

Voith Turbo A/S

Ringstedvej 233

4600 Køge

CVR No. 15150475

Annual Report 2016/17

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 15/1 - 2018



Chairman

Voith Turbo A/S

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Voith Turbo A/S

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Voith Turbo A/S for the financial year 1 October 2016 - 30 September 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2017 and of the results of the Company's operations for the financial year 1 October 2016 - 30 September 2017.

Further, in our opinion, The Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Køge, 15 January 2018


Executive Board

**Hans Erik Beling
Manager**

Supervisory Board


**Richard Michael Mark Skinner
Chairman**


Klaus Michael Sanders


**Hans Erik Beling
Manager**


Domenico Bondi


VP Høstbøl

Independent auditor's report

To the shareholders of Voith Turbo A/S

Opinion

We have audited the financial statements of Voith Turbo A/S for the financial year 1 October 2016 - 30 September 2017, comprising accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2017 and of the results of the Company's operations for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the "Auditors' responsibility for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements



Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

-  identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
-  obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Independent auditor's report

Company's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of matter regarding the annual report

At 30 September 2017, the Company's equity was negative. Without qualifying our opinion, we draw attention to note 5 to the financial statements regarding the disclosure of Management's going concern assessment and the parent company's financial support.

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 15 January 2018

KPMG

Statautoriseret Revisionspartnerskab

CVR-no. 25578198



Martin Eiler

State Authorised Public Accountant

MNE-no. 32271

Voith Turbo A/S

Company details

Company	Voith Turbo A/S Ringstedvej 233 4600 Køge
CVR No.	15150475
Registered office	Køge
Financial year	1 October 2016 - 30 September 2017
Supervisory Board	Richard Michael Mark Skinner , Chairman Klaus Michael Sanders Hans Erik Beling , Manager Domenico Bondi
Executive Board	Hans Erik Beling , Manager
Auditors	KPMG Statautoriseret Revisionspartnerskab CVR-no.: 25578198

Management's Review

Management's review

The Company's principal activities

Voith Turbo A/S engages in sales and service of Voith's products for the mobility markets. Voith Turbo is a wholly-owned subsidiary of Voith, the German Industrial Group.

Voith Turbo A/S is part of the Voith Turbo group division in Voith GmbH, specialising in hydrodynamic drive, clutch and brake systems for roads and railways.

Voith is setting standards in the paper, energy, mobility and service markets. Formed on 1 January 1867, Voith has evolved to become one of Europe's largest family-owned industry businesses with 20,000 employees, revenue of EUR 4.4 billion and more than 290 locations across the world.

The Company is not exposed to any special risks out of the operating business apart from what is usual for this kind of business. The Company's revenue is mainly affected by general business cycles.

Description of significant changes to the Company's activities

The Company was restructured in the financial year 2015/16, and part of the business activities have been sold to other group companies. The Company is continuing business activities in the mobility market.

Financial development

The Company's Income Statement of the financial year 1 October 2016 - 30 September 2017 shows a result of DKK -295.186 and the Balance Sheet at 30 September 2017 a balance sheet total of DKK 11.660.061 and an equity of DKK -855.491.

The shareholder has also expressed his support to the new company set-up in the financial year 2017/18 by means of a support letter. For further information, please refer to note 5.

Supesquent events

None.

Accounting Policies

Reporting Class

The Annual Report of Voith Turbo A/S for 2016/17 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Income Statement

Revenue

Revenue comprises income from trading with hydrodynamic couplings, gears, wheel bandages and related products as well as service and maintenance activities. Income from the sale of goods is recognised in revenue at the time of delivery and when the risk is transferred to the buyer provided that the income can be determined reliably. Income related to repair work is measured and recognised at the cost of work performed. VAT, indirect taxes and discounts are excluded from the revenue.

Cost of sales

Cost of sales includes production costs and other administrative expenses related to the generation of revenue. Cost of sales is recognised at the cost of work performed.

Other operating income

Other operating income comprises items secondary to the Company's activities, including gains on the disposal

Accounting Policies

of property, plant and equipment.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Costs of sales', 'Other operating income' and 'Other operating costs' are consolidated into one item designated 'Gross margin'.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Other operating costs

Other operating costs comprise items secondary to the activities of the entities, including losses on the disposal of intangible assets and property, plant and equipment and the sale of business activity.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on net profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance Sheet

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life.

The estimated useful lives are as follows:

	Useful life
Plant and machinery	4-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Inventories

Inventories are measured at cost in accordance with weighted average method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Accounting Policies

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, which corresponds to the nominal value. The value is reduced by the write-downs for bad debts. Receivables are written down to the lower of net realisable value and cost.

Deferred income

Deferred income comprise prepayment of cost incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are easily convertible into cash and that are subject to only an insignificant risk of changes in value.

Assets held for sale

Assets held for sale comprise non-current assets that are identified and announced as ready for sale and are expected sold within next 12 months.

Assets held for sale are measured at the lower of cost less depreciation/amortisation and impairment losses or fair value less sales cost.

