VOITH

Interim Report 2010/2011

The Voith Group in Figures

€ in millions	2010-10-01 to 2011-03-31	2009-10-01 to 2010-03-31
Orders received	**3 412**	2 634
Sales[1]	**2 629**	2 354
Operational result before non-recurring result[1]	**178**	147
Return on sales in %	6.8	6.2
Income before tax[1]	**143**	77
Net income[1]	**95**	36
Cash flow from operating activities	**(31)**	178
Total cash flow	**(121)**	(7)
Investments	**103**	113
Equity[3]	**1 225**	1 107
Equity ratio in %	20.8	18.8
Balance sheet total[3]	**5 897**	5 902
Employees[2][3]	**39 885**	39 754

[1] Previous year values adapted.

[2] Without apprentices.

[3] Reference date March 31, 2011, compared to September 30, 2010.

Contents

Foreword

Dear reader,

Voith's verdict on the first six months of fiscal 2010/11 is very positive, and the company is looking optimistically to the future. The situation is especially satisfying considering the good figures reported for the previous year. Voith successfully mastered the global economic crisis without suffering losses in sales or results and in fact continued to grow throughout this economically most difficult phase.

The company once again improved on all key performance indicators throughout the first half of fiscal 2010/11. Sales for the Group as a whole grew by 12%. Incoming orders increased even more impressively by around 30% compared with the previous year.

This overall trend was also reflected in earnings performance. Particularly striking was the 160% improvement in net income to €95 million, accompanied by a moderate increase in the number of employees.

All of Voith's markets are experiencing an economic upswing, although the depth of recovery differs from region to region. The paper and transport & automotive markets generally respond quickly to economic changes—while the energy, oil & gas and raw materials markets react slower. Still, all of these markets show clear growth.

Assuming that unusual circumstances such as the disaster in Japan do not put undue strain on the global economy, we expect the overall economic parameters to remain positive.

We will continue to benefit from growth in our core markets and regions, and to contribute to their positive development.

Sincerely yours,

Dr. Hubert Lienhard
President & CEO

01

Group Interim Management Report of Voith GmbH

for the period from October 2010 through March 2011

I. Business and Economic Setting

Economic revival spreads to more regions and markets

The global economy continued to recover during the first six months of 2010/11, like in previous periods at different paces in various regions of the world. At the same time, however, world economic trends were also affected by a number of unforeseen events—from the earthquake disaster in Japan through to the crisis in the Arab world. Nonetheless growth trends in the global economy remained stable. After 5% growth in 2010 the International Monetary Fund (IMF) predicted a slight contraction in world economic growth in 2011 to approximately 4.4%.

Growth in the industrialized countries will make a weak to moderate contribution to overall economic performance and, according to the IMF, will be 2.4% in 2011. Persistently high rates of unemployment, high and growing levels of post-crisis public debt as well as rising levels of private household debt are all sources of uncertainty which negatively influence economic activity. The earthquake disaster of 11 March appears to have had relatively little impact on the global economy. According to the IMF the euro zone will grow by just 1.6% in 2011. Germany continues to profit more than most of the other industrialised nations from demand for capital goods in emerging markets and, with forecast growth in gross domestic product of 2.5%, occupies a special position among the major European economies.

The emerging economies and developing countries are growing much faster than the industrialised nations, despite the slight slowdown in growth since the second half of 2010. On average emerging markets are expected to grow by 6.5% in 2011. The IMF predicts that the Chinese economy alone will grow by 9.6%.

The economic rebound has also impacted all five Voith markets. The markets for paper, transport & automotive, which generally respond rapidly to the onset of new economic cycles, as well as energy, oil & gas and raw materials, which tend to respond sluggishly to developments, all experienced clear growth.

II. Business Development and Earnings Position in the Group

II.1. Overview

Voith completed a good first six months on March 31, 2011, and the Group can now look confidently ahead to the rest of the year. The Group's sales and, even more strikingly, incoming orders were higher than in the same period last year. Voith also improved its profitability; its operational result and net income grew at an ever faster pace.

Adjustments were made to some of last year's data in the consolidated financial statements for the first six months of 2010/11. Explanations of these changes can be found in the "Restatement of Prior Periods" section in the notes to the consolidated financial statements. These changes have been taken into account in the following sections.

II.2. Sales

Sales up by an impressive 12%

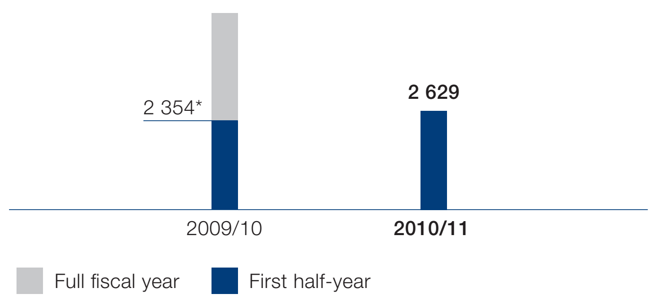
In the first six months of fiscal 2010/11 the Voith Group increased its sales by 12% to €2 629 million (previous year: €2 354 million). This places Voith firmly on track to meet the targets it defined at the outset of the fiscal year. This rate of growth is especially satisfying considering the high level of sales reported the previous year. Voith steered its way successfully through the worst worldwide economic crisis since the Second World War without forfeiting any of its revenues and even managed to increase sales during the last two years.

The Voith Turbo (+20%) and Voith Paper (+17%) Divisions made the largest contributions to the Group's increase in sales during the period under review. Voith Industrial Services grew by 10% and Voith Hydro sustained its sales at more or less the same level. For the sales trends in each Group Division the reader is referred to section III of this interim report on "Business Development and Earnings Position in the Group Divisions".

Each of the four Group Divisions contributed between 18% (Voith Industrial Services) and 33% (Voith Paper) to consolidated sales and all four consequently represented important pillars of the Group's success. The share of sales contributed to overall Group turnover remained all but unchanged compared with the previous fiscal year 2009/10.

Sales Group

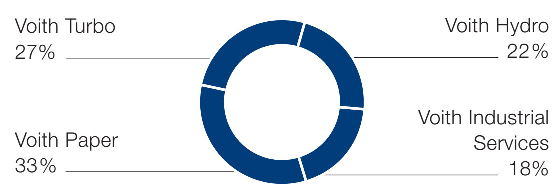
€ in millions



*Data for previous year adjusted.

Sales total 2 629 million

by divisions



First half-year 2010/11

II.3. Orders Received

Orders received ahead of target

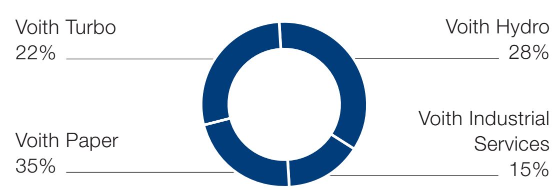
The Voith Group secured new orders worth € 3 412 million in the first six months of 2010/11, exceeding the intake in the same period last year (€2 634 million) by 30%. This brought the total orders on hand at March 31, 2011, to €6 108 million, a rise of €672 million compared to the reporting date last year (September 30, 2010: €5 436 million).

The acquisition of an order in Brazil for what is currently the third biggest hydropower plant in the world enabled Voith Hydro to more than double the value of orders received in the first half of 2009/10. The Voith Industrial Services and Voith Turbo Group Divisions both reported substantial growth. Incoming orders for Voith Paper were similar to those during the very good first six-month period of 2009/10. Readers are referred to "Business Development and Earnings Position" in section III of this interim report for more information on incoming orders in each of the Group Divisions.

Voith Paper again contributed the largest share (35%) to the Group's overall consolidated influx of new orders. The other three Group Divisions contributed 15% (Voith Industrial Services), 22% (Voith Turbo) and 28% (Voith Hydro) to the Group's incoming orders.

Orders received total 3 412 million

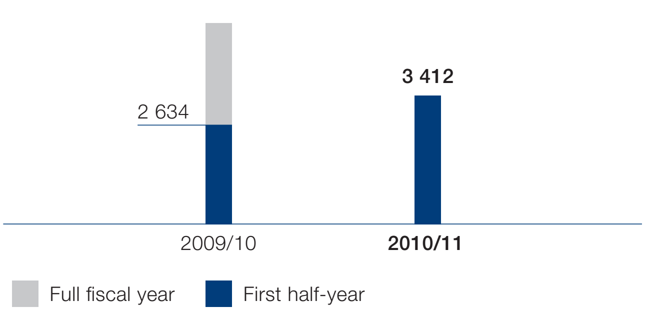
by divisions



First half-year 2010/11

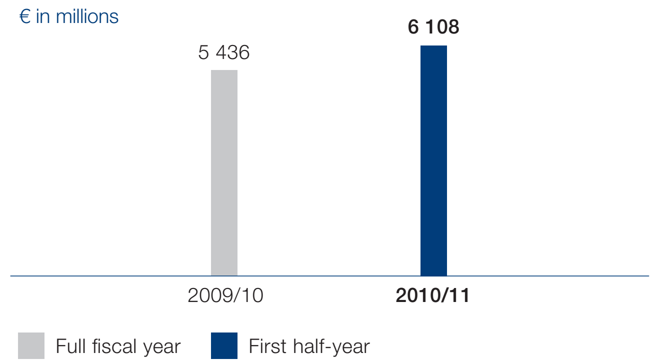
Orders received Group

€ in millions



Orders on hand Group

€ in millions



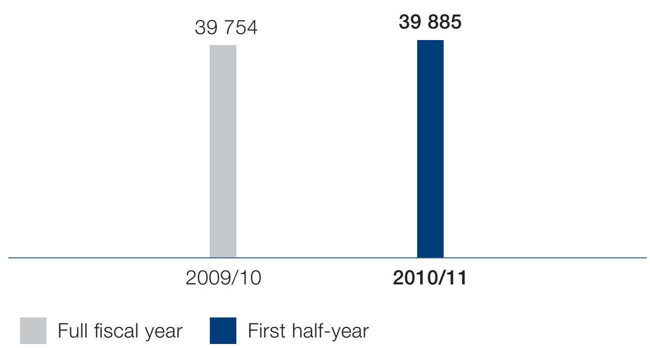
II.4. Workforce

Moderate expansion of workforce

By the end of the period under review the Voith Group employed 39 885 people (in equivalent full-time positions, excluding apprentices). The moderate and selective expansion of the workforce begun last year was continued. As a result and on balance 131 new jobs had been created in the Group since the end of fiscal 2009/10 (September 30, 2010: 39 754 employees).

