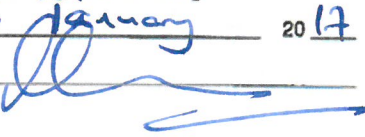


Voith Turbo A/S
Ringstedvej 233
4600 Køge

Telephone +45 46 14 15 50
www.voithturbo.dk

Voith Turbo A/S

Annual report 2015/16

The annual report was presented and adopted at the Company's annual general meeting		
on	<u>16 January</u>	20 <u>17</u>
chairman		

CVR no. 15 15 04 75

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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 2015 – 30 September 2016.

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 2016 and of the results of the Company's operations for the financial year 1 October 2015 – 30 September 2016.

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 should be approved at the annual general meeting.

Stockholm, 21 December 2016
Executive Board:

Hans Erik Beling

Board of Directors:




Richard Skinner
Chairman



Michael Sanders
Vice chairman



Domenico Bondi


Digitally signed by
Beling, Hans
DN: cn=Beling, Hans
Date: 2016.12.21
16:51:28 +01'00'

Hans Erik Beling

Independent auditor's report

To the shareholder of Voith Turbo A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Voith Turbo A/S for the financial year 1 October 2015 – 30 September 2016. The financial statements comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2016 and of the results of the Company's activities for the financial year 1 October 2015 – 30 September 2016 in accordance with the Danish Financial Statements Act.

Emphasis of matter regarding the annual report

At 30 September 2016, the Company's equity was negative. Without qualifying our opinion, we draw attention to note 2 to the financial statements regarding the disclosure of Management's going concern assessment and the parent company's financial support.

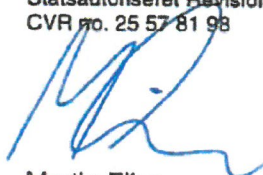
Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 21 December 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Martin Eiler
State Authorised
Public Accountant

Voith Turbo A/S
Annual report 2015/16
CVR no. 15 15 04 75

Management's review

Company details

Voith Turbo A/S
Ringstedvej 233
4600 Køge

Telephone: +45 46 14 15 50
Website: www.voithturbo.dk

CVR no.: 15 15 04 75
Established: 1 April 1991
Registered office: Køge
Financial year: 1 October 2015 – 30 September 2016

Board of Directors

Richard Skinner, Chairman
Michael Sanders, Vice chairman
Domenico Bondi
Hans Erik Beling

Executive Board

Hans Erik Beling, Managing Director

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Annual general meeting

The annual general meeting will be held on 16 January 2016.

Management's review

Operating review

Principal activities

Voith Turbo A/S engages in sales and service of Voith's products for mobility and industry markets. Voith Turbo A/S 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, railways and industry and drive systems for ships.

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. The decision to close the Company has been revoked.

Financial development

Profit for 2015/16 amounted to DKK 5.1 million compared to a loss of DKK 11.5 million in 2014/15. Adjusting for profit from divesting activities in 2015/16 and costs related to special items, operations in 2015/16 showed an increased loss compared to 2014/15. This is primarily caused by the restructuring.

Equity was negative by DKK 0.6 million at 30 September 2016. Management expects that equity can be restored through operations in Voith Turbo A/S.

The shareholder has also expressed his support to the new company set-up in the financial year 2016/17 by means of a support letter. For further information, please refer to note 2.

Subsequent events

None.

Financial statements 1 October 2015 – 30 September 2016

Income statement

	Note	2015/16	2014/15
Gross profit		9,651,219	9,070,148
Staff costs	3	-4,345,719	-8,462,022
Depreciation on property		-190,308	-325,798
Special items regarding closing operations		-270,646	-11,685,000
Ordinary operating profit/loss		4,844,546	-11,402,672
Financial income	4	24,856	0
Financial expenses	5	-83,153	-27,281
Profit/loss before tax		4,786,249	-11,429,953
Tax on profit/loss for the year		306,701	-53,962
Profit/loss for the year		<u>5,092,950</u>	<u>-11,483,915</u>
 Proposed profit appropriation/distribution of loss			
Retained earnings		5,092,950	-11,483,915
		<u>5,092,950</u>	<u>-11,483,915</u>