Current tax liabilities and deferred tax asset

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are measured at net realisable value and recognised on the basis of the Company's experience with warranties.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Income Statement

	Note	2016/17 kr.	2015/16 kr.
Gross profit		1.143.539	9.651.219
Employee benefits expense	1	-2.226.188	-4.345.719
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-12.342	-190.308
Special items regarding closing operations		843.870	-270.646
Profit from ordinary operating activities		-251.120	4.844.546
Other finance income from group enterprises		0	5.129
Other finance income	2	15.694	19.727
Finance expenses	3	-59.760	-83.153
Profit from ordinary activities before tax		-295.186	4.786.249
Tax expense on ordinary activities		0	306.701
Profit		-295.186	5.092.950
Proposed distribution of results			
Retained earnings		-295.186	5.092.950
Distribution of profit		-295.186	5.092.950

Voith Turbo A/S

Balance Sheet as of 30 September

	Note	2017 kr.	2016 kr.
Assets			
Plant and machinery		6.601	8.181
Fixtures, fittings, tools and equipment		6.389	53.523
Property, plant and equipment		12.990	61.704
Fixed assets		12.990	61.704
Raw materials and consumables		808.496	707.784
Inventories		808.496	707.784
Short-term trade receivables		322.883	684.374
Short-term receivables from group enterprises		472.535	576.675
Current deferred tax		213.141	213.141
Other short-term receivables		35.200	35.200
Deferred income		73.623	151.641
Receivables		1.117.382	1.661.031
Cash and cash equivalents		9.721.193	0
Current assets		11.647.071	2.368.815
Assets held for sale		0	7.862.250
Assets held for sale		0	7.862.250
Assets		11.660.061	10.292.769

Voith Turbo A/S

Balance Sheet as of 30 September

	Note	2017 kr.	2016 kr.
Liabilities and equity			
Contributed capital		700.000	700.000
Share premium		526.171	526.171
Retained earnings		-2.081.662	-1.786.476
Equity	4	-855.491	-560.305
Other provisions		36.275	122.389
Provisions		36.275	122.389
Debt to banks		0	80.338
Trade payables		204.474	189.408
Payables to group enterprises		11.831.976	9.817.398
Tax payables		0	44.053
Other payables		442.827	599.488
Short-term liabilities other than provisions		12.479.277	10.730.685
Liabilities other than provisions within the business		12.479.277	10.730.685
Liabilities and equity		11.660.061	10.292.769
Uncertainties relating to going concern	5		
Contingent liabilities	6		
Related parties	7		

Notes

	2017	2016
1. Employee benefits expense		
Wages and salaries	1.924.955	6.462.476
Post-employment benefit expense	245.959	594.639
Social security contributions	33.672	70.648
Accrued prior year for restructuring	0	-1.895.852
Recognised as special items	0	-1.002.000
Other employee expense	21.602	115.808
	2.226.188	4.345.719
 Average number of employees	 3	 8
	3	8
 2. Finance income		
Other finance income	15.694	19.727
	15.694	19.727
 3. Finance expenses		
Finance expenses arising from group enterprises	42.003	39.823
Other finance expenses	17.757	43.331
	59.760	83.154

Voith Turbo A/S

Notes

4. Equity

	Share capital	Share premium	Retained earnings	Total
Balance at the beginning of the year	700.000	526.171	-1.786.476	-560.305
Transferred, see the profit appropriation	0	0	-295.186	-295.186
	700.000	526.171	-2.081.662	-855.491

The share capital consists of seven shares of a nominal value of DKK 100,000 each. No shares carry special rights. There have been no changes in the share capital during the last five years.

5. Uncertainties relating to going concern

At 30 september 2017, the company's equity was negative by DKK 855 thousand.

Management expects that the equity can be restored though operations in Voith Turbo A/S.

In order to ensure the Company's continued operations, Voith Turbo A/S has received a letter of support from the parent company stating that Voith Turbo Vertriebsgesellschaft mbH Heidenheim will, if necessary, inject sufficient liquidity into the Company.

Until further notice, the letter of support is valid for the period 1 October 2017 - 30 September 2018. It is Management opinion that the letter of support will be extended for such a period as required to ensure the Company's continued operations if considered necessary at the expiration of the letter of support.

6. Contingent liabilities

The Company has entered into operating leases and rent obligations totaling DKK 545 thousand (2015/16: DKK 1,260 thousand). The obligation can be divided into falling due within a year, DKK 244 thousand, and the remaining obligations falling due within 1-5 years, DKK 301 thousand.

7. Related parties

Voith Turbo A/S' related parties comprise the following:

Control

The following shareholder is registered in the Company's register of shareholders as holding a minimum of 5% of the share capital:

Voith Turbo Vertriebsgesellschaft mbH
Alexanderstrasse 2
D-89522 Heidenheim
Germany

Voith Turbo Vertriebsgesellschaft mbH is a subsidiary of Voith GmbH.

The consolidated financial statements of Voith GmbH can be obtained at the company address, St. Pöltener Str. 43, D-89522 Heidenheim, or at the company's website: www.voith.com.