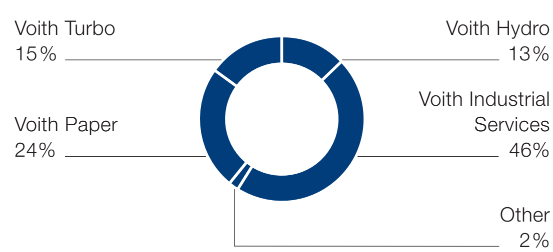
The relative number of jobs in each Group Division remained all but unchanged compared with the previous fiscal year 2009/10. Around half of Voith employees (46%) work in the Industrial Services Group Division, which offers personnel-intensive services and in which 18 413 employees were working on the reporting date. Voith Paper, the second largest Group Division according to the number of people employed, had 9 615 employees on its payroll by the end of the period under review and accounted for 24% of the total number of people employed in the Group. Voith Hydro employed 5 266 people or 13% of the Group's total workforce. 15% of Voith employees (5 670) were employed by Voith Turbo. For the employment trends in each Group Division the reader is referred to section III of this interim report on "Business Development and Earnings Position in the Group Divisions".

Employees Group



Employees total 39 885

by divisions



First half-year 2010/11

II.5. Results

Net income remains consistently high

During the first six months of fiscal 2010/11 Voith generated net income of €95 million. This was equal to an increase of 160% compared with the same period last year (€36 million).

The increase in total output to €2 709 million (previous year: €2 406 million) was largely the result of the positive sales trends already described. Another contributing factor was the change in inventories and other capitalised costs which rose by €28 million during the period under review thanks to an outstandingly good order position.

The cost of materials increased during the period under review by 14% to €1 095 million (previous year: €959 million). The material ratio (the relationship between cost of materials and total output) rose slightly to 40.4% (previous year: 39.9%). In the field of industrial system construction in particular there was an increase in material-intensive large plant business compared with the same period in the previous year. This contributed to a rise in the material ratio.

Personnel expenses rose by €92 million or 10% to €994 million (previous year: €902 million). The ratio of personnel expenses to total output fell to 36.7% (previous year: 37.5%).

The operational result before non-recurring result improved to €178 million (previous year: €147 million, +21%). Return on sales improved to 6.8% (previous year: 6.2%).

While non-recurring results of €-4 million were reported last year the low follow-up costs incurred during the period under review arising from the measures to adjust staffing launched in previous years were reflected in operating activities. As a consequence, the operational result during the period under review was identical with the operational result before non-recurring result. This represents a gain of 25% over the previous year (€142 million).

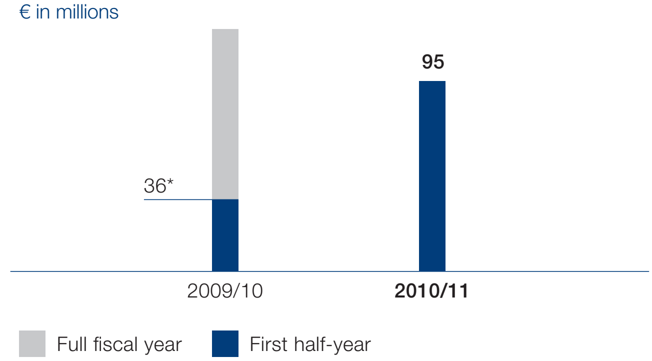
Interest income declined by €7 million to €10 million (previous year: €17 million, -39%). This was in part due to the reduction in cash and cash equivalents, particularly in countries where interest rates were high, as well as to marketable securities (liquidation of a multi-asset fund in the second half of the previous year). Owing to the fact that financial liabilities have remained more or less unchanged since last year, interest expenses of €48 million are also almost identical to those in the comparable period last year.

Other financial results were reported at €1 million (previous year: €-37 million). The figures for the previous reporting period included an impairment loss against income on certain marketable securities held as financial assets of €39 million.

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

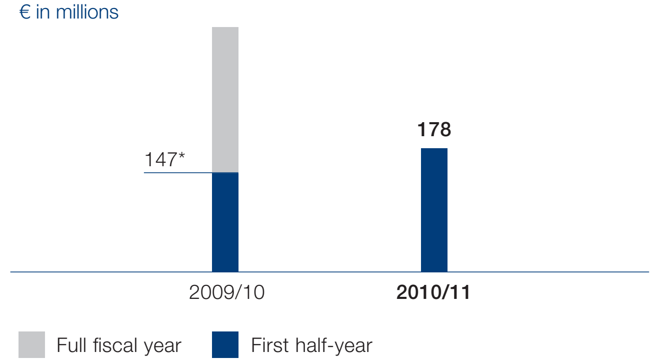
Net income Group

€ in millions



Operational result before non-recurring result Group

€ in millions



*Data for previous year adjusted.

III. Business Development and Earnings Position in the Group Divisions

III.1. Voith Hydro

Incoming orders up by 175%

Voith Hydro can look back on an extraordinarily successful first half of the fiscal year 2010/11. The outstanding event during this period was the acquisition of a large order for the technical equipment for a hydropower plant in Brazil.

Voith Hydro reported sales of €576 million which, as anticipated, were similar to the figures for the same period the previous year (€579 million, -1%).

The global water market developed very positively. In contrast to the last fiscal year, contracts for several large-scale projects were awarded during the period under review. The recovery also continued apace in the small hydro segment (power plants with capacities of under 30 megawatts). Voith Hydro was highly successful in a positive market setting where it secured new orders in the first six months of 2010/11 valued at €966 million. This was equal to an increase of 175% compared with the same period last year (€351 million). The number of orders held had increased by March 31, 2011, to €3 108 million (September 30, 2010: €2 821 million).

Large order from South America

A significant contribution to this high level of incoming orders was made by the order awarded by Brazilian power plant operators Norte Energia for the equipment of the planned hydropower plant Belo Monte. As the technical leader of the consortium Voith Hydro's role is to supply four Francis turbines and generators as well as all the transformers. In addition, the entire automation will be supplied by Voith Hydro. The high order intake figure for the period under review is consequently an exception which will not be repeated in the years ahead.

Voith Hydro also secured major pumped storage plant orders in Portugal and in the French-speaking part of Switzerland. Pumped storage plants will play a significant role in the expansion of renewable energies, and growing demand can be expected in this field in the medium term. Several large orders from Canada as well as orders from Turkey, China and South Korea contributed to the extremely good incoming order figures.

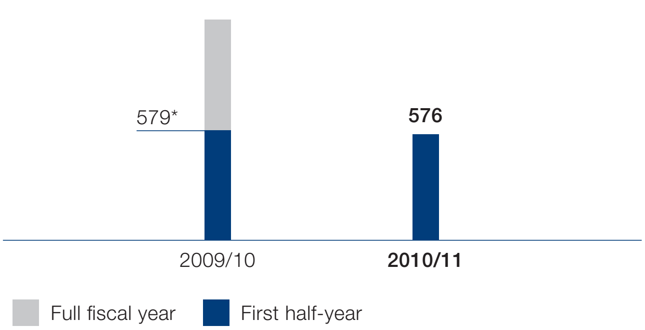
After shedding a large number of jobs in the previous fiscal year the headcount remained fairly stable during the period under review: Voith Hydro had a workforce of 5 266 employees on March 31, 2011 (September 30, 2010: 5 238 employees, +28 employees).

Positive profit from operations

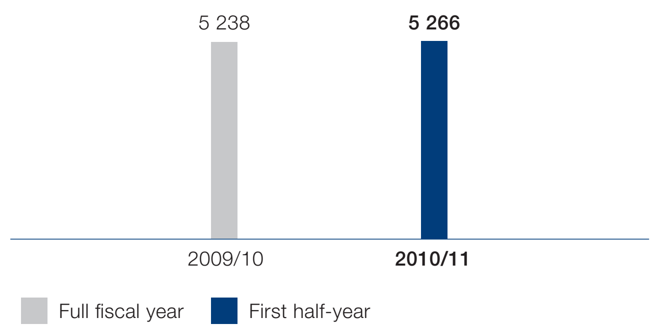
Voith Hydro generated profit from operations in the first six months of 2010/11 of €38 million (previous year: €42 million, -10%). Return on sales was 6.6% (previous year: 7.3%).

Sales Voith Hydro

€ in millions

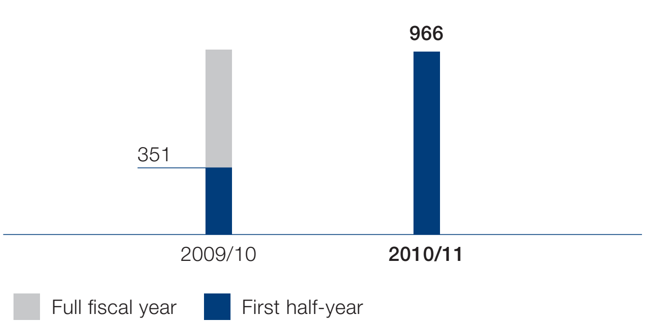


Employees Voith Hydro



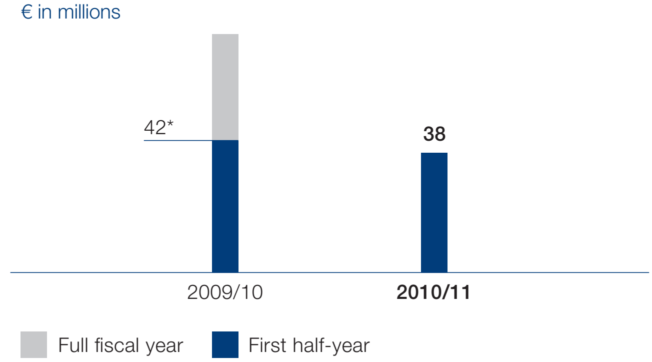
Orders received Voith Hydro

€ in millions



Profit from operations Voith Hydro

€ in millions



*Data for previous year adjusted.

III.2. Voith Industrial Services

Planned growth achieved

Voith Industrial Services had a good first six months in fiscal 2010/11. Demand for industrial services is closely linked to the trend in industrial production and the Group Division consequently benefited from a generally healthier overall economic climate.

