical cleaning to facility management, assembly and planning services and complex engineering services.

Voith Industrial Services reorganized its previous five divisions into four new divisions at the beginning of the 2010/11 fiscal year. The Automotive and Energy-Petro-Chemicals divisions offer industry-specific solutions for the automotive and process sectors. Under the DIW brand, the Industries division provides comprehensive regional services related to operating and managing industrial locations in Europe. The Engineering Services division offers contract engineering for the aerospace industry, automakers and manufacturers of rail vehicles.

Improved business climate

Conditions for Voith Industrial Services were considerably more favorable in the period under review than in the previous year. Almost all of the customer sectors served by Voith Industrial Services experienced an upturn. Development was particularly positive in the automotive industry, with strong growth in China and a return to rising sales figures in North America and Europe. The good development of the rail market is also worth mentioning. In the year under review, the slow-responding energy, and oil & gas markets also saw renewed growth. The aerospace market, by contrast, contracted.

Focus on high-margin activities

In the 2010/11 fiscal year, Voith Industrial Services continued to pursue two major strategic goals. First, it maintained its focus on profitable businesses and industries, and it adjusted its service portfolio accordingly. The reorganization of the divisions, through which Voith Industrial Services has sharpened its focus and pooled its expertise in individual industries, was well received by the market.

The second strategic goal pursued by Voith Industrial Services was to globalize its business, which has traditionally been rooted in Europe, and to further increase its diversification in individual regions. New business activities in up-and-coming regions were promoted, for example in the emirate of Qatar, where in the previous year we entered into a joint venture aimed at serving process industries in the Persian Gulf. In India, Voith Industrial Services opened a location in the city of Bangalore during the year under review—its third, alongside Pune and Chennai. The first order was won during the period under review: Voith Industrial Services will handle maintenance of the production plant for Toyota Kirloskar Motor Private Limited. Strong sales growth was achieved in China thanks to high market growth in the country, for example in the automotive supply industry.

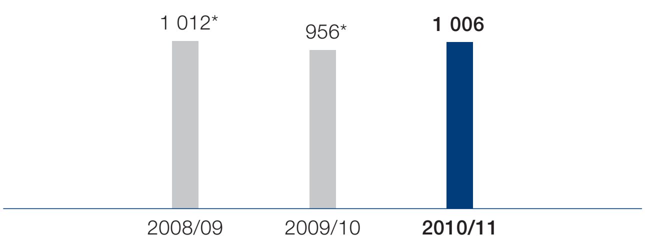
Positive trend at Voith Industrial Services following decreases

Voith Industrial Services benefited from the positive development in nearly all the customer sectors it serves. Following the decrease in the previous year, Voith Industrial Services grew its sales by 5% to €1 006 million in the 2010/11 fiscal year (previous year: €956 million). Sales are therefore in line with our expectations. Owing to the short throughput times of service contracts, Voith Industrial Services does not record the volume of orders on hand. Consequently, its figures for sales and orders received are identical.

Most of Voith Industrial Services' sales continue to come from Germany. The share of sales in Europe excluding Germany region increased noticeably. We see particular room for improvement in the Asia region, which up to now has accounted for a small proportion of Voith Industrial Services' sales.

Sales Voith Industrial Services

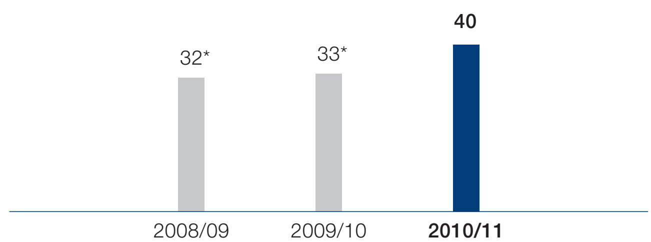
in € millions



*Previous years restated due to a change in the internal reporting structure.

Profit from operations Voith Industrial Services

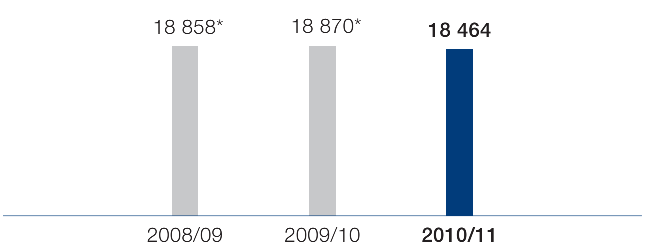
in € millions



*Previous years restated due to a change in the internal reporting structure.

Employees Voith Industrial Services

as at September 30



*Previous years restated due to a change in the internal reporting structure.

Varying developments in the divisions

The trend in the various divisions of Voith Industrial Services was uneven. While Automotive and Energy-Petro-Chemicals grew and Industries remained more or less stable, the Engineering Services division saw a slight decrease.

The greatest nominal and percentage increase in sales was achieved by the Automotive division, which benefited from the boom in automotive manufacturers' and suppliers' business. Development was encouraging in Germany, Europe (excluding Germany), and Asia. In the year under review, we extended several framework agreements in Europe and won new ones. In Germany, for example, we concluded a multi-year agreement with BMW in Berlin for services including production technology maintenance. We took on technical and infrastructure facility management for eight locations for Faurecia, a German automotive supplier. In Poland, Volkswagen Motor Polska tasked Voith Industrial Services with providing maintenance and building management for a further three years. Business with the Daimler location in Kecskemét, Hungary, was successfully established. We took on paint-shop cleaning for KIA in the Slovak Republic. Overall, we succeeded in increasing business in production-related, technically complex areas. Examples include body-shop maintenance for Daimler in Bremen and maintenance for BMW in Leipzig. However, we also achieved important successes in emerging markets: in Brazil, we concluded a new contract with Ford for facility management of the SBC plant in São Paulo—a project in which more than 150 of our employees are actively involved. In India, we won a contract from construction equipment manufacturer Caterpillar.

Sales in the Energy-Petro-Chemicals division grew at a low rate. Major impetus for growth in this area came from project business with shutdowns in refineries and petrochemical plants in Germany, the Benelux countries and Scandinavia. This included shutdowns for Shell, a comprehensive maintenance agreement with Karlsruhe Institute of Technology and an engineering and assembly project for Lenzing AG. By contrast, the energy market—i.e. business with conventional power plants and wind farms—did not develop as well as expected. The award of a full-service contract from UK wind farm operator FKI Engineering Ltd. for a wind farm with a total capacity of 46 megawatts was encouraging.

The Industries division held its ground in a fiercely contested market environment and saw stable sales. Positive economic development, particularly in Germany and Austria, and the good order situation in the German mechanical engineering segment, brought about an improved resource utilization. For example, MAN Diesel & Turbo SE increased the scope of its existing technical services contract with Voith and extended the agreement by three years. New customer Bosch Rexroth, a world-leading specialist in drive and control technologies, tasked Voith Industrial Services with machine cleaning services for 900 different machines. The contract also covers cleaning of halls, roadways and facilities in the paint shop. Both agreements were already in place in the 2010/11 fiscal year and contributed to the good sales in the year under review. Moreover, the Industries division used the positive fiscal year to further optimize its structure and organization. In particular, the division promoted the new area of energy efficiency in light management. In this connection, Voith Industrial Services won contracts from big-name companies to replace conventional lights with LEDs.

The Engineering Services division remained below its previous-year level, despite strong growth in services for rail vehicle manufacturers. Within the scope of a development contract for long-distance double-decker trains, our Engineering division was directly integrated into Bombardier's development network. However, decreasing business with engineering services for the German aerospace industry could not be offset by increasing activities outside Germany, for example in the UK and Spain. We notched up an important success in India, where the Airbus Engineering Center in Bangalore has taken us on as a first-level supplier in flight physics, making us a first-choice supplier. The acquisition of the business of French engineering service provider Alema Concept expanded the offering for the aerospace market. In addition, Voith Engineering Services was approved by the European Aviation Safety Agency (EASA) as a design organization in February 2011. The approval entitles companies to perform design changes and repairs to aircraft cabin interiors. For us, this means closer collaboration with airlines and aircraft manufacturers.

Aiming for greater regional balance

Most of Voith Industrial Services' orders continue to come from Germany, followed by Europe excluding Germany. In the medium term, the Company wants to achieve a greater regional balance. In particular, it intends to expand its market position in the USA, Brazil, China and India in order to participate more in the growth of these markets.

Total number of employees down slightly

In this personnel-intensive business, employment trends varied from one region and division to the next depending on business developments. While new employees were hired in Asia, headcount was reduced in North and South America. In Germany and Europe (excluding Germany), headcount rose slightly. At the end of the period under review, Voith Industrial Services employed a total of 18 464 persons (previous year: 18 870). This is a total of 406 jobs (-2%) down on the previous year. The Company employs the greatest number of employees in Germany, followed by Europe (excluding Germany). The division with the highest number of employees is Automotive. In this division, headcount remained almost at the previous-year level. The Engineering Services division saw significant growth. This was due on the one hand to additional activities in India and on the other to the acquisition of the business of French company Alema Concept.

Investments in internationalization

Following two years of reluctance to invest, Voith Industrial Services increased its investments significantly in the year under review. The service specialist invested a total of €15 million (previous year: €10 million, +57%) in property, plant and equipment. This mainly pertained to investments in replacements and for new contracts. The regional focus of investments lay in Europe (including Germany).

Increased return on sales

During the year under review, Voith Industrial Services concentrated on high-margin business in order to enhance its earnings. In keeping with this priority, Voith Industrial Services had deliberately accepted a decline in sales in favor of achieving an increase in profits in the previous year. In the 2010/11 fiscal year, Voith Industrial Services saw a return to growth in sales volumes while improving its profit. The service specialists generated a profit from operations of €40 million in the year under review, 21% up on the previous-year figure (€33 million). The return on sales increased year on year from 3.5% to 4.0%.

III.3. Voith Paper

Growth to an even higher level

Leading-edge technology and services for the paper industry

Voith Paper has been a pioneering partner to the paper industry for many years, providing leading-edge technologies and products for the entire papermaking process from a single source: from pulp (derived from wood or wastepaper) through to finished paper. Voith Paper optimizes the papermaking process by means of continuous innovations. Its focus is on resource-saving products and technologies aimed at ensuring maximum efficiency in the consumption of energy, water and fiber.

Worldwide recovery of paper market continues

The market in which Voith Paper operates is defined by the paper industry's investments and service expenses. On the one hand, Voith Paper generates business through the growing paper market's need for new machines to fill capacity gaps. On the other, business is generated on the basis of existing production capacity in the market—through modernization measures, requirements for replacement parts and parts subject to wear and tear, and services.

Paper and board production increased sharply in the 2010/11 fiscal year. In Asia and South America, growth related to all types of paper; in North America and Europe, by contrast, packaging, tissue and special-purpose papers saw growth, while the market for graphic papers shrank. Paper manufacturers invested heavily in new plants. Demand for consumables, replacement parts and services also rose. While all regions saw growth, in North America this was weaker than in the other regions. The growth drivers were South America and Asia, particularly China.

Increased sales

Voith Paper increased its sales in the year under review by 6% to €1 827 million (previous year: €1 723 million), thus meeting our expectations. Once again, Asia accounted for the largest share. Europe and the Americas also contributed significant shares of sales.

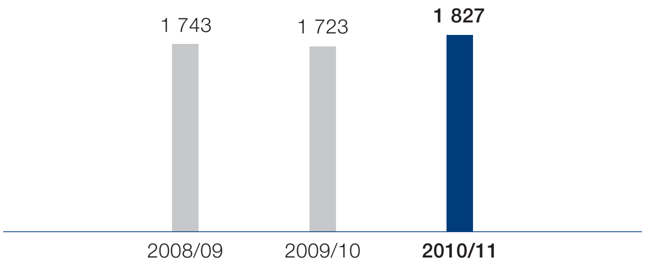
Orders received again top two billion euros

Orders received remained very encouraging. In the period under review, Voith Paper won new orders totaling €2 005 million. Orders received are therefore roughly at the high level of the previous year (€2 009 million). This is a very encouraging result as some projects planned by customers for the year under review had already been brought forward to the 2009/10 fiscal year leading to the very high number of orders received in the period. As at fiscal year-end on September 30, 2011, orders on hand increased to €1 494 million (previous year: €1 333 million). This corresponds to a rise of €161 million compared to the end of the previous year under review.

Both in the systems business and in the product and service business, Voith Paper benefited from its strategic commitment to sustainable technologies. Fiber sources, and energy and water consumption have become central challenges for paper manufacturers. Resource efficiency is therefore becoming increasingly important when contracts are awarded.

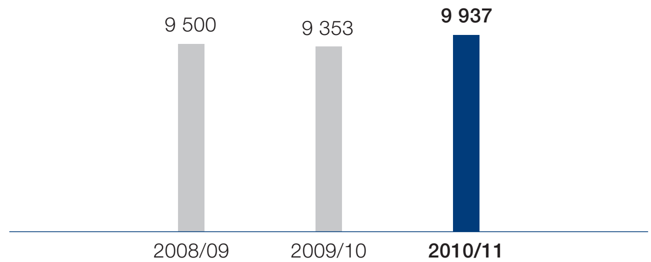
Sales Voith Paper

in € millions



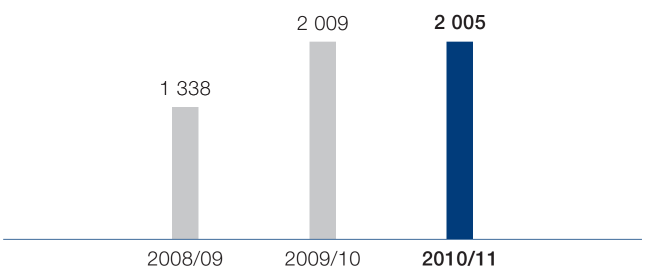
Employees Voith Paper

as at September 30



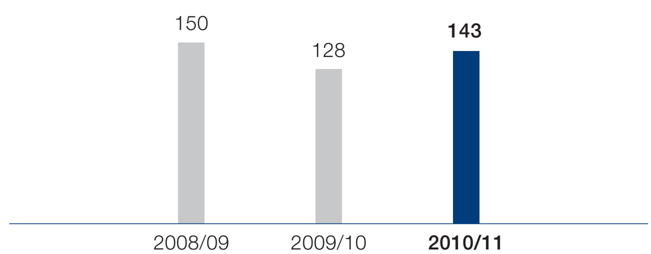
Orders received Voith Paper

in € millions



Profit from operations Voith Paper

in € millions



In the systems business (new machines and major rebuilds), Voith Paper was able to secure various new orders. The regional distribution within the large industrial systems segment has changed. While orders received in the previous year focused on China, Voith Paper also received important orders from India, Brazil and Europe in the 2010/11 fiscal year. For example, Finnish/Swedish paper and packaging manufacturer Stora Enso ordered a new paper machine for the production of testliner at its Polish location in Ostroleka. Stora Enso intends to leverage the new plant to meet rising demand for corrugated board. Manufacturer Mead Westvaco ordered a machine for producing board and packaging papers at its Brazilian location in Santa Catarina. Indian paper producer JK Paper Ltd. tasked us with delivering a complete paper machine for producing uncoated and pigmented woodfree papers. Overall, Asia remained the most important sales region.

We also achieved important successes with tissue machines. In recent years, we successfully reentered this growing segment of the paper market, thanks above all to our innovative ATMOS (advanced tissue molding system) technology. In the year under review, we sold another three ATMOS machines, two in North America and one in Europe. At the same time, business with conventional tissue machines picked up. The ATMOS process enables premium tissue papers to be produced cost-effectively while conserving resources: ATMOS machines use one-fifth fewer fibers than conventional tissue machines. Moreover, ATMOS technology allows the use of 100% recycled paper, while TAD technology, which is now over 40 years old, can handle 20% at most.

Systems for producing board and packaging papers were also in high demand. For example, we received a large-scale order from the Fushun Mining Corporation for a new paper machine for packaging papers. The Fushun PM 2 will go into operation in China in 2012. However, we also won orders in the specialty-paper segment: orders for two large bank-note paper machines were received from India and Russia.

In its product and service business (products, consumables and services) Voith Paper saw a significant upswing. In addition to the worldwide increase in paper production, there were one-off benefits resulting from customers restocking their inventories of consumables, which had been reduced to a minimum during the recession.

Overall, it is apparent that the number of projects is rising, but they are associated with a smaller order volume on average. This trend will continue and intensify over the next few years. Product and service business and business with rebuilds will increase relative to business with new machines.

Personnel build-up in China

In line with the positive economic development, Voith Paper created 584 new jobs in the year under review. As at September 30, 2011, Voith Paper had 9 937 employees, 6% more than in the previous year (9 353). New hires at our Chinese location Kunshan particularly contributed to this growth. As part of our growth program in the Asia region, we have implemented an infrastructure and the processes required to win, integrate and develop employees. New jobs were also created in Germany and South America. Capacity utilization is good in all regions.

Significant increase in capital expenditures

Following limited investing activity aimed at improving liquidity in the previous year, Voith Paper stepped up its capital expenditure in the 2010/11 fiscal year at a greater rate than the increase in sales. Voith Paper invested a total of €75 million in property, plant and equipment in the year under review (previous year: €52 million), 42% up on the previous year.

The focus of investments lay in China. For example, the Kunshan location was expanded by adding new production halls and office buildings. The expansion of the plant is intended to more firmly anchor Voith Paper’s business activity in the area. Supporting our customers with local business units enables us to meet their specific requirements even better. In the other regions, investments in replacements and maintenance were at the usual level.

R&D activities continue to focus on technologies that consume fewer resources

At €98 million, Voith Paper's expenditures on research and development in the reporting year were slightly down on the previous year's high figure (€104 million, -6%). The ratio of R&D expenditures to sales was 5.4% (previous year: 6.1%). As in earlier years, activities focused on the development of new technologies that save energy, fibers and fresh water. The goal is to further improve the paper manufacturing process as regards environmental sustainability and resource efficiency. This results in solutions that not only take into consideration ecological aspects but also enable considerable economic benefits in the form of cost savings for customers.

In the year under review, Voith Paper launched a large number of new product developments on the market—for example, the DeaerationFoamPump (DFP) 4 000, which enables paper manufacturers to considerably reduce investment costs. The DFP improves the flotation mechanism, a proven deinking process. The innovative product from Voith Paper reduces the space required for the building area; in addition, it eliminates costs for the tank, pipes and pumps. The DFP 4 000 is already in operation with the first customers in Europe, the Americas and Asia. As a result of the success of this new development, we have changed our standard for flotation systems and will focus on the DFP 4 000 in the future.

A further newly developed product, LowEnergyFlotation (LEF), considerably reduces energy consumption in the flotation process. Flotation is one of the most energy-intensive areas of stock preparation, particularly in the production of newsprint. In the year under review, LEF was used for the first time in a paper machine installed at a customer site. From the outset, energy consumption during this flotation stage was reduced by around one-third and operating costs decreased significantly.

In the year under review, Voith Paper also presented the first non-radioactive sensor for tissue production. Producers of tissue paper can use this to perform quality measurements without the need for radioactive sources that were required in the past.

Another new development, SynStron yarn, a polyester monofilament (PET), increases the useful life of dryer fabrics used in paper machines. Voith fabrics made from SynStron yarn filaments are highly resistant to heat, humidity and damage, and boast improved hydrolysis resistance.

Following testing at Voith's Paper Technology Center in the previous year, SolarMax achieved excellent results in field tests at customer sites during the year under review. SolarMax is an energy-saving solution for fast-running paper machines: thanks to a new combination of press felt and roll cover in the press section, dewatering performance is considerably improved.

Efforts to develop new and improve existing resource-saving products were recognized in the year under review with the Sustainable Development Supplier Award of the Canadian paper manufacturer Cascades for the second consecutive time. A key reason for selecting Voith Paper as a supplier was the particular focus on conserving resources in the Company's philosophy.

Profit from operations increases at a faster rate than sales

Voith Paper achieved profit from operations of €143 million (previous year: €128 million). This constitutes growth of 12% on the previous year. The return on sales improved to 7.8% (previous year: 7.4%).

III.4. Voith Turbo

Profitable growth trajectory

Specialist for power transmission

Voith Turbo helps millions of people, goods and machines to move safely from place to place each and every day. Our leading-edge technologies transmit and control power under extreme conditions—safely and in a resource-efficient manner. Drive components and systems from Voith are used in a wide range of industries, wherever power has to be converted into controlled movement.

Voith Turbo comprises four divisions: “Industry”, “Marine”, “Rail” and “Road”.

Entire market environment recovers

Voith Turbo provides leading-edge technologies to four of Voith’s five core markets. In most segments of importance to the Company, the business climate improved.

The industrial sector developed very positively in the 2010/11 fiscal year, although growth rates varied between the various industries served by Voith Turbo. There was particularly high demand from the mining sector, energy producers, and the oil & gas sector. Mechanical and plant engineering companies also saw a strong upswing, while the steel sector recovered only slowly. From a regional point of view, the greatest impetus for growth for the Industry division came from China and India, and also, in the oil and gas business, from the Middle East.

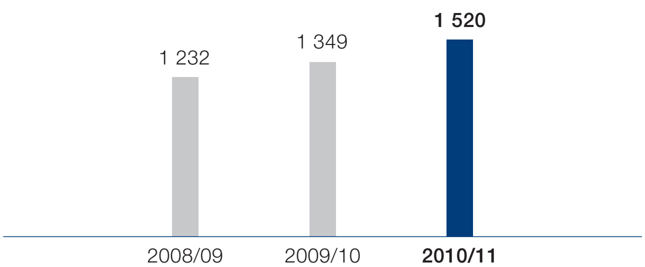
The relevant market for the Marine division has recovered from the slump caused by the recession. However, financing problems, particularly in Europe, and rising raw materials prices continue to burden the shipbuilding industry. Nevertheless, there was significantly increasing demand for ships for deployment in the oil & gas sector and special-purpose vessels for installing and supplying offshore wind farms in the year under review.

The market for rail vehicles is characterized by a long-term growth trend. This is due to the expected expansion of infrastructure in the world’s most populous states, especially in Asia and South America. As the result of a safety review, the planned expansion of the Chinese rail network is currently delayed, particularly in the high-speed segment. In Europe, tight public-sector budgets have led to a slower development. The North American market is seeing initial impetus for growth.

The Road division serves the market for trucks, buses and agricultural vehicles. The commercial vehicle market was characterized by sustained positive development in the year under review, albeit with large regional differences. The strongest impetus for growth came from Asia, above all from China, the world’s largest truck market, as well as from South America, in particular Brazil, and once again from Western Europe. In the bus market, too, intense project activity in Asia and South America contrasted with a sluggish European market.

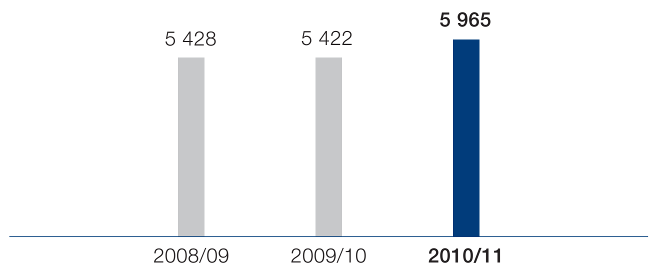
Sales Voith Turbo

in € millions



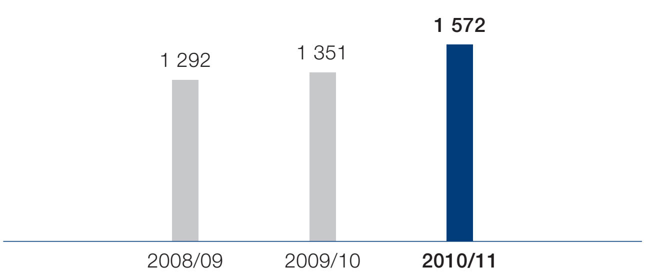
Employees Voith Turbo

as at September 30



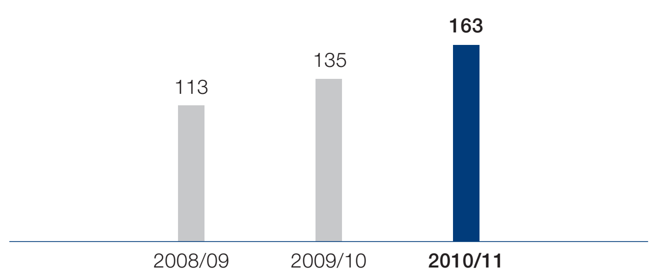
Orders received Voith Turbo

in € millions



Profit from operations Voith Turbo

in € millions



Sales up by 13%

In the 2010/11 fiscal year, Voith Turbo increased its sales by 13% to €1 520 million (previous year: €1 349 million).

All four divisions contributed to this growth. The Road and Rail divisions saw a double-digit percentage increase. The Industry division, which contributes most to Voith Turbo's total sales, also saw a considerable increase in sales. Following the decrease in the previous year, the Marine division recovered and also returned to growth.

More than half of sales in the past fiscal year were again achieved in Europe (including Germany). The importance of the already strong Asian market continued to grow, thanks especially to demand from China and India. Asia accounted for more than one-quarter of sales. The remaining shares in sales came from the Americas and from growing markets such as Australia and Africa.

Large rise in orders received

Orders were significantly up on the previous year. In the 2010/11 fiscal year, Voith Turbo won new orders totaling €1 572 million. The increase of 16% on the previous year (€1 351 million) surpassed our expectations. While the Marine and Rail divisions were only slightly up on the previous-year level, the other two divisions saw double-digit percentage growth rates. Orders on hand slightly increased to €1 298 million as at fiscal year-end on September 30, 2011 (previous year: €1 282 million, 1%).

The Industry division, where we had still expected a sideways movement at the close of the 2009/10 fiscal year, increased its number of orders received by just under one-third. This exceeded the record figures of the pre-crisis year 2007/08. For the Industry division as a whole, Asia, with China and India, remained the strongest region in terms of growth. For the oil and gas business, the Middle East has become increasingly significant. In this context, an order for a total of 36 BHS gear units for an oil and gas field in Saudi Arabia should be highlighted. In India's energy sector, the extremely high level of activity continued, with Voith Turbo profiting from this due to its strong market position. We saw a significant number of orders for the WinDrive for wind farms in North America as well as a first delivery of serial products to a Chinese wind farm manufacturer. Due to the growth in the raw materials market, demand for start-up components for the mining sector also rose. Growth in the mining sector was no longer confined to China but was driven by several regions. In the recovering steel market, we secured a strategically important order for heavy-duty universal joint shafts in a Brazilian steelworks.

Orders received in the Marine division remained stable in the year under review. Orders for special-purpose vessels for installing and maintaining offshore wind farms in Europe contributed significantly to orders received. Entry into this new segment was made possible by the successful launch of new products such as the Voith Radial Propeller and the Voith Inline Thruster with 1.5 megawatts of input power.

In the Rail division, orders received were slightly up on the high level of the previous year. New orders from North America and Europe offset the decrease in the recently very strong Asian area, in particular China—for example, in the year under review Voith Turbo won contracts for public passenger transport in Washington D.C. and Chicago, as well as for the Italian state railway. Particularly worthy of mention is a first contract from Finland for the delivery of complete drive systems for trams in Helsinki. There were several contracts from South America. For example, a rail vehicle manufacturer ordered Voith components for monorails, space-saving single-rail systems that will be used for public passenger transport in São Paulo.

The Road division contributed significantly to absolute and percentage growth of the Voith Turbo Group Division. Orders received increased strongly compared to the previous year, which had still been adversely affected by the recession. The continuing recovery on the truck market was reflected in higher sales of retarders by Voith Turbo, which saw a return to the pre-crisis record level. We were also able to increase the number of orders received in the market for bus drives. Apart from a large-scale contract for London, procurement activity in the European bus market was subdued. This was offset by very encouraging development in Central and South America, China and the Asia-Pacific area. For example, in the 2010/11 fiscal year various new cities were won for buses with DIWA automatic transmissions, including São Paulo and Curitiba, Panama City, Singapore, Macao and Perth.

More than 500 jobs created

On balance, Voith Turbo hired 543 new employees during the fiscal year and had a total workforce of 5 965 as at September 30, 2011 (previous year: 5 422 +10%). Headcount was increased in all divisions. From a regional perspective, a large portion of the new jobs was created in Germany. The workforce was also significantly increased in Asia. The increased personnel capacity ensures Voith Turbo's performance and ability to deliver, and puts us in a position to benefit from future growth opportunities.

Investments remain at a high level

In the 2010/11 fiscal year, Voith Turbo invested a total of €59 million (previous year: €72 million, -18%) in property, plant and equipment. All four divisions invested in modernizing and expanding their production capacities. In addition, the Rail division completed the factory development project at the Heidenheim location, where transmissions and complete drive units for rail vehicles are manufactured. The project had begun in the previous year. As a result, Voith Turbo's investments were focused on Germany. However, Voith Turbo also made major investments in the growth regions of the world.

Successful new product launches

The R&D expenditures of Voith Turbo reached €79 million in the year under review (previous year: €78 million, +2%). The R&D ratio was thus 5.2% (previous year: 5.7%) of sales.

R&D activities focused on increasing efficiency, reducing fuel consumption, and minimizing CO_2 and other emissions. All four divisions made significant achievements and launched new products on the market. The product range was extended to include SteamTrac, a waste heat recovery system that reduces the fuel consumption of combustion engines. The new product versions offer additional fields of application.

One focus in the Industry division was on further developing couplings for mining applications. For example, new, so-called "XL profiles" were launched on the market in the year under review. A new generation of Safeset couplings with significantly improved torque transmission for rolling mill applications was also introduced, as was a new hybrid drive solution in the hydraulics area.

In order to expand existing offshore business, the Marine division developed new sizes of the Voith Radial Propellers that had been introduced in the previous year. The Voith Radial Propeller makes it possible to position offshore platforms such as drilling vessels while countering forces from currents, winds and waves.

In the Rail division, a new drive system was developed as part of the Voith-Powerpack product range. The drive system, which integrates the new Voith diesel engine, meets the emissions standards that will apply from 2012 onwards. In addition, new standard final drives were created for worldwide deployment in electric locomotives, as well as the Galea rail vehicle head for passenger transport, which consists of composite materials and integrated energy-absorbing structures.

Development in the Road division focused on hybrid drives for buses. North America is a key market for these drives. Voith Turbo opened a development center for hybrid drives in San Diego, California, in the 2010/11 fiscal year. The DIWA automatic transmission was also further developed, and its sixth generation is currently being approved for series production at all major bus manufacturers.

Profit from operations up 21%

Profit at Voith Turbo developed very favorably. Profit from operations was up 21% to €163 million (previous year: €135 million). In addition to the very good sales mix, this is due to the recovery of the divisions that were still to some extent affected by the recession in the 2009/10 fiscal year. This development was also supported by the structural adjustments undertaken at these divisions in the previous years, which led to a rise in earnings when business picked up again. Return on sales rose to 10.7% (previous year: 10.0%).

IV. Net assets and financial position of the Group

IV.1. Balance sheet structure

Composition of assets and equity and liabilities sound

The balance sheet of the Voith Group continues to be characterized by a healthy structure of assets and equity and liabilities. Total assets had fallen to €5 815 million in comparison to September 30, 2010 (previous year: €5 902 million).

