VOITH

Interim Report 2016

The Voith Group in Figures

in € millions	2015-10-01 to 2016-03-31	2014-10-01 to 2015-03-31
Orders received[1]	2,155	1,815
Sales[1]	2,038	2,108
Profit from operations[1), 2]	97	120
Return on sales in %[1]	4.8	5.7
Result before taxes[1]	18	-82
Net result	-48	-131
Cash flow from operating activities	-48	-143
Total cash flow	11	-511
Investments[1]	59	39
Equity[3]	755	874
Equity ratio in %	13.8	16.0
Balance sheet total[3]	5,461	5,451
Employees[3), 4]	19,742	20,223

1) Excluding the discontinued Group Division Voith Industrial Services; previous year restated.
2) See "Notes on segment reporting" in the notes to the Group interim financial statements.
3) Reference date March 31, 2016, compared to September 30, 2015.
4) Without apprentices.

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Foreword

Dear reader,

This report outlines the facts, figures and background to the first six months of the current 2015/16 fiscal year – a period which was demanding and eventful for the Voith Group. In a difficult economic and competitive setting and with no economic tailwind to speak of, we have consistently pressed ahead with the Group transformation process and successfully developed our operative business. Today we can say that we are on course and making good progress towards new strength in the current fiscal year, despite the challenging economic environment.

In the first half year of 2015/16 the Voith Group's operative business developed strongly despite a subdued investment climate, particularly in those industries most affected by the fall in commodity and oil prices. Our continuing operations, that is excluding Voith Industrial Services, have generated a gratifying increase in orders received, which are up by almost one fifth to a total of 2.16 billion euros – albeit largely driven by a major project from Canada for our hydropower business Voith Hydro. The Group's orders on hand have increased since the end of the year. We are therefore confident that our capacities in most areas will be put to full use in the months ahead.

We have been able to hold revenues from continuing operations almost stable compared to the previous year. This is satisfactory from our point of view bearing in mind negative currency effects, the restrained or even contracting state of the economy in key regions which has already been referred to and the persistently difficult market situation confronting Voith Paper and, in certain customer industries, Voith Turbo as well.

With regard to results, non-recurring items in the first half year in particular have obscured the fact that our Group-wide Voith 150+ success program and its measures to enhance efficiency have – as we expected – increasingly borne fruit. All Group Divisions have developed robustly and returned clear profits. Total profit from operations of the three Group Divisions has risen slightly in comparison with the same period last year.

One-time valuation effects on foreign currency items at the holding level have nonetheless slightly depressed the Group's profit from operations. The net income for the period has improved significantly, but remains negative: High impairment charges, including on securities positions, have for the time being prevented a return to profitability. None of this, however, should obscure the fact that the fundamental earnings power from the Group's operative business is slowly but surely improving.

The non-recurring effects will also impact the key figures for the results for the year as a whole. After these first six months we therefore no longer expect higher profit from operations or that we will achieve our originally projected clearly positive Group net result for the year. In a persistently fragile economic setting, especially for the capital goods industries and in the light of the robust development of business in the first half year we nonetheless confirm our forecast for sales and orders. Both will likely remain at around the same level for the year as a whole as in the previous year.

We have completed important groundwork in recent months for the strategic refocusing of the Voith Group on its technology and engineering competence for the digital age and are making rapid progress towards the announced milestones for our Group-wide success program. All the announced measures have been implemented on schedule. In early May we were able to conclude an agreement on the sale of our technical industrial services provider Voith Industrial Services, which no longer fits in with our future strategic focus. Another milestone was the launch, announced in December 2015, of the new Voith Digital Solutions Group Division, which commenced operations on April 1, 2016 following the extensive preparatory work undertaken in the first half of the fiscal year. Voith pools its know-how and capacities for the digital industry in the new Group Division. We have clear objectives and plans for further expansion: With Digital Solutions we are taking a logical step towards transforming Voith into a company which will play a key role in shaping the digital shift in our industries and markets.

Voith’s new positioning will therefore also take on clearer contours. We still have quite some way to go. But we know where we want to go and we know what needs to be done in order to position the Voith Group successfully for the digital age and to lead it into a sustainably successful future.

Best regards

Dr. Hubert Lienhard
President and CEO

Group interim management report

for the period from October 2015 to March 2016

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01 Business development and earnings position of the Group

Voith continues to make progress on its journey to achieving new strengths. With the launch of the new Group Division Voith Digital Solutions and the sale of a majority shareholding in the Voith Industrial Services segment in the current fiscal year the announced important milestones towards focusing the Group on its technology and engineering strengths in the digital age have been achieved. The operational business is also in line with plan. Although the investment climate is subdued we have been able to maintain our sales levels at approximately the same level as in the previous year, and increase orders received substantially. The Group net result has improved but remains negative, due to the effect of a number of non-recurring items.

01.1. Overall assessment

Robust business development

Our Group-wide Voith 150+ success program has increasingly borne fruit in the current fiscal year and the measures have been completed as planned. In the first half of the 2015/16 fiscal year (October 1, 2015 to March 31, 2016) we were able to stabilize Voith Group sales at almost the same level as in the previous year. Orders received increased by 19%, profiting from a major order in the hydropower business. Orders on hand increased to almost €5.5 billion. Profit from operations is down on the previous year, primarily due to valuation effects on foreign currency items. After adjusting for these effects which affected the Group Holding, profit from operations was at approximately the same level as in the previous year, despite additional spending on the topic of Industry 4.0. The Group's three segments were all able to increase or at least stabilize their profit from operations. Given the volatile state of the majority of our target markets, which are characterized by a low level of global economic growth, weak investment levels, plummeting oil and raw materials prices and high competitive pressure, we consider that Voith's ability to maintain its overall stability is a sign of the Group's particular robustness.

Despite the satisfactory operative developments, the Group reports a negative net result of €-48 million due to the effect on results of impairment charges totaling €71 million. The impairment charges were recorded against securities and against the assets of the Voith Industrial Services Group Division which was classified as held for sale. Adjusted for these impairment charges, the Group net result would have been positive at €23 million. The Group's result has improved significantly compared to the previous year, which was heavily affected by charges recorded for restructuring expenses.

The Group figures for sales, orders received and results from operations include the continuing operations Voith Hydro, Voith Paper, and Voith Turbo. Voith Industrial Services, on the other hand, is presented in this interim report as a discontinued operation in compliance with the International Financial Reporting Standards (IFRS 5) due to the ongoing sale process, consistent with the presentation in the Annual Report 2015. The contribution to profits made by Voith Industrial Services is included in the consolidated statement of income under net result from discontinued operations. The figures for the previous year have been adjusted accordingly in the interim financial statements for the first half of the 2015/16 fiscal year. These adjustments are taken into account in the following sections.

01.2. Economic environment

Global growth rates remain at the previous year level

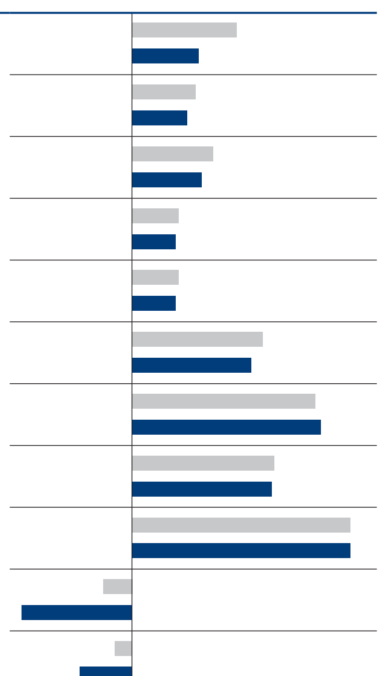
In the first half of the Voith fiscal year 2015/16 global economic trends did not live up to the expectations of economic analysts issued at the end of 2015, the date that our last annual report was published. Although there is a continued expectation of solid growth for 2016 the growth rate forecasted in the latest estimates is only at the previous year's level (2015: +3.1 %). For example, in April 2016 the International Monetary Fund (IMF) reduced its forecast for 2016 global growth to +3.2 % (forecast as of October 2015: +3.6 %) and its forecast for 2017 to +3.5 % (forecast as of October 2015: +3.8 %). In this, the expectations for the emerging markets in particular have deteriorated, with a smaller deterioration for most industrial nations. Overall the projected growth is primarily driven by the consumer goods sector; in contrast, hardly any worldwide growth is expected in the infrastructure and investment goods sectors.

Despite this, emerging markets as a whole continue to grow at a faster rate than the advanced economies (IMF forecast for 2016: +4.1 %). Economic growth in China – weighed down by significant excess capacity, high levels of private debt and the transition to more domestic consumption – has continued to weaken, which is painful for export-based economies such as Germany's, and affects the manufacturers of investment goods especially hard. Despite this, China is a driver of global growth. India is growing at a faster rate than China; however, this is from an overall lower base. Brazil is in recession for the second year in succession, as a consequence of unresolved structural problems aggravated by a political crisis. Further, the recession has significantly worsened. Investments in infrastructure have to all intents and purposes ground to a halt. Contrary to recent expectations Russia will probably remain in recession in 2016 as a consequence of the persistently low raw material prices and, to a lesser extent, of sanctions applied by Western countries. The poor economic conditions in Russia are having an above-average effect on the German mechanical engineering sector.

The slow economic recovery in the industrial nations has continued, albeit mainly based on the consumer goods sector; the IMF estimates growth of 1.9% for 2016 (forecast as of October 2015: +2.1%). The economy in the USA is expected to grow at a slower rate than originally assumed in 2016 due to the increase in the value of the dollar. Despite this, the USA continues to show above-average growth compared to other industrial nations (forecast for 2016: +2.4%). The euro zone continues to grow at a moderate rate, supported by low energy prices and the low euro exchange rate. Investment activity continues to be cautious despite historically low interest rates. In Germany, which is growing at a rate consistent with the average rate recorded by euro zone countries, the demand for consumer goods and services has been an important support for the economy. The demand for investment goods, on the other hand, has been weak, which has resulted in the level of orders received by mechanical and plant engineering companies being lower than expected. The German mechanical and plant engineering sector thus expects revenues to grow by no more than around 1% in 2016.

Changed economic climate: economic growth in 2016
Real year-on-year change in GDP, 2016

		Forecast acc. IMF
World output	AR 2015[1]	3.6%
	Interim 2016[2]	**3.2%**
Advanced economies	AR 2015[1]	2.2%
	Interim 2016[2]	**1.9%**
United States	AR 2015[1]	2.8%
	Interim 2016[2]	**2.4%**
Euro zone[3]	AR 2015[1]	1.6%
	Interim 2016[2]	**1.5%**
Germany	AR 2015[1]	1.6%
	Interim 2016[2]	**1.5%**
Emerging market and developing economies	AR 2015[1]	4.5%
	Interim 2016[2]	**4.1%**
China	AR 2015[1]	6.3%
	Interim 2016[2]	**6.5%**
ASEAN-5	AR 2015[1]	4.9%
	Interim 2016[2]	**4.8%**
India	AR 2015[1]	7.5%
	Interim 2016[2]	**7.5%**
Brazil	AR 2015[1]	-1.0%
	Interim 2016[2]	**-3.8%**
Russia	AR 2015[1]	-0.6%
	Interim 2016[2]	**-1.8%**



Source: International Monetary Fund (IMF), World Economic Outlook (WEO), April 2016, October 2015
AR = Annual Report; Interim = Interim Report
1) Forecast IMF, as of October 2015.
2) Forecast IMF, as of April 2016.
3) Including Germany.

Of Voith's five target markets, the only significant growth market was the transport & automotive sector. Investments in the raw materials market and, in particular, in the oil & gas market contracted by a much greater margin than the expectations we published in the Annual Report 2015. The investment climate in the energy and paper markets remained extremely cautious.