Voith Industrial Services reported sales of €489 million during the period under review, an increase of 10% on the same period last year (previous year: €446 million) and above target. Owing to short through-times for service orders Voith Industrial Services does not record its current orders on hand, and figures for sales and incoming orders are consequently identical.

Incipient recovery in all fields of business

Voith Industrial Services reorganised its previous five into four new divisions at the beginning of the current fiscal year. The Automotive and Energy-Petro-Chemicals Divisions offer solutions for the automotive and process industries. The Industries Division offers comprehensive regional services for the operation and management of industrial locations in Europe. The Engineering Services Division offers contract engineering for the aerospace industry, automotive manufacturers and railcar manufacturers. All four divisions grew again despite the fact that demand varied strongly according to region and customer industry.

The first six months of 2010/11 were much more positive than had been expected in the Automotive Division, which grew substantially during the period under review and benefited from booming demand among vehicle manufacturers and suppliers in particular. Asia and Europe contributed the largest share of sales growth in this Division. The Automotive Division was able to renew or reacquire several extensive framework contracts in the first six months of fiscal 2010/11, including in Germany, the UK, Poland and Hungary as well as in Brazil and India.

The recovery in business activities which had first become apparent at the end of the last fiscal year was sustained in the Energy-Petro-Chemicals Division. Key growth factors originated from project business, with shutdowns in refineries and petrochemical plants. The most important regional drivers of growth were activities in Denmark and Belgium.

The Industries Division operated in a stable economic setting with Voith Industrial Services benefiting from its service specialisation and its orientation towards a broad swathe of industries. Both these factors were reflected in pleasing sales growth as well as in greater utilisation of capacity resources on established markets.

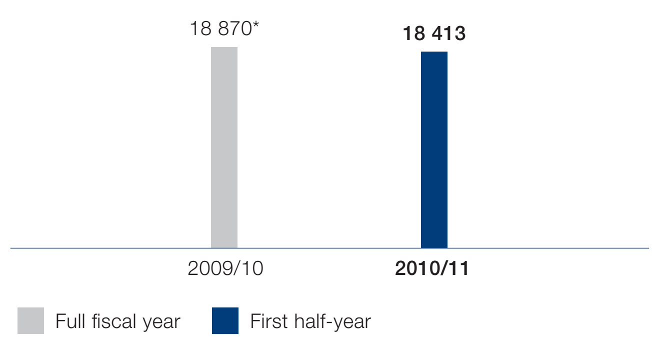
Overall the Engineering Services Division developed positively throughout the period under review. The Division reported strong growth in business with railcar manufacturers. Substantially weaker demand for engineering services in Germany was more than compensated for by an expansion in international activities. A new company successfully launched its operative business in India—another step towards the globalisation of Voith Industrial Services' business which has traditionally been firmly rooted in Europe.

Voith Industrial Services had a workforce of 18 413 employees on March 31, 2011 (September 30, 2010: 18 870. -2%).

Profit from operations increased

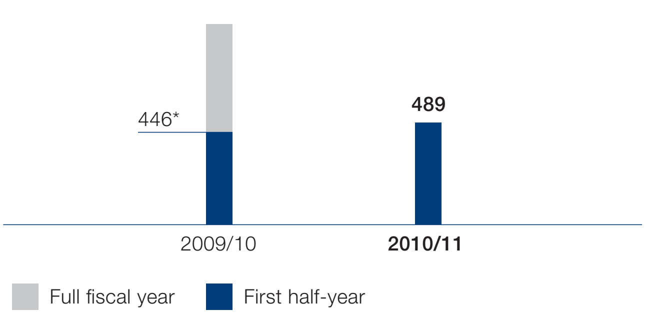
During the first six months of 2010/11 Voith Industrial Services' profits from operations rose to €17 million (previous year: €16 million). This represents a gain of 6% over the previous year. Return on sales was 3.5% (previous year: 3.6%).

Employees Voith Industrial Services



Sales/Orders received Voith Industrial Services

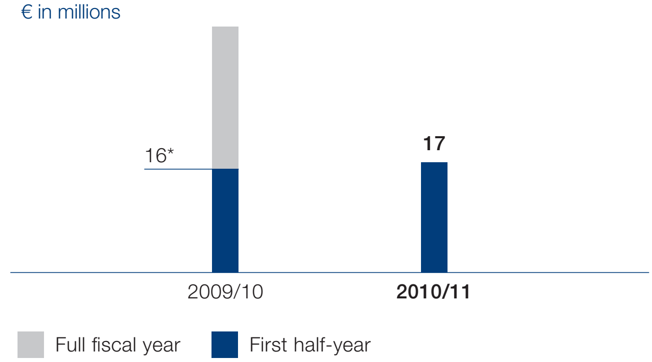
€ in millions



*Data for previous year adjusted.

Profit from operations Voith Industrial Services

€ in millions



*Data for previous year adjusted.

III.3. Voith Paper

Sales up by 17%

Voith Paper successfully boosted both its sales and profits during the first six months of 2010/11.

During the period under review Voith Paper reported sales of €859 million (previous year: €737 million), equivalent to a plus of 17%. Positive sales trends are the result of the very high level of incoming orders in the previous fiscal year. This enabled Voith Paper to start this fiscal year with substantially more orders on its books than 12 months previously. The lion's share of sales were again made in Asia.

The upswing continued into the ongoing fiscal year and enabled Voith Paper to secure new orders worth €1 195 million during the period under review. Incoming orders were consequently at about the same level as during the same period last year (€1 205 million, -1%). These are very pleasing results bearing in mind that several customer projects which were originally planned for the current fiscal year had been brought ahead to Voith's fiscal year 2009/10 and had contributed to the very high value of orders received. The number of orders on the books had risen to €1 660 million by March 31, 2011, equal to an increase of €327 million or 25% compared with the key date last year (September 30, 2010: €1 333 million).

Asia remains the most important sales region for large systems

Voith Paper secured diverse new orders in the systems business (new plant and major rebuilds) albeit, owing to the shift in period, not on the same scale as last year. The regional spread in plant engineering slightly changed. While China was the focus of incoming orders during the last fiscal year Voith Paper also reported important new orders from Europe, India and Brazil during the first six months of 2010/11. All in all, however, Asia continued to be the most important sales region. Machines for producing board and packaging papers were in greatest demand. However, sales of tissue machines also went up continually. Orders for two large bank note paper machines were received from India and Russia.

Voith Paper's product and service business (products, consumables and services) rode an upward trajectory. The rising number of orders received in this field reflected an increase in paper production globally as well as positive one-off catch-up effects as customers replenished inventories of consumables which had all but drained away during the recession.

In both areas Voith Paper benefited from its strategic focus on environmental technology. Fibre supplies, energy consumption and water consumption are all key challenges for papermakers. Resource efficiency is consequently becoming increasingly important when orders are awarded.

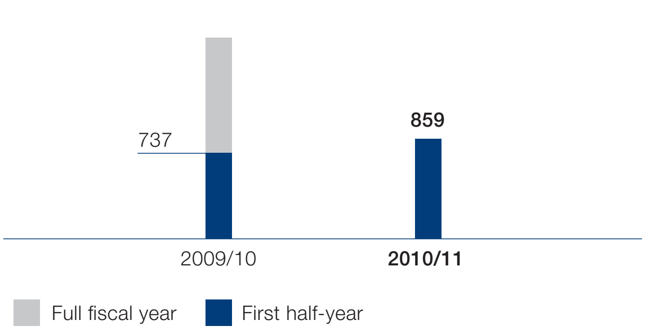
Consonant with positive economic trends Voith Paper created 262 new jobs during the current fiscal year, particularly in the growth regions of China and India. By the end of the period under review on March 31, 2011, the Division employed 9 615 people worldwide (September 30, 2010: 9 353). Capacity utilisation is good in all regions.

Profit from operations in the fast lane

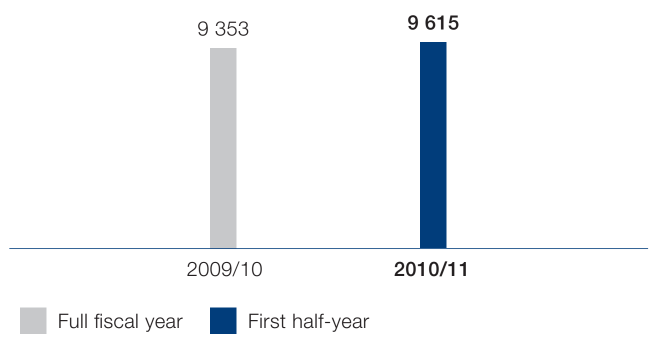
Voith Paper's increase in results overtook sales growth with this Group Division posting profits from operations for the first half of 2010/11 of €55 million. This figure is 41% higher than in the corresponding period last year (€39 million). Return on sales climbed to 6.4% (previous year: 5.3%).

Sales Voith Paper

€ in millions

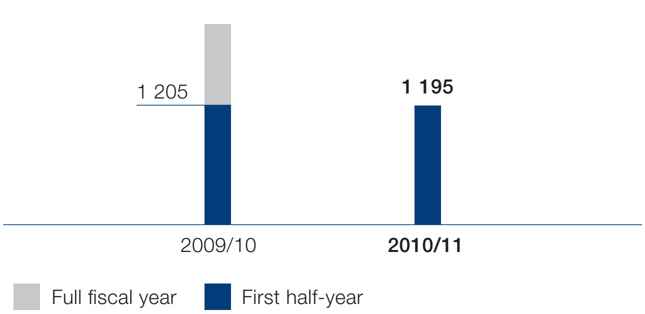


Employees Voith Paper



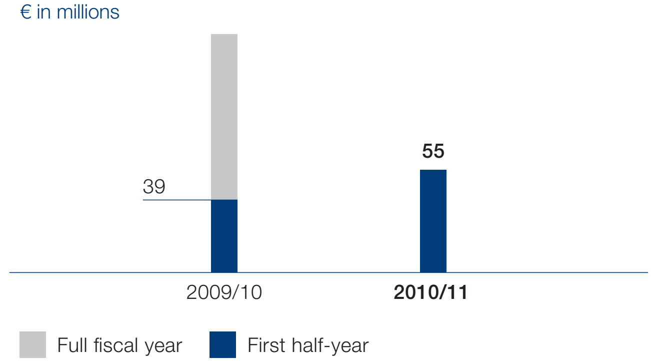
Orders received Voith Paper

€ in millions



Profit from operations Voith Paper

€ in millions



III.4. Voith Turbo

Double-digit percentage increase in sales and incoming orders

Voith Turbo was extremely successful and exceeded its original planning during the first six months of 2010/11. Sales, incoming orders and profits from operations all increased substantially.

