

Voith Turbo A/S

Ringstedvej 233

4600 Køge

CVR No. 15150475

Annual Report 2019/20

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 27 January 2021

Richard Michael Mark Skinner
Chairman

Contents

Management's Statement	3
Independent Auditors' Review Report	4
Company Information	6
Management's Review	7
Accounting Policies	8
Income Statement	12
Balance Sheet	13
Notes	15

Statement by the Board of Directors and the Executive Board

Today, Management has considered and adopted the Annual Report of Voith Turbo A/S for the financial year 1 October 2019 - 30 September 2020.

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 2020 and of the results of the Company's operations for the financial year 1 October 2019 - 30 September 2020.

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, 27 January 2021

Executive Board

Hans Erik Beling
Manager

Supervisory Board

Richard Michael Mark Skinner
Chairman

Hans Erik Beling
Member

Domenico Bondi
Member

Independent Auditors' Review Report

To the shareholders of Voith Turbo A/S

Opinion

We have performed an extended review of the Financial Statements of Voith Turbo A/S for the financial year 1 October 2019 - 30 September 2020, which comprise an income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, it is our opinion that, the financial statements give a true and fair view of the Company's financial position at 30 September 2020 and of the results of its operations for the financial year 1 October 2019 - 30 September 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibility for the extended review 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the 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 liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our conclusion on the financial statements and in addition perform specifically required supplementary procedures in order to obtain additional assurance for our conclusion.

An extended review comprises procedures primarily consisting of making enquiries of Management and others within the entity, as appropriate, applying analytical procedures and the specifically required supplementary procedures, and evaluating the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on these financial statements.

Emphasis of matter regarding the financial Statements

At 30 September 2020, the Company's equity was negative. Without qualifying our opinion, we draw attention to note 7 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 Management's Review.

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

Independent Auditors' Review Report

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

Moreover, it is our responsibility to consider whether 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, 27 January 2021

KPMG

Statautoriseret Revisionspartnerskab

CVR-no. 25578198

Martin Eiler

State Authorised Public Accountant

mne32271

Voith Turbo A/S

Company details

Company	Voith Turbo A/S Ringstedvej 233 4600 Køge
CVR No.	15150475
Registered office	Køge
Supervisory Board	Richard Michael Mark Skinner Hans Erik Beling , Manager Domenico Bondi
Executive Board	Hans Erik Beling , Manager
Auditors	KPMG Statautoriseret Revisionspartnerskab CVR-no.: 25578198

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 J.M. Voith SE & Co. KG, 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.

Financial development

The Company's Income Statement of the financial year 1 October 2019 - 30 September 2020 shows a result of DKK -1.256.043 and the Balance Sheet at 30 September 2020 a balance sheet total of DKK 3.451.262 and an equity of DKK -4.001.754. The result for the period is negatively influenced by the ongoing tax investigation, please refer to note 2.

The shareholder has also expressed his support to the new company set-up in the financial year 2019/20 by means of a support letter. For further information, please refer to note 7.

The partial closure of Denmark during the Covid-19 pandemic in 2020 is not significantly effecting the result for 2019/20 for the company.

Supesquent events

None.

Accounting Policies

Reporting Class

The Annual Report of Voith Turbo A/S for 2019/20 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

The financial statement have been prepared under the historical cost princip.

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

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Gross profit is a combination of the items of revenue, other operating income, cost of goods sold and other external expenses.

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

Accounting Policies

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 goods sold

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

Other external expenses

Other external expenses 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..

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..

Special items

Special items comprise the items not related to Voith Turbo's normal operations.

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 for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Balance Sheet

Property, plant and equipment

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the date of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the individual assets and their residual values:

Plant and machinery:	4-10 years
Tools and equipment:	3-5 years

Accounting Policies

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amounts at the time of sale. Gains or losses are recognised in the income statement as other operating income or other operating expense.

Property, plant and equipment held under leases and qualifying as finance leases are treated according to the same guidelines as assets owned.

Inventories

Inventories are measured at cost on the basis of the FIFO principle. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

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

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity comprises the working capital and a number of equity items that may be statutory or stipulated in the articles of association.

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.

Liabilities

Other payables

Other payables are measured at amortised cost, which usually corresponds to the nominal value

Accounting Policies

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the Company has a legal or actual obligation as a result of a past event, and it is likely that settlement will result in the company spending financial resources.