Non-current assets were up to €2 477 million (previous year: €2 408 million). In particular as a result of acquisitions made during the period under review, intangible assets increased to €718 million (previous year: €703 million). The increase in securities from €173 million to €262 million is explained by marking financial assets available for sale to market and recognizing the resulting gains and losses directly in equity.

Current assets fell by a total of €165 million to €3 328 million (previous year: €3 493 million). The decrease in cash and cash equivalents to €927 million (previous year: €1 175 million), primarily due to debt redemption, played a major role here. On the other hand, inventories and trade receivables increased by a total of €48 million to €1 972 million (previous year: €1 924 million) due to the positive order situation.

Non-current liabilities fell to €1 762 million (previous year: €2 015 million). This is due, on the one hand, to the early repayment of a note loan of €148 million; on the other hand, a loan of €100 million was reclassified to current liabilities as it fell due in the 2011/12 fiscal year.

Current liabilities remained at a stable level in comparison to the previous year and fell only marginally to €2 759 million (previous year: €2 779 million).

The item other liabilities, which decreased by €62 million to €1 079 million (previous year: €1 141 million), contributed to this reduction. The customer advances included in this item decreased by €80 million.

On the other hand, current interest-bearing financial liabilities increased by a total of €31 million to €327 million (previous year: €296 million). This includes the reclassification of the €100 million loan to current liabilities mentioned above, the repayment of a bond issued on the capital market due in July 2011 of €145 million, additional net borrowing of €48 million as well as a €31 million increase in liabilities to shareholders.

The Group had equity of €1 287 million (previous year: €1 107 million) as at September 30, 2011. The equity ratio improved to 22.1% (previous year: 18.8%). In addition to the net profit for the year, the measurement of securities had a positive effect on the amount of equity. Dividend payments of €98 million (previous year: €25 million) decreased equity. The profit participation rights issued in previous periods totaling €83 million are still contained in equity. In the year under review, additional profit participation rights amounting to €15 million were issued, which also constitute a component of equity pursuant to the criteria of IAS 32.

IV.2. Liquidity

Positive cash flow from operating activities

Due to the good operational result, cash flow from operating activities totaling €244 million (previous year: €390 million) was generated. The decrease in comparison to the previous year is explained by the increase in net working capital, particularly due to an increase in inventories as well as a decrease in customer advances received.

The cash flow from investing activities amounted to €-217 million (previous year: €-159 million). This is attributable to the changes in investments in securities. In particular, the disposal of the multi-asset fund led to a net cash inflow of €63 million in the previous year. In the year under review in contrast, there was a net cash outflow of €9 million.

There was a cash flow from financing activities in financial liabilities of €-288 million in the period under review (previous year: €-32 million). This was due in particular to the cash transactions already described above (repayment of a bond issued on the capital market and a note loan).

The total cash flow came to €-261 million (previous year: €199 million). More details of cash flow are provided in the section on the consolidated statement of cash flows.

Net debt as the internally defined difference between interest-bearing financial liabilities and realizable financial assets is an important ratio for banks, analysts and rating agencies. Net debt at the end of the reporting period as at September 30, 2011, amounted to €-52 million (= net asset position; previous year: net debt: €0.4 million). Based on measurement at the repayment amount, the financial liabilities are included here at an amount which is €20 million higher (previous year: €23 million) than the amount recognized in the balance sheet.

The net debt ratio is not covered by the accounting policies based on the International Financial Reporting Standards (IFRS) and its definition and calculation may diverge from the practice of other companies. In contrast to the carrying amount, which is based on the effective interest rate method, the ratio is calculated by measuring financial liabilities at their higher nominal repayment amount.

Development of cash flow

in € millions	2010/11	2009/10
Cash flow from operating activities	244	390
Cash flow from investing activities	-217	-159
Cash flow from financing activities	-288	-32
Total cash flow	**-261**	**199**

IV.3. Investments

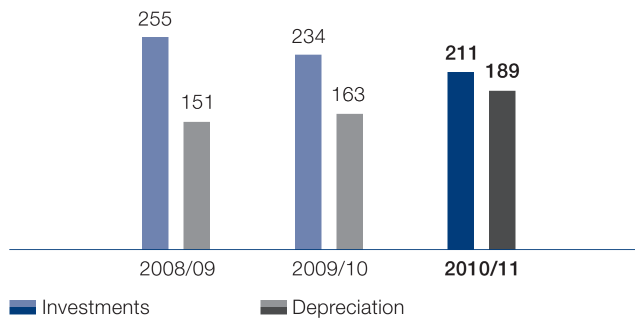
Investments remain at a high level

In the year under review, Voith again made substantial investments in strengthening productivity and in the strategic orientation of the Group. The total volume of capital expenditures by the Voith Group in the 2010/11 fiscal year was €211 million (previous year: €234 million, -10%). The investment ratio of 3.8% of consolidated sales (previous year: 4.5%) underscores our long-term corporate strategy, which we, as an innovative technology group, consider necessary.

The value of investments in the year under review was once again significantly higher—by €22 million—than depreciation and amortization of €189 million (previous year: €163 million). While the nature of Voith Industrial Services' business requires lower levels of capital expenditures (investment ratio: 1.5%), the three manufacturing Group Divisions reinvested a significantly higher share of their sales. The highest investment ratio was reported by Voith Paper (4.1%).

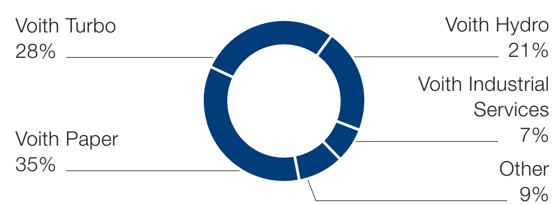
Investments and depreciation

in € millions



Investments total €211 million

by Group Division



by region

IV.4. Financial investments/ participating interests

Half of total investments made in Germany

In regional terms, almost half (exactly 49%) of total capital expenditures (previous year: 47%) was in Germany, specifically for modernization work at several existing production facilities at the Heidenheim location. Investments in Asia increased significantly year-on-year. 17% of the Voith Group's total capital expenditures was in Asia (previous year: 11%) where €35 million was invested, particularly in China. For example, a new Voith Paper manufacturing site was opened at the Company's Chinese location in Kunshan. Voith Turbo has expanded its rail assembly capacities in China, and Voith Hydro put new machines into operation at its Chinese location in Shanghai. 24% (previous year: 32%) of total capital expenditures was in the Americas. There were particularly significant investments in Brazil, where Voith Hydro completed construction of a new manufacturing site in Manaus and invested in production machinery in São Paulo. As in the previous year, 10% of total capital expenditures was invested in Europe excluding Germany. Particular mention should be made here of the new turbine production plant in St. Pölten in Austria, where construction started in the previous year and has now been completed. The St. Pölten site focuses on hydro power. In addition to the other individual large-scale investment projects, there was the usual level of investments in replacements and maintenance in all Group Divisions and regions.

Detailed information on the investing activities of each of the Group Divisions can be found in Section III, "Business development and earnings position of the Group Divisions".

Targeted acquisitions

To strengthen its position in Japan, the Voith Hydro Group Division took over the turbine business of turbine manufacturer Ebara Corporation (Tokyo, Japan) through the acquisition of individual assets. The company is included by way of full consolidation in the consolidated financial statements.

Voith Industrial Services acquired the business operations of French engineering service provider Alema Concept SAS (Toulouse, France) through an asset deal, thus expanding its offering for the aerospace market. The company is included in full in the consolidated financial statements.

In addition, Voith Industrial Services increased its shareholding in Terne AS (Mongstad, Norway) from 40% to 60%, thereby gaining control of the company. The company is therefore included in full in the consolidated financial statements. The acquisition is intended to increase Voith Industrial Services' presence in the Norwegian petrochemical market.

The Voith Paper Group Division purchased 100% of the shares in MinPlus-CDEM Holding B.V. (Vaassen, Netherlands) and its subsidiaries in the year under review. The companies are fully consolidated. In conjunction with the purchase, Voith Paper acquired the rights and patents to a technology for processing deinking sludge that occurs during paper production. The CTC technology converts the sludge into useable minerals and energy.

Voith Turbo purchased 50% of the shares in FlowLink Systems Private Ltd. (Coimbatore, India). This investment is accounted for using the equity method in the consolidated financial statements. The Indian company manufactures valves for industrial applications.

V. Research and development

Focus on technologies that conserve resources

Innovative products and services have been the cornerstone of the Company's future business success for many years. As a technology group, Voith traditionally invests heavily—and significantly more than the industry average—in research and development. In the 2010/11 fiscal year, Voith's R&D expenditures came to €259 million (previous year: €266 million, -2%). Compared with consolidated sales, the Voith Group's R&D ratio in the 2010/11 fiscal year was 4.6% (previous year: 5.1%).

Voith's research and development activities are internationally organized. The focus is on Germany; centers in the Americas, Asia and Europe excluding Germany contribute valuable specialized R&D input in the relevant Group Divisions.

Voith's ambition is to anticipate solutions to future challenges. For this reason, the R&D strategy is systematically aligned with global megatrends and in particular with the requirements of the world's growth regions. Environmental friendliness, resource and energy efficiency as well as clean and renewable energy generation are not only the key challenges facing the 21st century but also the central themes of our research and development strategy at Voith.

Hydro power is the major form of renewable energy that is already capable of producing a constant flow of electricity in the quantities needed by industry and at competitive prices. Worldwide, hydro power has a share of around 80% of all renewable energy sources used. In the 2010/11 fiscal year, a considerable portion of our research efforts was directed to improving pumped storage technologies as a supporting hydro solution, without which a future-oriented power mix with an increasing share of wind and solar energy would not be economically feasible. The innovative field of ocean energy was another focal point. In this context, the world's first commercially used wave power plant went into operation in the year under review. Key milestones were also reached in the further development of tidal current energy technology.

For paper manufacturers, Voith developed various new solutions during the year under review, which offer customers considerable cost benefits as well as taking environmental issues into account. Numerous new products were launched and achieved initial market success, for example two innovations in the area of flotation systems used in the deinking process. Voith's efforts to develop resource-saving products for the paper industry were again recognized with an international award during the year under review.

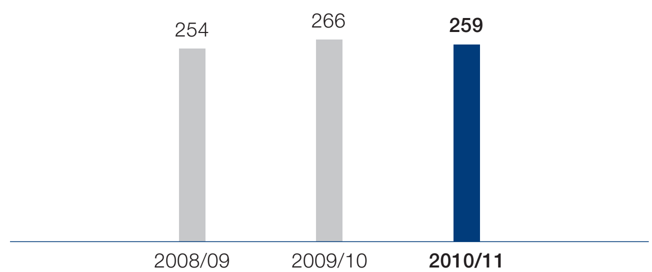
In drive and braking systems, Voith focused on resource-efficient solutions and minimizing CO_2 and other emissions in all areas of application—whether industrial, marine, rail or road. The product range was expanded for SteamDrive, the innovative drive system that uses exhaust heat, which was introduced in the previous year. Hybrid drives for buses were also further developed. To this end, a dedicated development center for the U.S. hybrid market was opened.

At the end of the year under review, we established a center near Munich for developing processes and production procedures for carbon-fiber products. At the development center, we also pool the Company's existing skills and knowledge in the field of composites across division boundaries. For example, we are today already using CFRP for lightweight components for ship propellers, in tidal power plants, in paper machines and in drive systems, among other applications. The aim is to further extend our expertise in this field as the benefits of this material—such as low weight, high resilience and good formability—lead us to expect that the use of carbon-fiber components will become increasingly significant in light of the demand for resource-efficient production in many industries.

Detailed information on the R&D activities of each Group Division can be found in Section III, “Business development and earnings position of the Group Divisions”.

Research and development

in € millions



VI. Non-financial performance indicators

Sustainable business management

Our corporate strategy is characterized by sustainable thinking. Voith follows the approach of giving equal consideration to economic, ecological and social factors. This holistic perspective has been supported by the shareholding Voith family since the Company was founded. Only by adopting a forward-looking, long-term business approach can companies remain family-owned and maintain their financial independence over generations.

We apply sustainable action across the Company's entire value added chain. Our goal is to securely anchor the idea of sustainable business throughout the whole Group. Voith began setting up systematic, integrated sustainability management in 2008. This process is driven by the central Corporate Sustainability function created at the beginning of 2009, which develops strategies and concepts and helps the operating units put these into practice. The Sustainability Council, comprising the head of Corporate Sustainability and the sustainability managers of the Voith Group Divisions, reports directly to the CEO of the Voith Group. The council develops key topics, performance indicators and targets, and regularly assesses the Company's performance with regard to sustainability. In addition, sustainability organizations have been set up in the four Group Divisions. These organizations are responsible for implementing the agreed targets and measures.

In 2011, Voith published its first comprehensive sustainability report, which will appear annually in the future. This report contains detailed information on sustainability management at Voith, including specific goals, performance indicators and results.

Responsibility for the environment

Environmentally conscious business makes sense not only from an ecological but also from an economic point of view. Ensuring the Company remains fit for the future while playing a positive part for the environment is a central challenge for Voith.

As a manufacturing company, Voith relies on finite resources. Steel and plastics are the materials we require in large quantities in order to manufacture our products. In addition, water and energy are used during production. For economic reasons, efficient use of materials and resource conservation are already top priorities for us. We are constantly seeking potential for using resources more efficiently in all our business units, particularly in purchasing, design and production.

Another goal is to reduce the Group's CO_2 emissions, including those of our products and services, and to increase energy efficiency within the Company. Processes and technologies are continually being developed for this purpose.

To reduce Voith's ecological footprint, we have identified three core areas: CO_2 emissions, waste levels and fresh water consumption. For all three, the Group's management has set out specific medium-term targets, quantified in relation to annual sales, which we adhere to.

How do we implement our environmental goals in day-to-day operations? Our environmental management comprises the structures and processes that we use to ensure compliance with the relevant standards and laws. It is incorporated in an integrated risk and quality management system. Furthermore, Voith has developed an ecological business management (EBM) concept aimed at creating economic added value by considering ecological aspects in the areas of energy and resources. We use our EBM approach to pursue the vision of a factory that meets its own energy requirements and constantly reuses resources. To bring us closer to our long-term goal, we analyze the production of Voith products and our services with regard to sustainability, and evaluate and test new technologies. In the 2009/10 fiscal year, Voith Paper was the first Group Division to introduce EBM as an overarching business principle. Since the 2010/11 fiscal year, EBM methods have been successively adopted by all Group Divisions.

Responsibility for our products

Voith products are of high quality, innovative, reliable and safe—this self-image guides us to act with care and foresight. When we talk about product responsibility, we focus primarily on three aspects: product strategy, the supply chain and product quality.

Voith pursues a product strategy that is aligned with future market requirements. In light of the megatrends of climate change and increasingly scarce resources, we promote the use of alternative and regenerative fuels by developing products and services that enable the exploitation of wind and water for generating electricity. We are constantly working on improving the efficiency of our products and on deploying resources ever more efficiently in the manufacturing process. Many Voith technologies—such as hydro power plants and paper machines that use a high proportion of recycled raw materials—already play an important part in making business more environmentally friendly and helping conserve resources.

A second key element within the scope of our product responsibility is a transparent supply chain based on partnership with our suppliers. Social, ecological and economic factors are given equal weight when we select our suppliers. When making procurement decisions, for example, we place great importance on resource-saving process chains and supply chains.

We ultimately aim to ensure consistently high-quality products that offer the highest safety standards. Our customers count on the reliability and long life span of Voith products. They expect our technology to be accurate, robust and completely safe. We also express this promise in our slogan “Voith—Engineered Reliability”. The high quality of our products is based on a safety concept built on four cornerstones. Skilled and experienced employees who are continuously learning are the first of these. Second, we regard clarity in the development process as indispensable. Integrated management systems and corresponding audits ensure compliance with general and industry- or business-specific standards in the areas of process organization, quality, risk, industrial safety, health and environmental protection. Strict acceptance criteria that must be observed when Voith products are commissioned are the third cornerstone of our safety concept. Acceptance requires comprehensive documentation and is supported by employee training at the customer’s site. Fourth, in close collaboration with our customers, Voith develops extensive modernization and servicing models to ensure that installed systems remain leading-edge throughout their entire life cycle—in some cases, for 30 or 40 years or more.

Responsibility for our employees

Voith is a fair employer with high expectations as regards performance. Skilled, motivated and loyal employees are the basis for our innovative capability and competitiveness. We therefore focus on offering our employees challenging tasks and prospects for their personal development. We expect our managers to ensure personal and participative working relationships within their teams. At the same time, we place high demands on our employees: our technologies and projects are both challenging and complex. Our aim is to integrate and meet the expectations that customers from various cultures have of us.

While we are a rapidly growing multinational company with international teams, we have consistent values and standards, which we put into practice across the boundaries of divisions, countries and cultures. We place considerable value on equal opportunities for all our employees, irrespective of nationality, religious orientation, gender and age. We see the diversity of our employees at all hierarchy levels as giving us an international competitive advantage.

In order to maintain the performance of our more than 40 000 employees, we promote and require vocational training in the form of lifelong learning. To this end, we offer wide-ranging training measures—both within the Company and in collaboration with external educational institutions—that enable personal development within the scope of professional or executive career paths. In order to offer employee-specific development opportunities within our global Group, we expressly welcome and support changes of function as well as moves across division boundaries and national borders.

To achieve our growth targets in the future, we will need even more employees than in the past. That is why we wish to retain experienced employees at Voith and also be an attractive employer for highly qualified applicants. A key decision criterion for young people is the compatibility of career and family. We therefore offer a large number of part-time working models; a combination of home office and presence at the Company is also possible. Childcare also makes working easier for young families. For example, at our Heidenheim location we support the Kindervilla e.V. initiative so that employees with families can be sure their children are in good hands over the course of the day and can pursue their careers. We are also striving to introduce similar models at other key locations worldwide.

Industrial safety and employee health and safety are top priorities for us. Both topics are firmly anchored in the Group's corporate objectives. To optimize our employees' safety and our preventive protective measures, we introduced a comprehensive management system in the 2009/10 fiscal year. Our executives are given goals that they cascade to the managers in their unit. All Voith employees with HR responsibility are informed in detail, made aware of the relevant topics and trained accordingly. They, in turn, pass on their knowledge to their employees and guide them toward safety-conscious behavior.

Social responsibility

Business success gives rise to obligations. This has always been the Voith family's view. And to this day, we feel bound to the tradition of the founding family. In conjunction with the Hanns-Voith-Stiftung, which came into being in 1953, and Fundação Voith, founded in Brazil in 2004, Voith GmbH supports projects not only in the areas of education, training and science, but also in the fields of sports, arts, culture and social welfare.

Various criteria are used to determine whether a project merits funding. For example, the theme of the project must focus on one of the above-mentioned areas. It must aim to have a broad impact and foster the community or increase the attractiveness of a Voith location for the people living there. Moreover, it should have a link to the Voith company. This notwithstanding, Voith provides assistance in urgent humanitarian crises, for example after the severe earthquake and tsunami disaster in Japan in March 2011.

VII. Subsequent events

With effect as at November 1, 2011, Voith Industrial Services sold DIW Service GmbH. The company specializes in temporary employment for skilled workers. The sale continues Voith Industrial Services' strategic realignment, which began in October 2010. The company sold, DIW Service, has approximately 70 core employees and around 830 employees engaged by customers as temporary workers.

There were no other significant events after the end of the 2010/11 fiscal year.

VIII. Risks and opportunities

VIII.1. Risks

VIII.1.1. Risk and quality management

Oriented to increasing the value of the Company
Entrepreneurial activity includes making decisions under conditions of uncertainty. Risk is therefore an integral part of entrepreneurial activity. To safeguard against risks that could jeopardize the Group and/or its companies as a going concern, Voith operates a consistent and binding Group-wide risk management system. Existential threats are defined as aggregate risk potential that threatens more than 50% of equity or more than 10% of sales.

All the elements of risk management have been brought together in a risk management system. This is not only geared to meeting legal requirements. It should also contribute to increasing the value of the Group and its companies by reducing potential risks and the probability of their occurrence. At the same time, the system is intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities. In early 2011, Voith began putting its internal control systems (ICS), which had already been implemented worldwide, on a shared foundation. The basis for this is a Group-wide guideline governing internal control systems. The ICS is part of the risk management system aimed at ensuring the appropriateness and reliability of internal reporting and external financial reporting, the effectiveness, efficiency and propriety of operating activities, as well as compliance with the Voith Code of Conduct and the guidelines of the Voith Group. Risk and quality management are interlinked and integrated in a comprehensive internal controlling system.

Distributed nature of the risk management system
Voith has a distributed risk management system. Responsibilities are clearly defined for the differentiated risk profiles at all levels of the Company.

The risk management process itself breaks down into four stages:

- Risk identification: Voith constantly monitors macroeconomic developments, and developments in specific industries as well as internal business processes that could affect the situation of the Group. A risk catalog helps identify individual risks.
- Risk analysis and assessment: The risks identified in this way are assessed in terms of the potential damage they could cause and the probability—expressed as a percentage—that they will be realized. Wherever possible, the scope of potential damage is quantified as a cost factor. Worst-case scenarios are assumed and their impact on the Group's financial situation is examined.
- Risk management: Analysis and assessment of the identified risks gives Voith's management the data it needs to decide whether risks can be avoided, reduced by suitable actions or distributed by signing appropriate agreements, or whether they have to be accepted and contained by means of optimized processes and controls.
- Risk monitoring and reporting: A multi-tiered set of controlling and reporting tools helps the Board of Management to analyze risks and take well-founded decisions.

Voith distinguishes between two risk groups:

1. Risks to the Group: These comprise external risks, management risks, financial risks and infrastructure risks.
2. Risks to performance: These are regarded by Voith as contractual risks and technical risks.

VIII.1.2. Risks to the Group

External risks

In fall 2011, the major world economies had either already reached their pre-crisis GDP levels or were about to do so. However, there is a growing recognition that the rapid recovery in the wake of the deep recession of 2008/09 was achieved at the cost of hugely increased national debt in many countries, particularly in western industrialized countries. The debt crisis of some western countries poses a significant risk for the world economy. In the USA and some euro-zone countries, high unemployment is also an issue. Due to the accumulated deficits, the ability of the countries affected to act is severely limited. If several countries simultaneously implement ongoing cuts in order to balance their budgets, this could have a noticeable negative impact on global economic growth. We see a further risk that the turbulence on the financial markets triggered by the euro crisis could lead to a new financial crisis and affect the real economy. Moreover, the political implications of the recent financial and economic crisis and of the current debt crisis have led to few concrete results. A change in political sentiment, stricter regulation of individual markets, changes to the tax system, protectionist trends or amended forms of international cooperation are, for example, conceivable.

The emerging financial crisis and its possible consequences for the financial system, particularly the further development of the European debt problems, present the greatest danger in the medium term. In light of the risks and unsolved problems described above, we cannot rule out a negative impact on singular areas of Voith's business in the near future. The Group's Board of Management has therefore decided to maintain the defined goals for the coming fiscal year, despite the current unclear situation on the financial markets, which will certainly affect Voith customers. Voith has a diversified portfolio in terms of both markets and regions, strong market positions, healthy finances and a stable liquidity position, and monitors all key indicators on a monthly basis. Voith therefore believes it is well placed to rapidly respond to any consequences of phases of recession and to leverage the opportunities offered by upward trends at an early stage. In this context, the Voith GmbH Board of Management will continue to respond decisively to changing market conditions in the future.

Management risks

Voith has developed and operates a reliable reporting system that also encompasses its risk and quality management systems. Group accounting plays a pivotal role in this system and was converted to International Financial Reporting Standards (IFRS) in the 2005/06 fiscal year. No risks of material Group management errors are perceivable at the present time.

Liquidity and financial risks

The Voith Group's diversified financing structure is designed to safeguard long-term stability. On the basis of the positive business development during the recent economic and financial crisis, and a new risk assessment, the sizable liquidity cushion of the previous year was reduced. In May 2011, a note loan and a bond issued on the capital market due in July 2011 were repaid prematurely with the Company's own funds. A new syndicated loan, which replaces the previous syndicated credit facility and is available until at least 2016, was concluded in June 2011. Additional free and confirmed credit lines complement the availability of sufficient liquidity at all times. This enables the Group to pursue sustainable growth and remain sufficiently flexible to respond to changes in the market environment.

In February 2011, the investment grade rating given by the agency Moody's continued to be "Baa2 stable".

In September 2010, Voith liquidated assets previously held in a multi-asset portfolio. As a result, the Group now essentially holds only isolated direct investments. Fluctuations in the value of these investments as a whole are recognized directly in equity. Market price losses are recognized in profit and loss only if there is objective evidence that the fair value of an investment is sustainably or significantly impaired. The sustainability criterion is met if the impairment lasts longer than 12 months. If the fair value of the investment falls more than 30% below its cost, this is regarded as a significant impairment. It should be noted that all investment decisions are based on thorough analysis of fundamental data. In the event of unusual stock price movements, existing stock price risks are analyzed immediately and corresponding action is taken.

To contain risks to cash flows in different currencies, defined foreign currency management procedures are applied consistently throughout the Group. All Group companies are required to hedge foreign currency items when these occur. Moreover, interest risks are covered by appropriate hedges.

Voith uses a variety of derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge transactions. These instruments are defined and documented at the start of a hedge in line with the goals of corporate risk management.

To guard against political and economic risks associated with deliveries and services provided by the Group Divisions, the Group buys commensurate insurance from government export credit insurance agencies, from the private-sector insurance market and from banks. The Group also maintains adequate provisions to cover all other operating risks.

No particular liquidity or financial risks are perceivable at the present time. For more information, please refer to the notes to the consolidated financial statements.

Infrastructure risks

In the area of infrastructure risks, Voith primarily identifies IT risks, human resources risks, compliance risks and environmental protection risks and contamination, against which the Company takes specific countermeasures.

Our successful business activities are underpinned by up-to-date, secure information technology. This is why we have our own group IT unit which ensures that reliable data-processing services are provided from its own data center. The IT experts at Voith manage the whole IT infrastructure for the entire Group and also maintain the specific application systems used by each Group Division. To minimize the risk of outages, redundancy is built into the central systems at two data-processing centers. As part of an emergency exercise, a data center was shut down in each of the 2009/10 and 2010/11 fiscal years and operation with the backup systems was tested successfully. Moreover, various initiatives were launched in the year under review to intensify the topics of information security and data protection, and increase awareness of them within the Group.

Highly qualified professionals and executives are a key to our products, our image and ultimately to the success and growth of Voith. When it comes to ensuring we have a sufficient number of such employees, we compete with other international players and act with foresight. With a broad spectrum of measures, such as training and development programs, international career development prospects, performance-linked compensation systems, a family-friendly human resources policy and flexible working hours, we offer an attractive work environment. This is confirmed by our traditionally very low employee turnover rate.

At Voith, we base all our actions on integrity and trust. Corruption is strictly prohibited in the Voith Group guidelines. The clear and unambiguous guidelines and values defined by the Group's Board of Management are summarized in the Voith Code of Conduct. This is binding for all Voith employees worldwide and provides clear-cut rules of behavior toward third parties such as business partners, competitors, political parties and government authorities. Compliance with these principles is monitored by the Group's Compliance Committee and the compliance officers in the Group Divisions. Voith also supports all efforts to contain and eliminate corruption worldwide and demands integrity in a context of fair competition. For compliance management in the Voith Group, see section I.2. of this management report ("Values, guidelines, compliance").

To avoid environmental and health risks, all production processes in the Voith Group are subject to strict corporate guidelines on quality, risk management, and industrial safety and environmental protection. An integrated management system monitors compliance with these guidelines and ensures that production and products meet consistently high quality and environmental standards. Since the 2009/10 fiscal year, data relevant to the environment has been systematically recorded and analyzed. Environmental risks can thus be identified at an early stage and appropriate countermeasures initiated. Adequate provision has been made for residual risks.

No particular risks relating to the Group's infrastructure are perceivable at the present time.

VIII.1.3. Risks to Performance

Contractual risks

Regular checks ensure that adequate provisions are made to cover the legal risks throughout the Group. In particular, these include risks relating to warranties, liability, contractual penalties, guarantees and the possibility of inadequate or incorrect price calculations. Liability and property insurance in line with standard industry practice is taken out to cover potential damages and/or liability risks.

Appropriate provisions are made for special risks arising from existing contracts if these risks can be reliably quantified.

Technical risks

The technical risks identified by Voith are innovation-related risks, sourcing risks and sales risks due to decreasing customer satisfaction.

Innovation-related risks are a key risk area for a technology group like Voith. The future profitability of the Company hinges on its ability to develop marketable products and services and use the most state-of-the-art production technologies and service processes. Voith invests large sums of money to further improve and refine existing technologies, and to research and develop new products, systems and services. With more than 11 000 active patents to its name and more than 400 new patents filed on average every year, Voith ranks as one of the world's most innovative companies in the industries it serves.

Collaboration with suppliers on the global procurement markets involves three types of risk: supply outages, unforeseen cost increases and non-compliance with environmental and social standards. We have embedded the measures to secure our supplies—supplier selection and order processing—in our processes. Moreover, a permanent Group-wide risk management process has been implemented to identify supply risks and the risk of insolvency among suppliers at an early stage. The dual sourcing system excludes dependence on individual suppliers to the greatest possible extent. Back-up strategies are thus in place in case suppliers who provide core components for the Group's business processes should default. Moreover, in the 2010/11 fiscal year Voith once again used all means at its disposal to contain the risks posed by cost increases. It did so by concluding fixed-price contracts. Suppliers' compliance with environmental and social standards is checked by means of audits.

Our customers' satisfaction is key to achieving sales success and maintaining or increasing our market share. For this reason, we develop technologies for and in cooperation with our customers that help them get ahead. Never let a customer down: That is our goal and the guiding principle for our employees' dealings with customers. Maintaining long-term partnerships is a high priority for us. We are proud to have collaborated with many customers, suppliers and other business partners over generations—some of our relationships even go back over 100 years. In order to objectively assess and enhance our customer service, we perform corresponding research.

VIII.1.4. Overall Risk

To the best of our knowledge at the time this report went to press, there are no risks which could jeopardize the ability of the Voith Group to continue as a going concern.

VIII.2. Opportunities

VIII.2.1. Macroeconomic opportunities

Emerging from the recession stronger than ever

Not only did Voith come through the recent recession without a slump in sales or results, it exhibited continued growth in this difficult phase for the global economy. We have used the economic crisis in order to tailor our product and service portfolio as well as our organization to changed conditions. Research and development activities have been pursued with undiminished intensity and focused on the global challenges facing humanity and the needs of growth markets. Even under difficult macroeconomic conditions, Voith's diversified product and service portfolio offers the Group opportunities for profitable growth.

In light of the potential of the emerging markets to catch up in the areas of productivity, incomes and living standards, and demographic development, the significance of these regions for the global economy will continue to increase. Voith offers the capital goods and services that are urgently needed to develop the economic infrastructure in emerging countries. This portfolio includes hydro power plants, paper machines, components for the development of local public transport and rail transport networks, products for use in power plants, steel mills and production of raw materials, and technical services for new factories and high-performance industries. We see participating in the dynamic development in these regions and contributing to their added value as an opportunity for Voith. To take advantage of these growth opportunities, we established new offices, production sites and service centers and hired new employees in recent years, particularly in Asia and Brazil. These investments in developing the international markets also benefit German locations where research and development, quality control and production are strengthened.