01.3. Sales

Group sales at almost the same level as in the previous year

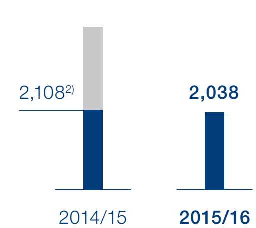
The Voith Group recorded sales from continuing operations in the first half of the 2015/16 fiscal year of €2,038 million (previous year: €2,108 million, -3%). Group sales do not include the sales of the discontinued Group Division Voith Industrial Services. Group sales were slightly down due to the negative currency effects as a result of the higher euro exchange rate compared to the previous year. The currency effects, which affected Voith Hydro in particular, were responsible for approximately half of the fall in Group sales. Overall the sales trend was in line with our expectations, so that we remain on course to achieve our annual forecast ("same level as previous year").

The three Group Divisions report diverging trends. While Voith Turbo was able to increase sales slightly (+3%) and Voith Hydro (-1%) was almost at the same level as in the previous year, as expected sales recorded by Voith Paper were significantly (-11%) lower than the exceptionally high figure recorded in the first half of the previous year.

Detailed information on the development of sales in the separate Group Divisions can be found in section 02, "Business development and earnings position of the Group Divisions."

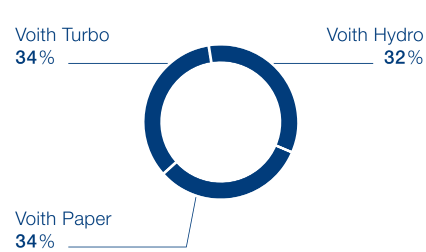
Sales were approximately evenly spread between the three Group Divisions: sales at Voith Hydro represented 32% of total sales (previous year: 31%), Voith Paper 34% (previous year: 37%) and Voith Turbo also recorded 34% of the total (previous year: 32%).

Sales Group[1)]
in € millions



[1)] Excluding the discontinued Group Division Voith Industrial Services.
[2)] Previous year restated.

Sales total €2,038 million[1)]
by Group Division



First half year 2015/16

[1)] Excluding the discontinued Group Division Voith Industrial Services.

01.4. Orders received

Detailed information on the development of orders received in the separate Group Divisions can be found in section 02, "Business development and earnings position of the Group Divisions."

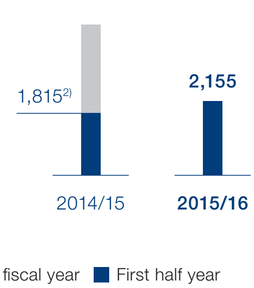
Increase in orders received

The Voith Group secured new orders totaling €2,155 million in the first half of the 2015/16 fiscal year in its continuing operations (previous year: €1,815 million), an increase of 19%. Our orders on hand increased from €5,286 million at the end of the previous fiscal year to €5,494 million at March 31, 2016.

The high percentage increase in orders received cannot be extrapolated forward for the full reporting year, as it is affected by the cyclical nature of the way in which hydropower projects are awarded. As a result of being awarded a major project in the reporting period, and given a very unbalanced market distribution in the previous year, Voith Hydro on its own recorded a 123% increase in orders received in the first half of the year compared to the first half of the previous year. However, we expect that the situation will return to normal in the second half of the year with the result that we assume that we will report orders received for the whole of the 2015/16 fiscal year at approximately the same level as in the previous year, as forecast in the 2015 Annual Report. Orders received fell by 6% at Voith Paper and by 11% at Voith Turbo.

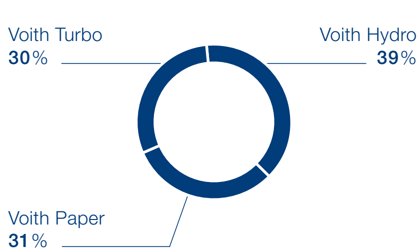
The orders received were also negatively affected by negative currency effects, which affected Voith Paper in particular, but which were relatively insignificant at Group level due to the high operational increase.

Orders received Group[1]
in € millions



[1] Excluding the discontinued Group Division Voith Industrial Services.
[2] Previous year restated.

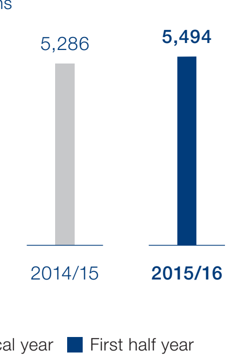
Orders received total €2,155 million[1]
by Group Division



First half year 2015/16

[1] Excluding the discontinued Group Division Voith Industrial Services.

Orders on hand Group[1]
in € millions



[1] Excluding the discontinued Group Division Voith Industrial Services.

01.5. Results

Satisfactory trends in operating activities, charges against net annual result

As in the Annual Report 2014/15 Voith Industrial Services is presented as a discontinued operation. The separate income and expense components in the consolidated statement of income contain the continuing operations and are consequently shown after adjustment for the relevant share of Voith Industrial Services. The overall contribution to the Voith Group's profits made by Voith Industrial Services is included under net result from discontinued operations. The income statement for the previous year has been adjusted in the same way.

Trends in the operational earnings indicators reported by the three Group Divisions were stable overall; however, the profit from operations of the Voith Group fell compared to the previous year due to valuation effects on individual foreign currency items at Group Holding. The net result in the reporting period was negative (€-48 million) due to non-recurring items; however, it significantly improved compared to the previous year, in which our results were heavily affected by restructuring expenses.

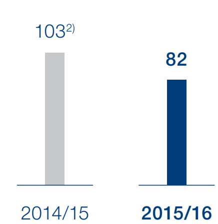
We refer to section 01.3. of this management report for information on the development of sales.

The Group's total output fell by 3% to €2,072 million (previous year: €2,144 million) corresponding to sales. The change in the total output of the Group Divisions was largely consistent with the change in sales (Voith Hydro -1%, Voith Paper -10% and Voith Turbo +1%).

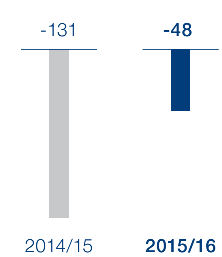
The cost of materials fell to €881 million (previous year: €937 million, -6%). The ratio of the cost of material to total output fell to 42.5% (previous year: 43.7%). This was largely driven by Voith Paper as the level of activity in the new machine business, which has a high proportion of material expenses to sales, was lower compared to the same period in the previous year.

Owing to the impact of restructuring projects currently being implemented personnel costs were reduced to €715 million (previous year: €723 million, -1%). Current

Operational result before non-recurring items Group[1] in € millions



Net result Group in € millions



[1] Excluding the discontinued Group Division Voith Industrial Services.
[2] Previous year restated.

wage cost increases of around 3% worked counter to this trend. The personnel expense ratio (ratio of personnel expenses to total output) increased to 34.5% (previous year: 33.7%).

Depreciation and amortization totaled €66 million (previous year: €72 million, -8%). Voith Paper was able to reduce charges for depreciation and amortization by €5 million, primarily as a result of reductions in production capacity. The proportion of depreciation and amortization to total output in the Group fell to 3.2% (previous year: 3.4%).

The balance of other operating expenses and income increased to €329 million (previous year: €308 million, +7%). Lower gains on currency exchange, amongst other things, as a result of valuation effects on certain individual foreign currency positions, and an increase in warranty costs contributed to this increase. The ratio to total output increased to 15.9% (previous year: 14.4%).

See section 02 of this management report for detailed information on the development of the profit from operations and the ROCE for each Group Division.

The operational result before non-recurring items fell to €82 million (previous year: €103 million, -20%). The profit from operations used for internal management purposes amounted to €97 million (previous year: €120 million, -19%). The return on sales fell to 4.8% as a result of the lower profit from operations (previous year: 5.7%) and the ROCE (return on capital employed) fell to 9.1% (previous year: 10.7%).

The non-recurring result in the reporting period totaled €-5 million (previous year: €-143 million). In the same period in the previous year the non-recurring result was significantly affected by the expenses associated with the package of measures implemented at Voith Paper and in connection with the Group-wide excellence initiatives forming part of the Voith 150+ success program. In the current period the non-recurring result includes expenses from these measures that did not qualify to be recorded as provisions in previous year and from income generated as a result of the measures. The non-recurring result also includes personnel related expenses incurred at Voith Turbo as part of measures taken to address the current weakness in the oil & gas industry, in mining and in the steel industry. Expenses were also recorded at a subsidiary of Voith Paper in connection with the correction of a period allocation accounting item. The non-recurring result was recorded by Voith Hydro €+5 million (previous year: €-15 million), Voith Paper €-8 million (previous year: €-109 million), Voith Turbo €-5 million (previous year: €-14 million) and €+3 million was recorded by Group Holding activities (previous year: €-5 million).

The balance of interest expenses and interest income amounted to €-36 million (previous year: €-33 million, -8%). This includes €2 million expenses from the €300 million loan note placed in November 2015.

The other financial result totaled €-28 million (previous year: €-8 million) and includes income from investments (€8 million, previous year: €0) and impairment charges of €-36 million recorded against securities and charged to the income statement (previous year: €-8 million).

Income taxes totaled €-27 million (previous year: €-41 million). This amount includes income taxes relating to other periods of €+1 million (previous year: an expense of €-18 million). There were no tax effects relating to significant amounts of expenses included in non-recurring items in the previous year.

The net result from continuing operations amounted to €-9 million (previous year: €-123 million).

The net result from discontinued operations, which represents the contribution made by Voith Industrial Services to the Voith Group, was €-38 million (previous year: €-8 million). This result is affected by non-recurring impairment charges recorded against assets of €-35 million in the reporting period.

As a result of the above the Group net result amounted to €-48 million (previous year: €-131 million).

01.6. Significant events

Formation of a new Group Division: Voith Digital Solutions

As part of our digital agenda we announced the formation of Voith Digital Solutions, a new Group Division, in December 2015. In future we will concentrate the Group's entire Industry 4.0 know-how in this division. Voith Digital Solutions will also include all digital sector venture and start-up activities. The new Group Division will focus on developing digital business models for sectors in which Voith is already active as well as for new activities.

We are currently establishing the structures in which existing skills already available in the Group in the automation, software, IT, digitalization and sensor sectors can be concentrated and developed further in the new Group Division. In future, however, Voith Digital Solutions will also develop and market new products and services.

As the new Group Division is still in the start-up phase, the orders received, sales and results will continue to be reported in the three existing Group Divisions.

Changes in Group management functions

Dr. Roland Münch, until now Chairman of the Management Board of Voith Hydro, has been appointed as Chairman of the Management Board of Voith Digital Solutions with effect from January 1, 2016. Having been a Member of the Management Board of Voith GmbH for many years he will switch position within the Board to assume the important task of leading us to success in the digitalization sector and in Industry 4.0.

Uwe Wehnhardt will succeed Dr. Roland Münch as head of the hydropower business. Uwe Wehnhardt has been with the Voith Group since 2007. His last position was as Chief Operating Officer and a Member of the Management Board of Voith Hydro. He was appointed as Chairman of the Management Board of Voith Hydro and a Member of the Management Board of Voith GmbH with effect from January 1, 2016.

In October 2015, Carsten J. Reinhardt resigned his position as Chairman of the Management Board of Voith Turbo and a Member of the Management Board of Voith GmbH. Dr. Uwe Knotzer has been appointed his successor in both positions. Dr. Knotzer has worked for the Voith Group since 2002 and has been a Member of the Management Board of Voith Paper since 2012.

02 Business development and earnings position of the Group Divisions

Our three Group Divisions have developed successfully in the first six months of the 2015/16 fiscal year and report firm profits in the period. In addition to its good basic business, Voith Hydro also benefited from the award of a new major project. Voith Paper is making good progress following a phase of intensive restructuring and has been able to increase its profitability. Voith Turbo has been able to increase sales slightly and hold results stable despite the fact that difficult market conditions apply in two of its markets – oil & gas and raw materials.