Voith Turbo reported total sales for the period under review of €701 million, a figure which is 20% above the corresponding value for the previous year of €586 million. The Industry, Road and Rail Divisions reported the highest sales and correspondingly impressive double-digit percentage growth. The highest growth rates were achieved in the Rail Division. Only the smallest Division in terms of volume, the Marine Division, contracted during the period under review. This was due to project business and is expected to be reversed during the second half of the fiscal year 2010/11 by corresponding growth in sales.

Incoming orders exceed targets

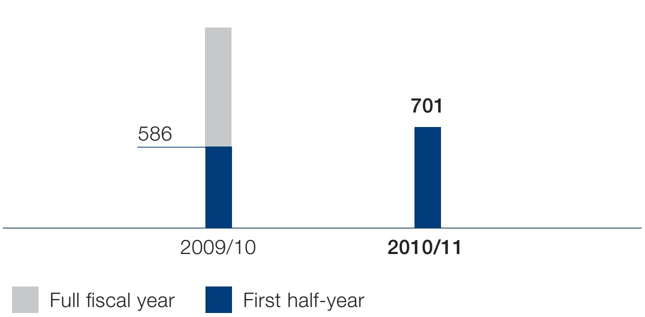
The order position is also much more positive than last year. During the period under review Voith Turbo was able to acquire new orders worth a total of €761 million. Growth of 21% compared with the first six months of 2009/10 (€627 million) was higher than originally planned for the six-month period. The number of orders on the books increased towards the end of the period under review on March 31, 2011, to €1 340 million (September 30, 2010: €1 282 million, +5%).

A significant contribution to Voith Turbo's order intake was made by the Industry Division, which exceeded planned incoming orders by a good third. At the same time demand has developed positively in all the markets served by this Division and in all product areas. Sales of hydraulic components used in machine tools for the automotive industry, for example, have continued to rise. There has also been a substantial expansion on the raw materials market and in the mining segment in particular; growth in this field was no longer concentrated in China but was spread over several regions. Even the steel market, which was very weak in the previous year, shows signs of recovery. Voith Turbo also secured a strategically important order for articulated shafts in a Chinese steel works during the six-month period under review. The energy, oil and gas markets also grew instead of treading water as had been expected. Voith Turbo benefited from its strong market position and was able to participate in continuing high levels of activity in the energy sector in India. Overall China remains a key pillar of industry business.

Incoming orders received by the Marine Division almost tripled, albeit at a lower absolute level than in the other divisions. Successful new product launches, such as the Voith Radial Propeller and the Voith Inline Thruster with 1.5 megawatts input power, paved the way for the company to enter new offshore segments and are also increasingly reflected in incoming order figures. Particular mention should also be made of the order for four water tractors for the Indian market which was won during the period under review.

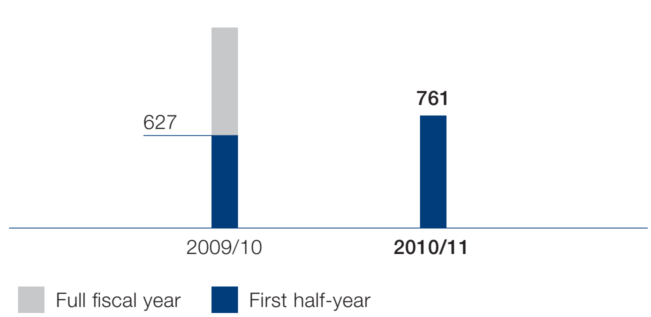
Sales Voith Turbo

€ in millions



Orders received Voith Turbo

€ in millions



The Rail Division reported a large increase in sales despite a slight fall in the number of incoming orders. Demand from the Far East, and China in particular, continued to be strong. Several orders were received from South America. As one example, a railcar manufacturer ordered Voith components for monorails, space-saving single rail systems which will be used for public passenger transport in São Paulo. The North American market began to stir promisingly. Voith Turbo won contracts during the period under review for public passenger transport in Washington D.C. and in Chicago, for example. The European market continued to be weaker, despite signs of recovery in certain product groups.

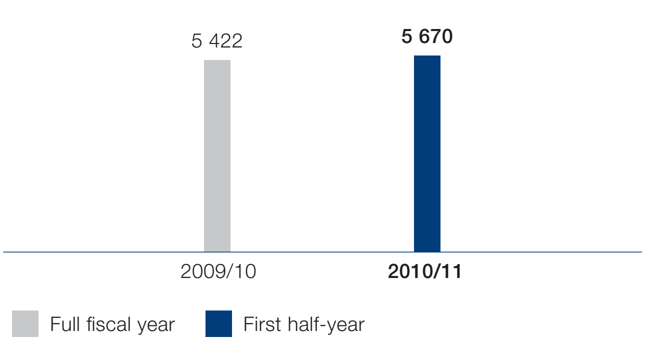
There was a distinct and expected increase in the number of orders received by the Road Division compared with the crisis-dominated previous year. The continuing recovery on the truck market was reflected in higher sales of retarders by Voith Turbo. While markets in the USA, Japan and Europe continued to underperform compared with their pre-crisis levels, markets in other relevant regions returned to their long-term growth trajectories after a brief setback in 2009. China continues to play a key role in this context and is now the biggest truck market in the world. In contrast, the bus market continued to be sluggish as a result of subdued procurement activities in Europe. Nonetheless, more and more towns and cities are opting for buses with DIWA automatic transmissions, including (during the period under review) London, Singapore, Macau and Panama City.

Voith Turbo took on more employees during the first six months of 2010/11 and had a total workforce on March 31, 2011, of 5 670 people (September 30, 2010: 5 422 employees), equivalent to a plus of 5%. While the number of people employed in the Marine Division has remained fairly constant, the other three divisions took on more employees. New jobs were created in China, the USA, India, Brazil and South Africa, in particular, as well as in Germany. The new employees were deployed to handle the expanding scope of business and in innovation projects.

Return on sales improves significantly

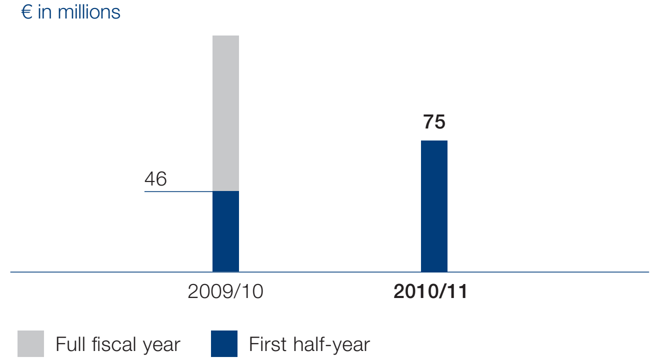
Voith Turbo's profits from operations developed very positively in the first six months rising by 63% to €75 million (previous year: €46 million). This can be attributed to a good portfolio mix and to recovery of the divisions that had been hurt by the recession during the same period last year. In addition, the structural adjustments made in previous years in these areas resulted in higher earnings as business recovered. The return on sales rose to 10.7% (previous year: 7.8%).

Employees Voith Turbo



Profit from operations Voith Turbo

€ in millions



IV. Assets and Financial Position

IV.1. Balance Sheet Structure

Healthy assets and capital structure

The balance sheet for the Voith Group continues to reflect a strong asset and capital structure. Compared to September 30, 2010, total assets are almost unchanged at €5 897 million (previous year: €5 902 million).

Non-current assets were up to €2 479 million (previous year: €2 408 million). Intangible assets rose to €719 million (previous year: €703 million), in particular following initial consolidation of the MinPlus-CDEM Group, Netherlands. The rise in value of marketable securities from €173 million to €229 million can be explained by the changed market evaluation in equity of financial assets available for sale.

Current assets declined by €76 million to €3 418 million (previous year: €3 494 million). This development was largely due to changes in inventories, trade receivables and in cash and cash equivalents. The good order position in all Group Divisions resulted in a noticeable increase in inventories by €111 million to €895 million (previous year: €784 million). In the framework of this business development trade receivables were reduced by €49 million to €1 091 million (previous year: €1 140 million). Cash and cash equivalents fell to €1 049 million (previous year: €1 175 million) as a result of the negative total cash flow of €121 million.

Non-current liabilities dropped to €2 000 million (previous year: €2 015 million). A major role in this respect was played by the valuation-related reduction in non-current financial liabilities to €1 156 million (previous year: €1 180 million).

Current liabilities fell by €107 million to €2 672 million (previous year: €2 779 million). This fall was primarily due to the impact of other liabilities which included customer advances (down by €65 million) and personnel-related accruals (down by €30 million) which were responsible for the reduction in current liabilities.

At March 31, 2011, Group equity totalled €1 225 million (previous year: €1 107 million). The equity ratio improved to 20.8% (previous year: 18.8%).

The net income as well as effects arising from the market valuation of securities had a positive impact on the amount of equity.

IV.2. Liquidity

Negative operative cash flow due to increase in net working capital

In the period under review Voith generated negative cash flow from operating activities of €-31 million (previous year: €178 million). The main contributing factor in this context was the increase in net working capital, including in particular the build up of inventories and the fall in customer advances. Net working capital is expected to diminish during the second half of the fiscal year and the operative cash flow will therefore probably be positive for the entire fiscal year 2010/11.

Cash flow from investing activities was €-105 million (previous year: €-149 million). Lower capital spending on property, plant and equipment as well as intangibles plus disposals of securities during the period under review resulted in significant changes compared with the same period last year.

A positive flow of cash of €15 million (previous year €-36 million) was generated by financing activities despite dividend payments of €24 million, an effect which was due in particular to repayments of financial receivables from the previous year.

Total cash flow amounted to €-121 million (previous year: €-7million). More details on cash flow are provided in the section on the consolidated statement of cash flows.

Net debt as the internally defined difference between financial liabilities and realizable financial assets amounted to €112 million on the key date of March 31, 2011 (September 30, 2010: €0.4 million). The change since last year can be explained by the reduction in cash and cash equivalents, largely influenced by the negative total cash flow.