VIII.2.2. Strategic opportunities

Global orientation

At Voith, internationalization is a long-established tradition. Today, Voith has its own production, service and sales centers in more than 50 countries in all regions of the world. We are working on further globalizing our business. This is achieved by establishing new locations and expanding existing ones, not only for production but also for product development, as well as by putting down even deeper roots in the regions. This global orientation enables us to participate in and contribute to dynamic development in the world's growth regions. In the emerging markets, we see the opportunity to make an important contribution to the many infrastructure projects. In the highly developed industrial countries, we consider ourselves ideally positioned to participate in modernizing existing plants with our ecologically friendly technologies geared to sustainable business.

A diversified, profitability-focused portfolio

Under the umbrella of Voith GmbH, the four Group Divisions protect the Group against excessive dependence on business in specific branches of industry. At the same time, the integration of each of the Divisions in the Group as a whole enables synergies to be leveraged by bringing together innovative strength and know-how. In this context, we endeavor—both in the Group and in each and every Group Division—to achieve diversified sales structures according to regions, markets and product groups. Greater attention is paid to profitability aspects as regards the strategic development of the product portfolio.

Strong innovative power

As a global provider of leading-edge technology and industrial services Voith attaches great importance to research and development. Despite adverse economic conditions, Voith has invested over a quarter of a billion euros in R&D in each of the last three fiscal years, producing key innovations which lay the groundwork for future business successes. We see a strategic growth opportunity in transferring our existing expertise to new areas of application, serving additional parts of the value added chain in existing customer sectors and developing new markets.

Long-term corporate development

The Voith Company has been owned by the Voith family since its inception in 1867. To this day, the main concern of the Board of Management, the Supervisory Board and the shareholders alike is to expand the successful company and pass it on in better shape than ever to the next generation. Thanks to an appropriate dividend policy, Voith has sufficient financial resources to fuel continuous, attractive growth, the trajectory of which can be planned over extended periods. An equity ratio of 22.1% (previous year: 18.8%) and a stable financial position are the sound basis on which the Group will continue to develop successfully in the future.

VIII.3. Internal control and risk management system for the Group financial reporting process

Proper and reliable accounting

As a company that raises funds on the capital markets, Voith GmbH is required by Section 315 (2) No. 5 German Commercial Code (HGB) to describe the key elements of its internal control and risk management system with regard to the Group financial reporting process.

The aim of the accounting-related internal control and risk management system is to guarantee that accounts are prepared correctly and reliably and to ensure that consolidated and separate financial statements comply with the applicable regulations.

The following structures and processes have been implemented in the Group:

The Corporate Board of Management of Voith GmbH bears overall responsibility for the internal monitoring and risk management system with regard to the Group financial reporting process. All levels of the Company (companies, Group Division management companies, Voith GmbH as management holding company) are integrated through a strictly defined management and reporting organization.

Accounting is decentrally organized. Accounting entries are recorded individually by the companies in the Group. Assistance is obtained from external experts with regard to the accounting treatment of complex subareas, such as pensions. The consolidated financial statements are prepared by adding information to the separate financial statements to create standardized reporting packages which are then included in the consolidation system. The boards of management of the companies issue documented declarations stating that the reporting package is complete, accurate and complies with the applicable regulations.

Uniform recognition and measurement based on the regulations for the Voith GmbH consolidated financial statements is ensured by Group accounting guidelines. Changed accounting rules are constantly adapted and communicated by Voith GmbH. The quality of the guidelines is ensured by an ongoing exchange between the departments responsible.

Group-wide reconciliation of balances takes place worldwide via an intranet-based platform. The deadlines for the different parts of the reporting package are stipulated in the consolidation system and centrally monitored in the course of the preparation process. All consolidation activities are undertaken centrally at Voith GmbH.

The control activities designed to ensure that consolidated accounts are prepared properly and reliably include the analytical review as well as processing and inspection of key and complex business transactions by various people. The quality of financial reporting is also ensured by regularly reconciling planning scenarios and external accounts at all levels of the company. Checks on system access based on an authorization concept as well as programmed plausibility checks in the IT systems ensure that processes are complete and precise.

The internal audit department performs regular, independent reviews of the functionality, correctness, reliability and efficiency of all internal control and risk management systems in the Voith Group. Suitable measures are taken to remedy any gaps or weaknesses that may be identified.

IX. Forecast report

IX.1. Business environment

Generally positive economic expectations overshadowed

As at the editorial deadline for this management report in November 2011, the overall situation was highly volatile and characterized by continued uncertainty. We expect economic growth to slow down in the 2011/12 fiscal year. The International Monetary Fund (IMF), for example, forecasts an increase in global gross domestic product of just 4.0% for 2011 and 2012. This trend will vary considerably from region to region. At 1.9%, average growth in the industrialized countries in 2012 can be described as weak. Germany's growth rate is likely to fall to 1.3% in 2012. In the emerging markets, by contrast, an increase of 6.1% is again expected in 2012. The IMF predicts growth rates of 9.0% for China, 7.5% for India and 3.6% for Brazil. The moderate growth scenario from a global perspective is threatened by a range of risks in the industrialized countries which Voith is observing closely. If the situation were to escalate critically in the further course of the year, particularly in the event of one or more euro-zone countries defaulting on their sovereign debt, this would have additional, as yet unforeseeable consequences which could also impact Voith's business development.

Voith markets with prospects for the future

In the Company's opinion, all five markets served by Voith will continue to see a moderate growth trajectory in the coming two fiscal years. However, the nature and course of this trajectory will depend on the development of the global economy as a whole, which is currently difficult to predict.

The energy market has achieved an economic turnaround. The market is characterized by increasing demand, for both clean, renewable energy and for electricity generated by conventional means. Hydro power will continue to play an important role in the energy mix of the future.

Demand for oil and gas will rise due to the vast energy requirements in countries outside the OECD. Increased investing activity can be expected in the industry due to more stringent safety requirements and investments in new equipment for extracting difficult-to-access reserves.

In the paper market, which is growing overall, the main impetus will continue to come above all from China, India and South America. Increased consumption of all types of paper can be expected due to the rapidly growing middle class in these regions. The more mature markets offer selective growth potential, particularly when it comes to board and packaging papers as well as tissue papers.

The raw materials market is heavily dependent on the economy in the short term, but is characterized by a long-term growth trend. Future development is driven by growth and industrialization in the up-and-coming Asian countries on the one hand and by increasing global energy demand linked to high demand for coal on the other.

All the segments of the transport & automotive market that are relevant for Voith are expected to develop positively during the coming two years.

IX.2. Future development of the Company

Continued positive development based on slower growth of the global economy

For the coming two fiscal years, we expect business to continue to develop well for the Voith Group, and assume that all four Group Divisions will further increase their sales and their profit from operations in the reporting periods 2011/12 and 2012/13. Our expectations for Voith are based in particular on infrastructure expansion in Asia, with China accounting for a large portion of new investments during this phase. This development forecast is based on the assumption that the global economy will grow more slowly but will not fall back into recession.

At Voith Hydro, the high number of orders on hand will lead to rising sales in the coming two years. Increasing sales will also affect earnings. The unusually high volume of orders received in the 2010/11 fiscal year cannot be rolled forward for the coming years. In the next two fiscal years, we expect the market here to return to normal, with the number of orders received stabilizing at virtually the same level as before the crisis year 2008/09. Voith Hydro sees the greatest potential in the two fiscal years in Brazil and India, where a large number of hydro power plant projects, some of them large-scale, are scheduled. In North America and Europe modernization projects and new plants are planned. In Europe, an improvement can be expected in particular in the area of pumped storage plants. However, achieving the budgeted figures will hinge on the actual realization of announced large-scale projects. In the medium term, too, we see the prospects for Voith Hydro as positive. As a result of the nuclear disaster in Japan, the hydro power sector is enjoying increasing acceptance worldwide. This will have a delayed effect due to the long planning and approval times involved. Moreover, in connection with the expansion of renewable energy sources, increased demand is expected in the area of pumped storage power plants. We will do our utmost to play an appropriate part in this attractive market.

At Voith Industrial Services, we expect satisfactory sales growth and an increasing profit from operations for the 2011/12 and 2012/13 fiscal years. In the short term, the Group Division sees a good order situation in all the sectors served by the Energy-Petro-Chemicals division. As a result of the new energy concept in Germany, the energy unit is focusing on technologies for regenerative and conventional energy generation. In the business with automobile manufacturers and suppliers, we expect a further slight increase following a strong year under review. From a regional perspective, growth impetus will come above all from Asia, Brazil and the Middle East. In particular, the return on sales of Voith Industrial Services should continue to improve during the coming two fiscal years.

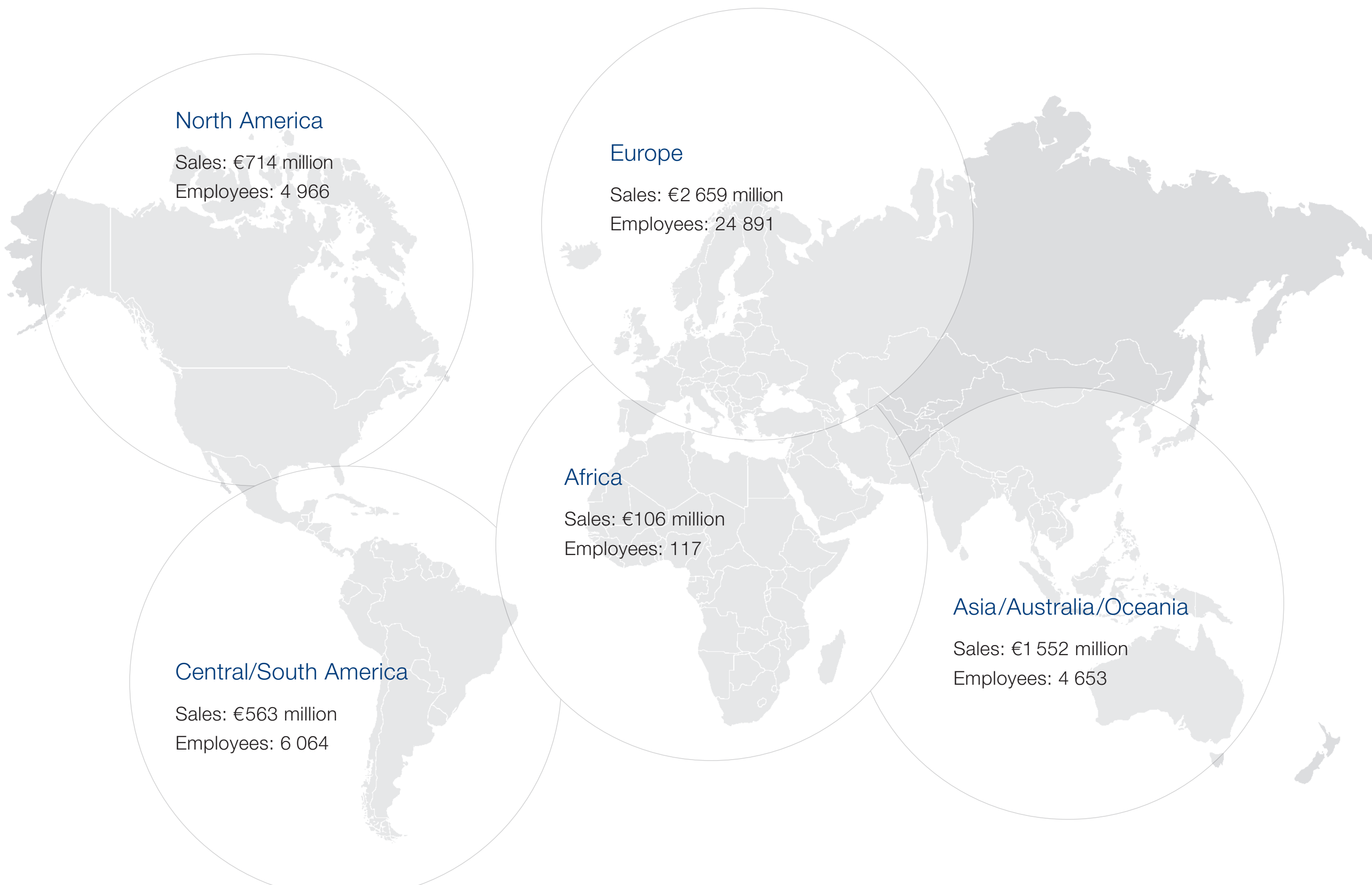
Voith Paper plans a higher level of sales and profit from operations in the coming two fiscal years. We also expect orders received to be up over both years. Our planning is based on growing consumption of all kinds of paper worldwide. As the paper market grows, the paper industry will be faced with rising prices for raw material and energy. Fiber sources, and energy and water consumption are therefore becoming central challenges for paper manufacturers. With our environmentally compatible solutions that reduce operating costs, we consider ourselves ideally placed in this highly competitive market and also see good medium-term opportunities for Voith Paper's technological solutions.

For the 2011/12 and 2012/13 fiscal years, Voith Turbo expects increasing sales and profit from sales. Orders received in the 2011/12 fiscal year are anticipated to remain at the high level of the previous period and to see a considerable increase in the reporting period 2012/13. All four divisions—Industry, Marine, Rail and Road—are expected to contribute to this positive development. In the Industry division, the mining sector, the oil and gas industry as well as energy producers and mechanical and plant engineering companies will continue to generate high demand in the medium term; China and India remain regional growth drivers, together with the Middle East in the oil and gas business. The Marine division expects the order situation to be good in Central and South America, and sees sustained growth potential in the segment for offshore applications. The outlook for the Rail division is also generally positive. There is, however, continued uncertainty regarding development in China, where the government is reviewing the expansion of the high-speed network. In the Road division, Voith expects on the whole positive development.

Profitable growth in the Group

For the 2011/12 and 2012/13 fiscal years, Voith expects Group sales to increase based on the assumption of a continued, albeit slower, growth of the global economy. This expectation is founded in the high number of orders on hand at the end of the year under review, the very high level of orders received, which, with the exception of the normalization effects at Voith Hydro described above, developed at an almost constantly high level in the 2010/11 fiscal year, and the even more marked increase in new orders anticipated in the 2012/13 fiscal year. Thanks to an improved product mix and efficiency gains, Voith looks forward to even better results for the planning period ahead, both in terms of profits from its operations and its net income. Our business planning anticipates higher investments. From a regional perspective, most of the investments are again planned for the current growth markets of China, India and Brazil. These investment volumes are financed using cash flow from operating activities. No major changes to the financing structure are planned.

Forecasts are always subject to considerable uncertainty. A host of macroeconomic and industry-specific factors can influence, positively or negatively, the corporate planning of individual Group Divisions or the entire Group. We will closely observe further developments and, where necessary, respond rapidly and decisively to changing conditions. In light of the greater general economic risks and in order to avoid achieving growth at the cost of increasing business risk, we will thoroughly check large investments in particular prior to approval, taking into account the development of the relevant business. In this way, we wish to avoid setting up capacities that cannot be utilized promptly. The aim of Voith GmbH's Board of Management is to keep the Company on a secure footing for the long term and to actively steer it out of this challenging decade of the 21st century. Voith is ideally equipped for the challenges of the future: we have a portfolio that is fit for the future, sufficient liquidity with reliable long-term access to capital, an efficient organization and an outstanding workforce.


North America
Sales: €714 million
Employees: 4 966
Europe
Sales: €2 659 million
Employees: 24 891
Africa
Sales: €106 million
Employees: 117
Asia/Australia/Oceania
Sales: €1 552 million
Employees: 4 653
Central/South America
Sales: €563 million
Employees: 6 064

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Consolidated statement of income

for the period from October 1, 2010 to September 30, 2011

in € thousands	Note	2010/11	2009/10
Sales	(1)	5 593 591	5 197 606
Changes in inventories and other own work capitalized	(2)	27 522	-4 591
Total output		**5 621 113**	**5 193 015**
Other operating income	(3)	392 663	328 868
Cost of material	(4)	-2 309 304	-2 080 888
Personnel expenses	(5)	-1 982 615	-1 851 461
Depreciation and amortization		-188 976	-162 927
Other operating expenses	(6)	-1 116 468	-1 073 586
Operational result before non-recurring result		416 413	353 021
Non-recurring result	(7)	-14 124	-13 277
Operational result		402 289	339 744
Share of profits from associates		3 659	4 219
Interest income		19 433	34 535
Interest expenses		-101 832	-105 167
Other financial result	(8)	-1 859	-39 318
Income before taxes		**321 690**	**234 013**
Income taxes	(9)	-122 040	-112 545
Net income		**199 650**	**121 468**
Net income attributable to shareholders of the parent company		178 449	100 053
Net income attributable to holders of non-controlling interests		21 201	21 415

Consolidated statement of comprehensive income

for the period from October 1, 2010 to September 30, 2011

in € thousands	2010/11	2009/10
Net income	**199 650**	**121 468**
Gains/losses (-) on available-for-sale financial assets	89 312	24 368
Gains/losses (-) on cash flow hedges	6 007	-5 725
Gains/losses (-) on currency translation	-8 473	55 125
Gains/losses (-) on net investments in foreign operations	-125	12 288
Share of associates in other comprehensive income	15	106
Tax on other comprehensive income	-19 734	-979
Other comprehensive income	**67 002**	**85 183**
Total comprehensive income	**266 652**	**206 651**
Total comprehensive income attributable to shareholders of the parent company	243 185	177 949
Total comprehensive income attributable to holders of non-controlling interests	23 467	28 702
	266 652	**206 651**

Consolidated balance sheet

as at September 30, 2011

Assets

in € thousands	Note	2011-09-30	2010-09-30
A. Non-current assets			
I. Intangible assets	(10)	718 057	702 744
II. Property, plant and equipment	(11)	1 162 045	1 155 131
III. Investments in associates	(12)	29 233	20 811
IV. Securities	(16)	261 602	173 198
V. Other financial assets	(12)	31 416	32 484
VI. Other financial receivables	(15)	93 204	105 727
VII. Other assets	(15)	41 738	61 462
VIII. Deferred tax assets	(9)	140 129	156 256
Total non-current assets		**2 477 424**	**2 407 813**
B. Current assets			
I. Inventories	(13)	822 079	784 051
II. Trade receivables	(14)	1 150 432	1 139 697
III. Securities	(16)	49 944	41 401
IV. Income tax assets		79 109	81 153
V. Other financial receivables	(15)	131 414	159 948
VI. Other assets	(15)	167 582	110 912
VII. Cash and cash equivalents	(17)	927 140	1 175 359
		3 327 700	**3 492 521**
VIII. Assets held for sale	(18)	10 054	1 447
Total current assets		**3 337 754**	**3 493 968**
Total assets		**5 815 178**	**5 901 781**

Equity and liabilities

in € thousands		Note	2011-09-30	2010-09-30
A.	**Equity**			
I.	Issued capital		120 000	120 000
II.	Revenue reserves		901 450	810 467
III.	Other reserves		125 337	60 601
IV.	Profit participation rights		6 600	6 600
Equity attributable to shareholders of the parent company			**1 153 387**	**997 668**
V.	Profit participation rights		91 800	76 800
VI.	Other interests		42 144	32 788
Equity attributable to holders of non-controlling interests			**133 944**	**109 588**
Total equity		(19)	**1 287 331**	**1 107 256**
B.	**Non-current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	423 895	408 991
II.	Other provisions	(21)	155 347	163 979
III.	Income tax liabilities		7 263	4 660
IV.	Bonds, bank loans and other interest-bearing liabilities	(22)	934 292	1 180 325
V.	Other financial liabilities	(24)	28 130	38 404
VI.	Other liabilities	(24)	82 362	84 151
VII.	Deferred tax liabilities	(9)	130 927	134 599
Total non-current liabilities			**1 762 216**	**2 015 109**
C.	**Current liabilities**			
I.	Provisions for pensions and similar obligations	(20)	25 679	25 839
II.	Other provisions	(21)	303 784	336 130
III.	Income tax liabilities		109 905	94 783
IV.	Bonds, bank loans and other interest-bearing liabilities	(22)	327 084	296 397
V.	Trade payables	(23)	587 805	525 481
VI.	Other financial liabilities	(24)	325 897	359 901
VII.	Other liabilities	(24)	1 078 690	1 140 885
			2 758 844	**2 779 416**
VIII.	Liabilities directly associated with the assets classified as held for sale	(18)	6 787	0
Total current liabilities			**2 765 631**	**2 779 416**
Total equity and liabilities			**5 815 178**	**5 901 781**

Statement of changes in equity

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders of the parent company		
2010-10-01	**120 000**	**810 467**	**24 164**	**-5 534**	**49 429**
Net income		178 449			
Other comprehensive income			71 175	4 396	-10 744
Total comprehensive income	**0**	**178 449**	**71 175**	**4 396**	**-10 744**
Allocation of reserves to profit participation rights		-4 587			
Acquisition of non-controlling interests		-1 112			
Share of income attributable to profit participation rights					
Issue of profit participation rights					
Dividends		-76 000			
Contributions from holders of non-controlling interests					
Non-controlling interests—put options		-1 243			
Other adjustments		-4 524			
2011-09-30	**120 000**	**901 450**	**95 339**	**-1 138**	**38 685**

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders of the parent company		
2009-10-01	**120 000**	**737 263**	**-442**	**-1 565**	**884**
Net income		100 053			
Other comprehensive income			24 606	-3 969	48 545
Total comprehensive income	**0**	**100 053**	**24 606**	**-3 969**	**48 545**
Allocation of reserves to profit participation rights		-4 405			
Acquisition of non-controlling interests		-10 439			
Share of income attributable to profit participation rights					
Dividends		-9 949			
Contributions from holders of non-controlling interests					
Non-controlling interests—put options		-1 752			
Other adjustments		-304			
2010-09-30	**120 000**	**810 467**	**24 164**	**-5 534**	**49 429**

			Equity attributable to holders of non-controlling interests			
Net investments in foreign operations	Profit partici-pation rights	Total	Profit partici-pation rights	Other interests	Total	Total equity
-7 458	**6 600**	**997 668**	**76 800**	**32 788**	**109 588**	**1 107 256**
		178 449		21 201	21 201	199 650
-91		64 736		2 266	2 266	67 002
-91	**0**	**243 185**	**0**	**23 467**	**23 467**	**266 652**
	363	-4 224	4 224		4 224	0
		-1 112		-531	-531	-1 643
	-363	-363	-4 224		-4 224	-4 587
		0	15 000		15 000	15 000
		-76 000		-17 755	-17 755	-93 755
		0		4 728	4 728	4 728
		-1 243		-4 077	-4 077	-5 320
		-4 524		3 524	3 524	-1 000
-7 549	**6 600**	**1 153 387**	**91 800**	**42 144**	**133 944**	**1 287 331**

			Equity attributable to holders of non-controlling interests			
Net investments in foreign operations	Profit partici-pation rights	Total	Profit partici-pation rights	Other interests	Total	Total equity
-16 172	**6 600**	**846 568**	**76 800**	**26 842**	**103 642**	**950 210**
		100 053		21 415	21 415	121 468
8 714		77 896		7 287	7 287	85 183
8 714	**0**	**177 949**	**0**	**28 702**	**28 702**	**206 651**
	181	-4 224	4 224		4 224	0
		-10 439		-1 544	-1 544	-11 983
	-181	-181	-4 224		-4 224	-4 405
		-9 949		-10 476	-10 476	-20 425
		0		505	505	505
		-1 752		-9 299	-9 299	-11 051
		-304		-1 942	-1 942	-2 246
-7 458	**6 600**	**997 668**	**76 800**	**32 788**	**109 588**	**1 107 256**

Consolidated cash flow statement

in € thousands	2010/11	2009/10
Income before taxes	321 690	234 013
Depreciation and amortization	192 016	205 551
Interest expenses/income	82 399	70 632
Other non-cash items	-8 221	9 999
Gains (losses) from the disposal of property, plant, equipment and intangible assets	-10 269	-2 077
Gains (losses) from investments	-137	-2 343
Changes in other provisions and accruals	-39 486	-20 981
Change in net working capital	-127 539	38 492
Interest paid	-73 409	-74 695
Interest received	16 612	33 872
Dividends received	2 253	5 252
Tax paid	-112 390	-107 654
Cash flow from operating activities	**243 519**	**390 061**
Investments in property, plant, equipment and intangible assets	-210 916	-233 417
Proceeds from disposal of property, plant, equipment and intangible assets	26 072	18 059
Investments in financial assets	-13 160	-8 945
Subsequent payments on purchase price of previous acquisitions	-64	-117
Acquisitions of subsidiaries	-10 495	0
Proceeds from the disposal of financial assets	938	2 215
Changes in investments in securities	-8 949	63 143
Cash flow from investing activities	**-216 574**	**-159 062**
Dividends paid	-98 342	-24 830
Contributions from holders of non-controlling interests	4 728	505
Acquisition of non-controlling interests	-1 643	-15 292
Other changes in equity	15 000	0
New bonds, bank loans and overdrafts	103 326	49 675
Repayment of bonds, bank loans and overdrafts	-349 144	-8 586
Changes in other interest-bearing financial receivables and liabilities	38 185	-33 804
Cash flow from financing activities	**-287 890**	**-32 332**
Total cash flow	**-260 945**	**198 667**
Exchange rate movements, valuation changes and changes in consolidated Group	12 726	53 565
Cash and cash equivalents at the beginning of the period	1 175 359	923 127
Cash and cash equivalents at the end of the period	**927 140**	**1 175 359**

For more information, refer to the “Notes to the consolidated cash flow statement”.

Notes to the consolidated financial statements for the 2010/11 fiscal year

General information

The legal form of Voith AG changed as of October 1, 2010 to Voith GmbH. Voith GmbH (Voith) continues to operate as a company which raises funds on the capital markets from its headquarters at St. Pöltener Str. 43, Heidenheim an der Brenz, and is required by Sec. 290 in conjunction with Sec. 315a German Commercial Code (HGB) to prepare consolidated financial statements. The Company is entered in the commercial register (under the number HRB 725621) at the Registration Court in Ulm, Germany. The consolidated financial statements prepared by Voith are published in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

The Board of Management of Voith GmbH authorized the consolidated financial statements for presentation to the Supervisory Board on November 22, 2011.

Pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a HGB, the consolidated financial statements of Voith GmbH for fiscal 2010/11 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). This regulation requires all companies that participate in the capital markets (i.e. whose issued debt is traded on a regulated market in an EU member state) and are domiciled in the EU to prepare their consolidated financial statements solely on the basis of IFRS as endorsed by the EU. The term IFRS also includes the International Accounting Standards (IAS) that are still valid. All binding pronouncements of the International Accounting Standards Board (IASB) as well as the additional requirements of German commercial law pursuant to Sec. 315a HGB have been taken into account.

The preparation currency for the consolidated financial statements is the euro. Except where explicitly stated otherwise, all amounts are stated in thousands of euros (€ thousands).

In the balance sheet, assets and liabilities are stated either as current or non-current items in line with their maturity. Assets and liabilities that will be realized or will mature within 12 months of the end of the period under review are classified as current. Inventories and trade receivables and payables are always classified as current items. The consolidated statement of income was prepared in accordance with the nature of expense method.

Consolidated Group

The Voith Group is divided into four Group Divisions: Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo. Details of the business activities pursued by the Group Divisions are provided in the explanatory notes to the segment reporting.

In addition to those companies acting as holding companies, the 2010/11 consolidated financial statements also include all the Group's major manufacturing, service and sales companies both in Germany and other countries as at September 30 of each fiscal year. The financial statements of the subsidiaries are prepared for the same reporting period as for the parent, using consistent accounting policies.

Subsidiaries are consolidated in full at the time when the Voith Group obtains control over them and are deconsolidated as soon as the parent loses control over the subsidiary. In four cases, Voith exercises control as defined in IAS 27 owing to a majority of voting rights in the relevant decision-making bodies.

In two cases, while Voith has a majority shareholding it does not control the company, as the composition of the decision-making bodies is based on equal representation.

The following companies are included in the consolidated financial statements:

	2011-09-30	2010-09-30
Voith GmbH and its fully consolidated subsidiaries:		
Germany	68	75
Other countries	151	148
Total fully consolidated companies	**219**	**223**
Associates accounted for using the equity method:		
Germany	4	4
Other countries	11	12
Total associates accounted for using the equity method	**15**	**16**

The main companies consolidated in full for the first time in the period under review are the MinPlus-CDEM Group in Vaassen, Netherlands, Hydronaut s.r.l. in Milan, Italy, and Terne AS, Mongstad, Norway, which was previously accounted for using the equity method.

The reduction in the number of fully consolidated domestic companies is due in the main to the fact that companies were merged within the Group.

An exhaustive list of the companies and other investments included in the consolidated financial statements is an integral part of the consolidated financial statements and is also filed as a section of the consolidated financial statements with the elektronischer Bundesanzeiger in German.

Companies in which Voith GmbH has the power to directly or indirectly exercise a significant influence on financial and operating policy decisions (associates) are accounted for using the equity method. FlowLink Systems Private Ltd., Coimbatore, India, 50% of which is held by Voith, and Voith Industrial Services Qatar W.L.L., Doha, Qatar, 49% of which is held by Voith, were included for the first time in the period under review. Terne AS, Mongstad, Norway, was fully consolidated for the first time in the period under review. Two foreign companies accounted for using the equity method were dissolved in the period under review.

Pursuant to Sec. 264b HGB, the following limited partnerships are exempt from the duty of corporations to prepare, audit and disclose financial statements.

VIEH	Voith Industrial Services Process GmbH & Co. KG, Stuttgart
VIAS	Voith Industrial Services Ltd. & Co. KG, Stuttgart
VIGG	Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart
VIME	DIW Mechanical Engineering GmbH & Co. KG, Stuttgart
VIPH	Voith Industrial Services Paper GmbH & Co. KG, Heidenheim
VIPS	DIW Instandhaltung GmbH & Co. KG, Heidenheim
VISD	DIW Gastro GmbH & Co. KG, Munich
VISK	Voith Industrial Services GmbH & Co. KG, Stuttgart
VIST	DIW Instandhaltung Ltd. & Co. KG, Stuttgart
VIZ	Voith Industrial Services Holding GmbH & Co. KG, Heidenheim
VPAH	Voith Paper Automation GmbH & Co. KG, Heidenheim
VPES	Voith Paper Environmental Solutions GmbH & Co. KG, Ravensburg
VPFZ	Voith Paper Fabrics GmbH & Co. KG, Heidenheim
VPH	Voith Paper GmbH & Co. KG, Heidenheim
VPMG	Voith Paper Krieger GmbH & Co. KG, Mönchengladbach
VPR	Voith Paper Fiber & Environmental Solutions GmbH & Co. KG, Ravensburg
VPRR	Voith Paper Rolls GmbH & Co. KG, Heidenheim
VPWE	Voith Paper Rolls GmbH & Co. KG, Weißenborn
VPZ	Voith Paper Holding GmbH & Co. KG, Heidenheim
VHH	Voith Hydro GmbH & Co. KG, Heidenheim
VHHC	Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim
VHZ	Voith Hydro Holding GmbH & Co. KG, Heidenheim
VTA	Voith Turbo GmbH & Co. KG, Heidenheim
VTGO	Voith Turbo Aufladungssysteme GmbH & Co. KG, Gommern
VTHL	Voith Turbo H+L Hydraulic GmbH & Co. KG, Rutesheim
VTKH	Voith Turbo Hochelastische Kupplungen GmbH & Co. KG, Essen

VTLH Voith Turbo Lokomotivtechnik GmbH & Co. KG, Heidenheim
VTRH Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Hohen Luckow
VTSH Voith Turbo Schneider Propulsion GmbH & Co. KG, Heidenheim
VTSK Voith Turbo Scharfenberg GmbH & Co. KG, Salzgitter
VTWH Voith Turbo Wind GmbH & Co. KG, Heidenheim
VTZS Voith Turbo Verdichtersysteme GmbH & Co. KG, Zschopau

VODG Voith Dienstleistungen und Grundstücks GmbH & Co. KG, Heidenheim
VOC Voith Composites GmbH & Co. KG, Garching near Munich
VZB J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim

The following corporations do not have to fulfill the duty to prepare and disclose financial statements provided that the prerequisites in accordance with Sec. 264 (3) HGB are met because they are included in the consolidated financial statements of Voith GmbH.