02.1. Voith Hydro

Closing slightly ahead of plan

Voith Hydro can look back over a good first half year in which, in addition to good ongoing basic business, the award of a major project means that more than half of the orders planned for the full year have already been received. With sales almost unchanged, Voith Hydro has been able to increase its profit from operations and its profitability. Voith Hydro is doing well for the full year 2015/16.

Sales at almost the same level as in the previous year

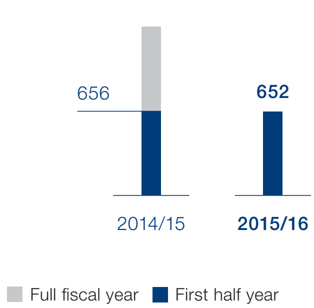
Voith Hydro generated sales of €652 million in the first half of the 2015/16 fiscal year, almost unchanged compared to the high level recorded in the same period in the previous year (previous year: €656 million, -1 %), slightly exceeding our expectations. A very strong service business has contributed to this, as well as higher than expected sales for hydropower plant equipment and modernization. Voith Hydro sales were burdened by negative currency effects, excluding these effects the figures would have shown a slight growth.

Orders received dominated by the award of a major project

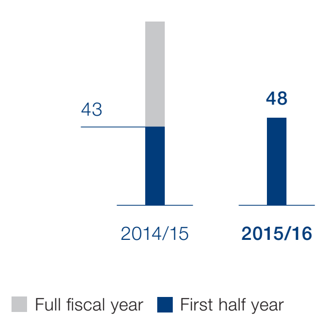
Tenders awarded in the first half of 2015/16 were significantly up on the same period in the previous year in what is generally a stable hydropower plant market. In the previous year the volume was spread very unevenly over the year, and only a very small proportion of the total of all contracts were awarded in the first half of the fiscal year. In the current reporting period the market was dominated by large projects that have now been awarded, some of them following years of delay. Voith Hydro benefited appropriately from the high volume of orders awarded and was able to increase the level of orders received in the reporting period significantly. As a result the orders received totaled €839 million, more than double the level in the same period in the previous year (previous year: €376 million, +123%). A major project in Canada was a significant contributor to the pleasing level of orders received. The service business has also developed very well. Orders on hand increased significantly to €3,426 million at March 31, 2016 (September 30, 2015: €3,139 million).

The high percentage increase in orders received in the first half of 2015/16 cannot be extrapolated forward for the fiscal year as a whole, firstly because the total

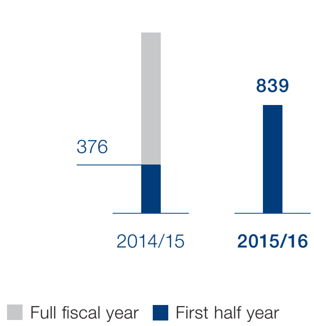
Sales Voith Hydro
in € millions



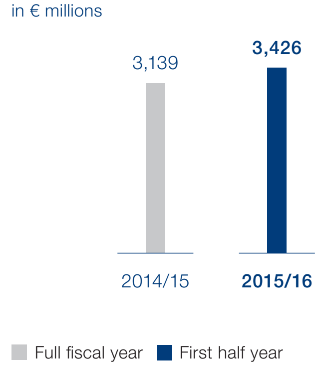
Profit from operations Voith Hydro
in € millions



Orders received Voith Hydro
in € millions



Orders on hand Voith Hydro
in € millions



includes one project that is larger than average, and secondly because the figures for the first half year in the previous year were unusually low. Less than 30% of the total contract volume was received in the first half of the fiscal year 2014/15. However, we are optimistic that we will improve on the forecast published in our annual report (orders received "falling tangibly") and that we will close the current fiscal year with orders received only slightly down on the previous year.

There have been very positive trends in the established hydropower markets in the USA and Canada in the reporting period. We have had above-average success in winning modernization and service contracts. In addition we have been awarded a €315 million contract to supply turbines and generators as part of the Site C project to construct a new power plant in Canada.

Asia remains one of the most important sales markets for Voith Hydro, whereby, in addition to China and Japan, the other prosperous and stable countries in Southeast Asia are of growing importance. We have been awarded a contract for the Nikachhu hydropower plant, the first time we have obtained a contract in Bhutan. This South Asian country has embedded environmental protection in its constitution and has invested heavily in hydropower, exporting some of the energy generated from this source to neighboring countries.

The continuing economic and political crisis in Brazil, an important market for hydropower plants, is preventing the award of large infrastructure projects, and as a result the demand for new hydropower plants is also currently experiencing a standstill.

The European market remains difficult given the current energy policy framework, current excess capacity, and low energy prices resulting from the energy transition.

Although the market for small hydropower projects (power plants with a generating capacity of 30 megawatts per unit) remains difficult in many countries due to the lack of subsidy and financing models, we have managed to win contracts in this segment, for example in Japan, India, Southeast Asia and Canada.

Increased profit from operations

Voith Hydro was able to increase its profit from operations in the first half of 2015/16 to €48 million (previous year: €43 million, +10%), which was above plan. The return on sales improved to 7.3% (previous year: 6.6%) and the ROCE to 19.5% (previous year: 17.5%).

02.2. Voith Paper

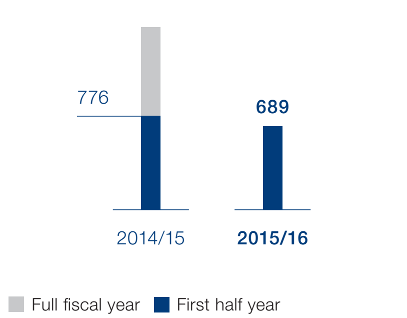
Profitability increased

Voith Paper considers itself confronted with a market that remains difficult in parts. Accordingly, sales and orders received in the reporting period are below the same period in the previous year. Due to the success of the restructuring measures, Voith Paper has been able to increase its profits from operations and its profitability. We consider Voith Paper to be on course to achieve all significant key figures forecasted for the year as a whole.

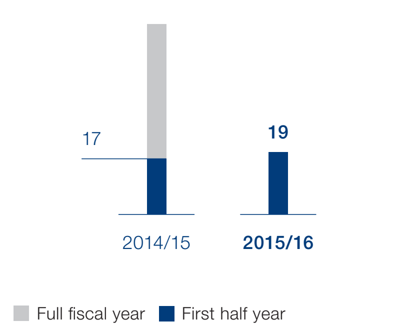
Sales lower than in the strong first half of the previous year

Sales at Voith Paper in the first half of 2015/16 totaled €689 million (previous year: €776 million, -11 %). The fall in sales was wholly attributable to the project business (new machines and major rebuilds). However, the comparative figures for the same period in the previous year were exceptionally high due to the high level of orders on hand brought forward from previous periods. As expected, our business with products, consumables and services benefited from the light increase

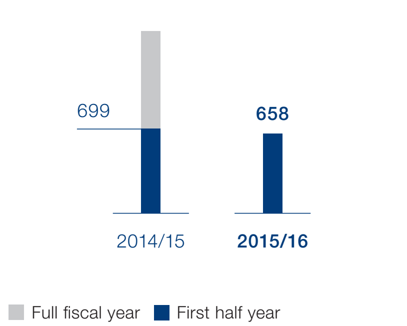
Sales Voith Paper
in € millions



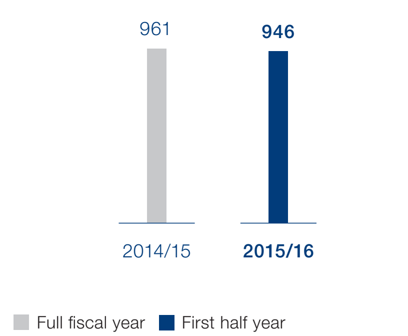
Profit from operations Voith Paper
in € millions



Orders received Voith Paper
in € millions



Orders on hand Voith Paper
in € millions



in paper production worldwide, generating a small increase in sales. Overall, Voith Paper sales in the reporting period were almost in line with plan. We are expecting a stronger six months in the second half of the fiscal year, and accordingly maintain our forecast of stable sales for the 2015/16 fiscal year as a whole.

Orders received below the previous year level

Voith Paper received orders totaling €658 million (previous year: €699 million, -6%) in the reporting period. This total includes growth for the business with products, consumables and services, whereas the project business recorded a fall compared to the same period in the previous year. After adjusting for currency effects, which weighed on the value of orders received by Voith Paper, orders received were almost at the same level as in the same period in the previous year. Although our orders received in the first half of the year were slightly below plan, we expect orders received for the 2015/16 fiscal year as a whole to be at around the same level as in the previous year, as forecast in our latest Annual Report. Orders on hand totaled €946 million at March 31, 2016 (September 30, 2015: €961 million).

The production of graphic paper is declining worldwide, while the board and packaging paper and tissue sectors are recording growth in most regions. Also, even though the production of paper worldwide is increasing again, this low level of growth is, for the most part, being absorbed by the use of existing production capacity. Accordingly, there is a low level of interest among paper manufacturers for investments in new plants.

In China, excess existing capacity limits the demand for new machines and major refurbishment projects. Paper manufacturers in the other Asian countries appeared unsettled by weaker growth levels in China. In Brazil, the exacerbation of the recession and political uncertainty resulted in a cautious investment climate, despite the good results of Latin American paper and tissue manufacturers. Voith has been successful in this difficult environment; for example, we were awarded contracts for three tissue machines in South America. Projects for new paper machines are being offered for tender in North America again.

We have been able to gain new orders for new machines and major rebuilds for the manufacture of tissue and board and packaging paper, as well as for specialty paper.

Returns increased

Voith Paper has increased its profit from operations by 16% to €19 million (previous year: €17 million), despite lower sales. The cost savings achieved as a result of the restructuring have had an impact, and overall the return on sales improved to 2.8% (previous year: 2.2%). The ROCE improved significantly to 5.1% given the improvement in profit from operations and the lower level of capital employed (previous year: 3.9%).

02.3. Voith Turbo

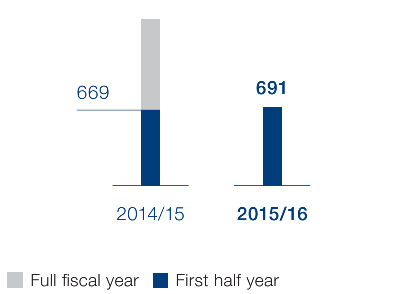
Challenging first half year

The four Voith Turbo divisions have experienced diverging trends in the reporting period: While Power, Oil & Gas and Mining & Metals suffered from deteriorating market conditions, the Rail and Commercial Vehicles divisions have developed well. Overall Voith Turbo has recorded a slight increase in sales and stabilized its profit from operations. The level of orders received, however, has fallen markedly.

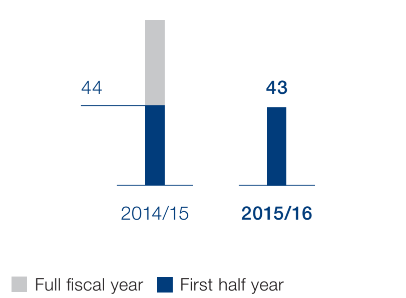
Sales increased by 3%

Voith Turbo's sales in the reporting period totaled €691 million (previous year: €669 million, +3%). In the Rail division we have been able to make significant increases in sales, already at a high level, and the Commercial Vehicles division, too, has recorded a slight sales increase. In the Power, Oil & Gas division and in particular in the Mining & Metals division, sales have fallen due to the lower levels of orders received in the previous year, which was a consequence of the market situation at the time. We retain our forecast that Voith Turbo sales for the year as a whole will remain stable.