Provisions that measured at value in use.

Income Statement

	Note	2019/20 kr.	2018/19 kr.
Gross profit		2.093.190	1.712.124
Employee benefits expense	1	-1.531.693	-1.777.092
Depreciation		-8.843	-8.890
Special items	2	-1.005.601	-5.340
Profit from ordinary operating activities		-452.947	-79.198
Other finance income	3	15.701	10.416
Finance expences	4	-21.888	-29.016
Profit from ordinary activities before tax		-459.134	-97.798
Tax expense on ordinary activities	5	-796.909	0
Profit		-1.256.043	-97.798
Proposed distribution of results			
Retained earnings		-1.256.043	-97.798
Distribution of profit		-1.256.043	-97.798

Balance Sheet as of 30 September

	Note	2020 kr.	2019 kr.
Assets			
Plant and machinery		1.861	3.441
Fixtures, fittings, tools and equipment		7.723	14.987
Property, plant and equipment		9.584	18.428
Fixed assets		9.584	18.428
Raw materials and consumables		693.911	682.631
Inventories		693.911	682.631
Short-term trade receivables		615.122	629.336
Current deferred tax		213.141	213.141
Prepaid costs		49.877	59.335
Receivables		878.140	901.812
Cash and cash equivalents		1.869.627	1.890.537
Current assets		3.441.678	3.474.980
Assets		3.451.262	3.493.408

Balance Sheet as of 30 September

	Note	2020 kr.	2019 kr.
Liabilities and equity			
Contributed capital		700.000	700.000
Share premium		526.171	526.171
Retained earnings		-5.227.925	-3.971.884
Equity	6	-4.001.754	-2.745.713
Debt to banks		60	100
Trade payables		9.225	54.202
Payables to group enterprises		4.361.622	4.933.252
Tax payables		796.909	0
Other payables		2.285.200	1.251.567
Short-term liabilities other than provisions		7.453.016	6.239.121
Liabilities other than provisions within the business		7.453.016	6.239.121
Liabilities and equity		3.451.262	3.493.408
Uncertainties relating to going concern	7		
Contingent liabilities	8		
Related parties	9		

Notes

	2019/20	2018/19
1. Employee benefits expense		
Wages and salaries	1.303.026	1.544.101
Post-employment benefit expense	176.811	193.674
Social security contributions	12.026	3.433
Other employee expense	39.830	35.884
	1.531.693	1.777.092

Average number of employees	2	3
	2	3

2. Special items

The company has an ongoing tax review conducted by the Danish Tax Authorities related to the years 2012/13 up to 2015/16. An extra accrual amount, DKK 1.006 thousands, has been taken into the result for 2019/2020 to cover the expected penalty (DKK 749 thousand) and associated advisor costs (DKK 257 thousand). Further DKK 797 thousands has been expensed to cover expected tax increase.

The final outcome of the tax investigation is linked with uncertainty and could potentially deviate materially from the expected outcome.

3. Other finance income

Other finance income	15.701	10.416
	15.701	10.416

4. Finance expenses

Finance expenses arising from group enterprises	17.159	18.312
Other finance expenses	4.729	10.704
	21.888	29.016

5. Tax expense

Corporation income tax previous years	796.909	0
	796.909	0

Notes

6. Equity

	Share capital	Share premium	Retained earnings	Total
Balance at the beginning of the year	700.000	526.171	-3.971.883	-2.745.712
Transferred, see the profit appropriation			-1.256.043	-1.256.043
	700.000	526.171	-5.227.926	-4.001.755

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. Uncertainties relating to going concern

At 30 september 2020, the company's equity was negative by DKK 4.002 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 further liquidity into the Company up to EUR 800,000.

The letter of support will be in force until the annual general meeting of the company where the annual report for the year ended 2021-09-30 is to be approved. 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.

8. Contingent assets and liabilities

The Company has an unrecorded deferred tax asset amounting to DKK approx. 700 thousand.

The Company has entered into operating leases and rent obligations totalling DKK 281 thousand (2018/19: DKK 435 thousand).

The obligation can be divided into falling due within a year, DKK 115 thousand, and the remaining obligations falling due within 1-5 years, DKK 166 thousand.

9. 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 adress, St. Pöltener Str. 43, D-89522 Heidenheim, or at the company's website: www.voith.com.