VOFS Voith Financial Services GmbH, Heidenheim
VOFZ Voith Finance GmbH, Heidenheim

Pursuant to Sec. 264b No. 3 HGB and Sec. 264 (3) No. 4 HGB, the consolidated financial statements of Voith GmbH are filed with the elektronischer Bundesanzeiger.

In addition to the companies listed above, the following significant companies are also included in the consolidated financial statements:

VPFS Voith Paper Fabric & Roll Systems Inc., Wilson (NC)/USA
VPA Voith Paper Inc., Appleton (WI)/USA
VPIT Voith IHI Paper Technology Co., Ltd., Tokyo, Japan
VPP Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP)/Brazil
VPS Voith Paper GmbH, St. Pölten/Austria
VPSO Voith Paper S.r.L., Schio (Vicenza)/Italy

VHFK Voith Fuji Hydro K. K., Kawasaki-shi/Japan
VHP Voith Hydro Ltda., São Paulo (SP)/Brazil
VHPO Voith Hydro GmbH & Co KG, St. Pölten/Austria
VHS Voith Hydro Shanghai Ltd., Shanghai/China
VHY Voith Hydro Inc., York (PA)/USA

VTI Voith Turbo, Inc., York (PA)/USA

VICU Voith Industrial Services Inc., Cincinnati (OH)/USA
VIKI Voith Industrial Services GmbH, Kirchseeon
VIW DIW Instandhaltung GmbH, Vienna/Austria
VIWA Voith Industrial Services Limited, Warwick/United Kingdom

Business combinations in fiscal 2009/10

There were no business combinations in fiscal 2009/10.

Business combinations in fiscal 2010/11

Acquisition of MinPlus-CDEM Holding B.V.

The Voith Paper Group Division purchased all of the interests and voting rights in MinPlus-CDEM Holding B.V. (Vaassen, Netherlands) and thus in its subsidiaries as at January 14, 2011. The know-how and patents of CDEM allow Voith Paper to manufacture sludge processing facilities. These facilities provide the customers of Voith Paper with a unique solution for their sludge processing in the paper manufacturing process. They round off Voith Paper's product portfolio, emphasizing the company's ideal suitability as a business partner for environmentally aware one-stop solutions for the paper industry.

Part of the intangible assets purchased, e.g. the know-how of the employees, cannot be recognized, as the recognition criteria are not met. Apart from that, the goodwill stems from the aforementioned expected positive effects for the Voith Paper Division. The goodwill is not tax deductible.

The following amounts resulted for the assets and liabilities purchased:

Balance sheet item

in € thousands	Fair values on the acquisition date
Intangible assets	8 218
Receivables	8
Cash and cash equivalents	103
Liabilities and deferred tax liabilities	-2 193
Carrying amount	**6 136**
Goodwill	3 846
Purchase price of the interests purchased	**9 982**
Cash and cash equivalents	-103
Amount financed by liabilities	0
Cash outflows	**9 879**

Consideration in the form of cash and cash equivalents has already been given in full. There are no other purchase price components. No purchase price adjustments are planned.

Under an agreement for advisory services, Voith Paper paid €200 thousand to the seller in 2011 (recognized as other operating expenses). A loan of €500 thousand was granted to the seller for the duration of five years (recognized in non-current assets in the balance sheet).

The incidental acquisition costs amounted to €22 thousand.

In fiscal 2010/11, MinPlus-CDEM Holding B.V. and its subsidiaries contributed sales totaling €475 thousand and a net loss of €176 thousand to the Voith Group's consolidated statement of income. If the business combination had already taken place on October 1, 2010, the Group's sales would have been €5 594 million and the Group's net income for the year would have been €199 million.

Other business combinations

The other combinations in the period under review were as follows:

Acquisition of the majority of interests in Terne AS, Mongstad, Norway

The Voith Industrial Services Group Division stepped up its interests and voting rights from 40% to 60% with effect from July 1, 2011 and thus obtained control. The purchase price payable for the additional interests purchased was paid in full in the form of cash and cash equivalents. There are no other purchase price components. No purchase price adjustments are planned. Terne AS is an industrial company that provides multidisciplinary (electrical/mechanical) projects and services.The acquisition is intended to increase Voith Industrial Services' presence in the Norwegian petrochemical market. Part of the intangible assets purchased, e.g. the know-how of the employees, cannot be recognized, as the recognition criteria are not met. Apart from that, the goodwill stems from the aforementioned expected positive effects for the Voith Industrial Services Division. The equity investment in Terne AS was previously accounted for in the consolidated financial statements using the equity method. There were business relationships between the company acquired and the Voith Group prior to the acquisition in the form of completed sales and services. These relationships between the acquirer and the company acquired existing as at the date of the business combination are not part of the acquisition method. Open receivables and liabilities are settled in the course of ongoing business transactions.

Acquisition of a business division of Alema Concept SAS, Toulouse, France

The Voith Industrial Services Group Division acquired the business operations of the French engineering service provider Alema Concept SAS (Toulouse, France) through an asset deal with effect from July 1, 2011, thereby expanding its offering for the aerospace market. The purchase price payable was paid in full in the form of cash and cash equivalents. There are no other purchase price components. No purchase price adjustments are planned. In addition to the assets and liabilities taken over by the acquiring company, further intangible assets were recognized provided that the recognition criteria were met. The goodwill recognized in the consolidated financial statements represents the positive development of the Voith Industrial Services Group Division expected from taking over the operations.

Acquisition of a business division from EBARA Corporation

Effective April 22, 2011, the Voith Hydro Group Division acquired the assets belonging to the Hydro Power Turbines business division from EBARA Corporation, Tokyo, Japan, as part of an asset deal. The assets taken over mainly involve registered patents, technical know-how and other intangible assets. No liabilities were taken over. The main objective of the takeover is to secure business possibilities in the area of restoring, maintaining and overhauling turbine facilities, particularly those installed by EBARA. The purchase price payable was paid in full in the form of cash and cash equivalents. There are no other purchase price components. No purchase price adjustments are planned. The purchase price paid represents the value of the intangible assets taken over; there was no excess goodwill payable.

The incidental acquisition costs for the other business combinations amounted to €316 thousand in total.

The other business combinations result in total sales of €2 275 thousand and a contribution to the statement of income of the Voith Group amounting to €291 thousand in the 2010/11 fiscal year. If the business combination had already taken place on October 1, 2010, the Group's sales would have been €5 601 million and the Group's net income for the year would have been €200 million.

The following amounts of assets and liabilities were acquired in the fiscal year from the acquisitions presented in a condensed manner:

Balance sheet item

in € thousands	Fair values on the acquisition date
Intangible assets	2 507
Other non-current assets	46
Inventories	763
Receivables	1 126
Other assets	1 402
Cash and cash equivalents	2 761
Provisions	-1 744
Liabilities and deferred tax liabilities	-2 851
Carrying amount	**4 010**
Value of old interests recognized to date	-1 578
Non-controlling interests	-1 476
Goodwill	2 421
Purchase price of the interests purchased	**3 377**
Cash and cash equivalents	-2 761
Amount financed by liabilities	0
Cash outflows	**616**

Based on current assessments, all of the receivables acquired are fully recoverable. The total goodwill reported is not tax deductible. The remeasurement of the interests shown in the table above resulted in an accounting gain of €225 thousand. This was reported in the item share of profits from associates. The non-controlling interests were recognized at fair value. This was based on benchmark prices from contractual agreements with shareholders in the past.

In relation to business combinations in previous years, expenses of €5 763 thousand (previous year: €4 995 thousand) were recognized in the fiscal year under review for write-downs on assets disclosed in the context of purchase price allocation.

Acquisition in fiscal 2010/11 of interests in entities over which the Group already has control

In fiscal 2010/11, further interests were acquired in entities over which the Group already has control. At Hydronaut s.r.l., Milan, Italy, the interest was stepped up to 60% with effect from July 1, 2011. The remaining 15% in Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Rostock, was taken over with effect from October 1, 2010. The total purchase price paid for both transactions amounted to €1 643 thousand. The total for Group equity changed accordingly.

Sale of subsidiaries

A subsidiary with non-current assets of €853 thousand, current assets of €1 471 thousand and liabilities of €979 thousand was sold in the fiscal year. A loss of €1 345 thousand was realized in the course of the sale. This was presented in the non-recurring result.

Basis of consolidation

Acquisition accounting is performed using the acquisition method in accordance with IFRS 3 (revised). Accordingly, the consideration transferred to the seller plus the amount of any non-controlling interests and the fair value of the previously held equity interests in the acquiree are offset against the fair value of the acquired assets and liabilities as at the acquisition date. Any excess of cost over the carrying amount is capitalized as goodwill. Excesses of the carrying amount over cost are recognized in profit or loss.

Any contingent consideration is recognized at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

In the case of business combinations achieved in stages that give rise to control over an entity, or in the case of disposals of shares which result in loss of control, the previously held or remaining equity interests are remeasured at fair value through profit or loss.

A change in the parent's ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. This is why business combinations achieved in stages where the Group already has control or disposals of shares without a loss of control are recognized directly in equity from fiscal 2009/10 onwards.

Business combinations involving companies that are under the common control of one or more parties are presented using the pooling-of-interest method. Under this method, gains or losses on disposal are, for reasons of immateriality, offset directly in equity in the reserves. In the case of acquisitions, excesses of cost over the carrying amount and excesses of the carrying amount over cost are offset in full against reserves.

The same accounting policies are used to determine Voith's share in equity of all companies accounted for using the equity method.

Receivables and liabilities between the consolidated entities are netted. Intercompany profits in inventories and non-current assets are eliminated in the consolidated statement of income. Intercompany sales and other intercompany income are netted against the corresponding expense. Deferred tax is recognized for consolidation transactions that are recognized in profit or loss.

Foreign currency translation

The consolidated financial statements are presented in euros, which is Voith GmbH's functional currency. Financial statements prepared by subsidiaries that use a different functional currency are translated as follows:

The equity of foreign entities included in the consolidated financial statements is translated at historical rates. All other items on the balance sheet are generally translated to the presentation currency at the rates applicable as of the reporting date. Goodwill arising from business combinations before transition to IFRS is an exception to this rule and is still translated at historical rates.

In the statement of income, income and expenses are translated at the average exchange rates. Retained earnings and losses are translated using the relevant historical exchange rate.

Differences arising from currency translation are netted with other reserves.

Foreign currency transactions in local financial statements are translated at the exchange rate on the effective date of the transactions concerned. At fiscal year-end, the resultant monetary items are measured at the closing rate and any exchange rate gains or losses are recorded as unrecognized gains or losses in profit or loss.

Exchange differences arising from loans denominated in foreign currencies (where these are used to hedge a net investment in foreign operations) are recognized in equity until the underlying net investment is disposed of. These exchange differences give rise to deferred tax items that are also recognized in equity.

In the period under review, currency translation was based on the following key exchange rates:

Exchange rates between the euro and the main foreign currencies in the Voith Group:

	Closing rate		Average rate	
	2011-09-30	2010-09-30	2010/11	2009/10
US dollar	1.3417	1.3655	1.3965	1.3612
Brazilian real	2.4908	2.3152	2.3056	2.4136
Pound sterling	0.8614	0.8666	0.8705	0.8720
Swedish krona	9.2198	9.1909	9.0430	9.8353
Norwegian krone	7.8786	7.9946	7.8687	8.1297
Canadian dollar	1.3983	1.4006	1.3815	1.4293
Australian dollar	1.3807	1.4102	1.3620	1.5165
Chinese renminbi	8.5676	9.1345	9.1344	9.2727
Japanese yen	103.4211	114.0629	112.7896	121.4525

Accounting policies

The consolidated financial statements are prepared using the historical cost method. The only exceptions to this rule are derivative financial instruments, available-for-sale financial instruments and assets measured at fair value through profit or loss. All these exceptions are recognized at fair value. Acquisitions and disposals of financial assets are always recognized at the settlement date. Regular way acquisitions or disposals of available-for-sale securities are recognized on the trade date.

In accordance with IAS 27, consistent accounting policies are used to prepare the separate financial statements for the companies included in the consolidated financial statements. The main accounting policies are listed and explained below:

Income and expenses

Sales (less various cash and other discounts granted to customers) are recognized when products or merchandise have been delivered and/or services rendered and when the risk of ownership has been transferred to the customer. In the case of long-term construction contracts, revenue is recognized using the percentage-of-completion method. A detailed explanation of this method is provided in the notes on “Long-term construction contracts”.

Interest expenses and interest income are recognized as they accrue. (The effective interest method, i.e. the imputed interest rate, is used to discount estimated future cash receipts over the expected maturity of the financial instrument to the net carrying amount of the financial asset).

Dividend income is recognized when the Group’s right to receive the payment is established.

Operating expenses are recognized as expenditure at the time when a service is used and other sales-related expenses are recognized as incurred. Taxes on income are calculated in accordance with tax law in the countries in which the Group operates.

For all categories of financial instruments recognized in accordance with IAS 39, net gains or losses as defined in IFRS 7 result from the measurement or disposal of financial instruments. At Voith, such income and expense items mainly consist of foreign exchange gains and losses, impairments and gains/losses from the sale of financial instruments. Neither current interest income and expenses nor dividend income are included.

Intangible assets

Intangible assets acquired for a consideration are recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives. Most of these assets are software programs that are amortized over a three-year period.

Internally generated intangible assets are capitalized as development costs based on their production costs, provided that manufacture of these assets meets the recognition criteria stated in IAS 38 and, in particular, it is probable that future economic benefits will flow to the Group. Production costs include all costs that are directly attributable to the development process. These assets are amortized using the straight-line method from the start of production for a defined period, usually between three and ten years. If the requirements for capitalization are not satisfied, expenses are recognized in profit or loss in the fiscal year in which they were incurred.

Impairment losses are recognized in accordance with IAS 36 if the higher of the recoverable amount (the present value of expected future cash flows from the use of the assets concerned) and the fair value less costs to sell falls below their carrying amount. Should the reasons for impairment losses recognized in previous periods no longer apply, these impairment losses are reversed.

Borrowing costs that are directly attributable to intangible assets are capitalized as part of the cost of those assets.

Goodwill is subjected to annual impairment tests. For impairment testing, goodwill is assigned to essentially four cash-generating units. In line with the management's internal reporting practices, these cash-generating units are identified on the basis of the Group's operating activities. Voith has therefore defined the Group Divisions of Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo as its four cash-generating units.

To determine whether goodwill is impaired, a calculation based on value in use is applied in the Voith Group. This is based on the management's current planning. The planning premises are adjusted to reflect the current information available. Key assumptions underpinning calculations of value in use include assumptions about the trend in incoming orders and sales, growth rates, extrapolated cash flow forecasts beyond the planning horizon, and discount rates. Due account is taken of reasonable assumptions regarding macroeconomic trends and historical developments.

The Board of Management of Voith GmbH assumes that markets will continue to recover in fiscal 2011/12. The assumptions for the four Group Divisions outlined below are based on this view:

Voith Hydro:
After a record orders received in the 2010/11 fiscal year, which was influenced mainly by recording individual major projects, Voith Hydro expects orders received to return to normal levels in the plan years. Sales increase on par with the development of orders received. In the long term, the Group Division expects to see a slight increase in new orders and sales.

Voith Industrial Services:
Voith Industrial Services expects sales growth in its relevant markets in the coming years. Higher rates of growth are anticipated in emerging countries in particular in the medium term. Orders received and sales are planned to be significantly above their current level in the longer term.

Voith Paper:
Voith Paper expects sustained growth in all Group Divisions, markets and regions in the coming years. Orders received and sales are planned to be significantly above their current level in the longer term.

Voith Turbo:
Voith Turbo's markets are expected to grow modestly during the first plan period after the above-average growth in the past three years. In the following fiscal years and in the longer term, we expect growth in orders received and sales that corresponds to the average historical growth rates over the past 20 years.

A small increase in margins due to efficiency gains is planned for all Group Divisions.

Cash flow forecasts are based on the detailed financial budget for the coming year, on the financial planning figures for the coming two years and on well-founded top-down planning for a two to five-year period. Cash flows for periods after the fifth fiscal year are extrapolated at a constant approximately 1% growth rate. These growth rates do not exceed the average long-term growth rates of the business areas in which the corresponding cash-generating units operate.

The discount rates are derived from a calculation of the weighted average cost of capital, which is itself based on the financing costs of comparable competitors for each of the cash-generating units. The discount rates applied reflect the equity risk specific to each cash-generating unit. After-tax interest rates of 7.5% (previous year: 8.6%) for Voith Hydro, 7.0% (previous year: 7.7%) for Voith Industrial Services, 8.4% (previous year: 8.4%) for Voith Paper and 7.4% (previous year: 7.8%) for Voith Turbo were used to calculate the present value of future net cash inflows. Extrapolation to the pre-tax rate that must be stated pursuant to IAS 36 results in interest rates of 10.1% (previous year: 11.8%) for Voith Hydro, 9.4% (previous year: 10.5%) for Voith Industrial Services, 11.5% (previous year: 11.4%) for Voith Paper and 10.1% (previous year: 10.8%) for Voith Turbo.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment losses. The cost of internally produced property, plant and equipment includes all directly attributable production costs and an appropriate share of production overheads. Depreciation is recognized on a straight-line basis over the following useful lives:

Useful life

Buildings	40 to 50 years
Plant and machinery	4 to 15 years
Other equipment, furniture and fixtures	4 to 12 years

Property, plant and equipment are subjected to an impairment test if unusual events or market developments indicate that they may be impaired. To this end, the carrying amount of an asset or cash-generating unit is compared with its recoverable amount, which is defined as the higher of fair value less costs to sell and value in use. Impairment losses are reversed if the fair value of a previously impaired asset subsequently increases again.

Repair and maintenance costs are recognized as expenses at the time when they are incurred. Any major renewals or improvements are capitalized. Borrowing costs that are directly attributable to property, plant and equipment are capitalized as part of the cost of those assets.

Leased assets

Whether an arrangement is or contains a lease depends on the substance of the arrangement and requires a decision to be made on whether fulfillment of the agreement depends on the use of a particular asset and whether the arrangement conveys the right to use the asset.

Leases that transfer substantially all risks and rewards incidental to use of the leased asset to a Voith company (the lessee) are classified as financial leases. In such cases, the lessee recognizes the leased asset at the start of the lease period and writes it down over the asset's useful life. A corresponding liability is recognized and then settled by the lease payments. The interest component is recognized in the interest result. All other leases in which Voith Group companies act as the lessee are stated as operating leases. The lease payments for operating leases are recognized as expenses using the straight-line method over the term of the lease.

Financial assets and securities

Shares carried under financial assets as other investments are generally recognized at fair value. Where no active market exists for individual companies and it is impracticable to determine their fair value, shares are stated at cost. The carrying amount of such assets is written down if there is objective evidence that they are impaired.

Associates are recognized using the equity method and are stated at the amount of equity held by the Voith Group plus any goodwill. Changes in the share of associate equity that are not recognized in profit or loss are likewise recognized directly in equity in the consolidated financial statements.

In accordance with IAS 39, loans classified as non-current loans are recognized under other financial assets at amortized cost, adjusted (where necessary) for impairments.

In accordance with IAS 39 distinctions between “held-for-trading”, “available for sale”, “held-to-maturity” and “financial assets at fair value through profit and loss” must be made for securities that are classified as non-current or current assets. The securities held by the Voith Group are normally available for sale. To a small extent, however, the Group also makes use of financial instruments that are held for trading and securities that, at initial recognition, are designated as at fair value through profit or loss. The latter securities are certificates authorized for stock market trading and convertible bonds that are structured and non-divisible. Securities are also assigned to this category to eliminate measurement inconsistencies in the accounting for long-term employee benefits.

Where market values can be obtained, securities are stated at their market value, otherwise they are measured using alternative methods. Where no market value is available and it is impracticable to reliably determine fair value, securities are recognized at cost.

Available-for-sale securities are recognized separately in equity, taking due consideration of deferred taxes, until such time as they are realized. Available-for-sale securities are assets that are not held for trading.

The carrying amounts of non-current financial assets and available-for-sale securities are regularly tested for objective evidence that they are impaired. Such evidence can take the form of substantial financial difficulties on the part of the debtor or changes in the technological, economic and legal environment. Objective evidence that equity instruments may be impaired is given if there is a prolonged or significant decline in their fair value. The criterion of a prolonged decline is met if the decline lasts longer than 12 months. If the fair value of the investment falls more than 30% below its cost, this is regarded as a significant impairment. If this happens, the amounts hitherto recognized in equity are recognized in profit or loss.

Fair value

The fair value of investments for which an organized market exists is determined by the quoted market price at the reporting date. Where no active market exists, valuation techniques are used to determine the fair value. The techniques used by Voith for this purpose aim to reflect objective criteria as accurately as possible and to simulate an active market. This is done, for example, by analyzing discounted cash flows, referring to arm’s length transactions between knowledgeable, willing and independent partners, and drawing on comparisons with the current fair value of other essentially identical financial instruments.

Inventories

Raw materials and supplies, merchandise, work in progress and finished goods are all stated under inventories at the lower of cost and net realizable value. In addition to direct costs, costs of conversion include an appropriate portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. The weighted average cost, or cost based on the first-in, first-out (FIFO) method is capitalized in the balance sheet. Appropriate allowance is made for inventory risks associated with slow-moving stocks, reduced salability, etc. When the circumstances that previously caused inventories to be written down below cost no longer exist, the write-down is reversed.

Long-term construction contracts

Long-term construction contracts are recognized in accordance with the percentage-of-completion (PoC) method. The percentage of completion per contract to be recognized is calculated as the ratio of the actual costs incurred to overall anticipated costs of the project ("cost-to-cost method"). Recognized revenue is then stated as sales and, after deducting customer advances and installments, as trade receivables. If the outcome of a construction contract cannot be estimated reliably, it is not possible to calculate contract revenue and costs based on the percentage of completion. In such cases, revenue is recognized at the amount of costs incurred for the construction contract to date, while the contract costs are immediately recognized in full in the period under review in which they are incurred. Appropriate provisions are formed to cover expected losses on such contracts based on recognizable risks.

Receivables and other assets

Receivables and other assets (with the exception of financial derivatives) are stated at nominal value or at cost and are regularly tested for impairment individually. Where objective evidence of possible loss exists (if the debtor is experiencing substantial financial difficulty, if it is highly probable that insolvency proceedings will be opened against the debtor, if the debtor defaults on or is delinquent in interest or principal payments, if significant adverse changes in the technological, economic or legal environment occur, if there is a significant or prolonged decline in the fair value of a financial instrument below its cost, or if legal proceedings are opened, for example), then individual allowances are effected in an impairment account to allow for these factors. To the extent that impairments are derived from historical bad debt rates on a portfolio basis, a drop in the total volume of receivables reduces such provisions and vice versa. Impaired receivables are derecognized when they are assessed as uncollectible. Interest-free or low-interest receivables due in more than one year are discounted.

Derivative financial instruments and hedging

Voith uses a variety of financial derivatives—such as forward exchange contracts and interest rate swaps—to hedge underlying transactions. Essentially, the Group applies two policies—either the fair value hedge accounting of firm commitments or cash flow hedge accounting—to hedge operating business transactions.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for entering into the hedge. This documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows that is attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss for the period. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value, and gains and losses are recognized in profit or loss.

For fair value hedges relating to hedged items carried at amortized cost, the adjustment to carrying amount is amortized through profit or loss over the remaining term to maturity.

When an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated change in the fair value of the firm commitment that is attributable to the hedged risk is recognized as an asset or liability with the corresponding gain or loss being realized in the statement of income. Changes in fair value of the hedging instrument are also recognized in the profit or loss for the period.

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Every adjustment to the carrying amount of a hedged financial instrument is released to income using the effective interest method. As soon as there is an adjustment, the reversal may begin, and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts directly recognized in equity are recognized in profit or loss in the period during which the hedged transaction affects profit or loss, for example when hedged financial income or expenses are recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized directly in equity are transferred to profit or loss. If the hedging instrument expires, is sold, terminated or exercised without replacement or rollover, or if the designation as a hedge is revoked, amounts previously recognized in equity remain as a separate item in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss.

Where no hedging relationship with an underlying transaction exists (i.e. where hedge accounting does not apply), financial derivatives are classified as held-for-trading instruments. Changes in the fair value of these instruments are recognized in profit or loss.

Financial derivatives with positive fair values are stated under other financial receivables; those with negative fair values are stated under bonds, bank loans and other interest-bearing liabilities or other financial liabilities.

A treasury tool is used to manage all external hedges.

A treasury tool is also used to calculate the fair value of forward exchange contracts. The original forward rate is compared with the forward rate calculated at the reporting date. The difference is discounted to the reporting date. The forward rate is calculated based on interest rates for the two currencies determined by straight-line approximation on the basis of current EURIBOR or LIBOR rates. The fair value of options, interest rate swaps and interest rate caps is based on information supplied by the banks. This information is calculated on the basis of certain assumptions and using recognized valuation models (Black-Scholes and Heath-Jarrow-Morton).

Embedded derivatives

When the Group becomes party to the contract, it assesses whether any embedded derivatives should be separated from the host contract. A reassessment is not made unless there is a substantial change in the terms of the contract that significantly modifies the cash flows that would otherwise have been generated from the contract. Where embedded derivatives exist, they are recognized at fair value as financial assets held for trading. Embedded financial derivatives with positive fair values are stated under other financial receivables; those with negative fair values are stated under bonds, bank loans and other interest-bearing liabilities or other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and checks, cash at banks and other cash equivalents. Under this item, cash at banks includes both daily deposits and time deposits with fixed maturities of up to three months.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups held for sale are classified as assets held for sale or correspondingly as liabilities directly associated with assets classified as held for sale if their carrying amount is to be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. In this case management has decided to sell the asset and it is expected that the sale will take place within 12 months from the date of classification. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Assets held for sale are not subject to depreciation and amortization.

Deferred and current taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between tax reporting and reporting for IFRS purposes. Deferred tax assets are also recognized for unused tax losses insofar as it is reasonable to expect that they will be realized in the near future. Deferred taxes that relate to items recognized directly in equity are also themselves recognized in equity. Deferred taxes are calculated based on the tax rates enacted or substantively enacted by the reporting date that apply or are expected to apply in the countries concerned at the time of realization. Deferred tax assets on unused tax losses that are not likely to be realized within a foreseeable period (normally two years) or that are not covered by deferred tax liabilities are either written down or not recognized at all. Deferred tax assets and deferred tax liabilities may be netted if the Group has a legal right to offset current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority.

Current taxes are calculated and reported in accordance with the tax laws and regulations valid for each company.

Profit participation rights

Pursuant to IAS 32, the conditions defined for the issues of profit participation rights amounting to €83 400 thousand in fiscal 2006/07 and fiscal 2008/09 require these rights to be reported as a separate component of the Group's equity. In fiscal 2010/11, additional profit participation rights amounting to €15 000 thousand were issued, which also constitute a component of equity pursuant to IAS 32. Interest is not reported as interest expenses, but is treated in a similar manner as a dividend obligation.

Provisions for pensions and similar obligations

In accordance with IAS 19, provisions for pension obligations are measured based on actuarial methods using the prescribed projected unit credit method for defined benefit plans. This method considers not only the pensions and future claims known at the end of the period under review but also future anticipated increases in salaries and pensions. Defined benefit obligations are measured based on the proportion of future benefits accrued at the reporting date. Measurement includes assumptions about the future development of certain parameters that could affect the actual future benefit amount. The 10% corridor rule prescribed by IAS 19.92 is applied when recognizing actuarial gains and losses in the balance sheet and in profit or loss.

In measuring its defined benefit liability pursuant to IAS 19.54, a company must recognize a portion of its actuarial gains and losses as income or expenses if the net cumulative unrecognized actuarial gains and losses at the end of the previous period under review exceeded the greater of:

a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

b) 10% of the fair value of any plan assets at that date.

The portion of actuarial gains and losses to be recognized is the excess determined pursuant to IAS 19.92, divided by the expected average remaining working lives of the employees participating in a given plan.

In some countries, Voith is required by law or contract to make minimum contributions into a plan over a certain period. When these amounts are not fully recoverable by the company after payment and therefore not recognized as an asset under IAS 19.58 ("assets ceiling"), a liability is recognized through profit or loss.

Other provisions

In accordance with IAS 37, provisions are formed for all discernable risks and uncertain obligations in that amount that is likely to be realized. These provisions are not netted against recourse claims. Provisions are recognized where the Group has present obligations in respect of third parties as a result of a past event and it is probable that an outflow of resources will be required whose amount can be estimated reliably. Provisions for warranty claims are based on historical claim trends and estimated future trends. Specific provisions are set up for known claims. Provisions for outstanding expenses, onerous contracts and other business-related obligations are measured based on services still to be rendered, usually in the amount of the production costs expected to be incurred.

Provisions which do not lead to an outflow of resources in the following year are carried at the discounted settlement amount at the end of the period under review. The discount rate used is derived from market interest rates. The settlement amount also includes the estimated cost increases. If an amount set aside as a provision is expected to be refunded (through an insurance claim, for example), the refunded amount is stated separately as an asset if it is almost certain to be realized. Income from refunds is not netted against expenses.

Liabilities

Current liabilities are stated at the amount needed to settle the obligation. Financial liabilities are measured at their amortized cost. Amortized cost corresponds to the cost of the financial liabilities adjusted for repayments, issue costs and the amortization of any debt discounts or debt premiums. Where liabilities serve as underlying transactions in the context of hedging relationships, they are stated according to the fair value of the hedged risk. Gains and losses are recognized in profit or loss.

Liabilities arising from leases that are classified as finance leases in accordance with the criteria laid out in IAS 17 are recognized at the present value of the minimum lease payments at the start of the lease. Thereafter, they are stated under financial liabilities at their amortized cost. Lease payments are split into an interest component and a principal component. The interest component of each payment is recognized as an expense in profit or loss.