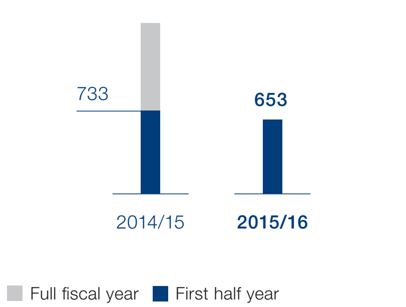
Sales Voith Turbo
in € millions



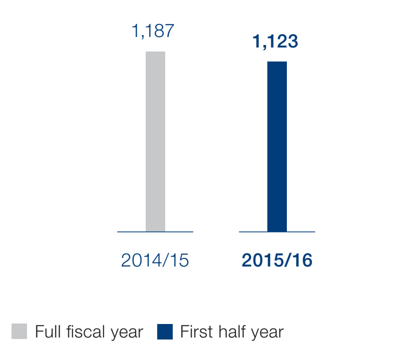
Profit from operations Voith Turbo
in € millions



Orders received Voith Turbo
in € millions



Orders on hand Voith Turbo
in € millions



Fall in orders received due to market conditions

In the first half of the 2015/16 fiscal year Voith Turbo received new orders worth a total of €653 million (previous year: €733 million). With an 11% fall in recorded orders received, Voith Turbo is below plan. Orders on hand totaled €1,123 million at March 31, 2016 (September 30, 2015: €1,187 million).

Orders received were below plan due to the extremely difficult market conditions confronting the Power, Oil & Gas (POG) and Mining & Metals (M&M) divisions. The price of crude oil fell further at the start of Voith's fiscal year 2015/16, with the price of Brent oil falling to new lows of below 30 US dollars per barrel in January 2016 – representing a fall of approximately 70% since the summer of 2014. Despite a subsequent recovery, the price of oil at the end of the reporting period remains at the same low levels seen during the financial crisis. As a result of the dramatic deterioration in their earnings, oil companies have reduced their investment levels and service activities to a minimum in the reporting period. In addition, due to the commodity slump, mining companies have maintained low levels of investment for a considerable period now, and this trend continues. Given this background the Power, Oil & Gas and Mining & Metals divisions have recorded significant falls in orders received.

The Commercial Vehicles division, on the other hand, could maintain orders at almost the same level as in the previous year. In the Rail division our orders received were, as expected, lower than in the same period of the previous year, although still at a high level. The lower level is due to the sharper competitive situation in China.

Profit from operations at previous year level

Profit from operations at Voith Turbo amounted to €43 million in the first half of the 2015/16 fiscal year, comparable with the same period in the previous year (previous year: €44 million). Although the efficiency improvements resulting from Voith 150+ had a positive influence on results these have been offset by the recording of additional risk provisions and changes in the sales mix. As a result, the return on sales fell to 6.3% (previous year: 6.5%). The ROCE improved slightly to 11.9% (previous year: 11.8%).

03 Net assets and financial position

The structure of the Voith Group's assets, equity and liabilities is robust. Owing to the negative net result and valuation adjustments to pension provisions, the equity ratio has fallen to 13.8%. The overall cash flow was positive.

03.1. Balance sheet

Equity reduced by negative Group result and by upward valuation adjustments to pension provisions

The balance sheet total as at March 31, 2016 was €5,461 million and has only changed marginally compared to September 30, 2015 (previous year: €5,451 million, +0%). There were only insignificant shifts between current and non-current assets on the asset side of the balance sheet. On the liabilities side there has been a shift from current liabilities to non-current liabilities. Equity has fallen as a result of the negative net result and valuation adjustments to pension provisions.

Non-current assets fell by a total of €19 million to €2,519 million (previous year: €2,538 million, -1%). The €22 million fall in the carrying value of property, plant and equipment was primarily a result of depreciation of €57 million and disposals of €15 million, less new investments made of €56 million. Non-current securities fell by €36 million as a result of valuation effects.

Current assets increased by €29 million to €2,942 million (previous year: €2,913 million, +1%) primarily due to the increase in receivables from customer-specific contracts; these include long-term contracts accounted for under the percentage of completion method (increase of €51 million, of which €+65 million related to Voith Hydro and €-14 million related to Voith Paper).

Non-current liabilities increased significantly by €387 million to €2,318 million (previous year: €1,931 million, +20%) primarily as a result of the successful placing of a €300 million loan note. The loan is for general business purposes, in particular for refinancing financial liabilities. In the course of its placement, banks and institutional investors subscribed to promissory notes in tranches with terms of five, seven and ten years at fixed and variable interest rates. The increase in the pension provision (€+55 million) as a result of the lower discount rates applied in Germany, the USA and Canada also contributed to the increase in non-current liabilities.

Current liabilities could be reduced by €258 million to €2,388 million (previous year: €2,646 million), primarily as a result of the repayment of short-term bank liabilities (€-188 million). Other provisions presented in current liabilities (€-27 million) primarily include the lower balance on restructuring provisions (€-29 million). The increase in current other liabilities (€+52 million) is primarily the result of higher down payments received on account of orders from customers (€+40 million).

Further information concerning the assets / liabilities held for sale is provided in the Notes to the Interim Report.

As in the previous year, the reported amounts for assets held for sale and liabilities directly associated with the assets classified as held for sale primarily include the assets and liabilities of the Voith Industrial Services Group Division.

The net balance of deferred tax assets and liabilities increased by €22 million, primarily driven by the higher pension provisions, resulting from valuation adjustments.

Equity fell to €755 million (previous year: €874 million, -14%). This fall was primarily the result of the Group's negative net result, valuation changes to pension provisions, and dividend payments made. Accordingly, the equity ratio fell to 13.8% (previous year: 16.0%).

03.2. Liquidity

Total cash flow positive

The cash flow from operating activities amounted to €-48 million in the first half of the 2015/16 fiscal year (previous year: €-143 million). The year-on-year improvement was mainly due to a lower increase in the net working capital in the period under review (€+70 million; previous year: €+222 million).

Cash flow from investing activities totaling €-30 million was primarily a result of payments made for investments made in property, plant and equipment and intangible assets of €-67 million (previous year: €-52 million), less receipts from the disposal of property, plant and equipment of €29 million (previous year: €6 million). Cash flow from investing activities in the same period of the previous year totaling €-557 million was primarily due to payments for financial assets (€-529 million), most of which was as a result of the acquisition of the shareholding in KUKA Aktiengesellschaft.

Cash flow from financing activities of €89 million primarily resulted from the changes to financial liabilities described above. The previous year figure of €189 million was primarily driven by drawdowns of loan capital.

Total cash flow was positive and amounted to €11 million (previous year: €-511 million).

Development of cash flow in € millions	**First half year 2015/16**	First half year 2014/15
Cash flow from operating activities	-48	-143
Cash flow from investing activities	-30	-557
Cash flow from financing activities	89	189
Total cash flow	**11**	-511

Net debt, measured as the difference between interest-bearing financial liabilities and liquid financial assets, amounted to €734 million (September 30, 2015: €574 million).

03.3. Investments and R&D expenses

Further investments in productivity

Voith Group has invested €59 million in the first half of the 2015/16 fiscal year (previous year: €39 million, +49%). This does not include the investments made in the discontinued Voith Industrial Services Group Division of €8 million (previous year: €12 million). The investment ratio, as a percentage of Group sales, amounted to 2.9% (previous year: 1.9%). The largest investments in property, plant and equipment were made by Voith Turbo, which has invested in developing its Shanghai plant. Regionally, investments were focused on Germany and Asia. As a result of the low level of investments in previous years, depreciation amounted to €66 million (previous year: €72 million, -8%).

Research and development expenses in the reporting period totaled €92 million (previous year: €103 million, -11%). The ratio of research and development to sales in the half year was therefore 4.5% (previous year: 4.9%).

03.4. Financial investments and participating interests

There were no reportable transactions affecting financial investments and participating interests from a Group perspective in the first half of the fiscal year 2015/16.

04

Employees

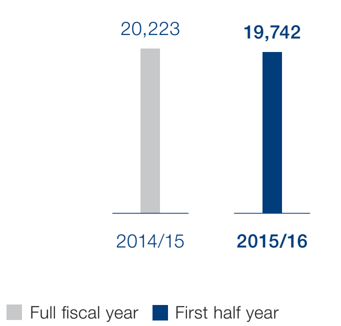
At the end of the first half of the 2015/16 fiscal year we employed around 19,740 people. These figures do not include the around 17,460 employees in the discontinued Voith Industrial Services Group Division. Reorganization and restructuring as part of the Voith 150+ success program are proceeding according to plan. Around 480 jobs were reduced during the reporting period.

Further reduction in number of employees with implementation of Voith 150+

As at March 31, 2016, we employed 19,742 full-time equivalents (excluding apprentices) in the Voith Group. Overall, this is 481 or 2% fewer jobs than at the end of the last fiscal year (September 30, 2015: 20,223). This figure does not include the 17,463 jobs (previous year: 17,253) in the discontinued Voith Industrial Services Group Division.

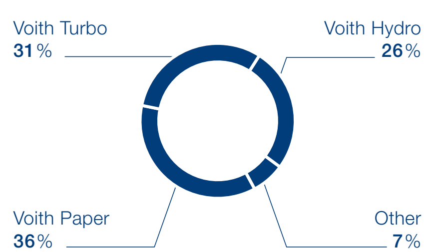
This decrease in jobs is largely due to the Voith 150+ success program which is currently being implemented worldwide. The greatest impact was on the Voith Paper Group Division (-715 jobs) and, to a lesser extent, the Voith Turbo Group Division (-128 jobs) and Voith Hydro (-114 jobs). A total of 475 jobs were added in the Group Holding; this reflects the shift of indirect functions from the Group Divisions to the Group Holding in the framework of Voith 150+.

Employees Group[1]



[1] Excluding the discontinued Group Division Voith Industrial Services.

Employees total 19,742[1] by Group Division



First half year 2015/16

[1] Excluding the discontinued Group Division Voith Industrial Services.

36% of employees with Voith Paper

Excluding the discontinued personnel-intensive Voith Industrial Services Group Division, Voith Paper has, with 36% of the total headcount, more employees than any other Group Division. 7,025 people were working there at the end of the period under review (previous year: 7,739 employees). Voith Turbo had 6,126 employees (previous year: 6,254) or 31% of the Group's headcount. With 5,074 people, Voith Hydro employed 26% of the Group's total workforce (previous year: 5,188 employees). The remaining jobs (1,517, previous year: 1,042) were in indirect central functions and in areas with a holding function.

Restructuring and reorganization-related job cuts according to plan

The reorganization of our indirect activities as part of the Group-wide success program Voith 150+ has now been largely completed. The target of reducing the workforce by 720 should be achieved, as announced, by the end of the current fiscal year. The job cuts made as part of the restructuring of Voith Paper which were decided on last year as well as timely capacity adjustments in Voith Turbo and Voith Hydro will be implemented as planned by the end of 2016.

Owing to the ongoing cycle of low oil and raw material prices, which has persisted for much longer than anticipated, and the correspondingly low level of investment in the oil and gas industry as well as in mining and steel production, we took temporary measures in 2016 for several Voith Turbo locations to support these industries.

05

Subsequent events

In May 2016 we entered into a sale and purchase agreement with Triton, an investment company, under which Triton will acquire a majority shareholding in the Group's Voith Industrial Services segment. The acquirer will continue the business using a new brand identity and name. Voith retains a 20% shareholding and will provide support during the transition period. The completion of the sale and purchase agreement is subject to the approval of the responsible antitrust authorities.

In 2015 we announced that the Voith Group will, in view of the digital age, focus its portfolio on its technology and engineering competence. As a result, we sought an acquirer for the technical industrial service activities, which are heavily dependent on customer process know-how (e.g. in the automobile sector) and which make up the Voith Industrial Services segment.

No further significant developments have occurred since the end of the first half of the 2015/16 fiscal year (March 31, 2016).