Cash flows

€ in millions	First half-year 2010/11	First half-year 2009/10
Cash flow from operating activities	(31)	178
Cash flow from investing activities	(105)	(149)
Cash flow from financing activities	15	(36)
Total cash flow	**(121)**	**(7)**

IV.3. Capital Expenditure and R&D Spending

Focus remains on research and development

Capital spending during the period under review amounted to €103 million (previous year: €113 million). The fall in capital spending compared with the same period last year is due to the actual timing of payments. Significantly higher additions to property, plant and equipment are expected in the second half of the current fiscal year. The investment ratio compared with consolidated sales was 3.9% (previous year: 4.8%). During the fiscal year under review Voith also concentrated on strengthening its productivity and in the strategic orientation of the Group. The sum of investments in the first six months of 2010/11 was once again significantly higher—in fact by €22 million—than depreciation of €81 million.

Research and development spending again accounted for 5% of sales in the six months under review. Voith's strong commitment to research and development was underlined by the provision of the required budget.

IV.4. Financial Investments / Participating Interests

Two investments

The Voith Paper Group Division acquired a 100% holding in MinPlus-CDEM Holding B.V. (Vaassen / Netherlands) and its subsidiaries during the year under review. The companies will be fully consolidated. In this context Voith Paper acquired the rights and patents to a technology for the processing deinking sludge produced when paper is manufactured. The CTC technology transforms sludge into useful minerals and energy.

Voith Turbo acquired a 50% shareholding in FlowLink Systems Private Ltd. (Coimbatore, India). This shareholding was consolidated at equity in the consolidated financial statements. The Indian company manufactures valves for industrial production.

V. Events after the Balance Sheet Date

Of the €150 million note loan in existence on March 31, 2011, €66 million were repaid in early May 2011. Another €82 million of this loan will be repaid at the end of May.

No significant other developments have occurred since the first half of fiscal 2010/11 came to an end on March 31, 2011.

VI. Report on Risks and Opportunities

Risk management focused on increasing the value of the company

Entrepreneurial activity includes making decisions under conditions of uncertainty. To guard the Group against risks that could threaten its survival and/or that of its companies, it operates a consistent and binding Group-wide system of risk and quality management. The Voith Group operates a distributed risk management system. This system is geared to increase the value of the Group and its companies by reducing risk potentials and their probability of occurrence. At the same time, the system is also intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities. Risk and quality management are linked together and integrated as part of a comprehensive internal controlling system.

To the best of our knowledge at the time this report went to press, there are no risks which could threaten the survival of the Voith Group. The statements made in the report on risks and opportunities in the Annual Report 2009/10 remain valid.

VII. Forecast Report

Positive forecast for future economic climate

Voith expects the economic fundamentals to remain positive for the remainder of fiscal 2010/11. The overall global economy continues to grow, although the emerging economies and developing countries are growing at a significantly faster pace than the industrialized countries. The International Monetary Fund (IMF) forecasts an increase in gross domestic product worldwide of around 4.5% in 2011 and 2012. In this respect economic recovery will probably shape all five Voith markets—energy, oil & gas, paper, raw materials and transport & automotive—albeit to differing degrees.

Inflation remains a key challenge in the emerging economies and is also being driven by the resurgence of higher oil and commodity prices. In this context the slight slowdown in growth in emerging markets is a positive sign. Whether governments—particularly the government in China—are able to reconcile the need to rein in overly expansive monetary policies with an ongoing and sustainably high pace of growth, will also largely determine global developments in 2011 and 2012. In the industrialized countries as well there is no alternative to a return to normality after a highly expansive monetary policy and—owing to high levels of public debt—more restrictive fiscal policies. The European Central Bank took the first step in this direction by raising interest rates in April 2011; interest rates in the USA have been around 0 per cent for almost two years now. At the same time, the national debt in the USA has reached all time record levels and the euro crisis also remains unsolved. It remains to be seen whether the private sector will leap in to replace the state as incremental reductions are made in public support measures in the industrialized countries and whether the current pace of economic recovery remains sustainable. In the light of these risks economists harbour doubts about the pace of economic recovery, although a relapse into recession is regarded as improbable.

All Group Divisions on course for growth

On the basis of the results for the last six-month period we anticipate a positive remainder of the year for Voith. All four Group Divisions will increase their sales over the entire 2010/11 fiscal year. All four Divisions are also expected to make significant improvements in results, as forecasted in the 2009/10 annual report.

Voith Hydro has revised its forecast for incoming orders during the current year upwards and now anticipates receiving new orders for the entire fiscal year 2010/11 which will even exceed in value the order intake in the boom years 2007/08 and 2008/09. This is due to the major order won in March 2011 in connection with the Belo Monte hydro power project in Brazil. Projects on this scale are rather unusual and for this reason it will not be possible to sustain the exceptionally high levels of incoming orders in the first six months of 2010/11 in subsequent periods. On the basis of the current high level of orders on hand Voith Hydro expects sales to go up during the current fiscal year. Voith Hydro also believes that its medium-term perspectives are positive: the hydroelectric industry is gaining increasing acceptance in the wake of the nuclear disaster in Japan, although actual implementation occurs after a considerable time lag owing to long planning and approval periods. As more work goes into developing renewable sources of energy, growing demand is also expected to emerge in the field of pumped storage plants.

Voith Industrial Services anticipates continuing moderate growth throughout fiscal 2010/11, with differing contributions from the various divisions. The Group Division is very optimistic about the order situation in the process and automotive industries. Many of the Industries Division's customer industries have also gradually recovered. The regions and industries with which the Engineering Services Division does business have developed at differing rates. At the regional level, Voith Industrial Services expects growth stimulus from Asia and Brazil in particular. Planning is based on the assumption of unbroken recovery in the relevant markets, but is also subject to a number of risks. The impact on the automotive industry of possible problems obtaining supplies from Japan, for example, has not been taken into account.

The first six months of 2010/11 were so positive for the company that Voith Paper has readjusted its forecast upwards. Voith Paper now expects incoming orders for the entire fiscal year to match the figures for the previous year and sales to increase tangibly. The regions of China, India and South America, where paper is increasingly in demand from a growing middle class, will again prove engines of growth. However, the upswing has also reached Europe and North America. With its environmentally friendly and resource-efficient solutions, Voith Paper is outstandingly well positioned and perceives good medium-term growth opportunities.

Voith Turbo expects business to continue along the same positive lines in the second half of the year. Sales will not only rise substantially in the course of the whole of fiscal 2010/11, incoming orders will also be noticeably higher than last year. Growth will be produced by all four Divisions, including the Industry Division which was expected to tread water at the end of fiscal 2009/10. In particular the good outlook for the Industry Division is based on sales to the oil and gas industry as well as in the commodities market.

Profitable growth in the Group

Voith expects consolidated sales to go up in fiscal 2010/11. Incoming orders will develop better than was previously expected and will exceed the level for the previous year. Thanks to an improved product mix and efficiency gains, Voith plans, as announced, to improve on both its operational result and net income as compared to the previous year.

02

Group Interim Financial Statements of Voith GmbH

for the period from October 2010 through March 2011

Consolidated Statement of Income

for the period from October 1, 2010, through to March 31, 2011

€ in thousands	2010-10-01 to 2011-03-31	2009-10-01 to 2010-03-31*
Sales	2 629 305	2 354 029
Increase in inventories and capitalized costs	79 781	51 499
Total output	**2 709 086**	**2 405 528**
Other operating income	185 886	169 597
Cost of material	(1 094 548)	(959 453)
Personnel expenses	(993 827)	(901 946)
Depreciation	(81 362)	(76 196)
Other operating expenses	(547 608)	(490 777)
Operational result before non-recurring result	177 627	146 753
Non-recurring result	0	(4 352)
Operational result	177 627	142 401
Share of profits from associates	2 978	2 016
Interest income	10 461	17 208
Interest expenses	(48 421)	(48 298)
Other financial result	531	(36 809)
Income before taxes	**143 176**	**76 518**
Income taxes	(48 468)	(40 104)
Net income	**94 708**	**36 414**
Net income attributable to shareholders of the parent company	85 718	26 294
Net income attributable to holders of non-controlling interests	8 990	10 120

*Prior period adjusted (see section "Restatement of Prior Periods").

Consolidated Statement of Total Comprehensive Income

for the period from October 1, 2010, through to March 31, 2011

€ in thousands	2010-10-01 to 2011-03-31	2009-10-01 to 2010-03-31*
Net Income	**94 708**	**36 414**
Gains/(Losses) on available-for-sale financial assets	56 324	1 108
Gains/(Losses) on cash flow hedges	4 484	(4 693)
Gains/(Losses) on currency translation	(7 452)	38 725
Gains/(Losses) on net investments in foreign operations	343	12 431
Tax on items recognized directly in equity	(1 516)	(1 196)
Other Comprehensive Income	**52 183**	**46 375**
Total Comprehensive Income for the period	**146 891**	**82 789**
Of which:		
Attributable to shareholders of the parent company	139 189	67 499
Attributable to holders of non-controlling interests	7 702	15 290
	146 891	**82 789**

*Prior period adjusted (see section “Restatement of Prior Periods”).