Government grants

Government grants are recognized if there is reasonable certainty that they will be received and if the Group complies with the conditions attached to the grant. Grants also include low-interest or interest-free government loans. Cost-related grants are recognized as income over the periods necessary to match them with the costs that they are intended to compensate. Cost-related grants are netted with the costs for which they are granted.

Where the grant relates to an asset, it is recognized as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the statement of income over the expected useful life of the relevant asset by equal annual installments.

Classification of holders of non-controlling interests in limited partnerships and based on repayment rights and put options

In accordance with IAS 32, financial instruments that entitle the holder to repayment of the capital made available to the company must be classified as liabilities. In companies that operate as limited partnerships, partners have the right under German law to demand repayment of the capital they have made available to the company. This right cannot be excluded by the partnership agreement. This provision also extends to other comparable repayment rights of holders of non-controlling interests with a settlement agreement. Put options create a similar obligation pursuant to IAS 32.

a) Put options
Where the right to terminate non-controlling interests exists in the form of a put option, the corresponding portion of the non-controlling interests is not derecognized but is treated as a component of equity during the period under review. Accordingly, a share of net income for the fiscal year is also allocated to holders of non-controlling interests. At every reporting date, it is assumed that the put option will be exercised; the corresponding non-controlling interests are reclassified from equity to financial liabilities. This financial liability is recognized in the amount of the estimated compensation obligation and measured at fair value. The difference between this liability and non-controlling interests as a share of equity is treated as a transaction between owners and recognized from fiscal 2009/10 onwards as an increase or decrease in equity. Until fiscal 2008/09 transactions were regarded as a business combination achieved in stages

and the difference stated as goodwill. By choosing to apply the transitional rule under IAS 27 the Group retained these amounts.

b) Limited partnerships
The interests held in limited partnerships as well as non-controlling interests with comparable termination rights are treated in the same way as put options. The liabilities are measured at amortized costs taking into account the attributable share of net income.

If non-controlling interests in limited partnerships are terminated or if corresponding put options are exercised, the financial liabilities recognized prior to termination/exercise of the put options are reclassified as other financial liabilities.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. These financial guarantee contracts are treated as insurance contracts as defined by IFRS 4, i.e. the financial guarantee contracts are recognized as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized.

Exercise of judgment and estimates by management

Some accounting policies require critical estimates that involve complex and subjective assessments and the use of assumptions, some of which are inherently uncertain and subject to change. These critical accounting estimates can vary from period to period and significantly impact a company's financial position and/or earnings. The management explicitly points out that future events will often deviate from planning assumptions, and that it is normal for estimates to have to be adjusted.

Significant estimates and assumptions have to be made in the following areas of accounting:

Revenue recognition from long-term construction contracts
Much of the business done by Voith Paper and Voith Hydro takes the form of construction contracts. By contrast, this applies only in special cases at Voith Industrial Services. The Group generally accounts for construction contracts using the percentage-of-completion (PoC) method, according to which sales are recognized according to the degree of completion. Accurate estimates of the percentage of completion are of vital importance to this method. Depending on the method used to measure the percentage of completion, the most significant estimates concern the total contract cost, the costs to complete, the total contract revenue, and contract risks.

The management of Voith's operating subsidiaries constantly reviews all estimates that are needed in the accounting for construction contracts and adjusts them as and when necessary.

Such examinations are part of the management's normal accounting activities at operating level. For details of carrying amounts, refer to note 14.

Trade and other receivables
Allowances for doubtful receivables require extremely good judgment on the part of management. They also necessitate an analysis of the individual debtors that covers their creditworthiness, current economic trends and an examination of historic default scenarios. For details of carrying amounts, refer to notes 14 and 15.

Impairment of goodwill
Determining the recoverable amount of a cash-generating unit to which goodwill was allocated involves estimates by management. To calculate the value in use, planning for

the next five years is based on management's expectations adjusted for economic trends and historic developments. Estimates of growth, the weighted average cost of capital and tax rates are likewise based on reliable information that reflects the risks associated with operating business in each given industry or division. For details of carrying amounts, refer to note 10 and the segment reporting.

Development costs

Development costs are capitalized if the requirements of IAS 38 are met. Initial capitalization is based on management's estimate that it can demonstrate technical and economic feasibility. Forecasts of the expected future economic benefit to be gained from assets are essential to the decision whether or not costs are to be capitalized. For details of carrying amounts, refer to note 10.

Pension obligations

Estimates of pension obligations depend significantly on key assumptions about discount factors, expected returns on plan assets, expected salary increases, mortality rates and the trend in healthcare costs. The assumptions used to calculate the discount factor reflect the interest rates that can be realized on high-quality fixed-income instruments with appropriate maturities. Assumptions regarding expected returns on investments are determined by a uniform base that takes account of long-term historic returns and the structure of the portfolio. For details of carrying amounts, refer to note 20.

Other provisions

Significant estimates influence the formation of provisions for anticipated losses on construction contracts, warranty-related costs and litigation. Voith forms provisions for losses in all cases where current estimates of the total contract cost exceed expected contract revenues. Such estimates are subject to change in light of new information regarding the percentage of completion. Onerous contracts are identified by monitoring project progress and constantly updating estimates of total costs, all of which requires good judgment if certain performance standards are to be reached. These estimates also include warranty-related and litigation costs. Provisions for restructuring are based on well-founded plans for expected activities. These plans are reviewed and approved by the Board of Management. For details of carrying amounts, refer to note 21.

Taxes

The Voith Group has business operations in many countries and is subject to many different tax laws. Both current and deferred taxes on income must be calculated for each individual taxable entity. To calculate deferred tax assets on unused tax losses and temporary differences, for example, assumptions must be made about the possibility of realizing sufficient taxable income in the future and the interpretation of complex tax legislation. For details of carrying amounts, refer to note 9.

Outside Germany, Voith has substantial refund claims with regard to sales tax (valued-added tax) that has already been paid. These payments can normally be netted with the sales tax that is charged on domestic sales in that country. Since our Brazilian subsidiary has such a strong focus on exports, however, its refund claims cannot be fully offset against the charged sales tax that it must pass on to the tax authorities. Realization of these claims therefore depends on government approval of resale activities. Since the timing of such approval is very uncertain, expected future cash flows have to be discounted based on management's estimates. In light of the prevailing uncertainty, these claims have been measured conservatively.

Adoption of amended and new standards and interpretations

Changes in accounting policies due to first-time application of revised and new IFRS and IFRIC

In fiscal 2010/11, the following revised and new IFRS and IFRIC were applied for the first time.

Amendments to IAS 32: "Financial Instruments: Classification of Rights Issues"

The amendments to IAS 32 clarify the recognition of rights issues which are denominated in a currency other than an entity's functional currency.

Amendments to IFRS 2: "Share-Based Payment"

The changes made to IFRS 2 concern the reporting of the conditions governing exercise and cancellations and changes to cash-settled share-based payments.

IFRIC 15: "Agreements for the Construction of Real Estate"

IFRIC 15 addresses the issue of when revenue and the related costs arising from the sale of units of real estate are to be recognized in cases where agreements have been reached between the project developer and the buyer before completion of the construction phase.

IFRIC 17: "Distributions of Non-Cash Assets to Owners"

IFRIC 17 sets out the accounting for a liability in connection with distributions of non-cash assets.

IFRIC 18: "Transfers of Assets from Customers"

This interpretation deals with the accounting treatment of arrangements whereby an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 clarifies the accounting treatment for equity instruments issued by an entity to its creditor to extinguish all or part of a financial liability following renegotiation of its terms and conditions.

Annual improvements projects–April 2009 and May 2010

The amendments encompass specific corrections and clarification of content and terminology. Of the amendments from May 2010, only the amendment of IFRS 3 is relevant for the fiscal period 2010/11.

The first-time application of the amendments presented had no material impact on the net assets, financial position and results of operations of the Voith Group.

Adoption of the following IFRS and IFRIC was not yet compulsory in fiscal 2010/11 and/or they had not yet been endorsed by the European Commission for adoption in the European Union.

Amendment to IAS 24: "Related Party Disclosures"

The amendments to IAS 24 clarify in particular the definition of a related entity or person. Adoption of the amendments is compulsory for fiscal years beginning after December 31, 2010. No impact on the Voith Group is currently expected.

Amendments to IFRS 7: "Disclosures—Transfers of Financial Assets"

The amendments improve users' understanding of transfer transactions of financial assets (for example, securitizations) including the understanding of possible risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if substantial transfers are undertaken towards the end of the period under review. IFRS 7 is to be applied for the first time to fiscal years beginning on or after July 1, 2011. Potential effects on additional disclosures in the notes for the Voith Group are currently being assessed.

IFRS 9: "Financial Instruments"

The International Accounting Standards Board (IASB) has issued a new international Financial Reporting Standard (IFRS) on the classification and measurement of financial instruments. The standard represents the conclusion of the first of three project phases for the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" by a new standard. IFRS 9 introduces new regulations for the classification and measurement of financial assets. The regulations must be applied for fiscal years from January 1, 2013; early adoption is permitted. Potential effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

Amendment to IFRIC 14: "Prepayments of a Minimum Funding Requirement"

The amendment applies when an entity is subject to minimum funding requirements and pays the amounts in advance. The amendment now allows an entity to recognize the economic benefit from such prepayment as an asset. The amendment becomes compulsory for fiscal years from January 1, 2011. This amendment is not currently expected to impact materially on the Voith Group.

Amendments to IAS 12: "Income Taxes: Recovery of Underlying Assets"

Pursuant to IAS 12, the measurement of deferred taxes generally hinges on whether the company realizes the carrying amount of an asset by use or by sale. If the asset is measured using the remeasurement method pursuant to IAS 40 ("Investment Property") or IAS 16 ("Property, Plant and Equipment"), it is difficult and subjective to assess whether an asset is realized by sale or by use.

The amendment introduces a rebuttable presumption that the carrying amount is recovered through sale. The amendment is effective for fiscal years beginning on or after January 1, 2012. This amendment has no impact on the Voith Group because the revaluation method is not used.

Amendments to IAS 1: "Presentation of Financial Statements"

As a result of the amendment, the "other comprehensive income" presented in the statement of comprehensive income must in future be broken down to distinguish between income that is later reclassified to the statement of income and income that is not. Adoption of the amendments is compulsory for fiscal years after January 1, 2012.

Amendments to IAS 19: "Employee Benefits"

The most significant amendment to IAS 19 is that in future the actuarial gains and losses will be recognized directly in equity. The corridor method to smooth unexpected fluctuations in pension obligations is no longer used. As Voith used the corridor method in the past, there will be larger fluctuations in equity in the future. A further change relates to taking into account the interest on plan assets. More extensive disclosures in the notes (e.g. disclosures on the financing strategy, sensitivity analyses) are also required in future. Adoption of the amendments is compulsory retrospectively for fiscal years after January 1, 2012.

IFRS 10: "Consolidated Financial Statements"

IFRS 10 creates a uniform definition for control and thus a uniform basis for the existence of a parent-subsidiary relationship and the related demarcation of the consolidated group. The new standard replaces IAS 27 (2008) "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities".

IFRS 11: "Joint Arrangements"

IFRS 11 governs the accounting treatment of situations where a company exercises joint control over a joint venture or a joint operation. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Venturers" as the relevant provisions for accounting for joint ventures to date.

The most significant change in IFRS 11 compared with IAS 31 is the abolition of proportionate consolidation for joint ventures; in future, joint ventures must always be accounted for using the equity method.

IFRS 12: “Disclosures of Interests in Other Entities”

The objective of IFRS 12 is to prescribe disclosures on information that provides the users of financial statements with a basis for assessing the nature of interests in other entities (e.g. subsidiaries, associates) and the related risks and effects of these interests on the Group’s net assets, financial position and results of operations.

IFRS 10, 11 and 12 are applicable for fiscal years from January 1, 2013. Potential effects on the net assets, financial position and results of operations and on additional disclosures in the notes of the Voith Group are currently being assessed.

IFRS 13: “Fair Value Measurement”

IFRS 13 defines fair value, provides a framework for measuring fair value in one single IFRS and prescribes disclosures on the measurement of fair value.

IFRS 13 is applied if another IFRS prescribes or permits measurement at fair value, or disclosures on the measurement of fair value are required. IFRS 13 is applicable prospectively for fiscal years beginning on or after January 1, 2013. Potential effects on the net assets, financial position and results of operations of the Voith Group are currently being assessed.

Annual improvements project—May 2010

The amendments encompass specific corrections and clarification of content and terminology. The amendments are applicable for the first time for fiscal years beginning on or after January 1, 2011.

At present, the Voith Group does not plan early application of the new or amended standards and interpretations.

Notes to the consolidated statement of income

(1) Sales

By division

in € thousands	2010/11	2009/10
Core business		
Voith Hydro	1 227 703	1 157 431
Voith Industrial Services	1 005 734	956 063*
Voith Paper	1 826 608	1 723 234
Voith Turbo	1 520 130	1 349 027
	5 580 175	**5 185 755**
Other	**13 416**	**11 851***
	5 593 591	**5 197 606**

*Previous year restated due to change in internal reporting structure.

By region

in € thousands	2010/11	2009/10
Voith Group		
Germany	1 151 749	1 058 129
Rest of Europe	1 507 112	1 496 448
Americas	1 277 416	1 230 462
Asia	1 511 542	1 296 940
Other	145 772	115 627
	5 593 591	**5 197 606**

Services totaling €2 022 million (previous year: €1 837 million) are included in the sales figures.

(2) Changes in inventories and own work capitalized

in € thousands	2010/11	2009/10
Changes in inventories of finished goods and work in progress	8 693	-23 049
Other own work capitalized	18 829	18 458
	27 522	**-4 591**

(3) Other operating income

in € thousands	2010/11	2009/10
Income from the utilization of contract-specific provisions	99 660	86 304
Income from the reversal of provisions	94 170	99 608
Foreign exchange gains	95 323	54 314
Recovered bad debts	11 203	10 193
Gains on the disposal of non-current and current assets	12 447	9 563
Other income	79 860	68 886
	392 663	**328 868**

Gains on the disposal of non-current and current assets include no gains (previous year: €0) from the disposal of assets held for sale.

(4) Cost of material

in € thousands	2010/11	2009/10
Cost of material and supplies and of purchased merchandise	1 782 198	1 632 766
Cost of purchased services	527 106	448 122
	2 309 304	**2 080 888**

(5) Personnel expenses

in € thousands	2010/11	2009/10
Wages and salaries	1 605 413	1 498 432
Social security, pension and other benefit costs	377 202	353 029
	1 982 615	**1 851 461**

Number of employees

	Annual average		As at the reporting date	
	2010/11	2009/10	2011-09-30	2010-09-30
Wage earners	23 590	23 268	23 834	23 781
Salaried employees	16 423	15 934	16 857	15 973
	40 013	39 202	40 691	39 754
Trainees and interns	1 246	1 232	1 246	1 232
	41 259	**40 434**	**41 937**	**40 986**

Number of employees by region

	Annual average		As at the reporting date	
	2010/11	2009/10	2011-09-30	2010-09-30
Germany	17 120	16 643	17 429	16 776
Rest of Europe	7 411	7 270	7 462	7 387
Americas	11 014	11 361	11 030	11 500
Asia	4 270	3 738	4 557	3 901
Other regions	198	190	213	190
	40 013	**39 202**	**40 691**	**39 754**

(6) Other operating expenses

in € thousands	2010/11	2009/10
Increase in provisions	189 996	222 483
Other selling expenses	359 309	342 527
Other administrative expenses	290 563	245 156
Foreign exchange losses	85 827	72 548
Rent for buildings and machinery	69 897	67 634
Bad debt allowances	13 240	12 015
Losses on the sale of non-current and current assets	2 211	7 207
Other expenses	105 425	104 016
	1 116 468	**1 073 586**

(7) Non-recurring result

The non-recurring result primarily includes expenses arising from major restructuring activities as well as measures addressing personnel capacity.

The non-recurring result shows the measures initiated in fiscal 2010/11.

These affect the Voith Industrial Services and Voith Turbo Divisions.

The following expenses have been incurred:

in € thousands	2010/11	2009/10
Personnel expenses	-7 126	-16 199
Impairment losses	-699	-561
Other expenses	-6 299	-2 010
Income from the reversal of provisions	0	5 493
	-14 124	**-13 277**

(8) Other financial result

in € thousands	2010/11	2009/10
Income from investments	136	2 343
Impairment of other investments	-2 011	-582
Impairment of associates	0	-1 227
Impairment of securities	-330	-40 254
Income from securities and loans	346	402
	-1 859	**-39 318**

The impairment losses recognized on other investments concern available-for-sale financial instruments that are measured at amortized cost.

(9) Income taxes

in € thousands	2010/11	2009/10
Current taxes	-134 005	-112 814
Deferred taxes	11 965	269
	-122 040	**-112 545**

Current taxes include domestic income taxes and comparable foreign income taxes that are calculated in accordance with the local tax laws valid for each subsidiary.

For individual Group companies, deferred tax items are recognized for temporary differences between carrying amounts for tax reporting and the carrying amounts recognized under IFRS, as well as for consolidation measures recognized in profit or loss. Deferred tax assets are also recognized for unused tax losses that can be reasonably expected to be realized in the near future. The average income tax rate for German companies is 29.84% (previous year: 29.84%).

Deferred taxes are calculated at the tax rates valid in the respective countries.

In the period under review, deferred tax income arising from temporary differences amounted to €17 685 thousand (previous year: deferred tax expenses of €21 795 thousand).

In the fiscal year 2010/11, deferred tax expenses from unused tax losses amounted to €5 720 thousand. This mainly includes write-downs of deferred tax assets recognized in the fiscal year 2009/10 of €1 505 thousand and reductions in deferred tax assets from losses carried forward by adjustment of the previous-year losses carried forward of €5 748 thousand. The effects from the use of loss carryforwards in the previous year largely approximated the recognition of new, previously unrecognized loss carryforwards.

In the fiscal year 2009/10, deferred tax income from unused tax losses amounted to €22 064 thousand, mainly stemming from the recognition of loss carryforwards of €5 460 thousand that came into being in the fiscal year 2009/10. In addition to this, the recognition of a loss carryforward not recognized in the fiscal year 2008/09 exceeded the amount of the loss carryforwards used in the fiscal year 2008/09 by €16 243 thousand. Income was offset by write-downs on the deferred tax assets recognized in the fiscal year 2008/09 of €1 398 thousand.

Furthermore, current income tax from the use of deferred tax assets on loss carryforwards not recognized in the previous year fell by €4 037 thousand (previous year: €2 911 thousand).

As at September 30, 2011, unused tax losses of €31 786 thousand (previous year: €87 347 thousand) for German trade and corporate income taxes, plus another €376 531 thousand (previous year: €407 050 thousand) for German trade tax, plus €107 154 thousand (previous year: €108 965 thousand) for previously non-deductible interest expenses under German law, and €69 064 thousand (previous year: €62 621 thousand) for foreign taxes were not recognized as deferred tax assets as there was no reasonable expectation that the related deferred tax assets would be realized in the near future. Owing to the ongoing tax field audit at companies in Germany and abroad, further changes may be made to the losses carried forward.

In Germany, losses carried forward do not lapse. Outside Germany, losses carried forward can normally be realized within a maximum of five to ten years.

The following table provides a detailed overview of deferred taxes as at the reporting date:

in € thousands	2011-09-30		2010-09-30	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	11 089	62 511	9 785	70 127
Property, plant and equipment*	2 896	56 565	17 406	56 679
Financial assets and securities	2 418	21 024	7 536	1 400
Inventories and receivables*	19 981	51 806	23 248	84 616
Other assets	5 414	21 443	3 698	29 409
Pension provisions	37 045	1 004	37 287	2 674
Financial liabilities	5 036	7 491	5 488	8 470
Other provisions and liabilities*	98 166	6 515	111 409	11 340
Write-downs on deferred tax assets arising from temporary differences*	-15 375		-5 839	
Unused tax losses	70 891		76 354	
Netting*	-97 432	-97 432	-130 116	-130 116
Disclosure in the balance sheet	**140 129**	**130 927**	**156 256**	**134 599**

*Previous year restated.

As far as the origin of the deferred taxes from other comprehensive income is concerned, refer to note 19.

Reconciliation of expected and effective tax expenses:

The income of Voith GmbH and its subsidiaries in Germany is subject to corporate income tax and trade tax. Profits earned outside Germany are taxed at the current rates valid in the countries concerned. Expected tax expenses were calculated based on a tax rate of 29.84% (previous year: 29.84%) that takes into account the legal structure of the Voith Group relevant for tax purposes.

in € thousands	2010/11	2009/10
Profit before income tax	321 690	234 013
Expected tax expenses	95 992	69 830
Deviations from expected tax rates	-1 061	655
Effect of changes in tax rates	384	-2 396
Tax-free income	-14 408	-8 906
Non-deductible expenses	26 219	67 843
Taxes relating to other periods	29 870	12 949
Change in write-downs on deferred tax assets	-23 561	-22 238
Other tax effects	8 605	-5 192
Income taxes	**122 040**	**112 545**
Effective tax rate (%)	37.9%	48.1%

No deferred taxes were recognized on temporary differences of €752 082 thousand (previous year: €665 453 thousand) arising on investments in subsidiaries, since the criteria specified in IAS 12.39 were met.

5% of distributions by foreign subsidiaries to Germany are subject to German taxation. In addition, any withholding taxes and dividend-related taxes abroad are incurred. Further income tax implications must also be observed in the case of distributions from subsidiaries abroad to another foreign entity. The potential tax effects were not calculated in view of the disproportionately high effort that this would have entailed.

Notes to the consolidated balance sheet

(10) Intangible assets

Development of intangible assets from 2009-10-01 to 2010-09-30

in € thousands	Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets	Goodwill	Development costs	Prepayments	Total
Cost 2009-10-01	**164 746**	**631 040**	**82 729**	**3 230**	**881 745**
Changes in the consolidated Group	0	0	0	0	0
Currency translation differences	2 013	3 607	110	0	5 730
Additions	7 363	0	20 089	304	27 756
Capitalized interests	0	0	31	0	31
Disposals	-4 334	0	-3 262	-18	-7 614
Other adjustments	0	-776	0	0	-776
Transfers	3 430	0	20	-3 075	375
Cost 2010-09-30	**173 218**	**633 871**	**99 717**	**441**	**907 247**
Accumulated amortization and impairment as at 2009-10-01	**-93 146**	**-54 179**	**-32 222**	**0**	**-179 547**
Currency translation differences	-1 393	0	-78	0	-1 471
Amortization	-18 013	0	-8 888	0	-26 901
Impairment losses	0	0	-2 892	0	-2 892
Disposals	2 864	0	3 390	0	6 254
Transfers	54	0	0	0	54
Accumulated amortization and impairment as at 2010-09-30	**-109 634**	**-54 179**	**-40 690**	**0**	**-204 503**
Carrying amount as at 2010-09-30	**63 584**	**579 692**	**59 027**	**441**	**702 744**

No impairment losses pursuant to IAS 36 were required to be recognized on goodwill on the basis of impairment tests performed.

Impairment losses were recognized on development costs for individual assets, as the future potential unit sales volumes in the areas concerned have decreased and calculat-

Development of intangible assets from 2010-10-01 to 2011-09-30

in € thousands	Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets	Goodwill	Development costs	Prepayments	Total
Cost 2010-10-01	**173 218**	**633 871**	**99 717**	**441**	**907 247**
Changes in the consolidated Group	10 685	6 351	0	0	17 036
Currency translation differences	143	1 105	-9	0	1 239
Additions	12 813	0	17 262	1 485	31 560
Capitalized interests	0	0	99	0	99
Disposals	-2 819	0	-1 263	-13	-4 095
Other adjustments	346	2 614	0	0	2 960
Transfers	5 368	0	-56	-293	5 019
Reclassification to assets held for sale	0	-1 747	0	0	-1 747
Cost 2011-09-30	**199 754**	**642 194**	**115 750**	**1 620**	**959 318**
Accumulated amortization and impairment as at 2010-10-01	**-109 634**	**-54 179**	**-40 690**	**0**	**-204 503**
Currency translation differences	126	0	11	0	137
Amortization	-18 877	0	-10 320	0	-29 197
Impairment losses	-1 002	0	-9 422	0	-10 424
Disposals	2 302	0	1 238	0	3 540
Transfers	-814	0	0	0	-814
Accumulated amortization and impairment as at 2011-09-30	**-127 899**	**-54 179**	**-59 183**	**0**	**-241 261**
Carrying amount as at 2011-09-30	**71 855**	**588 015**	**56 567**	**1 620**	**718 057**

ing the recoverable amount showed that there are thus no longer sufficient potential benefits. Impairment losses in the year under review relate solely to the Voith Turbo segment and amount to €10 424 thousand (previous year: €1 245 thousand). In the previous year the Voith Paper segment was also affected with impairment losses of €1 647 thousand.

Impairments are shown in the statement of income under depreciation and amortization.

Capitalized interest is based on an interest rate of 4.75%.

(11) Property, plant and equipment

Development of property, plant and equipment 2009-10-01 to 2010-09-30

in € thousands	Land and buildings including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost 2009-10-01	**679 446**	**1 204 907**	**474 689**	**101 754**	**2 460 796**
Changes in the consolidated Group	0	0	0	0	0
Currency translation differences	17 088	45 450	7 557	6 361	76 456
Additions	20 526	62 053	43 477	79 877	205 933
Disposals	-6 046	-40 260	-23 071	-1 870	-71 247
Transfers	29 563	40 066	5 345	-75 349	-375
Other adjustments	0	-1 502	-153	315	-1 340
Cost 2010-09-30	**740 577**	**1 310 714**	**507 844**	**111 088**	**2 670 223**
Accumulated depreciation and impairment 2009-10-01	**-288 026**	**-784 983**	**-328 733**	**0**	**-1 401 742**
Currency translation differences	-5 426	-27 783	-4 741	0	-37 950
Depreciation	-16 172	-71 661	-44 603	0	-132 436
Impairment losses	-671	-337	-251	0	-1 259
Disposals	3 710	32 246	20 308	0	56 264
Transfers	-56	-308	310	0	-54
Reversal of impairment losses	0	0	0	0	0
Other adjustments	0	1 223	862	0	2 085
Accumulated depreciation and impairment 2010-09-30	**-306 641**	**-851 603**	**-356 848**	**0**	**-1 515 092**
Carrying amount as at 2010-09-30	**433 936**	**459 111**	**150 996**	**111 088**	**1 155 131**

Development of property, plant and equipment from 2010-10-01 to 2011-09-30

in € thousands	Land and buildings including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost 2010-10-01	**740 577**	**1 310 714**	**507 844**	**111 088**	**2 670 223**
Changes in the consolidated Group	0	46	0	0	46
Currency translation differences	1 856	3 451	-531	-4 887	-111
Additions	16 561	58 017	54 612	50 632	179 822
Capitalized interest	1	0	0	16	17
Disposals	-15 423	-27 814	-36 289	-4 380	-83 906
Transfers	29 400	34 759	8 680	-77 858	-5 019
Reclassification to assets held for sale	-1 159	-140	-1 342	0	-2 641
Other adjustments	2 628	662	4 234	-41	7 483
Cost 2011-09-30	**774 441**	**1 379 695**	**537 208**	**74 570**	**2 765 914**
Accumulated depreciation and impairment 2010-10-01	**-306 641**	**-851 603**	**-356 848**	**0**	**-1 515 092**
Currency translation differences	-432	-1 593	229	0	-1 796
Depreciation	-17 695	-75 876	-47 506	0	-141 077
Impairment losses	-2 112	-6 529	-336	0	-8 977
Disposals	9 529	25 139	28 440	0	63 108
Transfers	910	750	-846	0	814
Reclassification to assets held for sale	1 234	140	1 075	0	2 449
Reversal of impairment losses	0	0	0	0	0
Other adjustments	-2 047	-521	-730	0	-3 298
Accumulated depreciation and impairment 2011-09-30	**-317 254**	**-910 093**	**-376 522**	**0**	**-1 603 869**
Carrying amount as at 2011-09-30	**457 187**	**469 602**	**160 686**	**74 570**	**1 162 045**

For individual product areas of the Voith Turbo segment that each constitute a cash-generating unit, impairment losses had to be recognized on the basis of current viability calculations. In detail, impairment losses of €4 106 thousand and €2 732 thousand were recorded on machinery for two cash-generating units. An impairment loss totaling a further €2 112 thousand has to be recognized on the joint assets of these cash-generating units (land and buildings). The recoverable amount used for the calculation in each case corresponded to the fair value less costs to sell. As there is no active market, discounted cash flow projections were used for this purpose based on an objective purchaser perspective.

In the previous year, the Voith Turbo segment was affected by impairment losses of €432 thousand.

Further impairment losses due to reduced values in use based on impairment tests relate to the Voith Paper segment with respect to a figure of €27 thousand (previous year: €588 thousand). In the previous year, the Voith Industrial Services segment was affected by impairment losses of €239 thousand.

Impairments are shown in the statement of income under depreciation and amortization.

Due to the reassessment of the useful lives of certain machinery, depreciation increased by €1 797 thousand in the fiscal year. This depreciation is included in depreciation and amortization.

Of the prepayments and assets under construction, €23 166 thousand relates to buildings (previous year: €34 401 thousand), €45 236 thousand to plant and machinery (previous year: €69 581 thousand) and €6 168 thousand to non-production equipment (previous year: €7 106 thousand).

Land in the amount of €0 (previous year: €2 376 thousand) has been pledged.

Property, plant and equipment include the following assets:

Finance leases

in € thousands	2011-09-30	2010-09-30
Land	4 084	3 683
Plant and machinery	625	800
Other equipment, furniture and fixtures	1 048	1 239
	5 757	**5 722**

Buildings, plant and machinery and other equipment, furniture and fixtures classified as finance leases are stated under this item. The corresponding lease liabilities are shown as financial liabilities. Depreciation totals €841 thousand (previous year: €1 018 thousand).

No contingent rent was recognized in profit or loss.

(12) Investments in associates/Other financial assets

Development of financial assets from 2009-10-01 to 2010-09-30

in € thousands	Investments in associates	Other investments	Long-term loans	Total
Cost 2009-10-01	**17 208**	**47 481**	**9 866**	**74 555**
Changes in the consolidated Group	0	0	0	0
Currency translation differences	213	0	334	547
Additions	6 634	5 896	2 055	14 585
Disposals	-4 389	-1 211	-754	-6 354
Transfers	2 532	-2 532	0	0
Other adjustments	-109	-216	0	-325
Cost 2010-09-30	**22 089**	**49 418**	**11 501**	**83 008**
Accumulated impairment 2009-10-01	**0**	**-25 032**	**-3 067**	**-28 099**
Currency translation differences	-51	265	-19	195
Impairment losses	-1 227	-582	0	-1 809
Disposals	0	0	0	0
Accumulated impairment 2010-09-30	**-1 278**	**-25 349**	**-3 086**	**-29 713**
Carrying amount 2010-09-30	**20 811**	**24 069**	**8 415**	**53 295**

Development of financial assets from 2010-10-01 to 2011-09-30

in € thousands	Investments in associates	Other investments	Long-term loans	Total
Cost 2010-10-01	**22 089**	**49 418**	**11 501**	**83 008**
Changes in the consolidated Group	-1 578	0	0	-1 578
Currency translation differences	184	-21	-170	-7
Additions	13 597	3 913	1 039	18 549
Disposals	-3 804	-145	-1 105	-5 054
Transfers	23	-23	0	0
Other adjustments	0	-2 594	0	-2 594
Cost 2011-09-30	**30 511**	**50 548**	**11 265**	**92 324**
Accumulated impairment 2010-10-01	**-1 278**	**-25 349**	**-3 086**	**-29 713**
Currency translation differences	0	0	-14	-14
Impairment losses	0	-2 011	0	-2 011
Other adjustments	0	63	0	63
Accumulated impairment 2011-09-30	**-1 278**	**-27 297**	**-3 100**	**-31 675**
Carrying amount 2011-09-30	**29 233**	**23 251**	**8 165**	**60 649**

The disposal of other investments generated accounting gains of €1 thousand (previous year: €141 thousand). Since their fair value could not be reliably estimated, these investments had previously been recognized at amortized cost.