06

Risks and opportunities

Our assessment of the risk and opportunities situation has only altered slightly since publication of the annual report. There continue to be no risks to the Voith Group's ability to continue as a going concern. The most significant risks which could cause the results to deviate negatively from those forecast/targeted continue to be external. The risks are matched by opportunities that could have a positive influence on business development.

Risk management aligned toward increasing the value of the Company

Entrepreneurial activity involves making decisions under conditions of uncertainty. To safeguard against risks that could jeopardize the Group and/or its companies as a going concern, Voith operates a consistent and binding Group-wide risk management system. It should contribute to increasing the value of the Group and its companies by reducing potential risks and the probability of their occurring. At the same time, the system is intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities.

Risks

To the best of our knowledge at the time this report went to press, there are no risks to the Voith Group's ability to continue as a going concern. For our assessment of the risk situation we refer in all cases to our 2015 annual report in which we describe risks which could have a significantly negative effect on our net assets, financial position and results of operations and which could cause the results to deviate negatively from those forecast/targeted. Significant changes are presented in the following.

Since the publication of our annual report the risk situation has deteriorated somewhat. We continue to regard substantially lower than anticipated global economic development as the most serious economic risk. In this respect developments in China and Brazil will need to be observed particularly closely. The pace of growth in China, the world's largest economy by purchasing power parity, has tailed off consistently over a period of several years. Brazil is now in recession for the second year in succession and the International Monetary Fund has again downgraded its forecasts for 2016 and 2017. These developments are already adversely affecting both the global economy as a whole and Voith's results in particular. Further deterioration in these two key emerging markets could make it more difficult for us to achieve annual targets. In the meantime we regard the spread of Islamic terrorism to Europe as a relevant risk for the global economy.

We have identified heightened exchange rate volatility as a new economic risk. On the one hand, greater fluctuations are related to translation risks and to our ability to forecast the results of our business. On the other, if the value of the euro rises against other important currencies, as was the case in the first half of the fiscal year 2015/16, the competitiveness of our products on the world market would suffer and make it more difficult for us to export to regions outside the euro zone.

A further market risk which could negatively impact the earnings position of Voith Paper is increasing pressure on prices in the important Chinese market. This not only affects project business, but also the consumables which are increasingly in demand in connection with more stable paper production.

We regard the United Kingdom's possible departure from the European Union as a new political risk. If the June referendum in the United Kingdom were to result in Brexit, this would almost certainly have a negative impact on the economic situation in Europe and, as a result, on the Voith Group's business position.

Opportunities

As well as risks we also perceive a number of opportunities which could have positive effects on our net assets, financial position and results of operations, and cause the results to deviate positively from those forecast/targeted. We also refer in all cases to the annual report as regards the assessment of our opportunity situation. We consider all the significant opportunities described in that report as continuing to apply.

One new opportunity could be a change of government in Brazil and that country's emergence from its current political and economic crisis. This would have a positive influence on the global economy and, more immediately, on our own business. We regard this as the currently most significant opportunity for Voith, although if such a change comes about we would only anticipate a tangible impact in the following fiscal year.

From our current perspective the value of the euro is unlikely to fall any further than envisaged in our plans. In this respect there is little prospect that our products might benefit on world markets from a cheaper euro.

07 Forecast report

Based on developments during the reporting period we confirm the Group's annual sales and orders forecast. Against the backdrop of a continuing subdued investment climate we expect both sales and orders received to remain stable in the 2015/16 fiscal year. Profit from operations will benefit from the efficiency gains derived from Voith 150+ but, owing to valuation effects on foreign currency items, will probably, contrary to our original plans, be lower than in the previous year.

07.1. Business environment

Global economic recovery remains fragile

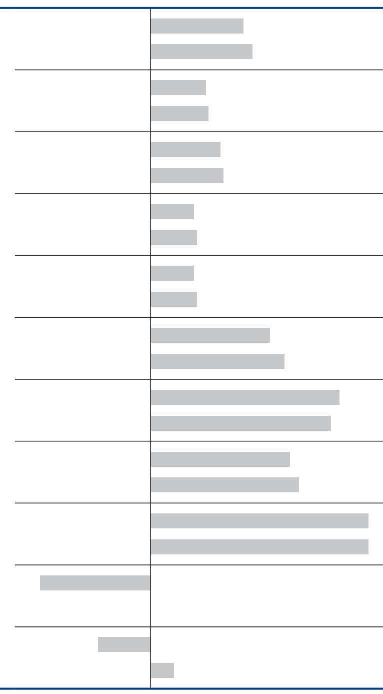
Economic analysts currently assume that the global economy will continue to develop strongly. After worldwide economic growth of 3.1% in 2015 the International Monetary Fund (IMF) is forecasting rates of global growth of between 3.2% and 3.5% for 2016 and 2017 respectively. The IMF forecasts rates of growth for emerging markets of between 4.1% in 2016 and 4.6% in 2017. Important exceptions to this positive trend are Brazil and Russia, both of which are in recession. According to current IMF projections, these two countries will only return to positive rates of growth in 2017 (Russia) and 2018 (Brazil). With projected GDP growth of +6.5% for 2016 and +6.2% for 2017 China continues to play its role as the world economy's locomotive for growth. Nonetheless, economic indicators raise fears of further subdued trends which may impact export-oriented economies such as the Germany economy.

The slow economic recovery will probably continue at a steady rate in the industrialized nations. On the back of growth of 1.9% in 2015 the IMF now projects rates of growth of 1.9% (2016) and 2.0% (2017). The low energy prices in the USA due to production of its own shale gas and oil are responsible for the reindustrialization of the country and are expected to generate significantly higher GDP growth than in Europe. We again anticipate low rates of growth in the euro zone in 2016 and 2017 at about the same level as in 2015. This is based on the assumption that oil-importing countries continue to benefit from the low oil prices resulting from a market glut. While forecasts show that Germany is expected to grow at similar rates as the euro zone as a whole, below-average performance is expected of its engineering industry.

The environment for capital goods remains difficult. We perceive little stimulus for growth and an ongoing gloomy investment climate in the energy market owing to the uncertain future of the global economy and regulatory regimes. In the market for paper we anticipate that investment in new paper machines will remain low while demand for consumables and services is expected to rise slightly. The willingness to commit to investments in the oil & gas market will probably recede in the light of current oversupply and correspondingly low oil prices. Given the growing backlog in investment in our target market raw materials we anticipate growing medium-term demand for mining equipment but no improvement in the course of the current fiscal year. We continue to be optimistic about the key segments of the transport & automotive market.

The forecast for our business is based on the assumption of there being no major economic or political turbulences.

Economic growth
Real change in GDP on the previous year[1]



World output	2016	3.2%
	2017	3.5%
Advanced economies	2016	1.9%
	2017	2.0%
United States	2016	2.4%
	2017	2.5%
Euro zone[2]	2016	1.5%
	2017	1.6%
Germany	2016	1.5%
	2017	1.6%
Emerging market and developing economies	2016	4.1%
	2017	4.6%
China	2016	6.5%
	2017	6.2%
ASEAN-5	2016	4.8%
	2017	5.1%
India	2016	7.5%
	2017	7.5%
Brazil	2016	-3.8%
	2017	0.0%
Russia	2016	-1.8%
	2017	0.8%

Source: International Monetary Fund, World Economic Outlook, Apr. 2016
[1] Forecasts.
[2] Including Germany.

07.2. Future development of the Company

Stable development of the Voith Group

With regard to the achievement of our Group's annual forecast as published with the presentation of the annual report in December 2015, we are confident with the first half of the year behind us that our sales and orders received are on target. We continue to anticipate ongoing stable development of Group sales in the 2015/16 fiscal year. The level of orders received is also projected to be at much the same level as last year. Nonetheless, our projected results must be adjusted downwards. While the measures taken as part of Voith 150+ are, as announced, having a positive impact on profits, the resulting gains in efficiency – assuming comparable exchange rates at the end of the fiscal year – will probably be canceled out by valuation effects on foreign currency items and profit from operations is therefore expected to decrease noticeably (projection in the 2015 annual report: "grow slightly"). This will have a slightly negative impact on ROCE. As things currently stand we will not – in particular owing to the non-recurring effects described in section 01.5. – be able to achieve our target of a clearly positive net result.

All three Group Divisions return a profit

All the Group Divisions will again return a clear profit from operations in fiscal 2015/16, although – depending on what are in part difficult markets – their sales and orders received will not develop uniformly. We are continuing to work on increasing our results and on achieving a tangible improvement in profitability.

For Voith Hydro, bearing in mind the positive development during the period under review, we are confident that orders received and sales will be higher in 2015/16 than originally planned. Assuming that the volume of projects remains at much the same level as last year we anticipate somewhat fewer orders being received than in the previous year (projection in the 2015 annual report: "tangible decline"). Sales in the 2015/16 fiscal year will probably remain at much the same level as in the previous year (projection in the 2015 annual report: "slightly lower"). Profit from operations will, as predicted, decrease slightly. ROCE will continue to be stably high in accordance with our planning.

We confirm our projection for Voith Paper for the current fiscal year. We assume that sales and orders received throughout the 2015/16 fiscal year will stabilize at a level that is on a par with the previous year. The cost savings generated by restructuring in recent years will continue to have an impact, and we consequently expect a noticeable improvement in profit from operations compared to the previous year. ROCE should also increase substantially compared to the previous year up to a high single-digit percentage rate for the entire 2015/16 fiscal year.

Voith Turbo expects somewhat higher sales in the second half of the year compared to the figures for the reporting period. As a result, at the present juncture the target of achieving reasonably stable sales development compared to the previous year will be achievable over the entire year. The successes of the efficiency improvement measures taken as part of Voith 150+ are having an impact on results. Voith Turbo's profit from operations will increase significantly, even if – owing to a change in sales mix and further provisions to cover warranty issues – the increase is not quite as strong as originally anticipated. The profitability indicator ROCE will also improve slightly compared to the previous year. We announced in the 2015 annual report that achievement of our targets in the Voith Turbo Group Division depended crucially on market conditions in the oil & gas and raw materials markets. Owing to the drastic fall in oil, gas and many raw material prices, now continuing over a much longer period than expected, Voith Turbo will probably not manage to achieve the forecast constant level of orders received. Instead we assume that, compared to the previous year, orders received will fall substantially.

Forecasts are always subject to considerable uncertainty. A host of macroeconomic and industry-specific factors can influence, positively or negatively, the development of individual Group Divisions or the entire Group. For information on the significant risks and opportunities which could lead to a negative/positive forecast deviation, we refer to section 06 “Risks and opportunities” of this management report.

