

Voith Turbo A/S

Ringstedvej 233

4600 Køge

CVR No. 15150475

Annual Report 2017/18

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

A handwritten signature in blue ink, consisting of a large, stylized 'V' followed by a horizontal line and a long, sweeping flourish.

Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Voith Turbo A/S for the financial year 1 October 2017 - 30 September 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2018 and of the results of the Company's operations for the financial year 1 October 2017 - 30 September 2018.

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

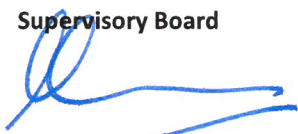
We recommend that the annual report be approved at the annual general meeting.

Køge, 30 January 2019

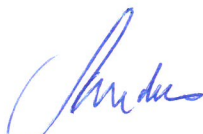
Executive Board

Hans Erik Beling
Manager

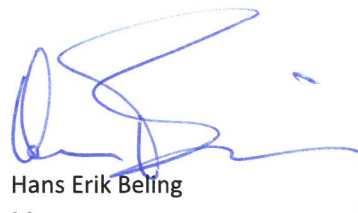
Supervisory Board



Richard Michael Mark Skinner
Chairman



Klaus Michael Sanders



Hans Erik Beling
Manager



Domenico Bondi

Independent auditor's extended review report on the financial statements

To the shareholder of Voith Turbo A/S

Conclusion

We have performed an extended review of the financial statements of Voith Turbo A/S for the financial year 1 October 2017 - 30 September 2018 comprising income statement, balance sheet, statement of changes in equity and notes including a summary of accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2018 and of the results of the Company's operations for the financial year 1 October 2017 - 30 September 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibility for the extended review of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

Emphasis of matter regarding the annual report

At 30 September 2018, the Company's equity was negative. Without qualifying our opinion, we draw attention to note 6 to the financial statements regarding the disclosure of Management's going concern assessment and the parent company's financial support.

Voith Turbo A/S

Company details

Company	Voith Turbo A/S Ringstedvej 233 4600 Køge
CVR No.	15150475
Registered office	Køge
Financial year	1 October 2017 - 30 September 2018
Supervisory Board	Richard Michael Mark Skinner , Chairman Klaus Michael Sanders Hans Erik Beling , Manager Domenico Bondi
Executive Board	Hans Erik Beling , Manager
Auditors	KPMG Statautoriseret Revisionspartnerskab CVR-no.: 25578198

Independent auditor's extended review report on the financial statements

Statement on Management's review

Management is responsible for Management's Review.

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

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

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

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

Copenhagen, 30 January 2019

KPMG

Statautoriseret Revisionspartnerskab

CVR no. 25578198



Martin Eiler

State Authorised Public Accountant

mne32271

Accounting Policies

Reporting Class

The Annual Report of Voith Turbo A/S for 2017/18 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

General Information

Basis of recognition and measurement

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

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

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

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

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

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

Income Statement

Revenue

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

Cost of sales

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

Other operating income

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

Management's Review

Management's review

The Company's principal activities

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

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

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

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

Financial development

The Company's Income Statement of the financial year 1 October 2017 - 30 September 2018 shows a result of DKK -1.792.424 and the Balance Sheet at 30 September 2018 a balance sheet total of DKK 3.759.534 and an equity of DKK -2.647.915.

The shareholder has also expressed his support to the new company set-up in the financial year 2018/19 by means of a support letter. For further information, please refer to note 6.

Supesquent events

None.

Accounting Policies

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

Receivables

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

Deferred income

Deferred income is comprised of prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

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

Current tax liabilities and deferred tax asset

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

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

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

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

Provisions

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

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

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Accounting Policies

of property, plant and equipment.