The table below summarizes the aggregate key data for the material associates accounted for using the equity method.

in € thousands	2011-09-30	2010-09-30
Equity	79 937	68 180
Liabilities	144 389	141 607
Total equity and liabilities	**224 326**	**209 787**
Sales	448 452	474 601
Net income for the year	9 394	10 287

(13) Inventories

Inventories consist of the following items:

in € thousands	2011-09-30	2010-09-30
Raw material and supplies	269 816	246 977
Work in progress	270 161	270 259
Finished goods and merchandise	156 493	131 645
Prepayments	125 609	135 170
	822 079	**784 051**

Write-downs of inventories amounted to €17 006 thousand (previous year: €19 320 thousand) and were recognized as expenses. Reversals of write-downs totaling €10 668 thousand (previous year: €2 502 thousand) were effected. These amounts are included in the cost of material.

No inventories were assigned as collateral in the period under review (carrying amount in the previous year: €0).

(14) Trade receivables

Trade receivables consist of the following items:

in € thousands	2011-09-30	2010-09-30
Trade receivables	873 590	826 718
Bad debt allowances	-43 515	-42 660
Receivables from customer-specific contracts	320 357	355 639
	1 150 432	**1 139 697**

Trade receivables are classified as current assets. As at September 30, 2011, the volume of receivables that was not expected to be realized within one year was €9 505 thousand (previous year: €20 438 thousand).

€3 929 thousand (previous year: €7 165 thousand) of trade receivables are interest-bearing.

As was the case in the previous year, no trade receivables serve as collateral for liabilities.

Bad debt allowances developed as follows:

in € thousands	2011-09-30	2010-09-30
Impairment at the beginning of the fiscal year	**-42 660**	**-45 735**
Additions	-12 668	-11 772
Utilization	598	6 256
Reversal	10 556	8 755
Changes in consolidated Group/ translation adjustments	659	-164
Impairment at the end of the fiscal year	**-43 515**	**-42 660**

Reversals totaling €10 556 thousand (previous year: €8 755 thousand) consist of reversals of specific allowances of €10 556 thousand (previous year: €7 778 thousand) and portfolio-based allowances of €0 (previous year: €977 thousand). Additions of €12 668 thousand (previous year: €11 772 thousand) consist of additions of specific bad debt allowances in the amount of €11 408 thousand (previous year: €11 772 thousand) and portfolio-based allowances of €1 260 thousand (previous year: €0).

Credit insurance is used to manage default risk in trade receivables. Hermes cover is used to secure receivables from foreign customers.

Future receivables from customer-specific construction contracts recognized using the percentage-of-completion method are determined as follows:

in € thousands	2011-09-30	2010-09-30
The aggregate amount result of costs incurred and recognized to date	4 613 457	4 200 875*
Progress billings to date	-2 974 249	-2 341 752*
Gross amount due from customers	1 639 208	1 859 123
Advances received ("progress billings")	-1 358 899	-1 542 032
	280 309	**317 091**
Thereof receivables from construction contracts	306 457	344 343
Thereof liabilities from construction contracts	-26 148	-27 252

*Previous year restated.

Receivables from customer-specific service contracts total €13 900 thousand (previous year: €11 295 thousand) and liabilities from customer-specific service contracts total €1 470 thousand (previous year: €2 087 thousand).

Further advances received for customer-specific contracts amounting to €665 178 thousand (previous year: €794 252 thousand) for which no contract costs have been incurred to date are included in other liabilities. None of these advances were received for customer-specific service contracts.

Sales relating to customer-specific contracts totaled €2 289 695 thousand (previous year: €2 180 446 thousand). €115 044 thousand of this amount is from service contracts (previous year: €91 913 thousand). Amounts billed to customers and progress billings are shown under trade receivables.

An amount of €7 520 thousand (previous year: €7 712 thousand) in trade receivables is held as retentions by customers. Retentions are amounts of progress billings that are not paid until conditions specified in the contract are satisfied. This includes €147 thousand (previous year: €425 thousand) for service contracts.

(15) Other financial receivables and other assets

Other financial receivables

in € thousands	Current	Non-current	2011-09-30	Current	Non-current	2010-09-30
Derivatives used to hedge operational transactions	18 121	4 470	22 591	40 983	14 814	55 797
Derivatives used to hedge financial transactions	0	39 065	39 065	261	40 689	40 950
Financial receivables	43 268	352	43 620	52 224	2 644	54 868
Sundry financial assets	70 025	49 317	119 342	66 480	47 580	114 060
	131 414	**93 204**	**224 618**	**159 948**	**105 727**	**265 675**

Other assets

in € thousands	Current	Non-current	2011-09-30	Current	Non-current	2010-09-30
Prepaid expenses	24 472	17 455	41 927	21 961	11 999	33 960
Other non-financial assets	143 110	24 283	167 393	88 951	49 463	138 414
	167 582	**41 738**	**209 320**	**110 912**	**61 462**	**172 374**

At the reporting date, other assets totaling €37 782 thousand (previous year: €38 348 thousand) served to secure liabilities and contingent liabilities. They may be drawn on if the underlying obligations are not fulfilled or if the contingent liabilities are realized.

Impairment of financial receivables, sundry financial assets and other assets developed as follows:

in € thousands	2011-09-30	2010-09-30
Impairment at the beginning of the fiscal year	**-4 037**	**-5 186**
Additions	-572	-243
Utilization	22	55
Reversal	647	1 438
Changes in consolidated Group/ translation adjustments	-5	-101
Impairment at the end of the fiscal year	**-3 945**	**-4 037**

Additions totaling €572 thousand (previous year: €243 thousand) consist of additions to specific allowances of €110 thousand (previous year: €237 thousand) and portfolio-based allowances of €462 thousand (previous year: €6 thousand). Reversals totaling €647 thousand (previous year: €1 438 thousand) consist of reversals of specific allowances of €610 thousand (previous year: €1 425 thousand) and portfolio-based allowances of €37 thousand (previous year: €13 thousand).

(16) Securities

Available-for-sale securities totaling €9 580 thousand (previous year: €9 930 thousand) are used to cover future pension obligations.

(17) Cash and cash equivalents

This item mainly consists of time deposits held at banks.

in € thousands	2011-09-30	2010-09-30
Checks	32	37
Cash on hand	568	635
Cash equivalents	7 436	7 356
Cash at banks	919 104	1 167 331
	927 140	**1 175 359**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

As in the previous year, no cash at banks served as collateral for liabilities.

(18) Assets held for sale and liabilities directly associated with assets classified as held for sale

The assets held for sale of €10 054 thousand (previous year: €1 447 thousand) relate to intangible assets of €1 747 thousand, property, plant and equipment of €267 thousand, trade receivables of €5 485 thousand and other assets of €1 285 thousand from the Voith Industrial Services segment and property, plant and equipment of €1 270 thousand from the Voith Paper segment.

The liabilities directly associated with assets classified as held for sale of €6 787 thousand (previous year: €0) exclusively relate to the Voith Industrial Services segment. These comprise liabilities to employees of €4 351 thousand, trade payables of €476 thousand, provisions of €373 thousand and other liabilities of €1 587 thousand.

The assets classified as held for sale and the liabilities of the Voith Industrial Services segment stem from the planned sale of entities in fiscal 2011/12. Expected losses from this sale are taken into account by means of impairment losses on intangible assets and property, plant and equipment of €699 thousand as well as in the form of a provision of €1 310 thousand. Both effects are reported in the non-recurring result.

In the Voith Paper segment, a production location was relocated. The land and buildings at the old production site will be put up for sale.

The level from the Voith Paper segment in the previous year of €1 447 thousand will be reclassified to non-current assets this year, as the planned sale did not take place in fiscal 2010/11 despite continued intentions to sell.

(19) Equity

Issued capital and revenue reserves

Since September 30, 2006, issued capital in Voith GmbH of €120 000 thousand has, without change, been held by shareholders (until September 30, 2010: 30 149 100 equity owners) in the form of 120,000,000 company shares (until September 30, 2010: 30 149 100 ordinary shares).

The revenue reserves consist of retained earnings generated by Voith GmbH and its consolidated subsidiaries.

Other reserves

Other reserves include the effects of currency translation of foreign subsidiaries, gains/losses from available-for-sale securities and cash flow hedges (pursuant to IAS 39) and gains on the hedging of net investments (pursuant to IAS 21).

The statement of comprehensive income shows the gains and losses on individual components of "other reserves" which are recognized directly in equity.

Other comprehensive income consists of:

in € thousands	2010/11	2009/10
Gains/losses (-) on available-for-sale financial assets	**89 312**	**24 368**
Gains/losses (-) in the current period	87 590	-14 417
Transfer to profit and loss	1 722	38 785
Gains/losses (-) on cash flow hedges	**6 007**	**-5 725**
Gains/losses (-) in the current period	3 517	-7 082*
Transfer to profit and loss	2 490	1 357*
Gains/losses (-) on currency translation	**-8 473**	**55 125**
Gains/losses (-) in the current period	-8 473	55 125
Gains/losses (-) on net investments in foreign operations	**-125**	**12 288**
Gains/losses (-) in the current period	-125	12 288
Share of associates in other comprehensive income (cash flow hedges)	**15**	**106**
Tax attributable to other comprehensive income	**-19 734**	**-979**
Other comprehensive income	**67 002**	**85 183**

*Previous year restated.

Deferred taxes on the components of other comprehensive income are as follows:

in € thousands	2011			2010		
	Pretax	Deferred tax	After tax	Pretax	Deferred tax	After tax
Gains/losses (-) on available-for-sale financial assets	89 312	-18 149	71 163	24 368	163	24 531
Gains/losses (-) on cash flow hedges	6 022	-1 634	4 388	-5 619	1 584	-4 035
Gains/losses (-) on currency translation	-8 473	0	-8 473	55 125	0	55 125
Gains/losses (-) on net investments in foreign operations	-125	49	-76	12 288	-2 726	9 562
Other comprehensive income	**86 736**	**-19 734**	**67 002**	**86 162**	**-979**	**85 183**

Profit participation rights

Pursuant to the criteria defined in IAS 32, the Group's profit participation rights, with a nominal volume of €98 400 thousand (previous year: €83 400 thousand) constitute Group equity. The rights in question are lower-ranking bearer profit participation rights with variable compensation, no bullet maturity and no right of termination on the part of the creditors. A subsidiary issued profit participation rights amounting to €76 800 thousand in fiscal 2006/07. The same subsidiary issued an additional €15 000 thousand in fiscal 2010/11. In fiscal 2008/09, what was then Voith AG issued profit participation rights totaling €6 600 thousand. Subject to the approval of the appropriate governing body, profits totaling €4 594 thousand are scheduled to be distributed for the total items for fiscal 2010/11.

Holders of non-controlling interests

The major portion of non-controlling interests is held by the co-owners of the subsidiaries Rif Roll Cover Srl, Italy, Voith Fuji Hydro K.K., Japan, Voith IHI Paper Technology Co, Ltd., Japan, Voith Hydro Shanghai Ltd., China, Voith Paper Fabrics India Ltd., India, and VG Power AB, Sweden.

Appropriation of net income at Voith GmbH

Management proposes that the retained earnings be carried forward. The dividend distributed in the fiscal year amounted to €76 000 thousand (previous year: €9 949 thousand). The distribution per share in the fiscal year amounted to €0.63 (previous year: € 0.08 per share).

Additional disclosures on capital management

Voith is a family-owned company. As such, it is obliged to maintain a robust and sustainable financial profile that enables the Group to meet its earnings and growth targets.

Voith manages capital with the aim of maximizing the return on capital. Equity and interest-bearing financial liabilities are those elements of Group capital that are of relevance to capital management activities.

in € thousands	2011-09-30	2010-09-30
Equity	1 287 331	1 107 256
Interest-bearing financial liabilities	1 261 376	1 476 722
	2 548 707	**2 583 978**

Year on year, equity rose by 16% in the period under review. Net income, exchange rate effects and the fact that securities were marked to market made a positive contribution to the development of equity. Dividend payments had a negative impact on the amount of equity. The interest-bearing financial liabilities fell by 15%, mainly due to the repayment of a bond of €146 million and the early repayment of a note loan of €148 million. For details on the composition of interest-bearing financial liabilities, refer to note 22.

The Articles of Association of Voith GmbH do not define any special capital requirements.

(20) Provisions for pensions and similar obligations

Provisions for pensions are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits provided by the Group vary according to legal, fiscal and economic framework conditions of the country concerned and are usually based on the length of employee service and level of remuneration.

The Group's post-employment benefits include both defined benefit plans and defined contribution plans. In the case of defined contribution plans, the Company pays contributions to state or private pension schemes based either on legal or contractual requirements or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Company. Current contributions are recognized as pension expenses in the period concerned. In 2011, they amounted to €116 748 thousand for the Voith Group as a whole (previous year: €117 550 thousand).

The majority of the pension plans are defined benefit plans that take the form of unfunded or funded schemes.

The pension provisions for defined benefit plans are determined in accordance with IAS 19 using the projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations earned at the end of the period under review. Pension provisions are calculated taking into account development assumptions for those factors which affect the benefit amount. All defined benefit plans require actuarial valuations.

Owing to their benefit status, the obligations of the US Group companies in particular in respect of post-retirement medical care are also carried under provisions for pensions. These post-retirement benefit provisions take into account the expected long-term rise in medical costs.

Insofar as foreign Group companies have plan assets, these consist essentially of stocks, fixed-interest bonds and real estate. Insurance cover forms the plan assets of domestic companies. The plan assets of the Group companies do not include any financial instruments issued by entities of the Voith Group.

in € thousands	2011-09-30	2010-09-30	2009-09-30	2008-09-30	2007-09-30
Present value of funded benefit obligations	214 550	220 334	190 976	180 915	199 407
Fair value of plan assets	-154 625	-150 552	-118 429	-125 058	-137 260
Deficit	59 925	69 782	72 547	55 857	62 147
Present value of unfunded obligations	489 300	510 021	418 976	369 810	373 292
Effect of limits on capitalizable plan assets	0	9	0	0	0
Adjustment for minimum funding requirements	295	935	0	0	0
Unrecognized actuarial gains and losses (-)	-99 937	-145 903	-61 592	-9 880	-31 152
Unrecognized past service costs	-9	-14	-338	0	92
Provision in the balance sheet	**449 574**	**434 830**	**429 593**	**415 787**	**404 379**
Thereof current	25 679	25 839	24 931	11 532	22 122

The present value of defined benefit obligations comprises the following items:

in € thousands	2011-09-30	2010-09-30
Defined benefit obligation at the beginning of the period	**730 355**	**609 952**
Current service cost	15 111	12 583
Interest cost (pursuant to IAS 19)	30 783	32 622
Actuarial losses(+)/gains(-)	-37 412	89 114
Past service costs	0	137
Changes in the consolidated Group	-80	0
Plan settlements	-4 366	0
Benefits paid	-34 663	-33 553
Other	987	5 727
Currency translation differences	3 135	13 773
Defined benefit obligation at the end of the period	**703 850**	**730 355**

The development of plan assets is shown in the table below:

in € thousands	2011-09-30	2010-09-30
Fair value of plan assets at the beginning of the period	**150 552**	**118 429**
Expected return on plan assets	9 842	8 801
Actuarial gains(+)/losses(-)	1 069	3 663
Contributions to funds	6 307	20 183
Benefits paid	-11 005	-10 822
Plan settlements	-4 366	0
Other	39	2 010
Currency translation differences	2 187	8 288
Fair value of plan assets at the end of the period	**154 625**	**150 552**

The actual return on invested plan assets amounted to €10 911 thousand (previous year: profit of €12 464 thousand).

The contributions that are expected to be paid into the plans in the following period amount to €9 374 thousand (previous year: €5 356 thousand).

The expected long-term rate of return on fund assets is calculated based on the portfolio's actual long-term returns, on historical returns in the market as a whole, and on forecasts of probable returns on the classes of securities held in the portfolio. These forecasts are based on the expected rate of return for comparable pension funds for the remaining service period (investment horizon) and on experience gathered by the managers of large portfolios and experts in the investment industry.

The fund assets consist of the following components:

in %	2011-09-30	2010-09-30
Securities	22%	42%
Bonds	60%	41%
Real estate	3%	4%
Other	15%	13%
	100%	**100%**

Actuarial gains or losses stem from changes in portfolios and variances in actual trends (e.g. income and pension increases, interest rate changes) compared with the assumptions made in the calculations.

The following amounts were recorded in the statement of income:

in € thousands	2011-09-30	2010-09-30
Current service cost	15 111	12 583
Interest cost on benefit obligation	30 783	32 622
Expected return on plan assets	-9 842	-8 801
Past service cost	0	261
Recognized actuarial gains and losses	5 243	2 683
Losses on plan settlements	649	0
Effect of limits on capitalizable plan assets	-9	589

Current service cost, past service cost, the effects of plan curtailments or settlements and realized actuarial gains and losses that relate to defined benefit obligations are stated under personnel expenses. The effect arising from the limit on the defined benefit asset is recognized under other operating expenses. Expected returns on plan assets and realized actuarial gains and losses that relate to the plan assets are also recognized under other operating expenses. Interest cost on pension obligations is stated in the interest result.

The Voith Group's calculation of pension provisions is based on the following assumptions:

	Germany and Austria		USA	
in %	2011-09-30	2010-09-30	2011-09-30	2010-09-30
Discount rate	4.75%	4.25%	4.5%	4.5%
Expected return on plan assets	4.5%	4.5%	7.5%	7.5%
Salary increases	3.0%	3.0%	1.96%	2.12%
Pension increases	2.0%	1.96%	0%	0%
Annual increase in healthcare costs				
Initial medical trend rate (pre-65/post-65)			8.0%/8.5%	8.0%/8.5%
Ultimate medical trend rate (pre-65/post-65)			5.0%	5.0%

If healthcare costs increased by 1%, current service cost and interest cost would increase by a total of €82 thousand (previous year: €60 thousand), while the present value of pension obligations would increase by €817 thousand (previous year: €913 thousand). If costs decreased by 1%, current service cost and interest expenses would decrease by a total of €89 thousand (previous year: €47 thousand), while the present value of pension obligations would decrease by €995 thousand (previous year: €793 thousand).

Experience adjustments, i.e. the effects of deviations between previous actuarial assumptions and what actually occurred, are shown in the table below:

in %	2011-09-30	2010-09-30	2009-09-30	2008-09-30	2007-09-30
Difference between projected assumptions and actual values (+ gains/- losses)					
- As a percentage of the present value of the defined benefit obligations	+0.6%	-1.7%	-0.6%	-0.2%	0%
- As a percentage of the fair value of plan assets	+0.7%	+2.4%	-9.8%	-8.2%	+1.9%

(21) Other provisions

The development of provisions is shown below:

in € thousands	2010-09-30	Change in the consolidated Group	Utilization	Additions	Reversals	Transfers	Discounting effect	Currency translation differences	2011-09-30
Personnel-related provisions	95 678	323	-21 949	17 902	-3 914	558	41	48	88 687
Other tax provisions	10 072	0	-2 861	5 129	-312	-3 029	0	-435	8 564
Warranty provisions	218 608	9	-62 330	104 099	-47 386	0	7	-545	212 462
Other contract-related provisions	98 578	317	-34 083	51 244	-31 329	43	20	949	85 739
Sundry provisions	77 173	1 125	-18 721	13 730	-11 159	2 428	270	-1 167	63 679
	500 109	**1 774**	**-139 944**	**192 104**	**-94 100**	**0**	**338**	**-1 150**	**459 131**

in € thousands	2011-09-30		2010-09-30	
	< 1 year	> 1 year	< 1 year	> 1 year
Personnel-related provisions	25 827	62 860	25 673	70 005
Other tax provisions	6 909	1 655	3 975	6 097
Warranty provisions	155 371	57 091	171 367	47 241
Other contract-related provisions	74 747	10 992	88 639	9 939
Sundry provisions	40 930	22 749	46 476	30 697
	303 784	**155 347**	**336 130**	**163 979**

Personnel-related provisions mainly comprise phased retirement and long-service bonuses. In the case of provisions for phased retirement, the amount and maturity of the future payments to be made to the beneficiaries are uncertain. Warranty provisions are accrued for statutory and contractual obligations as well as for non-contractual warranty. Other contract-related provisions include obligations for services still to be rendered on customer orders, or parts of orders, that have been billed, obligations for service and maintenance contracts and for commission provisions. In these cases, the amount and timing of future expenses hinges on completion of the orders concerned. Sundry provisions include items such as obligations arising from personnel adjustment and restructuring measures. The underlying measures are expected to be completed within the next two fiscal years

(22) Bonds, bank loans and other interest-bearing financial liabilities

Financial liabilities include the following items:

in € thousands	2011-09-30	2010-09-30
Bonds	859 182	999 273
Bank loans	239 861	337 747
Financial liabilities from leases	3 803	4 133
Notes payable	4 325	7 522
Derivatives used to hedge financial transactions	39	7 136
Other financial liabilities	154 166	120 911
	1 261 376	**1 476 722**

Financial liabilities totaling €944 thousand (previous year: €546 thousand) are secured by other assets.

The Voith Group's current and non-current bonds and its bank loans are denominated in the following currencies:

in € thousands	2011-09-30	2010-09-30
Euro	751 712	983 605
US dollar	280 251	277 630
Chinese renminbi	38 703	0
Swedish krona	20 869	70 775
Other currencies	7 508	5 010
	1 099 043	**1 337 020**

Notes on net debt

Net debt as the difference between financial liabilities and realizable financial assets is an important indicator for banks, analysts and rating agencies. This indicator is not covered by the accounting policies based on the International Financial Reporting Standards (IFRS) and its definition and calculation may diverge from the practice of other companies.

In contrast to the carrying amount, which is based on the effective interest method, the indicator is calculated by measuring financial liabilities at their higher nominal repayment amount.

Net debt as defined in the Company includes the items:

in € thousands	2011-09-30	2010-09-30
Bank loans	239 861	337 747
Bonds*	878 925	1 021 775
Other interest-bearing financial liabilities	162 333	137 493
Securities	-311 546	-214 599
Cash and cash equivalents	-927 140	-1 175 359
Other realizable financial receivables and loans	-94 089	-106 615
	-51 656	**442**

*Based on measurement at the repayment amount, bonds are included at an amount which is €20 million higher (previous year: €23 million) than the carrying amount.

Lease liabilities relate solely to finance lease obligations. Most of the underlying lease contracts include a purchase option. Finance lease liabilities are settled during the contractual period and had the following maturities as at the reporting date.

in € thousands	2011-09-30	2010-09-30
Total future minimum lease payments (gross)	**4 807**	**5 049**
Due in less than one year	735	1 144
Due between one and five years	1 731	2 080
Due in more than five years	2 341	1 825
Present value of future minimum lease payments	**3 803**	**4 133**
Due in less than one year	624	995
Due between one and five years	1 382	1 760
Due in more than five years	1 797	1 378
Interest component of future minimum lease payments	**1 004**	**916**

(23) Trade payables

in € thousands	2011-09-30	2010-09-30
Trade payables	560 187	496 142
Liabilities from construction contracts	27 618	29 339
	587 805	**525 481**

€1 600 thousand (previous year: €3 604 thousand) of trade payables is not due within a year.

(24) Other financial liabilities/other liabilities

Other financial liabilities

in € thousands	Current	Non-current	2011-09-30	Current	Non-current	2010-09-30
Derivatives used to hedge operational transactions	35 016	7 022	42 038	26 078	6 720	32 798
Personnel-related liabilities*	132 823	7 097	139 920	135 372	8 045	143 417
Sundry financial liabilities	158 058	14 011	172 069	198 451	23 639	222 090
	325 897	**28 130**	**354 027**	**359 901**	**38 404**	**398 305**

At fiscal year-end, personnel and social security liabilities included outstanding annual bonus payments and unpaid wages, salaries and social security contributions.

Other liabilities

in € thousands	Current	Non-current	2011-09-30	Current	Non-current	2010-09-30
Tax liabilities	80 525	45 856	126 381	66 916	47 302	114 218
Advances received	895 528	0	895 528	975 085	0	975 085
Deferred liabilities	4 999	18 997	23 996	3 146	23 764	26 910
Sundry liabilities*	97 638	17 509	115 147	95 738	13 085	108 823
	1 078 690	**82 362**	**1 161 052**	**1 140 885**	**84 151**	**1 225 036**

*Reported partly under other liabilities in the previous year.

Tax liabilities principally relate to VAT.

Government grants

in € thousands	2010/11	2009/10
As at October 1	11 362	10 893
Granted during the fiscal year	2 586	1 805
Realized in profit or loss	-6 145	-1 336
As at September 30	**7 803**	**11 362**

Subsidies totaling €7 658 thousand (previous year: €10 270 thousand) were granted for capital spending on non-current assets. €3 780 thousand thereof (previous year: €7 197 thousand) was granted subject to the condition that the assets would be kept in operating assets for at least five years. A provision of €777 thousand (previous year: €0) was formed for unfulfilled conditions and other contingencies.

Subsidies for other expenses were granted for a figure of €145 thousand (previous year: €1 092 thousand).

Subsidies totaling €1 482 thousand (previous year: €4 017 thousand) were received. Of this amount €988 thousand (previous year: €2 396 thousand) was for capital spending on non-current assets and €494 thousand (previous year: €1 621 thousand) was for other expenses.

In addition, further subsidies totaling €769 thousand (previous year: €1 395 thousand) were netted with cost items.

In Brazil, government-subsidized export credits are granted to local Voith companies.

Notes to the consolidated cash flow statement

In fiscal 2010/11, the change in securities was made up of cash inflows totaling €12 924 thousand (previous year: €250 506 thousand) and cash outflows totaling €21 873 thousand (previous year: €187 363 thousand).

Disclosures required relating to the acquisition of consolidated entities are provided in the section on “Business combinations in fiscal 2010/11”.

Cash and cash equivalents include checks, cash on hand, cash equivalents and cash at banks.

Notes on segment reporting

Information on the segment data

Business is managed according to the different products and industries and corresponds to the internal reporting structure to the management of Voith GmbH. Because of a change in the internal reporting structure, the previous period data for the Industrial Services segment were adjusted. The structure of the other segments has remained unchanged compared to September 30, 2010.

Segment data is essentially compiled using the same presentation and measurement methods as the consolidated financial statements. Intercompany sales are effected at market prices and intersegment transactions and business are all undertaken in accordance with the uniform accounting policies used for the consolidated financial statements.

In the Voith Group, the key indicator to assess and manage the individual segments is return on capital employed (ROCE). The calculation of ROCE is defined as profit from operations in relation to capital employed.

Profit from operations is the basis for calculating ROCE and thus a key management indicator. Basically, it is an operational indicator derived from external reporting, the operational result before non-recurring result. In line with the calculation of profit from operations, the following profit/loss components are taken into consideration:

Operating interest income
Operating interest income is defined as interest received by the Company on the long-term financing of receivables from customers or as the imputed interest effect attributable to that portion of customer advances that is not used to finance inventories and PoC receivables.

Other adjustments
Other adjustments include effects which, based on their operating character, are normally shown as other income and expenses in the consolidated statement of income. In determining the profit from operations, these adjustments are eliminated as exceptional effects so as to facilitate the assessment of the operating activities by segment.

Capital employed is defined as operating net assets. It is the aggregate of property, plant and equipment and intangible assets (excluding goodwill), inventories, trade receivables, other non-interest-bearing assets and income tax assets as well as prepaid expenses less trade payables, non-interest-bearing liabilities and income tax liabilities as well as deferred income and advances received, which are deducted up to the amount of inventories and PoC receivables.

The capital employed as at the reporting date is an average value derived from the values as at the end of the period under review, the reporting date for the interim financial statements and as at the end of the previous period under review. In contrast to the provisions of IAS 21 the assets and liabilities of foreign subsidiaries are translated at the average exchange rate for the period under review. Owing to the use of averages, the capital employed cannot be reconciled to the figures in the consolidated balance sheet on any given reporting date.

Consolidation entries were taken into account in full when the capital employed was calculated.

Capital expenditures concern intangible assets (excluding goodwill) and property, plant and equipment. Additions due to business combinations are not included.

Sales are broken down regionally, based on the customer's domicile. Non-current assets, consisting of property, plant and equipment and other intangible assets are allocated based on the location of the asset.

Information on the activities in the segments

Voith Hydro—is a joint venture company that combines the strength of two leading hydro power component suppliers to create a leading, full-line supplier for hydro power plants. Its key products are Francis, Pelton, Kaplan, bulb and pump turbines. The Group Division also produces generators and generator drive units for all kinds of turbines, as well as excitation and diagnostic systems, frequency convertors, insulation systems, switching systems for all voltages and transformers.

Voith Industrial Services—is one of the leading providers of technical, consulting and management services in industrial contexts.

Voith Paper—is a leading provider of complete process lines for the papermaking industry. An established process supplier to the paper industry worldwide, Voith has amassed a wealth of experience covering everything from fiber technology through processing to printing technology. Voith develops solutions that span the entire papermaking process, from fiber to finished paper—and this is true for every type of paper: graphic grades, board, packaging papers, tissue paper and special-purpose papers. Voith is also one of the global leading manufacturers of forming fabrics, wet felts and dryer fabrics for the world's cellulose and paper industry.

Voith Turbo—specializes in mechanical, hydrodynamic and electronic drive and braking systems for road, rail, marine and industrial applications. Voith Turbo crafts customized solutions ranging from individual machines to end-to-end process solutions.

Operating and reportable segments as defined in IFRS 8 are identical.

Segment information by business segment

in € millions	Voith Hydro 2010/11	Voith Hydro 2009/10	Voith Industrial Services 2010/11	Voith Industrial Services 2009/10[5]	Voith Paper 2010/11	Voith Paper 2009/10
External sales	1 228	1 158	1 006	956	1 827	1 723
Sales with other segments	7	6	40	37	36	43
Total segment sales	1 235	1 164	1 046	993	1 863	1 766
Profit from operations	90	76	40	33	143	128
Depreciation and amortization of property, plant and equipment & intangible assets[2]	26	21	16	17	69	70
Investments[3]	44	90	15	10	75	52
Segment goodwill	14	14	203	201	223	219
Capital employed	529	440	178	185	819	796
ROCE	17.1%	17.3%	22.6%	17.9%	17.4%	16.0%
Employees[4]	5 345	5 238	18 464	18 870	9 937	9 353

[1]Subtotal for Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.