Group interim financial statements

for the period from October 2015 to March 2016

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Consolidated statement of income

for the period from October 1, 2015 to March 31, 2016

in € thousands	**2015-10-01 to 2016-03-31**	2014-10-01 to 2015-03-31
Sales	2,038,317	2,107,830
Changes in inventories and other own work capitalized	33,608	35,812
Total output	**2,071,925**	2,143,642
Other operating income	171,171	203,875
Cost of material	-880,682	-937,050
Personnel expenses	-715,338	-723,438
Depreciation and amortization	-65,515	-71,966
Other operating expenses	-499,962	-511,786
Operational result before non-recurring items	**81,599**	103,277
Non-recurring result	-4,853	-142,954
Operational result	**76,746**	-39,677
Result from companies accounted for using the equity method	5,422	-931
Interest income	4,226	6,016
Interest expenses	-40,758	-39,091
Other financial result	-27,925	-8,450
Result before taxes from continuing operations	**17,711**	-82,133
Income taxes	-26,796	-41,136
Net result from continuing operations	**-9,085**	-123,269
Net result from discontinued operations	**-38,471**	-8,153
Net result	**-47,556**	-131,422
Net result attributable to shareholders of the parent company	-52,972	-138,238
Net result attributable to holders of non-controlling interests	5,416	6,816

Consolidated statement of comprehensive income

for the period from October 1, 2015 to March 31, 2016

in € thousands	**2015-10-01 to 2016-03-31**	2014-10-01 to 2015-03-31
Net result	**-47,556**	-131,422
Components of other comprehensive income that will not be recycled through profit or loss in later accounting periods:		
Remeasurement of defined benefit plans	-58,958	-118,352
Taxes on components of other comprehensive income that will not be recycled through profit or loss in later periods	18,396	26,164
Components of other comprehensive income that will be recycled through profit or loss in later accounting periods:		
Gains/losses on available-for-sale financial assets	-10	214
Gains/losses on cash flow hedges	-1,761	0
Gains/losses on currency translation	-7,177	53,095
Gains/losses from the currency translation of net investments in foreign operations	2,777	-2,138
Taxes on components of other comprehensive income that will be recycled through profit or loss in later accounting periods	582	-25
Other comprehensive income	**-46,151**	-41,042
Total comprehensive income	**-93,707**	-172,464
· Total comprehensive income attributable to shareholders of the parent company	-99,695	-185,860
· Total comprehensive income attributable to holders of non-controlling interests	5,988	13,396
	-93,707	-172,464

Consolidated balance sheet

as at March 31, 2016

in € thousands		2016-03-31	2015-09-30
A.	**Non-current assets**		
I.	Intangible assets	452,261	458,974
II.	Property, plant and equipment	1,037,047	1,058,902
III.	Investments accounted for using the equity method	614,826	617,882
IV.	Securities	75,029	111,206
V.	Other financial assets	37,825	36,045
VI.	Other financial receivables	58,144	52,735
VII.	Other assets	19,280	21,524
VIII.	Deferred tax assets	224,814	180,803
Total non-current assets		**2,519,226**	2,538,071
B.	**Current assets**		
I.	Inventories	632,755	610,501
II.	Trade receivables	656,071	664,858
III.	Receivables from customer-specific contracts	328,048	276,773
IV.	Securities	51,293	62,187
V.	Current income tax assets	60,089	63,949
VI.	Other financial receivables	108,174	130,294
VII.	Other assets	119,019	86,478
VIII.	Cash and cash equivalents	445,888	434,953
		2,401,337	2,329,993
IX.	Assets held for sale	540,354	582,961
Total current assets		**2,941,691**	2,912,954
Total assets		**5,460,917**	5,451,025

in € thousands		2016-03-31	2015-09-30
A.	**Equity**		
I.	Issued capital	120,000	120,000
II.	Revenue reserves	511,095	624,938
III.	Other reserves	-20,534	-15,565
IV.	Profit participation rights	6,600	6,600
Equity attributable to shareholders of the parent company		**617,161**	735,973
V.	Profit participation rights	96,800	96,800
VI.	Other interests	40,874	41,470
Equity attributable to holders of non-controlling interests		**137,674**	138,270
Total equity		**754,835**	874,243
B.	**Non-current liabilities**		
I.	Provisions for pensions and similar obligations	777,882	722,673
II.	Other provisions	260,601	234,774
III.	Income tax liabilities	945	325
IV.	Bonds, bank loans and other interest-bearing liabilities	1,147,312	841,642
V.	Other financial liabilities	28,257	48,454
VI.	Other liabilities	30,603	32,282
VII.	Deferred tax liabilities	72,886	50,851
Total non-current liabilities		**2,318,486**	1,931,001
C.	**Current liabilities**		
I.	Provisions for pensions and similar obligations	28,055	28,604
II.	Other provisions	279,872	307,065
III.	Income tax liabilities	60,790	74,229
IV.	Bonds, bank loans and other interest-bearing liabilities	188,505	377,985
V.	Trade payables	392,768	397,928
VI.	Liabilities from customer-specific contracts	55,887	46,128
VII.	Other financial liabilities	218,236	282,979
VIII.	Other liabilities	902,756	850,410
		2,126,869	2,365,328
IX.	Liabilities directly associated with the assets classified as held for sale	260,727	280,453
Total current liabilities		**2,387,596**	2,645,781
Total equity and liabilities		**5,460,917**	5,451,025

Consolidated statement of changes in equity

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
					Equity attributable to shareholders of the parent company
2015-10-01	**120,000**	**624,938**	**3,992**	**-1,067**	**-9,410**
Net result		-52,972			
Other comprehensive income		-41,754	2	-1,243	-6,414
Total comprehensive income	**0**	**-94,726**	**2**	**-1,243**	**-6,414**
Allocation of reserves to profit participation rights		-5,590			
Share of income attributable to profit participation rights					
Dividends		-15,000			
Adjustments to the group of consolidated companies affecting non-controlling interests		-1,968			
Non-controlling interests – put options		1,822			
Other adjustments		1,619			
2016-03-31	**120,000**	**511,095**	**3,994**	**-2,310**	**-15,824**

in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
					Equity attributable to shareholders of the parent company
2014-10-01	120,000	737,573	4,491	-1,063	10,808
Net result		-138,238			
Other comprehensive income		-88,707	149	0	43,260
Total comprehensive income	0	-226,945	149	0	43,260
Allocation of reserves to profit participation rights		-5,590			
Share of income attributable to profit participation rights					
Dividends		-15,000			
Adjustments to the group of consolidated companies affecting non-controlling interests					
Non-controlling interests – put options		-1,187			
Other adjustments		1,105			
2015-03-31	120,000	489,956	4,640	-1,063	54,068

Net investment in foreign operations	Profit participation rights	Total	Equity attributable to holders of non-controlling interests: Profit participation rights	Other interests	Total	Total equity
-9,080	**6,600**	**735,973**	**96,800**	**41,470**	**138,270**	**874,243**
		-52,972		5,416	5,416	-47,556
2,686	0	-46,723		572	572	-46,151
2,686	**0**	**-99,695**	**0**	**5,988**	**5,988**	**-93,707**
	363	-5,227	5,227		5,227	0
	-363	-363	-5,227		-5,227	-5,590
		-15,000		-2,297	-2,297	-17,297
		-1,968		-1,099	-1,099	-3,067
		1,822		-4,440	-4,440	-2,618
		1,619		1,252	1,252	2,871
-6,394	**6,600**	**617,161**	**96,800**	**40,874**	**137,674**	**754,835**

Net investment in foreign operations	Profit participation rights	Total	Equity attributable to holders of non-controlling interests: Profit participation rights	Other interests	Total	Total equity
-7,306	6,600	871,103	96,800	63,400	160,200	1,031,303
		-138,238		6,816	6,816	-131,422
-2,324	0	-47,622	0	6,580	6,580	-41,042
-2,324	0	-185,860	0	13,396	13,396	-172,464
	363	-5,227	5,227		5,227	0
	-363	-363	-5,227		-5,227	-5,590
		-15,000		-3,222	-3,222	-18,222
		0		-1,080	-1,080	-1,080
		-1,187		-3,183	-3,183	-4,370
		1,105		-2,161	-2,161	-1,056
-9,630	6,600	664,571	96,800	67,150	163,950	828,521

Consolidated cash flow statement

in € thousands	2015-10-01 to 2016-03-31	2014-10-01 to 2015-03-31
Result before taxes from continuing and discontinued operations	-21,514	-87,844
Depreciation and amortization	144,952	113,100
Interest expenses/income	36,909	33,336
Other non-cash items	-6,212	22,502
Gains/losses from the disposal of property, plant, equipment and intangible assets	-14,446	1,102
Gains/losses from the disposal of consolidated companies	0	169
Gains/losses from investments	-8,169	-146
Changes in other provisions and accruals	-76,664	57,505
Change in net working capital	-70,114	-222,437
Interest paid	-7,340	-7,340
Interest received	3,549	3,549
Dividends received	9,071	1,353
Tax paid	-38,252	-57,727
Cash flow from operating activities	**-48,230**	-142,878
Investments in property, plant, equipment and intangible assets	-66,851	-51,814
Proceeds from the disposal of property, plant, equipment and intangible assets	29,389	6,123
Investments in financial assets	-2,246	-529,581
Subsequent purchase payments for earlier acquisitions	0	169
Receipts and payments in connection with the disposal of consolidated subsidiaries	0	-3,868
Proceeds from the disposal of financial assets	273	535
Changes in investments in securities	9,749	21,642
Cash flow from investing activities	**-29,686**	-556,794
Dividends paid	-22,887	-23,003
Acquisition of non-controlling interests	-3,067	0
New bonds, bank loans and overdrafts	351,214	256,509
Repayment of bonds, bank loans and overdrafts	-232,507	-28,119
Changes in other interest-bearing financial receivables and liabilities	-3,687	-16,851
Cash flow from financing activities	**89,066**	188,536
Total cash flow	**11,150**	-511,136
Exchange rate movements and valuation changes	-215	19,126
Reclassification to assets held for sale	0	-2,381
Cash and cash equivalents at the beginning of the period	434,953	800,823
Cash and cash equivalents at the end of the period	**445,888**	306,432

Basis of the interim consolidated financial statements and accounting policies

Voith GmbH (Voith) is a company founded in Germany with international activities. The Company's registered offices are located in Heidenheim an der Brenz at St. Pöltener Strasse 43. Voith is entered in the commercial register (under the number HRB 725621) at the Registration Court in Ulm, Germany. The interim consolidated financial statements prepared by Voith are published in the Bundesanzeiger [German Federal Gazette] in German. As a domestic issuer of debt securities pursuant to Sec. 2 (1) Sentence 1 German Securities Trading Act (WpHG), Voith prepares this half-year financial report in accordance with the provisions of Sec. 37w WpHG and the requirements of IAS 34 "Interim Financial Reporting."

The interim consolidated financial statements for the first half of the 2015/16 fiscal year were prepared in accordance with the International Financial Reporting Standards (IFRS) for interim financial reporting as endorsed by the European Union. In comparison to the full annual report as at September 30, 2015, the interim consolidated financial statements are condensed in scope.

The unaudited interim consolidated financial statements do not include all of the information and disclosures required for consolidated financial statements and must therefore be read in conjunction with the consolidated financial statements for the year ended September 30, 2015. The interim financial statements are presented in euros and the figures have been rounded using standard commercial principles.

Within the framework of preparing the interim consolidated financial statements pursuant to IFRS, it is necessary to make certain estimates, judgments and assumptions that could have an impact on the amount and presentation of assets and liabilities recognized in the reporting, as well as on the disclosures on contingent assets and contingent liabilities on the reporting date and on the income and expenses reported for the period. Actual amounts may differ from the estimates. Changes in estimates, judgments and assumptions could have a material impact on the interim financial reporting.

The accounting and valuation policies applied by the Group in these interim consolidated financial statements generally correspond to the accounting and valuation policies applied in the IFRS consolidated financial statements for the previous fiscal year. Income taxes are recorded on the basis of an estimate of the weighted average annual income tax rate expected for the full year, taking account of the tax impact of any circumstances that can only be allocated to the respective period under review.

Amendments to IAS and IFRS standards resulting from the Improvement Cycles (2010–2012 and 2011–2013) were implemented for the first time in the first half of the 2015/16 fiscal year. None of the IAS and IFRS standards applied for the first time had a significant effect on the net assets, financial position and results of operations of the Group.

Basis of consolidation

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

	2016-03-31	2015-09-30
Voith GmbH and its fully consolidated subsidiaries:		
· Germany	43	43
· Other countries	127	128
Total number of fully consolidated companies	**170**	171
Companies accounted for using the equity method		
· Germany	6	6
· Other countries	12	12
Total number of companies accounted for using the equity method	**18**	18

There were no new companies fully consolidated for the first time in this reporting period.

Business combinations

There were no business combinations in the first half of the current or previous fiscal years.

Acquisition of further interests in entities over which the Group already has control

The remaining 20% interest in Voith Turbo Co., Ltd., Seoul/Republic of Korea was acquired in the first half of the current 2015/16 fiscal year. The acquisition price amounted to €3,067 thousand.