Consolidated Balance Sheet

as at March 31, 2011

Assets

€ in thousands	2011-03-31		2010-09-30	
A. Non-current assets				
I. Intangible assets	718 507		702 744	
II. Property, plant and equipment	1 162 120		1 155 131	
III. Investments in associates	30 282		20 811	
IV. Marketable securities	229 335		173 198	
V. Other financial assets	35 900		32 484	
VI. Other receivables and assets	143 072		167 189	
VII. Deferred tax assets	159 973		156 256	
Total non-current assets		**2 479 189**		**2 407 813**
B. Current assets				
I. Inventories	895 259		784 051	
II. Trade receivables	1 090 554		1 139 697	
III. Marketable securities	32 913		41 401	
IV. Income tax assets	75 125		81 153	
V. Other receivables and assets	273 308		270 860	
VI. Cash and cash equivalents	1 049 255		1 175 359	
		3 416 414		**3 492 521**
VII. Held for sale assets	1 451		1 447	
Total current assets		**3 417 865**		**3 493 968**
Total assets		**5 897 054**		**5 901 781**

Equity and Liabilities

€ in thousands	2011-03-31		2010-09-30	
A. Equity				
I. Issued capital	120 000		120 000	
II. Revenue reserves	871 117		810 467	
III. Other reserves	114 072		60 601	
IV. Profit participation rights	6 600		6 600	
Equity attributable to shareholders of the parent company		**1 111 789**		**997 668**
V. Profit participation rights	76 800		76 800	
VI. Other interests	36 445		32 788	
Equity attributable to holders of non-controlling interests		**113 245**		**109 588**
Total equity		**1 225 034**		**1 107 256**
B. Non-current liabilities				
I. Provisions for pensions and similar obligations	414 863		408 991	
II. Other provisions	163 614		163 979	
III. Income tax liabilities	4 429		4 660	
IV. Financial liabilities	1 156 152		1 180 325	
V. Other liabilities	116 566		122 556	
VI. Deferred tax liabilities	144 566		134 599	
Total non-current liabilities		**2 000 190**		**2 015 110**
C. Current liabilities				
I. Provisions for pensions and similar obligations	25 935		25 839	
II. Other provisions	306 014		336 130	
III. Income tax liabilities	94 628		94 783	
IV. Financial liabilities	309 382		296 397	
V. Trade liabilities	527 616		525 481	
VI. Other liabilities	1 408 255		1 500 785	
Total current liabilities		**2 671 830**		**2 779 415**
Total equity and liabilities		**5 897 054**		**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 in the parent company		
Balance as at 2010-10-01	**120 000**	**810 467**	**24 164**	**(5 534)**	**49 429**
Net income		85 718			
Other comprehensive income			56 303	2 960	(6 005)
Total comprehensive income		**85 718**	**56 303**	**2 960**	**(6 005)**
Allocation of reserves to profit participation rights		(4 587)			
Acquisiton of non-controlling interests		(1 112)			
Share of income attributable to profit participation rights					
Dividends		(16 000)			
Contributions from holders of non-controlling interests					
Non-controlling interests—put options		(57)			
Other adjustments		(3 312)			
Balance as at 2011-03-31	**120 000**	**871 117**	**80 467**	**(2 574)**	**43 424**

€ in thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
			Equity attributable to shareholders in the parent company		
Balance as at 2009-10-01	**120 000**	**741 059**	**(442)**	**(1 565)**	**773**
Adjustment in accordance with IAS 8		(3 796)			111
Balance as at 2009-10-01 (adjusted)*	**120 000**	**737 263**	**(442)**	**(1 565)**	**884**
Net income		26 294			
Other comprehensive income			1 138	(3 157)	34 552
Total comprehensive income		**26 294**	**1 138**	**(3 157)**	**34 552**
Allocation of reserves to profit participation rights		(4 406)			
Acquisiton of non-controlling interests		(13 943)			
Share of income attributable to profit participation rights					
Dividends		(9 949)			
Contributions from holders of non-controlling interests					
Non-controlling interests—put options		(3 461)			
Other adjustments		(504)			
Balance as at 2010-03-31	**120 000**	**731 294**	**696**	**(4 722)**	**35 436**

*Prior period adjusted (see section “Restatement of Prior Periods”).

			Equity attributable to holders of non-controlling interest			
Net investments in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total Equity
(7 458)	**6 600**	**997 668**	**76 800**	**32 788**	**109 588**	**1 107 256**
		85 718		8 990	8 990	94 708
213		53 471		(1 288)	(1 288)	52 183
213		**139 189**		**7 702**	**7 702**	**146 891**
	363	(4 224)	4 224		4 224	0
		(1 112)		831	831	(281)
	(363)	(363)	(4 224)		(4 224)	(4 587)
		(16 000)		(3 261)	(3 261)	(19 261)
		0		1 190	1 190	1 190
		(57)		(3 986)	(3 986)	(4 043)
		(3 312)		1 181	1 181	(2 131)
(7 245)	**6 600**	**1 111 789**	**76 800**	**36 445**	**113 245**	**1 225 034**

			Equity attributable to holders of non-controlling interest			
Net investments in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total Equity
(16 172)	**6 600**	**850 253**	**76 800**	**26 842**	**103 642**	**953 895**
		(3 685)				(3 685)
(16 172)	**6 600**	**846 568**	**76 800**	**26 842**	**103 642**	**950 210**
		26 294		10 120	10 120	36 414
8 672		41 205		5 170	5 170	46 375
8 672		**67 499**		**15 290**	**15 290**	**82 789**
	182	(4 224)	4 224		4 224	0
		(13 943)		(1 544)	(1 544)	(15 487)
	(182)	(182)	(4 224)		(4 224)	(4 406)
		(9 949)		(2 120)	(2 120)	(12 069)
		0		505	505	505
		(3 461)		(7 698)	(7 698)	(11 159)
		(504)		(332)	(332)	(836)
(7 500)	**6 600**	**881 804**	**76 800**	**30 943**	**107 743**	**989 547**

Consolidated Cash Flow Statement

€ in thousands	2010-10-01 to 2011-03-31	2009-10-01 to 2010-03-31*
Income before taxes	143 176	76 518
Depreciation	81 657	115 391
Interest result	37 960	31 090
Other non-cash items	(2 929)	1 303
Result from the disposal of property, plant, equipment and intangible assets	(4 522)	(833)
Income from investments	(671)	(2 218)
Changes in provisions and accruals	(57 283)	(62 001)
Change in net working capital	(168 137)	79 255
Interest payments	(35 567)	(34 119)
Interest received	9 456	17 471
Dividends received	667	3 113
Tax payments	(34 782)	(47 264)
Cash flow from operating activities	**(30 975)**	**177 706**
Investments in property, plant, equipment and intangible assets	(102 506)	(112 451)
Proceeds from disposal of property, plant, equipment and intangible assets	10 123	4 461
Investments in financial assets	(11 236)	(1 281)
Subsequent payments on purchasing price of previous acquisitions	(63)	(117)
Acquisition of subsidiaries	(9 878)	0
Proceeds from the disposal of financial assets	271	1 434
Changes in investments in securities	7 959	(40 715)
Cash flow from investing activities	**(105 330)**	**(148 669)**
Dividend payments	(23 848)	(16 475)
Contributions from holders of non-controlling interests	1 190	505
Acquisition of non-controlling interests	(281)	(14 875)
New bonds, bank loans and overdrafts	23 296	7 024
Repayment of bonds, bank loans and overdrafts	(22 758)	(6 699)
Changes in financial receivables and financial liabilities	37 451	(5 679)
Cash flow from financing activities	**15 050**	**(36 199)**
Total cash flow	**(121 255)**	**(7 162)**
Exchange rate movements, valuation changes and changes in Group structure	(4 849)	33 410
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	**1 049 255**	**949 375**

*Prior period adjusted (see section “Restatement of Prior Periods”).

Notes to the Interim Consolidated Financial Statements

General

With effect from 1st October 2010 the legal form of the former Voith AG (Voith) changed to Voith GmbH. Voith GmbH is a German company with international presence. Voith is situated in Heidenheim/Brenz at St. Pöltener Strasse 43. The company is registered at the Court of Registry in Ulm (HRB 725621). The interim consolidated financial statements are prepared by Voith and are filed with the electronic version of the Federal German Gazette.

On May 9th, 2011, the Board of Management authorized the release of the abridged interim consolidated financial statements for the first six months of fiscal year 2010/11.

As a domestic issuer of debt in accordance with Section 2 paragraph 1 line 1 WpHG, Voith has to prepare interim financial statements according to Section 37w WpHG.

Basic Principles of Interim Consolidated Financial Statements

Principles of preparation

The abridged interim consolidated financial statements for the first six months of fiscal year 2010/11 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and meet the requirements of IAS 34 (Interim Financial Reporting).

The interim consolidated financial statements are not audited. The report does not include all the information and disclosures required for annual consolidated financial statements and is therefore to be read in combination with the annual report for the fiscal year 2009/10. The reporting currency for the interim financial statements is Euro.

Consolidated Group

The following companies are included in the interim consolidated financial statements:

	2011-03-31	2010-09-30
Voith GmbH and its fully consolidated subsidiaries:		
Germany	71	75
Abroad	150	148
Total fully consolidated companies	**221**	**223**
Associates accounted for using the equity method:		
Germany	4	4
Abroad	11	12
Total associated companies accounted for using the equity method	**15**	**16**

In the reporting period under review, the companies Voith Industrial Services Ltd. & Co. KG in Stuttgart, MinPlus-CDEM Group in Vaassen, Netherlands, as well as Hydronaut s.r.l. in Mailand, Italy were fully consolidated for the first time.

The reduction in the number of fully consolidated companies is due to the fact that several companies were merged during the reporting period.

Companies in which Voith is able to directly or indirectly influence the financial decision-making and business politics (associated companies), are consolidated using the equity method. In the current reporting period, FlowLink Systems Private Ltd. (Coimbatore, India), in which Voith has a 50% interest, was consolidated as an associate for the first time. Two foreign companies that were consolidated as associates in the previous reporting period, have been closed down.

Accounting and Valuation Policies

The abridged interim consolidated financial statements have been prepared in accordance with the same accounting and valuation policies as in the year end report as at 30th September 2010 with the exception of the following changes:

Income taxes in the Interim Reporting

Income tax in the interim consolidated financial statements is calculated with the estimated tax rate for the entire fiscal year.

Changes in accounting and valuation methods based on the initial application of revised and recently issued IFRS and IFRIC

In the first half year of the fiscal period 2010/11, the following revised and recently issued IFRS and IFRIC were applied for the first time:

Amendments to IAS 32: „Financial Instruments: Classification of Rights Issues"
The amendments to IAS 32 are intended to 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 realized 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 determines the treatment of the liability relating to a non-cash dividend.

IFRIC 18: „Transfers of Assets from Customers"

This interpretation deals with the accounting treatment of arrangements whereby a company receives from a customer an item of property, plant and equipment that the company 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 requirements when a debtor renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

Annual Improvements Project—April 2009

The amendments encompass specific corrections and clarification of content and terminology.

The initial application of the changes in IAS 32, IFRS 2 and the new interpretations IFRIC 15, 17, 18 and 19, as well as the changes arising from the annual improvements April 2009 did not have a significant effect on the financial position or earnings of the Voith Group.