[2]Excluding depreciation and amortization included in the non-recurring result, as not included in profit from operations.

[3]Excluding additions due to new acquisitions and financial assets.

[4]Statistical number of persons employed at fiscal year-end.

[5]Previous year restated due to a change in the internal reporting structure.

Voith Turbo		Total Core Business[1]		Reconciliation		Total	
2010/11	2009/10	2010/11	2009/10	2010/11	2009/10[5]	2010/11	2009/10
1 520	1 349	5 581	5 186	13	12	5 594	5 198
6	5	89	91	-89	-91	0	0
1 526	1 354	5 670	5 277	-76	-79	5 594	5 198
163	135	436	372	19	10	455	382
68	46	179	154	10	9	189	163
59	72	193	224	18	10	211	234
140	138	580	572	8	8	588	580
734	703	2 260	2 124	123	104	2 383	2 228
22.2%	19.2%	19.3%	17.5%			19.1%	17.1%
5 965	5 422	39 711	38 883	980	871	40 691	39 754

The defined components “Operating interest income” and “Other adjustments” are not shown directly in the consolidated statement of income and are therefore disclosed separately in the following reconciliation of the profit from operations to income before taxes.

Reconciliation of total of profit from operations to income before taxes

in € millions	2010/11	2009/10
Profit from operations	**455**	**382**
Operating interest income	-32	-32
Other adjustments	-7	3
Non-recurring result	-14	-13
Share of profits from associates	4	4
Interest result	-82	-71
Other financial result	-2	-39
Income before taxes	**322**	**234**

Segment information by region

External sales (registered office of customer)

in € millions	2010/11	2009/10
Germany	1 152	1 058
Other countries	4 442	4 140
of which Europe	1 507	1 496
of which Americas	1 277	1 231
of which Asia	1 512	1 297
thereof China	989	698
of which others	146	116
Total	**5 594**	**5 198**

Non-current assets

in € millions	2010/11	2009/10
Germany	967	992
Other countries	913	866
of which Europe	283	274
of which Americas	413	402
thereof USA	225	223
of which Asia	214	187
of which others	3	3
Total	**1 880**	**1 858**

Other notes

Contingent liabilities, contingent assets and other financial obligations

Appropriate provisions have been recognized in the relevant Group companies to cover potential obligations arising from taxation, legal and arbitration proceedings.

Possible tax risks exist outside Germany concerning the tax recognition of expenses amounting to a maximum of €11 million (previous year: €13 million). In connection with the recognition of transfer prices outside Germany, in addition there are risks of €5 million (previous year: €5 million) and of €23 million (previous year: €9 million) for legal disputes. As things stand, a successful outcome is expected in both cases.

Owing to failure, due to an end customer, to comply with specific rules concerning the receipt of tax incentives outside Germany, the recognition of tax privileges is currently disputed by the tax authorities. The maximum risk is currently €41 million (previous year: €39 million), although the assessment undertaken by the engaged lawyers suggests that there is still a good chance of the tax privileges being recognized and the maximum risk will not therefore materialize.

Neither Voith GmbH nor any of its consolidated companies are involved in any current or foreseeable taxation, legal or arbitration proceedings that could materially influence their economic situation.

Owing to the ongoing tax field audit of the German companies, further changes may be made to tax items.

The Voith Group has contingent tax assets totaling approximately €9 million (previous year: €10 million) outside Germany.

Contingent liabilities

The contingent liabilities listed below are stated at face value. No provisions were made to cover these contingencies, as the risk of their realization is regarded as low:

in € thousands	2011-09-30	2010-09-30
Guarantee obligations	35 035	36 910
Warranties	632	901
	35 667	**37 811**

Most of the guarantee obligations mature in 2015.

Other financial obligations

In addition to liabilities, provisions and contingent liabilities, the Voith Group also has other financial obligations, in particular those arising from rental and lease agreements for buildings, land, plant, machinery, and other non-production-related tools and equipment.

in € thousands	2011-09-30	2010-09-30
Purchase commitments for capital expenditures	48 215	19 989
Obligations arising from non-cancelable operating leases	137 326	136 024
Other	1 231	740
	186 772	**156 753**

Assets leased under operating leases led to cash outflows totaling €69 897 thousand (previous year: €67 634 thousand) in the period under review. These payments were recognized as expenses and mostly related to leased vehicles, machinery and buildings. The majority of leases run for between one and 16 years. Some companies have the option of extending their rental contracts.

The total of future minimum lease payments for non-cancelable operating leases is shown below, broken down by maturity.

in € thousands	2011-09-30	2010-09-30
Nominal value of future minimum lease payments		
Due in less than one year	49 230	47 665
Due between one and five years	65 326	62 110
Due in more than five years	22 770	26 249
	137 326	**136 024**

Future minimum lease payments include €5 559 thousand (previous year: €5 319 thousand) from sale and leaseback transactions.

An immaterial amount of cash inflows is expected from non-cancelable subleases of assets under non-cancelable operating leases within the Group.

The “Other obligations” item consists essentially of maintenance agreements.

€3 665 thousand (previous year: €1 653 thousand) was collected under operating leases in which Voith acts as the lessor. These mainly relate to leases for Group products for use in the long term. The leases run for between one and five years. Some contracts contain an option for extending the lease.

The total of future minimum lease payments for non-cancelable operating leases in which Voith acts as the lessor is shown below:

in € thousands	2011-09-30	2010-09-30
Nominal value of future minimum lease payments		
Due in less than one year	1 412	1 952
Due between one and five years	2 147	0
Due in more than five years	0	0
	3 559	**1 952**

Additional information on financial instruments

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category.

in € thousands	**IAS 39 measurement category**	**Carrying amount 2011-09-30**	**Amount recognized in the balance sheet in accordance with IAS 39**				Amount recognized in the balance sheet in accordance with IAS 17	**Fair value 2011-09-30**
			Amortized cost	Cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	927 140	927 140					927 140
Trade receivables	LaR	830 075	830 075					830 075
Receivables from construction contracts	LaR	320 357	320 357					320 357
Other financial assets and securities		342 962						
Financial Assets Loans and Receivables	LaR	39 567	39 567					39 567
Available for Sale Financial Assets	AfS	293 213		23 251	269 962			269 962*
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Assets at Fair Value through Profit and Loss	FAfvtpl	10 182				10 182		10 182
Financial derivatives		61 656						
Derivatives not used for hedging	FAHfT	5 638				5 638		5 638
Derivatives used for hedging	n.a.	56 018			1 728	54 290		56 018
Other receivables		162 962						
Financial receivables	LaR	43 620	43 620					43 620
Sundry financial assets	LaR	119 342	119 342					119 342
Liabilities:								
Trade payables	FLAC	560 187	560 187					560 187
Bonds/bank loans/notes	FLAC	1 103 368	1 103 368					1 140 768
Financial liabilities from leases	n.a.	3 803					3 803	
Financial derivatives		42 077						
Derivatives not used for hedging	FLHfT	7 521				7 521		7 521
Derivatives used for hedging	n.a.	34 556			2 230	32 326		34 556
Other financial liabilities	FLAC	154 166	154 166					154 166
Other liabilities	FLAC	311 989	311 989					311 989
IAS 39 measurement categories:								
Loans and Receivables (LaR)	LaR	2 280 101	2 280 101					
Available for Sale (AfS)	AfS	293 213		23 251	269 962			
Financial Assets Held for Trading (FAHfT)	FAHfT	5 638				5 638		
Financial Assets at Fair Value through Profit and Loss (FAfvtpl)	FAfvtpl	10 182				10 182		
Financial Liabilities Measured at Amortized Cost (FLAC)	FLAC	2 129 710	2 129 710					
Financial Liabilities Held for Trading (FLHfT)	FLHfT	7 521				7 521		

*Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

in € thousands	IAS 39 measure-ment category	Carrying amount 2010-09-30	Amount recognized in the balance sheet in accordance with IAS 39				Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2010-09-30
			Amortized cost	Cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	1 175 359	1 175 359					1 175 359
Trade receivables	LaR	784 058	784 058					784 058
Receivables from construction contracts	LaR	355 639	355 639					355 639
Other financial assets and securities		247 083						
Financial Assets Loans and Receivables	LaR	30 918	30 918					30 918
Available for Sale Financial Assets	AfS	206 993		24 069	182 924			182 924*
Financial Assets Held for Trading	FAHfT	0				0		0
Financial Assets at Fair Value through Profit and Loss	FAfvtpl	9 172				9 172		9 172
Financial derivatives		96 747						
Derivatives not used for hedging	FAHfT	9 450				9 450		9 450
Derivatives used for hedging	n.a.	87 297			797	86 500		87 297
Other receivables		170 376						
Financial receivables	LaR	54 868	54 868					54 868
Sundry financial assets	LaR	115 508	115 508					115 508
Liabilities:								
Trade payables	FLAC	496 142	496 142					496 142
Bonds/bank loans/notes	FLAC	1 344 542	1 344 542					1 436 927
Financial liabilities from leases	n.a.	4 133					4 133	
Financial derivatives		39 933						
Derivatives not used for hedging	FLHfT	9 984				9 984		9 984
Derivatives used for hedging	n.a.	29 949			8 040	21 909		29 949
Other financial liabilities	FLAC	120 910	120 910					120 910
Other liabilities	FLAC	365 508	365 508					365 508
IAS 39 measurement categories:								
Loans and Receivables (LaR)	LaR	2 516 350	2 516 350					
Available for Sale (AfS)	AfS	206 993		24 069	182 924			
Financial Assets Held for Trading (FAHfT)	FAHfT	9 450				9 450		
Financial Assets at Fair Value through Profit and Loss (FAfvtpl)	FAfvtpl	9 172				9 172		
Financial Liabilities Measured at Amortized Cost (FLAC)	FLAC	2 327 102	2 327 102					
Financial Liabilities Held for Trading (FLHfT)	FLHfT	9 984				9 984		

*Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

IFRS 7.27 measurement categories

in € thousands	2011-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	280 144	280 144	0	0
Financial derivatives	61 656	0	61 656	0
Liabilities				
Financial derivatives	42 077	0	42 077	0

in € thousands	2010-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	192 096	192 096	0	0
Financial derivatives	96 747	0	96 747	0
Liabilities				
Financial derivatives	39 933	0	39 933	0

The three-level fair value hierarchy distinguishes between fair values based on the nature of the input parameters used for valuation, thereby revealing the extent to which observable market data is available for determining fair values. Three categories are distinguished:

Level 1:
Fair values are determined on the basis of quoted market prices.

Level 2:
Fair values are determined using valuation techniques in which the inputs are based on directly observable market data.

Level 3:
Fair values are determined using valuation techniques where the inputs are not based on directly observable market data.

Cash and cash equivalents, trade receivables and other financial assets are subject to floating interest and fall due within one year. For this reason, their carrying amounts approximate their fair values on the reporting date.

Because trade payables and other financial liabilities generally have short residual terms, the carrying amounts approximate the fair values.

The market values of unlisted bonds, bank loans and other financial liabilities are calculated by Voith as the present value of the payments associated with the liabilities, based on the applicable term structure of interest rates and the credit spread curve determined for different currencies.

Net gains and losses for each category of instrument:

2010/11 in € thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	-2 037	12 357	10 320
Available-for-sale financial assets	-3 365	-463	-3 828
Financial assets at fair value through profit or loss	0	1 093	1 093
Held-for-trading financial assets	0	3 008	3 008
Financial liabilities measured at amortized cost	0	-7 118	-7 118

2009/10 in € thousands	Impairments	Other net gains/losses	Total
Loans and receivables (LaR)	1 740	-1 205	535
Available-for-sale financial assets	-40 836	-469	-41 305
Financial assets at fair value through profit or loss	0	978	978
Held-for-trading financial assets	0	-4 288	-4 288
Financial liabilities measured at amortized cost	0	-15 065	-15 065

For the net gains and losses from available-for-sale financial assets without an effect on income, see note 19.

Interest income includes €18 165 thousand (previous year: €33 282 thousand) and interest expenses include €100 714 thousand (previous year: €103 057 thousand) for financial assets or financial liabilities not measured at fair value through profit or loss.

Risk management

Principles of financial risk management

The Voith Group is a global player. In the course of ordinary business, some of its liabilities, assets and transactions are exposed to risks arising from changes in interest rates and exchange rates. These risks could affect its net assets, financial position and results of operations. The aim of financial risk management is to manage and limit these risks.

The principles of the Group's financial policy are laid down by the Voith GmbH Board of Management and monitored by the Supervisory Board. Voith Finance GmbH, Heidenheim, a wholly owned subsidiary of Voith GmbH, implements the financial policy and regularly reports to the managing director responsible for finances on the financial position of the Group and current risk exposures. Certain financial transactions require special approval by the Group's management. Long-term refinancing is undertaken by Voith GmbH.

Simple derivative financial instruments are used to limit the risks arising both from operating business and from the resultant financing requirements. These instruments are used in accordance with clearly defined, uniform, Group-wide guidelines. Compliance with these guidelines is verified on an ongoing basis. Hedge transactions and cash investments are placed only with financial institutions that have first-class credit ratings.

Credit risk

The Voith Group does business only with recognized, creditworthy third parties. We verify the creditworthiness of customers who wish to do credit-based business with us.

Cash and cash equivalents:
For the purposes of risk management, cash and cash equivalents consist essentially of cash and short-term deposits. Default risks associated with term deposits are limited by selecting solvent banking partners and by spreading cash

across multiple counterparties. A creditworthiness limit (derived from credit default swaps/rating/deposit protection) is established for banks and compliance is continuously verified. In addition, Voith invests in securities in the context of its strategic liquidity reserve and has the associated risks monitored centrally. Securities may only be traded by consolidated companies with the approval of Voith Finance.

Trade receivables:
Credit risk arising from the delivery of goods and services expresses itself in terms of counterparty risk, manufacturing risks and political export-related risks. Handling of these risks is governed by binding rules throughout the Voith Group. The maximum risk of default is limited to the carrying amount of the trade receivables, which is €830 075 thousand (previous year: €784 058 thousand). The maximum default risk for receivables arising from long-term construction contracts is €320 357 thousand (previous-year: €355 639 thousand).

All orders above a defined value are subject to general risk assessment requirements. Without special permission from the relevant governing bodies, Group companies do not accept orders from customers whose credit rating falls below a defined threshold and who cannot furnish an adequate guarantor.

Political export risks must always be hedged for risks classified as Euler Hermes country category 3 or higher unless approval is issued by the decision-making bodies. Further risk assessment is also activated for orders upward of defined values. Necessary credit insurance is obtained via export credit agencies (ECAs), on the private insurance market or by means of bank products.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For details of financial guarantees, please refer to the discussion of contingent liabilities. This kind of loss can occur if individual business partners fail to meet their contractual obligations. As a rule, no collateral exists for such an eventuality.

The Voith Group is not exposed to any material concentration of risks. Corporate policy is to avoid concentration of credit risk in a single financial institution. Instead, the Group invests with a variety of creditworthy financial institutions. The Group's customer structure is not materially concentrated in any particular geographic region. The Group tests doubtful accounts for impairment considering certain customers, historical trends, branches of industry and various other information.

The following credit risks are inherent in financial assets:

2011-09-30 in € thousands	Gross value	Thereof not impaired or past due	Thereof not impaired but past due at the reporting date by: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**873 590**	594 079	149 819	47 655	39 034
Other financial assets and securities	**342 962**	342 962			
Other financial receivables	**166 907**	162 026	1 015	86	520

2010-09-30 in € thousands	Gross value	Thereof not impaired or past due	Thereof not impaired but past due at the reporting date by: less than 90 days	between 90 and 180 days	more than 180 days
Trade receivables	**826 718**	559 886	136 042	20 220	32 597
Other financial assets and securities	**247 083**	247 083			
Other financial receivables	**174 413**	168 562	2 244	31	213

Receivables of €403 thousand (previous year: €770 thousand) which were subject to amended contract terms because they would otherwise have been impaired or past due were recognized at the reporting date.

The carrying amounts of cash and cash equivalents, receivables from construction contracts and derivatives are neither impaired nor past due.

Liquidity risk

To ensure that it can always meet its financial obligations, Voith has sufficient cash lines and has negotiated a syndicated credit facility with its banking partners.

Cash lines are used to cover the short-term financing of working capital. By contrast, the syndicated credit facility serves as a reserve out of which temporary funding can be provided for significant investments. The syndicated credit facility was renegotiated in June 2011 and is available for a further five years. It has not been drawn at present. To safeguard internal and external growth, Voith procures long-term funding on the capital markets by issuing bonds, private placements and individual bank loans.

Cash pools, intercompany loans and the allocation of external bank credit lines to individual operating units protect group companies' liquidity. Voith Finance produces monthly finance status reports for the entire Group once a month. Balances of central bank and cash pool accounts and guarantees are available on a daily basis.

The table below lists the undiscounted, contractually agreed cash outflows from financial instruments:

		Cash flows < 1 year			Cash flows 1–5 years			Cash flows > 5 years		
in € thousands	**Balance as at 2011-09-30**	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment
Trade payables	560 187	0	0	558 587	0	0	1 747	0	0	0
Bonds/bank loans/notes	1 103 368	36 299	3 516	231 968	130 415	10 171	209 662	24 188	2 209	644 798
Financial liabilities from leases	3 803	0	0	735	0	0	1 731	0	0	2 341
Other financial liabilities	154 166	476	585	94 459	0	0	662	0	0	59 045
Sundry liabilities	311 989	0	0	290 881	0	0	16 886	0	0	4 247
Financial derivatives	42 077									
Outflows		0	0	315 876	0	0	110 689	0	0	124
Inflows		0	0	-285 241	0	0	-109 139	0	0	-124
	2 175 590	**36 775**	**4 101**	**1 207 265**	**130 415**	**10 171**	**232 238**	**24 188**	**2 209**	**710 431**

		Cash flows < 1 year			Cash flows 1–5 years			Cash flows > 5 years		
in € thousands	**Balance as at 2010-09-30**	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment	Fixed rate	Floating rate	Repay-ment
Trade payables	496 142	0	0	492 539	0	0	3 748	0	0	0
Bonds/bank loans/notes	1 344 542	49 873	8 866	230 728	159 997	11 089	392 087	56 438	3 541	706 581
Financial liabilities from leases	4 133	0	0	1 144	0	0	2 080	0	0	1 825
Other financial liabilities	120 910	1 180	366	64 507	127	0	1 719	0	0	54 684
Sundry liabilities	365 508	0	0	333 873	0	0	28 335	0	0	3 988
Financial derivatives	39 933									
Outflows		0	0	242 979	0	0	92 809	0	0	771
Inflows		0	0	-208 282	0	0	-81 478	0	0	-795
	2 371 168	**51 053**	**9 232**	**1 157 488**	**160 124**	**11 089**	**439 300**	**56 438**	**3 541**	**767 054**

Other potential payment obligations, which can materialize at any time, exist in the form of financial guarantees of €35 667 thousand (previous year: €37 811 thousand).

Solvency is ensured and liquidity can be managed using current securities and cash equivalents which can be transformed into cash at any time.

Derivatives include cash outflows on derivative financial instruments with negative market values for which gross cash settlement has been agreed. The cash outflows for these financial derivatives are matched by corresponding cash inflows which are shown separately in the table above under inflows and outflows (gross). On the other hand, where a net cash settlement is effected, cash outflows are netted with cash inflows.

Financial market risks

Foreign exchange risks:
Global production and trading activities expose the Voith Group to risks arising from fluctuations in exchange rates. Foreign exchange risks exist in particular wherever receivables, liabilities, cash and cash equivalents and orders received (firm commitments/forecast transactions) are or will be denominated in a currency other than the functional currency of the Group company concerned.

For the Voith Group, the foreign exchange risk relates mainly to the US dollar. Changes in the exchange rate affect both earnings and Group equity. If the US dollar rises by 5%, this reduces our pre-tax profit by €2 382 thousand (previous year: €7 259 thousand) and equity (including the effect from pre-tax profit) by €2 330 thousand (previous year: €1 389 thousand). If in contrast the US dollar falls by 5%, this increases our pre-tax profit by €2 256 thousand (previous year: €6 554 thousand) and equity (including the effect from pre-tax profit) by €2 209 thousand (previous year: €1 241 thousand).

Most currency hedging is undertaken by Voith Finance. Transaction risks arising from the international delivery of goods and services are mainly limited by forward exchange contracts, currency swaps and combined interest rate and currency swaps. Essentially, all foreign currency transactions at the Voith Group must be hedged. Major items on the balance sheet and orders (upward of a value of USD 1 million) are hedged individually within the framework of hedge accounting.

Before external hedges are agreed, in the context of project business, both the hedge relationship and the objectives of and strategies for risk management must be documented in respect of the underlying (hedged) transactions.

Hedges must be highly effective if they are to satisfy Voith's risk management strategy. Where hedge relationships are verifiably effective, the transactions qualify for hedge accounting. As a result, fluctuations in the exchange rate do not affect profit or loss, nor do they influence project costing.

In the Voith Group, derivative financial instruments are traded externally by Voith Finance on behalf of consolidated companies. Consolidated companies in countries subject to foreign exchange restrictions hedge their currency risks locally. The enterprise-wide treasury management tool is used for central scheduling, monitoring and documentation of all foreign currency hedges entered into by Voith Finance or consolidated companies.

Interest rate risks:
The Voith Group's exposure to interest rate risks arising from external refinancing is analyzed and managed centrally by Voith Finance. Medium to long-term assets and liabilities with fixed interest rates are the main source of interest rate risks at the Group, as changes in market rates of interest can cause the value of a financial instrument to fluctuate. Risks to the market value of fixed-interest receivables and payables are hedged on a case-by-case basis. Risks to market value are hedged by interest rate swaps and combined interest rate and currency swaps, which usually qualify for hedge accounting.

The relevant asset positions are essentially bank balances that are invested in the money market and/or are used to fund the existing cash pool. The consolidated companies that participate in the cash pool operate a daily zero-balancing policy and therefore have no exposure to external interest rate risks.

On the cost side, interest rate risks arise from bonds placed on the capital market and a private placement in the USA as well as a variety of bank loans. The fixed interest rate on the US private placement was swapped for a floating rate and the resulting cash flow risk hedged by interest rate caps accordingly. The other bonds are subject to fixed interest and are not subject to any interest fluctuation risk.

The carrying amounts of those key financial instruments that are exposed to interest rate risks are grouped by contractually defined maturity in the following table:

2011-09-30 in € thousands	Less than one year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total**
Floating interest rate							
Cash and cash equivalents	927 140	0	0	0	0	0	**927 140**
Bonds	0	0	150 276	0	74 137	54 512	**278 925**
Bank loans	127 617	19	0	0	0	0	**127 636**
Fixed interest rates							
Bonds	0	0	0	0	0	580 257	**580 257**
Bank loans	100 093	13	12 013	106	0	0	**112 225**

2010-09-30 in € thousands	Less than one year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	**Total**
Floating interest rate							
Cash and cash equivalents	1 175 359	0	0	0	0	0	**1 175 359**
Bonds	145 731	0	0	150 515	0	125 529	**421 775**
Bank loans	77 443	34	34	34	34	269	**77 848**
Fixed interest rates							
Bonds	0	0	0	0	0	577 498	**577 498**
Bank loans	218	100 093	13	159 562	13	0	**259 899**

If the market rate of interest had been 100 bps higher (lower) as at September 30, 2011, earnings would have been €5.2 million higher (lower) (previous year: €6.8 million). Equity would have changed accordingly.

Risks relating to securities and stock prices:
Voith has shares and other available-for-sale securities of €270 million (previous year: €183 million). Stock price risks are reflected on the balance sheet and not in the consolidated statement of income, unless the criteria for impairment are met. A 10% change in the underlying stock prices would cause equity to change by 10% of the carrying amount of the stocks concerned.

For shares and other securities at fair value through profit or loss of €7 million (previous year: €6 million), a 10% change in the underlying stock prices would change pre-tax profit by 10% of the carrying amount of the respective securities.

It should be noted that all existing stock price risks are analyzed continuously and suitable actions taken.

Commodity price risk:
Voith is exposed to risks arising from changes in commodity prices, as these also affect the semi-finished goods that we need. Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's materials requirements. On request by Corporate Purchasing, and in consultation and agreement with consolidated companies, suitable forward commodity contracts can be arranged by Voith Finance to limit any latent commodity price risks. No forward commodity contracts were in place during the fiscal year. In addition, increases in the price of materials can be passed on to customers to some extent.

Hedge relationships:

The following items are used to hedge foreign exchange and interest rate risks:

2011-09-30 in € thousands	Nominal values*		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	559 523	156 780	13 580	3 734	26 397	5 929
Forward exchange contracts (cash flow hedges)	34 178	0	1 728	0	862	0
Cash and cash equivalents (cash flow hedges)	26 000	0	0	0	1 368	0
Interest rate swaps (fair value hedges)	0	242 230	0	36 976	0	0
Interest rate swaps (cash flow hedges)	0	0	0	0	0	0
Other derivatives	153 507	281 367	2 813	2 825	6 426	1 095
Total	**773 208**	**680 377**	**18 121**	**43 535**	**35 053**	**7 024**

2010-09-30 in € thousands	Nominal values*		Positive market values		Negative market values	
	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Forward exchange contracts (fair value hedges)	588 767	219 114	35 738	12 127	16 426	5 484
Forward exchange contracts (cash flow hedges)	20 327	0	797	0	1 030	0
Interest rate swaps (fair value hedges)	100 000	238 008	261	38 374	0	0
Interest rate swaps (cash flow hedges)	0	148 000	0	0	0	7 009
Other derivatives	154 708	265 635	4 448	5 002	8 710	1 274
Total	**863 802**	**870 757**	**41 244**	**55 503**	**26 166**	**13 767**

*Nominal value refers to the volume of the hedged transactions in the local currency, translated at the closing rate.

Fair value hedges

The Group uses fair value hedges primarily to hedge interest rate and foreign exchange risks.

In fiscal 2010/11, a loss of €37 098 thousand (previous year: a loss of €5 449 thousand) was recorded for derivative financial instruments classified as fair value hedges. Since the hedges were classified as highly effective, measurement of the hedged transactions at the reporting date produced a contrary profit/loss in the same amount.

There were no effects on earnings from ineffective hedges in the 2011 and 2010 reporting periods.

Changes in the value of financial derivatives that do not meet the requirements defined for hedge accounting by IAS 39 are recognized in profit or loss at the reporting date.

Cash flow hedges

On September 30, 2011, the Group held forward exchange contracts to hedge expected future sales and purchases for which firm commitments exist.

The main terms and conditions of the forward exchange contracts were negotiated in line with the terms and conditions agreed for the hedged transactions. The underlying transactions are expected to be carried out within one year.

Hedge relationships designed to hedge cash flows from expected future sales were classified as highly effective. Accordingly, an unrealized loss of €3 532 thousand (previous year: €6 976 thousand) was recognized in Group equity in other reserves as at September 30, 2011.

Due to the realization of hedged transactions in the course of the period under review, the relevant accumulated losses amounting to €2 490 thousand (previous year: €1 357 thousand) were transferred from other reserves to profit or loss. Of the amount reclassified to the income statement, €2 003 thousand was transferred to the interest result and €487 thousand to the operational result.

Research and development costs

In fiscal 2010/11, research and development costs totaled €259 449 thousand (previous year: €265 861 thousand).

Of this amount, €17 361 thousand (previous year €20 121 thousand) was capitalized as development expenditure in the balance sheet. The remaining expenses consist of €164 892 thousand (previous year: €172 628 thousand), which includes both amortization on these capitalized development expenses and activities for non-customer-specific new developments and improvements, as well as €77 196 thousand (previous year: €73 112 thousand) for development activities capitalized in the context of customer-specific orders.

Related parties

In the course of its ordinary business activities, Voith GmbH maintains relationships both with the subsidiaries listed in these consolidated financial statements and with other related entities and individuals (holders of non-controlling interests, family members who are shareholders, and members of the Supervisory Board and the Board of Management).

In fiscal 2007/08, one subsidiary of Voith GmbH was sold to family shareholders in the context of a transaction under common control. This company, JMV GmbH & Co. KG, Heidenheim, is now the parent company of the Voith Group.

All business transactions with related parties are conducted at arm's length conditions.

Members of management or members of the Supervisory Board of Voith GmbH and family member shareholders also serve on the supervisory boards of other companies with which Voith maintains relationships in the course of its ordinary business activities. Any transactions involving these companies are conducted at arm's length conditions.

A total of €743 thousand (previous year: €76 thousand) was paid at customary market rates to members of the Supervisory Board and former members of the Board of Management for consulting and other services.

The majority of intercompany deliveries and services to related parties (entities and individuals) are shown in the table below:

in € thousands	2010/11	2009/10
Liabilities to family shareholders	67 906	37 123
Services purchased from associates	4 519	7 508
Services rendered to associates	10 607	20 122
Receivables from associates	552	5 057
Liabilities to associates	274	707
Services purchased from other investments	2 190	665
Services rendered to other investments	25 733	24 380
Receivables from other investments, incl. advances paid	11 632	11 140
Impairment of receivables from other investments	-9	-448
Liabilities to other investments including advances received	29 816	25 030
Services purchased from the parent company	12 196	8 842
Services rendered to the parent company	536	467
Receivables from the parent company	4	214
Liabilities to the parent company	3 189	1 904
Liabilities to holders of non-controlling interests	69 387	61 590
Receivables from holders of non-controlling interests	31 269	31 496
Advances to holders of non-controlling interests	13 920	10 854
Services purchased from holders of non-controlling interests	53 502	68 601
Services rendered to holders of non-controlling interests	43 133	60 927

Liabilities to family shareholders include current floating-rate clearing accounts and pension obligations.

For more information on the profit participation rights of €98 400 thousand (previous year: €83 400 thousand) granted to family shareholders, please refer to note 19.

Research and development services in the amount of €1 838 thousand (previous year: €1 692 thousand) were provided and charged to the Group by one related party.

Guarantees of €12 146 thousand (previous year: €12 146 thousand) and €2 177 thousand (previous year: €1 684 thousand) were assumed on behalf of an associated company and other investments.

Remuneration of governing bodies

Total compensation for members of the management of Voith GmbH, including pension expenses, came to €12 547 thousand in the period under review (previous year: €11 458 thousand). This amount includes long-term compensation components totaling €4 136 thousand (previous year: €3 603 thousand). These long-term compensation components include service cost totaling €2 185 thousand (previous year: €1 548 thousand).

The members of the Supervisory Board received compensation of €489 thousand (previous year: €507 thousand).

The present value of all defined benefit obligations in respect of current members of management was €22 653 thousand at the reporting date (previous year: €20 430 thousand). The present value of all defined benefit obligations in respect of former members of the Board of Management was €18 176 thousand (previous year: €18 676 thousand). Plan assets of €8 754 thousand (previous year: €3 530 thousand) have been formed for current members of management. Plan assets of €7 986 thousand (previous year: €9 037 thousand) have been formed for former members of the Board of Management. These amounts are stated in note 20 of the notes to the consolidated financial statements.