Financial statements 1 October 2015 – 30 September 2016

Balance sheet

	Note	2015/16	2014/15
ASSETS			
Property, plant and equipment			
Buildings on leased land		0	1,554
Plant and machinery		8,181	307,312
Fixtures and fittings, tools and equipment		53,523	818,541
		<u>61,704</u>	<u>1,127,407</u>
Total non-current assets		<u>61,704</u>	<u>1,127,407</u>
Current assets			
Inventories			
Raw materials and consumables		707,784	4,430,144
		<u>707,784</u>	<u>4,430,144</u>
Receivables			
Trade receivables		684,374	4,518,759
Work in progress		0	316,067
Receivables from group entities		576,675	2,758,348
Deferred tax		213,141	0
Other receivables		35,200	696,583
Prepayments		151,641	162,166
		<u>1,661,031</u>	<u>8,451,923</u>
Cash at bank and in hand		<u>0</u>	<u>140,303</u>
Total current assets		<u>2,368,815</u>	<u>13,022,370</u>
Asset held for sale		<u>7,862,250</u>	<u>0</u>
TOTAL ASSETS		<u>10,292,769</u>	<u>14,149,777</u>

Financial statements 1 October 2015 – 30 September 2016

Balance sheet

	Note	2015/16	2014/15
EQUITY AND LIABILITIES			
Equity	6		
Share capital		700,000	700,000
Share premium		526,171	526,171
Retained earnings		-1,786,476	-6,879,426
Total equity		<u>-560,305</u>	<u>-5,653,255</u>
Provisions			
Provisions for deferred tax		0	98,938
Guarantee provision		122,389	225,524
Restructuring provision		0	8,898,000
Total provisions		<u>122,389</u>	<u>9,222,462</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		189,408	929,489
Payables to group entities		9,817,398	7,145,809
Joint taxation		44,053	199,688
Other payables		599,488	2,305,584
Bank debt		80,338	0
		<u>10,730,685</u>	<u>10,580,570</u>
Total liabilities other than provisions		<u>10,730,685</u>	<u>10,580,570</u>
TOTAL EQUITY AND LIABILITIES		<u>10,292,769</u>	<u>14,149,777</u>
Accounting policies	1		
Disclosure of uncertainties regarding going concern	2		
Contractual obligations, contingencies, etc.	7		
Related parties	8		

Financial statements 1 October 2015 – 30 September 2016

Notes

1 Accounting policies

The annual report of Voith Turbo A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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 of property, plant and equipment.

Financial statements 1 October 2015 – 30 September 2016

Notes

1 Accounting policies (continued)

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 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.

The entity and its Danish group entities were jointly taxed until 31 August 2016. Until 31 August 2016, the Danish income tax charge was allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Financial statements 1 October 2015 – 30 September 2016

Notes

1 Accounting policies (continued)

Property, plant and equipment

Buildings on leased land, 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:

Buildings on leased land	50 years
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.

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-down for bad debts. Receivables are written down to the lower of net realisable value and cost.

Work in progress

Work in progress is measured at the cost of the work performed. Work in progress is written down to the lower of the net realisable value and cost.

Financial statements 1 October 2015 – 30 September 2016

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs 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.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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.

Financial statements 1 October 2015 – 30 September 2016

Notes

1 Accounting policies (continued)

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.

2 Disclosure of uncertainties regarding going concern

At 30 September 2016, the Company's equity was negative by DKK 560 thousand.

Management expects that the equity can be restored through 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 2016 – 30 September 2017. 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.

	2015/16	2014/15
3 Staff costs		
Wages and salaries	6,462,476	7,093,043
Pensions	594,639	839,213
Other social security costs	70,648	149,074
Other staff costs	115,808	380,692
Accrued prior year for restructuring	-1,895,852	0
Recognised as special items	-1,002,000	0
	<u>4,345,719</u>	<u>8,462,022</u>

Financial statements 1 October 2015 – 30 September 2016

Notes

	2015/16	2014/15		
4 Financial income				
Interest income from group entities	5,129	0		
Other interest income	19,727	0		
	<u>24,856</u>	<u>0</u>		
5 Financial expenses				
Interest expense to group entities	39,823	27,201		
Other interest expense	43,330	80		
	<u>83,153</u>	<u>27,281</u>		
6 Equity				
	Share capital	Share premium	Retained earnings	Total
Balance at 1 October 2015	700,000	526,171	-6,879,426	-5,653,255
Transferred; see the profit appropriation	0	0	5,092,950	5,092,950
Balance at 30 September 2016	<u>700,000</u>	<u>526,171</u>	<u>-1,786,476</u>	<u>-560,305</u>

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.

7 Contractual obligations, contingencies, etc.

Lease obligations

The Company has entered into operating leases and rent obligations totalling DKK 1,260 thousand (2014/15: DKK 10,169 thousand). The obligation can be divided into obligations falling due within a year, DKK 427 thousand, and the remaining obligations falling due within 1-5 years, DKK 833 thousand.

Financial statements 1 October 2015 – 30 September 2016

Notes

8 Related party transactions

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 voting rights or 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:

<https://www.voith.com/en/press/reports-and-magazines-18929.html>