Restatement of Prior Periods

(1) As mentioned in the group financial statements for the period 2009/10, a violation of the accounting treatment relating to the percentage of completion method was discovered. This lead to the relevant adjustments being made to the comparative data in the group financial statements for the fiscal period 2009/10.

As a consequence of this, the comparative data in the interim reporting as at 31st March 2011 has also been adjusted. In the group profit and loss statement for the prior period, the sales have been increased by €9 934 thousand, the material expenses by €7 882 thousand, and the tax expense increased by €821 thousand. The profit for the period increased in total by €1 231 thousand. In the consolidated statement of comprehensive income, the currency translation gain was reduced by €390 thousand.

The comparative balance sheet as at 30th September 2010 published in the group financial statements 2009/10 remained unchanged.

In the statement of changes in equity for the comparative period, the opening balance as at 1st October 2009 is adjusted according to the changes documented in the group financial statements for the fiscal period 2009/10.

In the Cash Flow Statement for the prior period, reclassifications were made between individual positions in the cash flows from operating activities and a few ratios were adjusted in the segment report.

(2) Due to structural changes in the internal reporting, the comparative data in the segment report has been adjusted (see chapter "Notes to the Segment Information").

Business Combinations in 2010/11— Acquisition of MinPlus-CDEM Holding B.V.

The Group Division Voith Paper purchased 100% of the shares and voting rights of MinPlus-CDEM Holding B.V. Vaassen, Netherlands and its' subsidiaries with effect from 14th January 2011.

The Know-How and Patents from CDEM enable Voith Paper the construction of a sludge-recycling facility. This facility offers a unique solution to Voith Paper's customers for the recycling of sludge produced in the paper-making process.

This facility completes the product spectrum offered by Voith Paper and emphasizes Voith Paper as an ideal business partner for environmentally friendly complete solutions for the paper industry.

A portion of the purchased intangible assets e.g. the know-how of the employees, could not be capitalized because the recognition criteria were not met. The goodwill is however justified by the positive effects described above for the Voith Paper group division.

The following amounts represent the acquired assets and liabilities:

€ in thousands	Fair value at time of acquisition
Intangible assets	9 332
Receivables	8
Cash equivalents	103
Liabilities	(2 472)
Book value	**6 971**
Goodwill	3 010
Acquisition price	**9 981**
Cash equivalents	(103)
Cash Outflow/(Inflow)	**9 878**

The purchase price allocation in the positions "Intangible assets" and "Liabilities" is not yet finalized. In addition, the valuation of contingent liabilities and any related indemnification assets in the purchase contract are still to be carried out.

The purchase price, in cash, has already been settled in full. There are no other purchase price portions and no contingent consideration is expected.

In 2011, Voith Paper has paid the seller €200 thousand for advice and services which was within the scope of a separate agreement (recorded in other operating expenses). The seller has been granted a loan of €500 thousand for a period of five years (included in the non-current assets in the balance sheet).

The MinPlus-CDEM Holding B.V. and its' subsidiaries have contributed sales of €75 thousand in the first six months of the fiscal period 2010/11 and recorded a loss of €34 thousand in the profit and loss statement of the Voith Group for this period. If the business combination had been carried out as at 1st October 2010, the group sales would have been €182 thousand higher and the group profit reduced by €291 thousand.

Notes to the Segment Information

The comparative data for the segment Voith Industrial Services has been restated due to a change in the internal reporting structure. The sales to third parties decreased by €3 million and the sales with other segments decreased by €16 million. The profit from operations decreased by €1 million, the capital employed by €8 million and the number of employees by 249.

The segment structure remains otherwise unchanged from the structure as at 30th September 2010. In determining the profit from operations, the following components have been considered, as was the practice in the previous group financial statements:

Operating interest income

Operating interest income from ordinary activities is defined as interest received by the company on the long-term financing of receivables from customers or as the imputed interest effect assigned on 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 other expenses in the Statement of Income. In line with the calculation of the Profit from Operations these adjustments are eliminated as exceptions and therefore a better evaluation of the operating business activities by segment is achieved.

The capital employed as at 31st March 2011 is an average value derived from the balances as at the reporting date and the balances as at 30th September 2010. The comparative amounts for capital employed as at 30th September 2010, are determined as an average of the balances as at 30th September 2010, 31st March 2010 and 30th September 2009.

Segment information by Division

€ in millions	Voith Hydro 2010/11	Voith Hydro 2009/10*	Voith Industrial Services 2010/11	Voith Industrial Services 2009/10[3]	Voith Paper 2010/11	Voith Paper 2009/10
External sales	576	579	489	446	859	737
Sales with other segments	3	1	19	16	17	26
Total segment sales	579	580	508	462	876	763
Profit from operations	38	42	17	16	55	39
Capital employed	547	440	177	185	801	796
Employees[2]	5 266	5 238	18 413	18 870	9 615	9 353

[1] Sub-total of Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.

[2] Statistical number of persons employed at balance sheet date compared with September 30, 2010.

[3] Prior period adjusted due to changes in internal reporting structure.

*Prior period adjusted (see section "Restatement of Prior Periods").

	Voith Turbo		Total Core Business[1]		Reconciliation		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10[3]	2010/11	2009/10*
	701	586	2 625	2 348	4	6	2 629	2 354
	1	2	40	45	(40)	(45)	0	0
	702	588	2 665	2 393	(36)	(39)	2 629	2 354
	75	46	185	143	12	(3)	197	140
	723	703	2 248	2 124	118	104	2 366	2 228
	5 670	5 422	38 964	38 883	921	871	39 885	39 754

The defined components, "Operating Interest Income" and "Other Adjustments", are not directly shown in the Statement of Income. Therefore they are separately disclosed in the following reconciliation starting with the total of Profit from Operations to Income before Taxes.

Profit from Operations can be reconciled to the figures in the consolidated financial statements as follows:

€ in millions	2010/11	2009/10*
Profit from Operations	**197**	**140**
Operating interest income	(16)	(15)
Other adjustments	(4)	22
Non-recurring result	0	(4)
Share of profits from associates	3	2
Interest result	(38)	(31)
Other financial result	1	(37)
Income before Taxes	**143**	**77**

*Prior period adjusted (see section "Restatement of Prior Periods").

Notes to the Statement of Income and the Balance Sheet

The following notes limit themselves to facts, that provide useful additional information in order to understand the Statement of Income and the Balance Sheet.

Notes to the Statement of Income

Other operating income

€ in thousands	2010/11	2009/10
Income from the use of order-specific provisions	51 649	51 190
Income from the reversal of provisions	41 028	46 982
Foreign exchange gains	50 054	35 186
Recovered bad debts	4 846	4 263
Gains on the disposal of intangible assets and property, plant and equipment	5 164	1 550
Other income	33 145	30 426
	185 886	**169 597**

Other operating expenses

€ in thousands	2010/11	2009/10
Increase in provisions	97 094	88 721
Other selling expenses	171 410	158 427
Other administrative expenses	144 872	114 095
Foreign exchange losses	55 359	39 833
Rent for buildings and machinery	35 323	30 620
Provisions for bad debts	4 288	1 205
Loss on the disposal of intangible assets and property, plant and equipment	642	489
Other expenses	38 620	57 387
	547 608	**490 777**

Other financial result

€ in thousands	2010/11	2009/10
Income from investments	671	2 218
Write-downs on marketable securities	(295)	(39 217)
Sundry financial result	155	190
	531	**(36 809)**

Notes to the Balance Sheet

Marketable Securities

The increase in the non-current marketable securities is mainly due to the revaluation of the available-for-sale securities. The short-term securities decreased as a result of sales transactions (see Statement of Cash Flows).

Financial Liabilities

The non-current financial liabilities decreased to €1 156 million (previous period: €1 180 million) due to their revaluation. The short term financial liabilities increased to €309 million (previous period: €296 million) mainly due to an increase in liabilities with shareholders.

Other Liabilities

The current and non-current other liabilities decreased in total by €98 million to €1 525 million (previous period: €1 623 million). The major effects are in the positions “Advanced payments from customers” (decrease of €65 million) and personnel-related accruals (decrease of €30 million).

Other Information

Contingent Liabilities and Other Financial Commitments

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	2011-03-31	2010-09-30
Guarantee obligations	36 798	36 910
Warranties	676	901
	37 474	**37 811**

In addition to liabilities, provisions and contingent liabilities, the Voith Group also has other financial obligations, in particular those arising from rental and leasing agreements for buildings, land, equipment, plant, machinery, and other non-production-related tools and equipment.

€ in thousands	2011-03-31	2010-09-30
Purchasing commitments for capital expenditure	27 757	19 989
Obligations arising from non-cancellable operating rental and leasing agreements	128 453	136 024
Other	646	740
	156 856	**156 753**

Related Party Disclosures

All business transactions with related enterprises and individuals are conducted under regular market terms and conditions. The majority of deliveries and services to related enterprises and individuals are shown in the tables below:

€ in thousands	2011-03-31	2010-09-30
Liabilities to family members who are shareholders	45 925	37 123
Receivables from associated companies	153	5 057
Liabilities to associated companies	206	707
Receivables from other investments incl. advance payments	13 378	11 140
Write-downs on receivables from other investments	(448)	(448)
Liabilities to other investments	25 972	25 030
Receivables from the ultimate parent company	2 202	214
Liabilities to the ultimate parent company	2 458	1 904
Receivables from holders of non-controlling interests	25 086	31 496
Liabilities to holders of non-controlling interests	70 022	61 590

€ in thousands	2010/11	2009/10
Services purchased from associated companies	286	540
Services provided for associated companies	9 768	9 811
Services purchased from other investments	714	425
Services provided for other investments	12 256	10 476
Services purchased from the ultimate parent company	5 687	3 755
Services provided for the ultimate parent company	227	227
Services purchased from holders of non-controlling interests	30 000	38 595
Services provided for holders of non-controlling interests	30 740	26 671

Events after the Balance Sheet Date

Of the €150 million note loan in existence on March 31, 2011, €66 million were repaid in early May 2011. Another €82 million of this loan will be repaid at the end of May.

No other significant developments have occurred since the first half of fiscal 2010/11 came to an end on March 31, 2011.

Heidenheim, May 9, 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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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 for the remaining months of the financial year.