€1 282 thousand (previous year: €1 275 thousand) was spent on pension and other payments to former members of the Board of Management.

Auditor's fees and services

The following fees (including reimbursement of expenses) were paid to the independent auditor for the services rendered in fiscal 2010/11:

in € thousands	2010/11	2009/10
Annual audit	1 982	1 797
Other assurance or valuation services	102	18
Tax advisory services	213	145
Other services	64	57
	2 361	**2 017**

Events after the period under review

With effect as at November 1, 2011, Voith Industrial Services sold DIW Service GmbH. The company specializes in temporary employment for skilled workers. The sale continues Voith Industrial Services' strategic realignment, which began in October 2010. The company sold, DIW Service, has approximately 70 core employees and around 830 temporary workers.

Apart from the events presented in the report, no further significant developments occurred since the close of fiscal 2010/11.

Heidenheim/Brenz, November 22, 2011

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Peter Edelmann
Martin Hennerici
Bertram Staudenmaier
Dr. Roland Münch

The consolidated financial statements of Voith GmbH as at September 30, 2011 as authorized for issue and the unqualified audit opinion issued thereon by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, were filed in German at the elektronischer Bundesanzeiger [Electronic Federal German Gazette] (available at www.ebundesanzeiger.de).

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidenheim/Brenz, November 22, 2011

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Peter Edelmann
Martin Hennerici
Bertram Staudenmaier
Dr. Roland Münch

The Voith Group and its shareholdings

as at September 30, 2011

Significant Associated Companies and Shareholdings

	Group share in %
Voith GmbH, Heidenheim/Germany	**100.0**
Voith IT Solutions GmbH & Co KG, St. Pölten/Austria	100.0
Voith Corporate Management (Shanghai) Co., Ltd., Shanghai/China	100.0
Voith Composites GmbH & Co. KG, Garching/Germany	100.0
J.M. Voith GmbH & Co. Beteiligungen KG, Heidenheim/Germany	100.0
Voith Assekuranz Vermittlung GmbH, Heidenheim/Germany	100.0
Voith Dienstleistungen und Grundstücks GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Finance GmbH, Heidenheim/Germany	100.0
Voith Financial Services GmbH, Heidenheim/Germany	100.0
Voith IT Solutions GmbH, Heidenheim/Germany	100.0
Voith Theta GmbH, Heidenheim/Germany	100.0
Voith IT Solutions Inc., Wilson (NC)/United States	100.0

Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany*	**65.0**
Kössler Gesellschaft m.b.H., St. Georgen/Stfd./Austria	100.0
Voith Hydro GmbH & Co KG, St. Pölten/Austria	100.0
Voith Hydro da Amazonia Ltda., Manaus/Brazil	100.0
Voith Hydro Ltda., São Paulo (SP)/Brazil	100.0
Voith Hydro Services Ltda., São Paulo (SP)/Brazil	100.0
Voith Hydro Inc., Brossard (QC)/Canada	100.0
Voith Hydro S.A., Santiago de Chile (Las Condes)/Chile	100.0
Voith Hydro Shanghai Ltd., Shanghai/China	80.0
VH Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
VHG Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
Voith Hydro GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Hydro Ocean Current Technologies GmbH & Co. KG, Heidenheim/Germany	80.0
Voith Hydro Private Limited, Noida/India	100.0
Voith Hydro S.P.A., Cinisello Balsamo (MI)/Italy	100.0
Voith Fuji Hydro K. K., Kawasaki-shi, Kanagawa/Japan	50.0
Voith Hydro Mexico, S. de R.L. de C.V., Huixquilucan, Edo de Mexico/Mexico	100.0
Voith Hydro AS, Oslo/Norway	100.0
Voith Hydro Sarpsborg AS, Sarpsborg/Norway	100.0

*The proportionate holding for the Hydro companies relates to Voith Hydro Holding GmbH & Co. KG, Heidenheim/Germany.

	Group share in %
Voith Hydro Lima S.A.C., San Isidro—Lima/Peru	99.0
Voith Hydro S.R.L., Bucharest/Romania	100.0
Voith Hydro S.L., Ibarra (Guipúzcoa)/Spain	100.0
VG Power AB, Västerás/Sweden	51.0
Voith Hydro Limited Sirketi, Sögütözü Ankara/Turkey	100.0
Peak Hydro Services, Inc., Chattanooga (TN)/United States	100.0
Voith Hydro Inc., York (PA)/United States	100.0

Voith Industrial Services Holding GmbH & Co. KG, Heidenheim/Germany	**100.0**
Voith Industrial Services GmbH, Steyr/Austria	100.0
DIW Instandhaltung GmbH, Vienna/Austria	100.0
Voith Industrial Services N.V., Kapellen (Antwerp)/Belgium	100.0
Voith Serviços Industriais do Brasil Ltda., São Paulo (SP)/Brazil	100.0
Voith Industrial Services (Shanghai) Co., Ltd., Shanghai/China	100.0
Voith Industrial Services s.r.o., Kosmonosy/Czech Republic	100.0
DIW Service s.r.o., Prague/Czech Republic	100.0
Voith Industrial Services A/S, Ringsted/Denmark	100.0
Voith Engineering Services Sarl, Toulouse/France	100.0
Voith Engineering Services GmbH, Bremen/Germany	100.0
Voith Engineering Services Holding GmbH, Bremen/Germany	100.0
Voith Engineering Services GmbH, Chemnitz/Germany	100.0
Voith Engineering Services GmbH, Hamburg/Germany	100.0
DIW Instandhaltung GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Industrial Services Paper GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Industrial Services GmbH & Co. KG, Karlsruhe/Germany	100.0
Voith Industrial Services GmbH, Kirchseeon/Germany	100.0
Voith Industrial Services GmbH, Mainhausen/Zellhausen/Germany	100.0
DIW Gastro GmbH & Co. KG, Munich/Germany	100.0
DIW Aircraft Services GmbH, Stuttgart/Germany	100.0
DIW Instandhaltung Ltd. & Co. KG, Stuttgart/Germany	100.0
DIW Mechanical Engineering GmbH & Co. KG, Stuttgart/Germany	100.0
DIW Service GmbH, Stuttgart/Germany	100.0

	Group share in %
Voith Industrial Services Beteiligungen GmbH, Stuttgart/Germany	100.0
Voith Industrial Services Beteiligungsverwaltungs GmbH, Stuttgart/Germany	100.0
Voith Industrial Services GmbH, Stuttgart/Germany	100.0
Voith Industrial Services Grundstücks GmbH & Co. KG, Stuttgart/Germany	100.0
Voith Industrial Services Ltd. & Co. KG, Stuttgart/Germany	100.0
Voith Industrial Services Process GmbH & Co. KG, Stuttgart/Germany	100.0
Voith Industrial Services Kft., Györ/Hungary	100.0
DIW Service Kft., Veszprém/Hungary	100.0
Voith Engineering Services Private Limited, Karnataka/India	100.0
Voith Industrial Services India Private Limited, Pune/India	100.0
Voith Industrial Services S de RL de CV, Saltillo Coahuila/Mexico	100.0
Voith Railservices B.V., Twello/Netherlands	100.0
Terne AS, Mongstad/Norway	60.0
Premier Manufacturing Support Services Poland Sp. z. o.o., Gliwice/Poland	100.0
Voith Industrial Services Sp. z. o.o., Poznan/Poland	100.0
Voith Industrial Services O.O.O, St. Petersburg/Russian Federation	100.0
Voith Industrial Services, s.r.o., Bratislava/Slovakia	100.0
Voith Engineering Services SL, Madrid/Spain	100.0
Newtec Kemiteknik AB, Trollhättan/Sweden	100.0
Voith Engineering Services Limited, Bristol/United Kingdom	100.0
Voith Industrial Services Holding Ltd., Warwick/United Kingdom	100.0
Voith Industrial Services Limited, Warwick/United Kingdom	100.0
Voith Industrial Services Inc., Cincinnati (OH)/United States	100.0

Voith Paper Holding GmbH & Co. KG, Heidenheim/Germany	**100.0**
Voith Paper Argentina S.A., Carapachay—Buenos Aires/Argentina	100.0
Voith Paper Australia and New Zealand Pty. Ltd., North Ryde (NSW)/Australia	100.0
Voith Paper Fabrics GmbH, Frankenmarkt/Austria	99.8
GAW technologies GmbH, Graz/Austria	35.0
Voith Paper Rolls GmbH & Co KG, Laakirchen-Oberweis/Austria	100.0
Voith Paper Automation GmbH & Co KG, St. Pölten/Austria	100.0
Voith Paper GmbH, St. Pölten/Austria	100.0

	Group share in %
Voith Paper Rolls GmbH & Co KG, Wimpassing/Austria	100.0
Voith Mont Montagens e Serviços Ltda., Barueri (SP)/Brazil	100.0
Meri Sistemas e Tecnologia Ltda., São Paulo (SP)/Brazil	55.3
Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP)/Brazil	100.0
Voith Paper Air Systems Inc., Saint-Laurent-Quebec/Canada	100.0
Servicios y Suministros Voith Chile Ltda., Concepción, Coronel/Chile	100.0
Voith Paper Rolls Guangzhou Co., Ltd., Guangzhou City/China	100.0
Voith Paper (China) Co., Ltd., Kunshan, JiangSu/China	100.0
Voith Paper Fabrics (China) Co., Ltd., Kunshan, JiangSu/China	100.0
Voith Paper Rolls (China) Co., Ltd., Kunshan, JiangSu/China	100.0
Voith Paper International Trading Co., Ltd., Shanghai/China	100.0
Voith Paper Oy, Vantaa/Finland	100.0
Voith Paper Fabrics SAS, Montbron/France	100.0
Voith Paper SAS, Orsay/France	100.0
Voith Paper Air Systems GmbH, Bayreuth/Germany	100.0
Voith Paper Automation GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Paper Fabric & Roll Systems GmbH, Heidenheim/Germany	100.0
Voith Paper Fabrics GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Paper GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Paper Rolls GmbH & Co. KG, Heidenheim/Germany	100.0
VP Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
Voith Paper Krieger GmbH & Co. KG, Mönchengladbach/Germany	85.0
MERI Environmental Solutions GmbH, Munich/Germany	65.0
Voith Paper Automation GmbH, Neuwied/Germany	100.0
Voith Paper Environmental Solutions GmbH & Co. KG, Ravensburg/Germany	100.0
Voith Paper Fiber & Environmental Solutions GmbH & Co. KG, Ravensburg/Germany	100.0
Voith Paper Karton- und Verpackungspapiere Forschungs GmbH, Ravensburg/Germany	100.0
Voith Paper Rolls GmbH & Co. KG, Weißenborn/Germany	100.0
Voith Paper Fabrics India Ltd., Faridabad (Haryana)/India	74.0
Voith Paper Technology (India) Ltd., Kolkata/India	100.0
PT. Voith Paper, Jakarta/Indonesia	100.0
PT. Voith Paper Rolls Indonesia, Karawang—West Java/Indonesia	76.0

	Group share in %
RIF ROLL COVER SRL, Basaldella (Udine)/Italy	51.0
Voith Paper S.r.L., Schio (Vicenza)/Italy	100.0
Voith IHI Paper Technology Co., Ltd., Tokyo/Japan	49.0
Voith Paper Co., Ltd., Tokyo/Japan	100.0
Voith Paper Fabrics Asia Pacific Sdn. Bhd., Ipoh, Perak Darul Ridzuan/Malaysia	100.0
Voith Paper Fabrics Ipoh Sdn. Bhd., Ipoh, Perak Darul Ridzuan/Malaysia	100.0
Meri Sistemas Ambientales S.A. de C.V., Monterrey/Mexico	45.5
Voith Paper Fabrics B.V., Haaksbergen/Netherlands	100.0
MinPlus-CDEM Holding B.V., Vaassen/Netherlands	100.0
Voith Paper B.V., Vaassen/Netherlands	100.0
Voith Paper AS, Lier/Norway	100.0
Voith Paper Fabrics AS, Tranby/Norway	100.0
Voith Paper Technology Russia GmbH, St. Petersburg/Russian Federation	100.0
Voith Paper Fabrics, S.A., Guissona (Lérida)/Spain	100.0
Voith Paper S.A., Ibarra (Guipúzcoa)/Spain	100.0
Voith Paper Services S.L., Ibarra (Guipúzcoa)/Spain	100.0
Voith Paper Fabrics Gusum AB, Gusum/Sweden	100.0
Voith Paper Fabrics Högsjö AB, Högsjö/Sweden	100.0
Voith Paper Fabrics Holding AB, Högsjö/Sweden	100.0
Voith Paper AB, Karlstad/Sweden	100.0
Voith Paper Rolls AB, Lessebo/Sweden	100.0
Voith Paper Walztechnik AG, Zurich/Switzerland	100.0
Voith Paper Fabrics Blackburn Ltd., Blackburn (Lancashire)/United Kingdom	100.0
Voith Paper Fabrics Holding Ltd., Blackburn (Lancashire)/United Kingdom	100.0
Voith Paper Fabrics Stubbins, Ltd., Bury (Lancashire)/United Kingdom	100.0
Voith Paper Ltd., Manchester/United Kingdom	100.0
Voith Meri Environmental Solutions, Inc., Appleton (WI)/United States	65.0
Voith Paper Inc., Appleton (WI)/United States	100.0
PFR, Inc., Newark (DE)/United States	100.0
Massachusetts PFE, Inc., Orange (MA)/United States	100.0
PFS I, Inc., Salisbury (NC)/United States	100.0
Syn Strand Inc., Summerville (SC)/United States	100.0

	Group share in %
Voith Paper Fabrics Waycross, LLC, Waycross (GA)/United States	100.0
Voith Paper Fabric & Roll Systems Inc., Wilson (NC)/United States	100.0

Voith Turbo GmbH & Co. KG, Heidenheim/Germany	**100.0**
Voith Turbo Pty. Ltd., Wetherill Park (NSW)/Australia	100.0
Voith Turbo GmbH, St. Pölten/Austria	100.0
Voith Turbo Vertriebs GmbH, St. Pölten/Austria	100.0
Voith Turbo S.A./N.V., Brussels/Belgium	100.0
Voith Turbo Ltda., São Paulo (SP)/Brazil	100.0
Voith Turbo Limited, Hong Kong/China	100.0
Voith Lutong Urban Rail Gearbox Technology (Changchum) Co., Ltd, Lutong/China	50.0
Voith Schaku KTK Coupler Technology Co., Ltd., Shanghai/China	50.0
Voith Turbo China Co., Ltd., Shanghai/China	100.0
Voith Turbo Power Transmission (Shanghai) Co., Ltd., Shanghai/China	100.0
Voith Turbo s.r.o., Brno/Czech Republic	100.0
Voith Turbo A/S, Gadstrup/Denmark	100.0
Voith Turbo SAS, Noisy-le-Grand Cedex/France	100.0
Voith Turbo Hochelastische Kupplungen GmbH & Co. KG, Essen/Germany	100.0
Voith Turbo Aufladungssysteme GmbH & Co. KG, Gommern/Germany	100.0
Voith Turbo Antriebstechnik Beteiligungen GmbH, Heidenheim/Germany	100.0
Voith Turbo Auslandsbeteiligungen GmbH, Heidenheim/Germany	100.0
Voith Turbo Lokomotivtechnik GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Turbo Schneider Propulsion GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Turbo SMI Technologies GmbH & Co. KG, Heidenheim/Germany	51.0
Voith Turbo Vertriebsgesellschaft mbH, Heidenheim/Germany	100.0
Voith Turbo Wind GmbH & Co. KG, Heidenheim/Germany	100.0
Voith Turbo Advanced Propeller Technologies GmbH & Co. KG, Rostock/Germany	100.0
Voith Turbo H+L Hydraulic GmbH & Co. KG, Rutesheim/Germany	100.0
Voith Turbo Scharfenberg GmbH & Co. KG, Salzgitter/Germany	100.0
Voith Turbo BHS Getriebe GmbH, Sonthofen/Germany	100.0
Voith Turbo BHS Getriebe Holding GmbH, Sonthofen/Germany	100.0
Voith Turbo Verdichtersysteme GmbH & Co. KG, Zschopau/Germany	100.0

	Group share in %
Voith Turbo Kft., Biatorbágy/Hungary	100.0
FlowLink Systems Private Ltd., Coimbatore/India	50.0
Voith Turbo Private Limited, Hyderabad (A.P.)/India	100.0
Hydronaut s.r.l., Milan/Italy	60.0
Voith Turbo Drive Systems s.r.l., Montichiari/BS/Italy	100.0
Voith Turbo s.r.l., Reggio Emilia/Italy	100.0
Voith Turbo Co., Ltd., Kawasaki-shi, Kanagawa/Japan	100.0
Voith Turbo Co., Ltd., Seoul/Korea	80.0
Voith Turbo S.A. de C.V., Mexico (D.F.)/Mexico	100.0
Voith Turbo B.V., Twello/Netherlands	100.0
Voith Turbo AS, Oslo/Norway	100.0
Voith Turbo sp. z o.o., Wola Krzysztoporska/Poland	100.0
Voith Turbo Kazan GmbH, Kazan/Russian Federation	91.0
Voith Turbo Pte. Ltd., Singapore/Singapore	100.0
Imfuyo Air Products (Proprietary) Limited, Bedfordview/South Africa	23.6
Imfuyo Projects (Pty) Ltd., Benoni/South Africa	47.0
Imfuyo Locomotives (Proprietary) Limited, Parktown/South Africa	47.0
Voith Property Company (Pty) Ltd., Witfield (Boksburg)/South Africa	100.0
Voith Turbo (Pty) Ltd., Witfield (Boksburg)/South Africa	100.0
Voith Turbo S.A., Coslada (Madrid)/Spain	100.0
Voith Turbo Safeset AB, Hudiksvall/Sweden	100.0
Voith Turbo AB, Spanga-Stockholm/Sweden	100.0
Voith Turbo Co. Limited, Kaohsiung City 812/Taiwan	100.0
Voith Turbo Güç Aktarma Tekniği Ltd. Şti., Çankaya-Ankara/Turkey	100.0
Voith Middle East FZE, Dubai/United Arab Emirates	100.0
H+L Hydraulic Ltd., Croydon (Surrey)/United Kingdom	100.0
Voith Turbo Limited, Croydon (Surrey)/United Kingdom	100.0
Voith Turbo Rail Systems Ltd., Croydon (Surrey)/United Kingdom	100.0
Voith Turbo Inc., York (PA)/United States	100.0

Important events

October 2010

Mercedes-Benz Manufacturing Hungary Kft. assigns facility management duties for the technical infrastructure and cleaning of its new plant in Kecskemét, Hungary, to Voith. This service contract will run for three years.

At the Canadian paper manufacturer Cascades, the PM 2 which was recently modernized by Voith successfully goes into service. The PM 2 is the first tissue machine in North America to be equipped with ATMOS technology. This technology allows manufacturers to produce high-quality hygienic papers exclusively from recycled fiber. And ATMOS technology can also significantly reduce the energy consumption needed to produce premium tissue paper.

Voith receives an order from Deutsche Bahn for 242 drive systems for its regional railcars known as the "Regio Shuttle". This order includes DIWA rail drives, gearboxes and cooling systems.

Voith receives an order from the Singapore bus operator SBST for 600 automatic transmissions for its Volvo double-decker buses and Mercedes conventional buses.

November 2010

For over ten years, the Limpet wave-driven power plant on Scotland's isle of Islay has been operating successfully. Limpet was the world's first wave-driven power plant to produce electricity in commercially significant amounts and feed it to the local power grid. During this time, the power plant's operational availability was also increased and stood at 98% in 2010.

Caterpillar India Private Ltd. in Chennai, India, issued a project management contract to Voith for the inspection of its newly installed enamelling system.

Voith introduces the first non-radioactive sensor for tissue paper producton. This provides manufacturers of hygienic paper with a new tool to control the quality of their production – without using a radioactive source, which was common in the past.

Voith receives an order for 650 drive components to be installed in Volvo transit buses in Perth, Australia.

December 2010

Energias de Portugal places an order with Voith for all electromechanical systems in its Frades II pumped storage power plant.

Voith receives an order from Statkraft in Turkey to supply all of the electromechanical systems for its Kargi Hydropower Plant.

Voith and FKi Engineering Ltd. in Great Britain conclude a full-service agreement for the maintenance of a windpark in Austria with a total output of 46 megawatt.

The Karlsruhe Institute of Technology extends the maintenance contract for its electrotechnical systems with Voith for an additional four years.

The Indian paper manufacturer, JK Paper Ltd., orders a complete paper machine from Voith.

This Rayagada PM 6 unit will produce high-quality uncoated as well as pigmented wood-free papers.

Voith receives an order from the Fushun Mining Corporation for a new packaging paper machine.

At Tamil Nadu Newsprint and Papers, a new Voith paper machine starts operations. Here, the PM 3 will produce printing and writing paper from bagasse or cane trash.

The German rail freight company, DB Schenker Rail, puts its first fleet of Gravita 10 BB locomotives into service.

Voith receives an order for over 600 automatic transmissions for Volvo buses. The buses were ordered by Mibus, a Panamanian transportation company.

January 2011

Starting in 2011, Voith will take over the maintenance of the KIA enamelling line in Slovakia. The project will run for one year.

Voith receives an order to produce and install double mantled pipelines for Lenzing AG. The order also includes project management, engineering, pre-fabrication, and assembly of the pipeline system as well as its inspection prior to commissioning.

Voith opens its own facility for industrial services in Doha, Qatar.

Voith acquires the rights and patents for a waste treatment technology designed for paper-relate sludge. De-inking sludge is produced, when ink pigments are removed from reprocessed waste paper and usually disposed. With the new CTC technology, minerals and energy can be recycled from this sludge.

In Vigo, Spain, four new offshore vessels go into operation: two support ships were equipped with the Voith Roll Stabilization (VRS) system and two Voith Schneider Propellers (VSP) each. Also a supply ship with five VSPs and a VRS, as well as a 160 meter long offshore construction vessel with five VSPs and a VRS.

Voith receives an order from Vossloh Locomotives GmbH in Kiel, Germany, for eight turbodrives. The end-customer will be a private railway operator in France.

MTU in Friedrichshafen, Germany, orders 18 Voith turbo-drives for the Russian automotive manufacturer Metrowagonmash.

February 2011

Voith receives an order for three Francis turbines, each with an output of 400 megawatt, for the new Yang Qu Power Plant in China.

In St. Pölten, Austria, Voith Hydro opens a new production facility.

Voith is certified as an approved design organization by the European Aviation Safety Agency (EASA). And in India, Voith Engineering Services becomes one of the three first-level suppliers in flight physics.

Voith assumes maintenance duties for 550 municipal buses in four depots of London United.

For the second time, Voith receives the “Sustainable Development Supplier Award” from the Canadian paper manufacturer Cascades.

Saudi-Aramco’s Shaybah Gas Refinery places an order with Voith for a modular control coupling and a Vorecon.

Voith receives an order for more than six Vorecons for a coal-fired power plant in Raipur, India.

Voith wins a contract for delivering DIWA automatic transmission for 104 standard buses and 184 double-decker buses in London.

Voith tests its new RAVE tugboat concept in a laboratory.

In Hamburg, Germany, Deutsche Bahn puts its first Voith Gravita 10 BB locomotive into operation.

The Polish auto manufacturer Solaris and Voith introduce the new Urbino 18 DIWAhybrid drive.

March 2011

Voith receives an order from the pumped storage power station Forces Motrices Hongrin-Léman SA Plus, Switzerland, for the installation of two additional turbine groups.

Voith signs a contract for equipping the Brazilian Belo Monte Hydropower Plant.

Voith receives an order to modernize the Decew Falls 1 Power Plant in Ontario, Canada.

Ford Brazil assigns facility management duties in its São Paulo SBC plant to Voith.

Voith assumes maintenance responsibilities from BWW in Berlin for its production and conveyor systems.

Voith receives an order for the relocation of a Freudenberg production facility in Berlin, involving around 200 pieces of equipment.

Volkswagen Motor Polska assigns its maintenance and facility management duties to Voith for the first time.

At the Moorim Paper Group in South Korea, Voith’s recently delivered Dong Hae PM 1 paper machine goes into operation.

Voith receives an order from Capital Steel, China, for a large universal joint shaft in a steel mill.

Yutong, the Chinese auto manufacturer, delivers 155 buses with Voith’s DIWA automatic transmissions to Macao.

Municipal buses with DIWAhybrid drives are introduced to the general public by Voith, Solaris Bus & Coaches and BOGESTRA AG.

April 2011

Voith Fuji Hydro announces acquisition of the turbine division from Ebara, an industrial manufacturer.

Voith receives an order for the Budarhals Power Plant from the Icelandic Lansvirkjun. The order encompasses all of the plant's electromechanical equipment.

At BMW in Berlin, Voith's maintenance contract starts for production and conveyor systems.

At Zhumadianshi Baiyun Paper Co. Ltd. the Baiyan PM 8 successfully starts operations. The PM 8 produces copying and offset papers.

Voith opens an affiliate in the TechnoPark, Dubai. From Dubai, Voith Turbo will service the entire Middle Eastern market.

Robel Bahnbaumaschinen GmbH awards Voith an order for eight turbo-drives for railcars.

Voith receives a contract from VR-Yhtymä Oy in Finland for the general refitting of its 34 turbo-driven diesel railcars.

Helsinki City Transport orders 40 new street-cars from the Finnish manufacturer Transtech and here, Voith will supply all of the drive-train components.

The Warsaw Transit Company orders 150 city buses from Solaris, equipped with Voith DIWA automatic transmissions.

Voith receives an order from the Saudi Arabian oil company, Saudi-Aramco, for 40 drives, four Vorecons, four drive regulators, and 20 membrane couplings.

May 2011

China's Da Tang Yan Tan Hydropower Company places an order with Voith for two generators, each with an output of 340 megawatt, for its Yan Tan Hydropower Plant on the Hongshui River.

In Germany, Voith expands its business with the automotive supplier Faurecia. In addition to servicing six of its current locations, new facility management contracts were also awarded for its facilities in Pappenheim and Weißenburg.

Voith receives final inspection approval from Jiangsu Oji Paper Co. Ltd. for its Nantong PM 1 paper machine. PM 1 has been operating in China since May 2010 and produces high-quality wood-free coated as well as uncoated papers.

Volvo Bus Latin America, a leading bus manufacturer for BRT systems, orders 259 DIWA drives for its standard, jointed and double-jointed buses. The vehicles will be used in Curitiba, Brazil.

June 2011

May/June: Just off the coast of the South Korean province of Jeollanam-do, Voith begins operations of its prototype for a tidal power plant. The power produced during its commissioning will be fed into the local power grid.

For the Chinese Xiluodu Hydropower Project on the Jinsha River, Voith supplies the first Francis turbine runner. In total, Voith will supply the power plant with three power units, each of which consists of a Francis turbine and generator with an output of 770 megawatt.

Voith opens a third Indian facility in the city of Bangalore, following its earlier openings in Pune and Chennai. In Bangalore, Toyota Kirloskar Motor Private Ltd. has awarded Voith a maintenance contract for its production facility.

Perlen Papier AG approves the final inspection of the first Integrated EcoMill from Voith. The PM 7 started operations in September 2010 and produces 360 000 tons of newsprint annually with a wire width of 10 450 mm.

Stora Enso awards Voith the contract for its new paper machine which will produce testliner papers. The production facility will be located in Ostroleka, Poland, about 120 km north of Warsaw. The commissioning is planned for the first quarter of 2013.

Metropolitan buses with DIWAhybrid drives are introduced to the public by Voith, Solaris Bus & Coaches and BOGESTRA AG.

July 2011

In Mutriku, Spain, the world's first wave-operated power plant starts commercial operations. Here, Voith supplied the plant with 16 Wells turbines, with a combined output of 300 kilowatt.

Voith receives a three-year extension of its contract with VW in Chemnitz for maintenance and tool management in this motor production facility.

The automotive supplier, Grob, extends its contract with Voith for an additional two years for assembly and commissioning services.

The German paper and cardboard producer, Varel, restarts operation of its PM 4 paper machine following an extensive modernization. Here both its production capacity and ecological operating characteristics were improved.

At Nine Dragons in Dongguan, China, the PM 28 starts producing copying and printing paper.

The Chinese paper manufacturer, Shandong Sun Paper Industry, starts production operations with its new PM 24 paper machine in Yanzhou, China.

Voith introduces the world's first secondary-water retarder to the public. This new retarder operates by using a motor's cooling fluid.

August 2011

Voith completes preparations for the first one-megawatt tidal current turbine at the European Marine Energy Center on Scotland's Orkney Islands. To anchor this 200 ton-turbine, a 24 meter piling will be drilled into the rocky seabed and serve as a foundation for the tidal turbine during its two-year testing phase. To install the foundation, a special-purpose ship designed for marine construction projects is used: The "North Sea Giant" which is driven by five Voith Schneider Propellers, each having 5 160 HP.

Voith wins a maintenance contract from Continental for its facilities in Limbach and Stollberg. This contract has a life span of two years, with an optional extension of an additional two years.

At Nine Dragons in Dongguan, China, the PM 32 cardboard machine successfully goes into operation. It is designed to operate at speeds of 900 m/min. and will produce coated folding boxboard.

The Moorim Paper Group, South Korea, accepts final delivery of the PM 1 — only five months after the paper machine's commissioning.

September 2011

Voith announces an order for the modernization of the Saratovskaya Hydropower Plant in southwest Russia. This power plant's Kaplan turbines, with a runner diameter of 10.3 meters, are the largest of their class in the world.

Voith assumes responsibility as general contractor for the electromechanical equipment in the Teles Pires Hydropower Plant, on the river of the same name, in western Brazil. This order includes the delivery of five 404 MVA generators, as well as automation of the power plant's electrical and mechanical equipment.

Voith receives two orders in India: It will supply all of the electromechanical equipment for the Sainj Run-of-the-River hydropower station in Himachal Pradesh, as well as the Rongnichu Run-of-the-River power station.

DIW Austria wins an international contract from BP: By 2012, a total of 160 BP shops in Austria and Switzerland will be equipped with LED lighting systems.

Voith supplies DIWA automatic transmissions to the White Russian automotive manufacturer AMAZ for 185 metropolitan buses in the Ukrainian capital of Kiev.

Contact

Voith GmbH
Phone: +49 7321 37-0
Fax: +49 7321 37-7000
E-mail: info@voith.com

Corporate Communications
Phone: +49 7321 37-3879
Fax: +49 7321 37-7107
E-mail: info@voith.com

Investor Relations
Phone: +49 7321 37-2332
Fax: +49 7321 37-7010
E-maill: info@voith.com

Voith Hydro
Phone: +49 7321 37-6848
Fax: +49 7321 37-7828
E-mail: info.voithhydro@voith.com

Voith Industrial Services
Phone: +49 711 7841-174
Fax: +49 711 7841-179
E-mail: info.industrialservices@voith.com

Voith Paper
Phone: +49 7321 37-2888
Fax: +49 7321 37-7008
E-mail: info.voithpaper@voith.com

Voith Turbo
Phone: +49 7321 37-2832
Fax: +49 7321 37-7110
E-mail: info.voithturbo@voith.com

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Voith GmbH
St. Pöltener Str. 43
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Phone: +49 7321 37-0
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