Disposals of shareholdings in 2014/15

The Voith Turbo segment has disposed of its shareholding in a subsidiary in the first half of the 2014/15 fiscal year. The sale was part of the planned process of streamlining its portfolio. In total, the sale resulted in the disposal of non-current assets of €1,075 thousand, current assets of €3,819 thousand, non-current liabilities of €245 thousand and current liabilities of €2,444 thousand. The sale price totaled €955 thousand. A loss of €169 thousand resulted from the sale. The loss is reported within operating results.

Disposals and discontinued operations in the 2015/16 fiscal year

There were no disposals of subsidiary entities in the first half of the current 2015/16 fiscal year.

An announcement was made in February 2015 of the Voith Group's intention to concentrate its focus on its technology and engineering competence and to dispose of the Voith Industrial Services segment. Accordingly, as in the fiscal year 2014/15 Voith Industrial Services is presented as held for sale and accounted for as a discontinued operation.

The net result from discontinued operations included in the statement of income includes the following:

in € thousands	2015/16	2014/15
Sales	482,248	560,053
Changes in inventories and other own work capitalized	7,138	-3,625
Other operating income	14,107	12,256
Operating expenses	-498,045	-554,609
Operational result before non-recurring items	**5,448**	14,075
Non-recurring result	-44,791	-21,933
Operational result	**-39,343**	-7,858
Financial result	119	2,147
Result before taxes	**-39,224**	-5,711
Income taxes	753	-2,442
Net result	**-38,471**	-8,153

The non-recurring result presented includes an impairment charge of €35,200 thousand resulting from reducing the carrying value to fair value less costs of disposal.

Cash flow from discontinued operations:

in € thousands	2015/16	2014/15
Cash flow from operating activities	-22,412	-10,569
Cash flow from investing activities	-7,137	-15,388

Notes on segment reporting

The structure of the segments and the methods used to calculate the segment information have remained unchanged since September 30, 2015.

When calculating the profit from operations, the following profit/loss components were taken into consideration. These components remain unchanged compared to the last consolidated financial statements:

Operating interest income

Operating interest income is defined as interest received by the Company on the long-term financing of receivables from customers, or as the imputed interest effect attributable to that portion of customer advances that is not used to finance inventories and PoC receivables.

Other adjustments

Other adjustments contain effects that, based on their operating character, are normally shown as other operating income and expenses in the consolidated statement of income. In determining the profit from operations, these adjustments are eliminated as non-recurring items so as to facilitate a better assessment of the operating activities by segment.

The capital employed as at the March 31, 2016 reporting date is an average value derived from the values as at the end of the period under review and as at the end of the previous period. The capital employed on the reporting date of September 30, 2015 is an average value derived from the values as at the reporting date of September 30, 2015, the reporting date for the previous half-yearly financial statements, and as at the end of the previous period under review as at September 30, 2014.

Segment information by business segment

in € millions	Voith Hydro 2015/16	Voith Hydro 2014/15	Voith Paper 2015/16	Voith Paper 2014/15	Voith Turbo 2015/16	Voith Turbo 2014/15
External sales	652	656	689	776	691	669
Sales with other segments	2	2	10	12	3	3
Total segment sales	654	658	699	788	694	672
Profit from operations	48	43	19	17	43	44
Average capital employed	489	478	758	843	729	738
Employees[2]	5,074	5,188	7,025	7,739	6,126	6,254

[1] Subtotal for Voith Hydro, Voith Paper and Voith Turbo.
[2] Statistical number of persons employed at the balance sheet date compared to September 30, 2015.

The two defined earnings components “Operating interest income” and “Other adjustments” are not shown directly in the consolidated statement of income. Accordingly they are presented separately below in the reconciliation of the profit from operations by segment to result before taxes.

Reconciliation of total profit from operations to the Group’s income before taxes:

in € millions	2015/16	2014/15
Profit from operations	**97**	120
Operating interest income	-14	-17
Other adjustments	0	0
Non-recurring result	-5	-143
Income from companies accounted for using the equity method	5	-1
Interest result	-37	-33
Other financial result	-28	-8
Result before taxes from continuing operations	**18**	-82

Total core business[1)]		Reconciliation		Total	
2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
2,032	2,101	6	7	2,038	2,108
15	17	-15	-17	0	0
2,047	2,118	-9	-10	2,038	2,108
110	104	-13	16	97	120
1,976	2,059	174	155	2,150	2,214
18,225	19,181	1,517	1,042	19,742	20,223

Notes to the statement of income and the balance sheet

The following notes are restricted to those matters that provide useful additional information for understanding the amounts reported in the statement of income and the balance sheet.

Selected notes to the statement of income

Other operating income

in € thousands	2015/16	2014/15
Income from the utilization of contract-specific provisions	54,999	49,314
Income from the reversal of provisions and accruals	24,935	21,716
Foreign exchange gains	38,112	99,404
Recovered bad debts	4,729	2,153
Gains on the disposal of intangible assets and property, plant and equipment	4,807	768
Rental and lease income	2,297	1,998
Income from insurance indemnification payments	15,923	4,001
Other income	25,369	24,521
	171,171	203,875

Other operating expenses

in € thousands	2015/16	2014/15
Increase in provisions and accruals	111,907	78,283
Other selling expenses	141,031	151,558
Other administrative expenses	121,680	116,401
Foreign exchange losses	52,798	71,139
Rent for buildings and machinery	23,228	25,088
Bad debt allowances	11,785	5,267
Losses on the disposal of intangible assets and property, plant and equipment	666	594
Other expenses	36,867	63,456
	499,962	511,786

Non-recurring result

Voith generally defines expenses and income arising from major restructuring activities, measures addressing personnel capacity, and the discontinuation operations as exceptional items and presents them under the non-recurring result.

The non-recurring result in the reporting period totaled €-5 million (previous year: €-143 million).

Non-recurring items in the same period in the previous year primarily included expenses in connection with a package of measures taken by Voith Paper (concentrating its activities to just a few locations and cuts of 900 jobs worldwide) as well as in connection with excellence initiatives forming part of the Group-wide success program Voith 150+ (restructuring of administrative activities worldwide, combining standardized administrative functions across divisions and cuts of 720 jobs). Further expenses were also incurred in connection with the planned sale of shareholdings and due to adjustments to the purchase prices of sales of shareholdings already completed. Individual contributions to non-recurring items were made by Voith Hydro (€-15 million), by Voith Paper (€-109 million), by Voith Turbo (€-14 million) and by activities with holding functions (€-5 million).

In the first half of the fiscal year 2015/16 the non-recurring result includes individual items of expenses for which it was not permitted to record a provision in the previous year, gains on the sale of real estate property, and the release of provisions from both packages of measures implemented in the previous year. In addition, non-recurring items include personnel-related expenses from measures taken at Voith Turbo in the fiscal year 2015/16 to counter the weakness in the oil and gas, mining and steel production sectors. An expense of €16 million was also recorded in the current period to correct an accounting timing recognition error made at an Asian subsidiary of Voith Paper. Individual contributions to non-recurring items in the reporting period were made by Voith Hydro (€+5 million), Voith Paper (€-8 million), Voith Turbo (€-5 million), and by activities with holding functions (€+3 million).

The non-recurring result includes the following:

in € thousands	**2015/16**	2014/15
Personnel expenses	-16,222	-134,395
Depreciation and amortization of non-current assets	-34	-7,378
Other expenses	-17,323	-2,117
Income from the reversal of provisions	18,085	663
Income from the disposal of property, plant and equipment	10,245	0
Other income	396	273
	-4,853	-142,954

Other financial result

in € thousands	2015/16	2014/15
Gains/losses from investments	8,184	144
Impairment of securities and other investments	-36,205	-8,463
Other financial result	96	-131
	-27,925	-8,450

Income taxes

Income taxes totaled €-27 million (previous year: €-41 million) and include income taxes relating to other periods of €1 million (previous year: an expense of €-18 million). There were no tax effects relating to significant amounts of expenses included in non-recurring items in the previous year.

Selected notes to the balance sheet

Intangible assets

In the first half of the 2015/16 fiscal year an amount of €3 million (previous year: €4 million) was invested in intangible assets. Amortization amounted to €9 million (previous year: €10 million) and impairment losses to €0 (previous year: €5 million). The figures for this and the previous year no longer include investments and amortization by Voith Industrial Services.

Property, plant and equipment

Investments in property, plant and equipment amounted to €56 million in the first six months of the 2015/16 fiscal year (previous year: €35 million). Depreciation amounted to €57 million (previous year: €62 million) and impairment losses to €0 (previous year: €2 million). The figures for this and the previous year no longer include investments and amortization by Voith Industrial Services.

Inventories

Inventories consist of the following items:

in € thousands	**2015/16**	2014/15
Raw materials, consumables and supplies	208,139	210,797
Work in progress	202,646	181,006
Finished goods and merchandise	140,352	141,561
Prepayments	81,618	77,137
	632,755	610,501

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

At March 31, 2016 this position primarily includes the assets and liabilities of Voith Industrial Services, a discontinued operation. For further details see the section "Disposals and discontinued operations in the 2015/16 fiscal year."

The carrying amounts of the major groups of Voith Industrial Services assets and liabilities held for sale are as follows:

Assets

in € thousands	2016-03-31	2015-09-30
A. Non-current assets		
Goodwill	162,044	199,656
Other intangible assets	7,630	8,024
Property, plant and equipment	63,769	63,927
Investments accounted for using the equity method	19,294	18,075
Securities	5,458	6,467
Other financial assets	599	599
Other financial receivables	596	22,798
Other assets	607	315
Deferred tax assets	9,751	9,477
Total non-current assets	**269,748**	329,338
B. Current assets		
Inventories	58,683	35,004
Trade receivables	158,105	177,928
Receivables from customer-specific contracts	19,084	17,318
Securities	0	17
Current income tax assets	6,332	4,853
Other financial receivables	9,020	10,698
Other assets	16,420	7,805
Total current assets	**267,644**	253,623
Assets held for sale	**537,392**	582,961

Liabilities

in € thousands	2016-03-31	2015-09-30
A. Non-current liabilities		
Provisions for pensions and similar obligations	22,198	20,755
Other provisions	7,208	30,409
Income tax liabilities	0	335
Bonds, bank loans and other interest-bearing liabilities	0	129
Other financial liabilities	3,191	3,996
Deferred tax liabilities	15,361	15,116
Total non-current liabilities	**47,958**	70,740
B. Current liabilities		
Provisions for pensions and similar obligations	1,261	1,316
Other provisions	38,921	38,945
Income tax liabilities	5,811	3,593
Bonds, bank loans and other interest-bearing liabilities	33	178
Trade payables	57,163	67,341
Liabilities from customer-specific contracts	731	770
Other financial liabilities	51,449	61,481
Other liabilities	57,400	36,089
Total current liabilities	**212,769**	209,713

Liabilities directly associated with assets classified as held for sale	**260,727**	280,453

Equity

A dividend of €0.13 per share was distributed from the retained earnings of Voith GmbH. This equates to €15,000 thousand (previous year: €15,000 thousand). Distributions totaling €5,590 thousand were made to holders of profit participation capital (previous year as at March 31, 2015: €5,590 thousand). Dividends totaling €2,297 thousand were distributed to other holders of non-controlling interests (previous year as at March 31, 2015: €3,222 thousand).