Heidenheim, May 9, 2011

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Peter Edelmann
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Bertram Staudenmaier
Dr. Roland Münch

Significant Events

March 2011

Voith Hydro Heidenheim received its first large order from Switzerland. Two additional turbine groups in a new underground cavern will boost installed capacity from 240 to 480 megawatts in the Forces Motrices Hongrin-Léman SA Plus power plant. Commissioning is planned for 2014.

Voith Hydro signed a contract to supply the Belo Monte hydro power project in Brazil. With a value of €443 million, this was the largest single contract received to date. Voith Hydro is the technical leader of the consortium and will provide four Francis turbines, the generators, all the transformers and the entire automation technology.

The order for the overhauling of the Decew Falls 1 power plant in the Province of Ontario (Canada) went to Voith Hydro. The original fittings for the hydropower plant (supplied between 1904 and 1912) also came from Heidenheim. In fact, the turbines were among the first to be delivered to North America by Voith.

Voith Industrial Services won a new contract from Ford in Brazil for the facility management of the SBC plant in São Paulo. More than 150 employees work in the project.

Voith Industrial Services took on production technology maintenance and assumed responsibility for overall service for the entire conveyor technology used by BMW in Berlin. The project will run until the end of 2014 and will generate annual sales of €950 thousand.

Voith Engineering Services GmbH Road & Rail Chemnitz won the 2011 E-Logistics Award for innovative logistics and production management solutions primarily intended for use in the automotive industry.

Voith Industrial Services was comissioned with a plant relocation for Freudenberg in Berlin. Around 200 machines and all the firm's measuring and office equipment will move to a new home between April and September 2011. The relocation operation is worth €500 thousand.

Voith Industrial Services took on technical and infrastructure facility management for Faurecia, a supplier to the automotive industry in Pappenheim. The contractual term is three years, the annual volume €900 thousand.

Volkswagen Motor Polska awarded its maintenance and building management contract to Voith Industrial Services. Both contracts will continue until 2014 with the option of an extension for another year. All in all the volume of the order is around €2.5 million per year.

The DongHae PM 1 paper machine supplied to the Moorim Paper Group by Voith Paper went into operation. The new machine mainly uses locally produced pulp, making it the first integrated cellulose and paper factory in South Korea.

Voith Turbo won an order from Capital Steel for the delivery of articulated shafts for a hot strip mill in a Chinese steel works worth €2.1 million.

Sale of the first VOSYCON (= Voith Synchronised Converter) for a refinery in Colombia, an order worth around $2.5 million.

The Chinese manufacturer Yutong supplied 155 buses with DIWA automatic transmissions by Voith Turbo to the bus operator Veolia for use in Macau.

Voith Turbo supplied cooling systems and couplings for the Bombardier INNOVIA 300 monorail platform, which is currently under construction in both São Paulo and Saudi Arabia. Monorails use a single rail system and can be operated on suspended tracks above ground level roads.

February 2011

Voith Hydro won the contract for the delivery of three Francis turbines each with a capacity of 400 megawatts for the new Yang Qu power plant on the Yellow River in China. The turbines will be installed by 2016.

Voith Hydro opened a new production hall in St. Pölten. The worldwide production network includes the local competence centre for milled Pelton wheels designed for especially high falls.

Voith Engineering Services received approval as the Design Organization for the European Aviation Safety Agency (EASA). This certification allows Voith to make design changes and repairs to the cabin fittings of aircraft.

In India Voith Engineering Services became one of three first-level suppliers in flight physics and as such first-choice supplier for the Airbus Engineering Center in Bangalore.

Voith Industrial Services assumed responsibility for the servicing of 550 buses in four London United bus depots. The project will continue until February 2014 and generate sales of €5.7 million.

For the second time in a row Voith Paper received the Sustainable Development Supplier Award from the Canadian customer and paper manufacturer Cascades. Voith was chosen for the award because of its business philosophy, which puts special emphasis on conserving resources.

Shaybah Saudi Aramco, a gas refinery in Saudi Arabia, awarded the contract for the supply of a modular variable-speed fluid coupling and a Vorecon to Voith Turbo. The order is worth around €10 million.

Voith Turbo won an order for six Vorecon for a coal fired power plant in Raipur, India. These were the first Vorecon to be delivered to India. The order is worth around €6 million.

Voith Turbo won the order for DIWA automatic transmissions for 104 single-decker and 184 double-decker buses in London. Private operator Arriva procured the buses from the Dutch manufacturer VDL Bus.

Voith Turbo Schneider Propulsion successfully tested the new RAVE tug concept in a test tank as part of a joint project with Canadian ship designer Robert Allan Ltd. The RAVE tug has two Voith Schneider propellers configured one behind the other.

Deutsche Bahn commissioned its first Voith Gravita 10 BB at the marshalling yards in Hamburg-Maschen. Deutsche Bahn is currently in the process of modernising its shunting and freight haulage fleet with 130 diesel-hydraulic Voith locomotives. The trial run was successfully completed in February.

The Polish vehicle manufacturer Solaris and Voith unveiled the Urbino 18 DIWAhybrid. This is an articulated bus with a Voith Turbo parallel-hybrid engine. Field tests are currently underway with Bochum-Gelsenkirchener Straßenbahnen AG.

January 2011

In early 2011 Voith Industrial Services took on paintshop cleaning for KIA in Slovakia. The project will run for over a year and is worth around €1 million in sales.

Voith Industrial Services won a contract for manufacturing and assembling double-jacketed pipelines for Lenzing AG. The order included project planning, detail engineering, prefabrication, assembly of the piping system and pre-commissioning inspection. The order is worth around €5 million.

Voith Paper acquired rights and patents from the Dutch CDEM-MinPlus Group to a technology for the processing of deinking sludge produced during the papermaking process. The CTC technology transforms the sludge into useful minerals and energy.

Three major offshore ships were launched in Vigo (Spain) between November 2010 and January 2011. These are two service vessels, each 110 metres long and each with Voith roll stabilisation (VRS) and two Voith Schneider propellers (VSP) as well as a 130-metre supply ship with five VSPs and VRS. One of the largest offshore construction vessels—160 metres in length and again with five VSPs and VRS—also went into operation.

Voith Turbo won the order for eight turbo transmissions from Vossloh Locomotives GmbH in Kiel. The end customer is a private railway operator in France. The total value of the order is €2.1 million.

MTU in Friedrichshafen ordered 18 turbo transmissions from Voith Turbo for the vehicle manufacturer Metrowagonmash (Russia).

December 2010

Voith Hydro was awarded the order to supply the Venda Nova III power plant from the Portuguese energy utility Energias de Portugal (EDP). Voith Hydro is the leader of a consortium with Siemens Portugal and supplies the complete electromechanical equipment for two reversible pumped-storage units. The order is worth €122 million and will enable Venda Nova III to be linked up to the grid by 2015.

Voith Hydro secured the contract for the complete electromechanical equipment for the Turkish hydropower plant constructed by Statkraft. As the consortium leader Voith Hydro is responsible for the engineering, supply and commissioning of two vertical Francis turbines. The contract also covers power plant generators, inlet valves and plant control systems. Kargi is scheduled to begin feeding power into the grid in 2013.

Voith Industrial Services agreed a full service contract with FKi Engineering Ltd. (United Kingdom) for a wind park. The wind park in Austria has a total capacity of 46 MW.

The Karlsruhe Institute of Technology awarded the contract for the electromechanical maintenance of its technical equipment to Voith Industrial Services for a further four years. Voith already held the first maintenance contract from 2005 to 2010.

Indian papermaker JK Paper Ltd. commissioned Voith Paper to supply a complete paper machine. The Rayagada PM 6 will begin producing high-quality uncoated and pigmented woodfree paper from October 2012.

Voith Paper received the order from Fushun Mining Corporation for the delivery of a new paper machine for packaging paper. The Fushun PM 2 will go into operation in China in October 2012.

A paper machine supplied by Voith Paper started operation with Tamil Nadu Newsprint and Papers (India). The PM 3 produces printing and copying paper from bagasse.

The first batch of Gravita 10 BB shunting locomotives entered service for the German freight rail company DB Schenker Rail. In total the company has ordered 130 locomotives from Voith Turbo. The overall order covers a capital investment volume of more than €240 million. All Gravita locomotives are fitted with additional particle filters.

Mibus, a public transport operator in Panama, opted to fit out 600 Volvo buses with Voith automatic transmissions.

November 2010

The Limpet wave power station on the Scottish island of Islay celebrated ten years of feeding electricity into the grid. The availability of the plant has been continually increased and, by 2010, had reached 98%.

Voith Industrial Services India Pvt. Ltd. secured a project contract from Caterpillar India Private Ltd. in Chennai (India) for a period of at least five months.

Voith Paper presented the first non-radioactive sensor for tissue production which can be used by manufacturers of tissue-paper products to make quality measurements without having to use a radioactive source, as was previously the case.

Voith Turbo won the order for a total of 650 transmissions for Volvo city buses in Perth (Australia).

October 2010

Mercedes-Benz Manufacturing Hungary Kft. awarded Voith Industrial Services the technical and infrastructure facility management as well as technical cleaning contract for the new plant in Kecskemét. The contract was set to run for three years with the option of extending it for a further two.

The Perlen PM7 paper machine supplied by Voith Paper was accepted by the customer, Perlen Papier AG, after successful commissioning. The newspaper printing machine was designed by Voith as an integrated EcoMill and was built to an all-round and highly persuasive resource-efficient concept.

Voith Paper successfully commissioned the PM 2 after a major rebuild with the paper manufacturer Cascades in Candiac, Canada. This tissue machine is the first in North America to be fitted out with Voith ATMOS technology, which enables manufacturers to produce high-quality hygienic paper made exclusively of recycled fibers.

Voith Turbo received the order for the delivery of 242 drive systems for the "Regio Shuttle" regional service car. The scope of delivery included DIWARail transmissions, distribution gears and cooling systems.

Voith Turbo secured a contract from the SBST bus operator in Singapore for the installation of 600 automatic transmissions in Volvo double-decker and Mercedes single-decker buses.

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Publisher

Voith GmbH
P.O. Box 2000
89510 Heidenheim
Phone: +49 7321 37-0
Fax: +49 7321 37-7000
E-mail: info@voith.com
www.voith.com

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www.voith.com

Voith GmbH
St. Pöltener Straße 43
89522 Heidenheim, Germany
Phone +49 7321 37-0
Fax +49 7321 37-7000

www.voith.com