Gross margin

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

Staff costs

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

Other operating costs

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

Financial income and expenses

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

Tax on net profit/loss for the year

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

Balance Sheet

Property, plant and equipment

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

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

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

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

The estimated useful lives are as follows:

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

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

Inventories

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

Balance Sheet as of 30 September

	Note	2018 kr.	2017 kr.
Assets			
Plant and machinery		5.021	6.601
Fixtures, fittings, tools and equipment		22.297	6.389
Property, plant and equipment		27.319	12.990
Fixed assets		27.319	12.990
Raw materials and consumables		735.685	808.496
Inventories		735.685	808.496
Short-term trade receivables		293.359	322.883
Short-term receivables from group enterprises		355.733	472.535
Current deferred tax		213.141	213.141
Other short-term receivables		0	35.200
Deferred income		50.250	73.623
Receivables		912.483	1.117.382
Cash and cash equivalents		2.084.047	9.721.193
Current assets		3.732.215	11.647.071
Assets		3.759.534	11.660.061

Income Statement

	Note	2017/18 kr.	2016/17 kr.
Gross profit		1.038.219	1.143.539
Employee benefits expense	1	-1.662.708	-2.226.188
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-6.480	-12.342
Special items	2	-1.122.000	843.870
Profit from ordinary operating activities		-1.752.970	-251.120
Other finance income	3	1.172	15.694
Finance expenses	4	-40.626	-59.760
Profit from ordinary activities before tax		-1.792.424	-295.186
Tax expense on ordinary activities		0	0
Profit		-1.792.424	-295.186
Proposed distribution of results			
Retained earnings		-1.792.424	-295.186
Distribution of profit		-1.792.424	-295.186

Notes

	2017/18	2016/17
1. Employee benefits expense		
Wages and salaries	1.422.074	1.924.955
Post-employment benefit expense	187.568	245.959
Social security contributions	26.258	33.672
Other employee expense	26.808	21.602
	1.662.708	2.226.188
 Average number of employees	 3	 3
	3	3
2. Special items		
Special items regarding closing operations	0	843.870
Special items regarding transfer pricing fine and related costs	-1.122.000	0
	-1.122.000	843.870
3. Finance income		
Other finance income	1.172	15.694
	1.172	15.694
4. Finance expenses		
Finance expenses arising from group enterprises	20.590	42.003
Other finance expenses	20.036	17.757
	40.626	59.760

Balance Sheet as of 30 September

	Note	2018 kr.	2017 kr.
Liabilities and equity			
Contributed capital		700.000	700.000
Share premium		526.171	526.171
Retained earnings		-3.874.086	-2.081.662
Equity	5	-2.647.915	-855.491
Other provisions		0	36.275
Provisions		0	36.275
Debt to banks		213	0
Trade payables		216.194	204.474
Payables to group enterprises		4.704.870	11.831.976
Other payables		1.486.172	442.827
Short-term liabilities other than provisions		6.407.449	12.479.277
Liabilities other than provisions within the business		6.407.449	12.479.277
Liabilities and equity		3.759.534	11.660.061
Uncertainties relating to going concern	6		
Contingent liabilities	7		
Related parties	8		

Notes

5. Equity

	Share capital	Share premium	Retained earnings	Total
Balance at the beginning of the year	700.000	526.171	-2.081.662	-855.491
Transferred, see the profit appropriation			-1.792.424	-1.792.424
	700.000	526.171	-3.874.086	-2.647.915

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

6. Uncertainties relating to going concern

At 30 september 2018, the company's equity was negative by DKK 2.648 thousand.

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

In order to ensure the Company's continued operations, Voith Turbo A/S has received a letter of support from the parent company stating that Voith Turbo Vertriebsgesellschaft mbH Heidenheim will, if necessary, inject further liquidity into the Company up to EUR 500,000.

The letter of support will be in force until the annual general meeting of the company where the annual report for the year ended 2019-09-30 is to be approved. It is Management opinion that the letter of support will be extended for such a period as required to ensure the Company's continued operations if considered necessary at the expiration of the letter of support.

7. Contingent assets and liabilities

The Company has an unrecorded deferred tax asset amounting to DKK 3,060 thousand.

The Company has entered into operating leases and rent obligations totaling DKK 333 thousand (2016/17: DKK 545 thousand). The obligation can be divided into falling due within a year, DKK 228 thousand, and the remaining obligations falling due within 1-5 years, DKK 105 thousand.

8. Related parties

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

Control

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

Voith Turbo Vertriebsgesellschaft mbH
Alexanderstrasse 2
D-89522 Heidenheim
Germany

Voith Turbo Vertriebsgesellschaft mbH is a subsidiary of Voith GmbH.

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