Provisions for pensions and similar obligations

The increase in provisions for pensions and similar obligations is primarily the result of changes in actuarial assumptions. The calculation of pension provisions is based on the following assumptions:

	Germany and Austria		USA	
in %	**2016-03-31**	2015-09-30	**2016-03-31**	2015-09-30
Discount rate	2.02	2.42	3.60	4.05
Pension increases	1.50	1.50	0	0

Bonds, bank loans and other interest-bearing financial liabilities

Financial liabilities include the following:

in € thousands	**Current**	**Non-current**	**2016-03-31**	Current	Non-current	2015-09-30
Bonds	76,179	654,621	730,800	79,367	654,523	733,890
Bank loans	69,724	415,283	485,007	258,340	114,107	372,447
Financial liabilities from leases	194	904	1,098	306	997	1,303
Notes payable	678	0	678	274	0	274
Derivatives used to hedge financial transactions	3,079	1,906	4,985	0	0	0
Other financial liabilities	38,651	74,598	113,249	39,698	72,015	111,713
	188,505	**1,147,312**	**1,335,817**	377,985	841,642	1,219,627

Voith GmbH successfully issued a loan note of €300 million on the market in November 2015. The loan is for general business purposes, in particular for the purposes of refinancing financial liabilities.

Under this loan issue, banks and institutional investors subscribed for loan notes in tranches with maturities of five, seven and ten years, carrying both fixed and floating interest rates.

Other notes

Contingent liabilities, contingent assets and other financial obligations

There are risks in connection with the recognition of transfer prices in foreign jurisdictions amounting to €4 million (previous year: €4 million) and amounting to €40 million in connection with legal disputes (previous year: €33 million). A successful outcome is currently expected in both cases.

Neither Voith GmbH nor any of its Group companies are involved in any current or foreseeable taxation, legal or arbitration proceedings that could materially influence their economic situation.

Further changes may be made to the tax positions of German companies owing to the ongoing tax field audit.

Guarantee obligations amount to €28,918 thousand (previous year: €25,258 thousand).

Moreover, other financial obligations are as follows:

in € thousands	**2016-03-31**	2015-09-30
Purchase commitments for capital expenditures	26,001	12,696
Obligations arising from non-cancelable operating leases	126,630	144,326
Other	2,093	1,531
	154,724	158,553

Additional information on financial instruments

in € thousands	IAS 39 measurement category	Carrying amount 2016-03-31	Amount recognized in the balance sheet in accordance with IAS 39: Amortized cost	Cost	Fair value through equity	Fair value through profit or loss	Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2016-03-31
Assets:								
Cash and cash equivalents	LaR	445,888	445,888					445,888
Trade receivables	LaR	656,071	656,071					656,071
Receivables from construction contracts	LaR	328,048	328,048					328,048
Other financial assets and securities		164,147						
· Financial investments	LaR	49,410	49,410					49,410
· Loans	LaR	6,048	6,048					6,048
· Investments	AfS	31,777		31,777				1)
· Securities	AfS	76,912			76,912			76,912
Derivative financial instruments		39,366						
· Forward exchange contracts	FAHfT	6,382				6,382		6,382
· Interest rate hedges	FAHfT	118				118		118
· Forward exchange contracts (fair value hedges)	n. a.	24,501				24,501		24,501
· Interest rate hedges (fair value hedges)	n. a.	8,365				8,365		8,365
Other receivables		121,660						
· Financial receivables	LaR	14,108	14,108					14,108
· Sundry financial assets	LaR	107,552	107,552					107,552
Liabilities:								
Trade payables	FLAC	392,768	392,768					392,768
Bonds/bank loans/notes	FLAC	1,216,485	1,216,485					1,244,922
Financial liabilities from leases	n. a.	1,098					1,098	
Derivative financial instruments		38,530						
· Forward exchange contracts	FLHfT	6,185				6,185		6,185
· Interest rate hedges	FLHfT	3,079				3,079		3,079
· Forward exchange contracts (fair value hedges)	n. a.	27,360				27,360		27,360
· Interest rate hedges (cash flow hedges)	n. a.	1,906			1,906			1,906
Other financial liabilities	FLAC	113,249	107,168		6,081			413,252
Sundry financial liabilities	FLAC	212,948	212,948					212,948
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	1,607,125	1,607,125					
Available for sale (AfS)	AfS	108,689		31,777	76,912			
Financial assets held for trading (FAHfT)	FAHfT	6,500				6,500		
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,935,450	1,929,369		6,081			
Financial liabilities held for trading (FLHfT)	FLHfT	9,264				9,264		

1) The available-for-sale financial instruments include investments whose fair values were not reliably measurable and for which a sale is not currently planned.

in € thousands	IAS 39 measurement category	Carrying amount 2015-09-30	Amount recognized in the balance sheet in accordance with IAS 39: Amortized cost	Cost	Fair value through equity	Fair value through profit or loss	Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2015-09-30
Assets:								
Cash and cash equivalents	LaR	434,953	434,953					434,953
Trade receivables	LaR	664,858	664,858					664,858
Receivables from construction contracts	LaR	276,773	276,773					276,773
Other financial assets and securities		209,438						
· Financial investments	LaR	60,004	60,004					60,004
· Loans	LaR	5,861	5,861					5,861
· Investments	AfS	30,184		30,184				[1]
· Securities	AfS	113,389			113,389			113,389
Derivative financial instruments		31,022						
· Forward exchange contracts	FAHfT	7,245				7,245		7,245
· Interest rate hedges	FAHfT	6,919				6,919		6,919
· Forward exchange contracts (fair value hedges)	n. a.	6,020				6,020		6,020
· Interest rate hedges (fair value hedges)	n. a.	10,838				10,838		10,838
Other receivables		144,458						
· Financial receivables	LaR	11,476	11,476					11,476
· Sundry financial assets	LaR	132,982	132,982					132,982
Liabilities:								
Trade payables	FLAC	397,928	397,928					397,928
Bonds/bank loans/notes	FLAC	1,106,611	1,106,611					1,149,358
Financial liabilities from leases	n. a.	1,303					1,303	
Derivative financial instruments		107,147						
· Forward exchange contracts	FLHfT	6,722				6,722		6,722
· Forward exchange contracts (fair value hedges)	n. a.	100,425				100,425		100,425
Other financial liabilities	FLAC	111,713	102,315		9,398			417,059
Sundry financial liabilities	FLAC	224,286	224,286					224,286
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	1,586,907	1,586,907					
Available for sale (AfS)	AfS	143,573		30,184	113,389			
Financial assets held for trading (FAHfT)	FAHfT	14,164				14,164		
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,840,538	1,831,140		9,398			
Financial liabilities held for trading (FLHfT)	FLHfT	6,722				6,722		

[1] The available-for-sale financial instruments include investments whose fair values were not reliably measurable.

Fair value hierarchy for the financial assets and liabilities recognized at fair value listed in the table above:

in € thousands	2016-03-31	Level 1	Level 2	Level 3
Assets				
Securities	76,912	76,912	0	0
Derivative financial instruments	39,366	0	39,366	0
Liabilities				
Derivative financial instruments	38,530	0	38,530	0
Liabilities arising from the acquisition of shareholdings in other companies	6,081	0	0	6,081

in € thousands	2015-09-30	Level 1	Level 2	Level 3
Assets				
Securities	113,389	113,389	0	0
Derivative financial instruments	31,022	0	31,022	0
Liabilities				
Derivative financial instruments	107,147	0	107,147	0
Liabilities arising from the acquisition of shareholdings in other companies	9,398	0	0	9,398

The three-level fair value hierarchy divides the input factors used in the measurement techniques to measure the fair value into three levels, as follows:

Level 1:
Input factors quoted in active markets accessible to the Company for identical assets or liabilities on the measurement date.

Level 2:
Other inputs than those at level 1 for which observable market data that relates directly or indirectly to the financial assets or liabilities is available.

Level 3:
Input factors for which there is no observable market data.

No reclassifications were made between the fair value hierarchies in the first half of the 2015/16 fiscal year.

The fair values of derivative financial instruments allocated to level 2 of the fair value hierarchy are taken from the daily observable market prices and interest curves. In addition, fair value measurement includes the risk of both counterparty default and default on the part of the holder. Input factors that take account of counterparty credit risk can be obtained from observable credit default swaps (CDS) from the institutes participating in the respective transaction. At Voith the market CDS rate was used to calculate the Group's own credit risk.

The fair values of liabilities from acquisitions of shareholdings in other companies allocated to level 3 of the fair value hierarchy are based on internal planning data. These are measured using the discounted cash flow projections taken from the latest business planning prepared by management. The planning assumptions are adjusted to reflect the current information available.

The fair values of financial assets and financial liabilities measured at cost or amortized cost, which need to be measured to meet disclosure requirements, are calculated as follows:

Cash and cash equivalents, trade receivables and other financial receivables are subject to floating interest and fall due within one year. For this reason, their carrying amounts approximate their fair values on the reporting date.

Because trade payables and other financial liabilities generally have short residual terms, the carrying amounts approximate the fair values.

The market values of unlisted bonds, bank loans and other financial liabilities are calculated as the present value of the payments associated with the liabilities, based on the applicable term structure of interest rates and Voith GmbH's credit spread curve determined for different currencies.

Offsetting of financial instruments

Derivative financial instruments of €26,060 thousand are subject to potential offsetting under master netting agreements (previous year: €20,450 thousand). The agreements do not meet the criteria for net presentation in the balance sheet due to the fact that the Group does not have a current legal right of setoff, as the right is conditional on the occurrence of future events.

Transactions with related parties and individuals

As in previous periods, transactions with related parties and individuals are conducted on arm's length conditions. The following table shows the most significant transactions for deliveries and services with related parties and individuals:

in € thousands	2016-03-31	2015-09-30
Liabilities to family shareholders	20,266	19,476
Receivables from associates, incl. advances paid	4,285	2,815
Liabilities to associates	957	828
Receivables from other investments, including advances paid	9,393	13,085
Impairment of receivables from other investments	-1,428	-81
Liabilities to other investments, including advances received	10,304	10,580
Receivables from joint ventures	170	252
Liabilities to joint ventures	556	1,355
Receivables from the ultimate parent company	189	196
Liabilities to the ultimate parent company	5,958	5,770

in € thousands	2015/16	2014/15
Services purchased from associates	612	1,334
Services rendered to associates	61	321
Services purchased from other investments	3,293	3,240
Services rendered to other investments	4,967	7,093
Services purchased from joint ventures	1,542	1,871
Services rendered to joint ventures	206	283
Services purchased from the ultimate parent company	5,855	5,269
Services rendered to the ultimate parent company	391	354

Guarantees have been issued in favor of one associate, one joint venture and other investments amounting to €11,836 thousand (previous year: €11,836 thousand), €1,858 thousand (previous year: €1,462 thousand) and €826 thousand (previous year: €543 thousand), respectively.

The Group has obligations under outstanding purchase orders with the ultimate parent, amounting to €2,525 thousand (previous year: €4,242 thousand), and to associates, amounting to €4,649 thousand (previous year: €0).

No capital increases were carried out in favor of joint ventures and associates in the first half of the 2015/16 fiscal year (previous year: €2,567 thousand).

Subsequent events

In May 2016 we entered into a sale and purchase agreement with Triton, an investment company, under which Triton will acquire a majority shareholding in the Group's Voith Industrial Services segment. The acquirer will continue the business using a new brand identity and name. Voith retains a 20% shareholding and will provide support during the transition period. The completion of the sale and purchase agreement is subject to the approval of the responsible antitrust authorities.

In 2015 we announced that the Voith Group will, in view of the digital age, focus its portfolio on its technology and engineering competence. As a result, we sought an acquirer for the technical industrial service activities, which are heavily dependent on customer process know-how (e.g. in the automobile sector) and which make up the Voith Industrial Services segment.

No further significant developments have occurred since the end of the first half of the 2015/16 fiscal year.

Heidenheim an der Brenz, May 13, 2016

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Bertram Staudenmaier
Dr. Roland Münch
Carsten J. Reinhardt (until October 19, 2015)
Dr. Uwe Knotzer (since October 19, 2015)
Uwe Wehnhardt (since January 1, 2016)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for the 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 in accordance with German accepted accounting principles, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining fiscal year.

Heidenheim an der Brenz, May 13, 2016

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This interim report is also available in German. Both versions and other information are available on the Internet for download.

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