VOITH

Interim Report 2014

Voith in figures

in € millions	2013-10-01 to 2014-03-31	2012-10-01 to 2013-03-31
Orders received	2,779	2,632
Sales	2,604	2,717
Profit from operations[1]	125	125
Return on sales in %	4.8	4.6
Income before tax[2]	53	59
Net income[2]	30	63
Cash flow from operating activities	76	-23
Total cash flow	-20	-180
Investments	68	92
Equity[2), 3]	1,104	1,142
Equity ratio in %[2]	19.8	19.8
Balance sheet total[2), 3]	5,578	5,762
Employees[3), 4]	42,613	43,134

[1] See “Notes on segment reporting“ in the notes to the Group interim financial statements.
[2] Previous year adjusted (see section “Adjustment of previous year” in the notes to the Group interim financial statements).
[3] Reference date March 31, 2014, compared to September 30, 2013.
[4] Without apprentices.

Contents

Foreword

Ladies and Gentlemen,

A sound first half-year for Voith came to an end on 31 March 2014. The Group maintained its position overall in a slightly improved macroeconomic climate, won a significantly larger number of orders, demonstrating that it had started to reverse the trend in new business. Group sales, on the other hand, declined slightly on the comparable figure from the previous year. This was mainly caused by negative currency effects in the period under review, which were also reported by many other German companies.

Despite the decline in sales, the operational result before non-recurring items rose in comparison to the previous year. The net income was down on the comparative figure from the previous year as positive non-recurring effects in the financial result and in income taxes in the same period of the previous year distort the picture. Adjusted for these non-recurring effects, the net income was 20 percent higher than in the previous year.

The positive development of the operational result in the first half of the fiscal year demonstrates that the Voith 150+ measures introduced as part of the Group-wide success program are beginning to take effect. Alongside more efficient structures and processes, the focus is on optimizing the existing portfolio and thus utilizing and exploiting growth potential in a targeted manner. We continue to press forward as planned with the implementation of this extensive success program and a large number of strategic and operational initiatives.

We remain conservative in our forecast for the rest of the fiscal year and anticipate a subdued development to continue. We presume that the environment for mechanical and plant engineering companies will remain challenging on account of the subdued investment climate in a large number of regions, despite signs that the recovery will continue. In light of this, we do not anticipate any fundamental improvements in our target markets of energy, oil & gas, paper and raw materials over the course of the second half of the fiscal year. We are more optimistic about the Transport & Automotive market.

In view of these developments, our forecast for the 2013/14 fiscal year is cautious from today's perspective: All Group Divisions will continue to return a clear profit from operations, although their sales and orders received will develop differently, depending on their markets.

For Voith Industrial Services and Voith Turbo we anticipate a generally positive second half of the fiscal year. In the Voith Hydro Group Division, we expect that business will calm down after a strong first half of the fiscal year. In the Voith Paper Group Division we anticipate higher sales in the second half of the fiscal year, which means that, in contrast to the period under review, this Group Division will also succeed in returning a clear profit over the full fiscal year.

For the Voith Group we anticipate a stable level of orders received for the full fiscal year with Group sales roughly at the same level as in the previous year. Voith anticipates that there will be a slight decrease in the operational result before non-recurring items in comparison to the previous year. As the greater part of the restructuring expenses were already incurred in the 2013 fiscal year, Voith expects a substantial increase in net income. A continuation of the unfavorable development of exchange rates remains an uncertainty in our forecast as it could negatively impact sales, orders received and all key earnings indicators. Irrespective of all this, the net income should nevertheless see a significant rise, as announced.

The environment in which we operate remains challenging, but the sound development over the last six months confirms that we are on the right track. We can see that our intense groundwork of recent fiscal years is beginning to bear fruit. The Voith Group is well on its way to returning to a sustainable profitable growth path.

Best regards

Dr. Hubert Lienhard
President and CEO

Group interim management report

for the period from October 2013 to March 2014

01

I. Business and economic environment

Slight recovery in the global economy, challenging environment for the capital goods industry

In the first half of Voith's 2013/14 fiscal year, the economy recovered slightly albeit not quite as strongly as anticipated.

Following global economic growth of 3.0% in 2013, the International Monetary Fund (IMF) is expecting growth to accelerate to 3.6% in 2014. Signs of economic brightening can be seen in industrialized nations (IMF forecast for 2014: growth of 2.2%). Of the mature economies, the US is expected to return one of the highest growth rates (2.8%) in 2014; their gross domestic product (GDP) will benefit both from high domestic demand and strong exports. The IMF forecasts the euro zone as a whole to grow 1.2% in 2014, although it was still in recession in 2013. Nevertheless, the economies of the highly indebted Southern European countries continue to be hampered by budgetary consolidation efforts. Germany, the largest economy in the euro zone, is expected to see above-average growth of 1.7%. However, according to the German Engineering Federation ["Verband Deutscher Maschinen- und Anlagenbau e.V.": VDMA], orders on hand deteriorated in the first half of Voith's 2013/14 fiscal year.

Some emerging economies did not develop as positively as expected when our Annual Report was published towards the end of 2013. In spring 2014, for instance, the IMF made a downward adjustment of its growth forecast for a number of countries in Asia and Latin America in comparison to the figures published in the fall of 2013. Seen as a whole, emerging markets continue to return growth (IMF forecast for 2014: growth of 4.9%) at significantly higher percentage rates than the industrialized countries. Over the full year 2014, emerging and developing economies are expected to grow by 4.9%. The IMF expects GDP in China to rise by 7.5% (previous year: 7.7%) and in the ASEAN countries, which include Indonesia, Malaysia, the Philippines, Thailand and Vietnam, by an average of 4.9% (previous year: 5.2%). India's GDP is forecast to grow by 5.4% (previous year: 4.4%), which constitutes a more dynamic development than in the two previous years. Growth impetus remains comparatively low in Brazil, with gross domestic product forecast to increase by a mere 1.8% in 2014 according to the IMF.

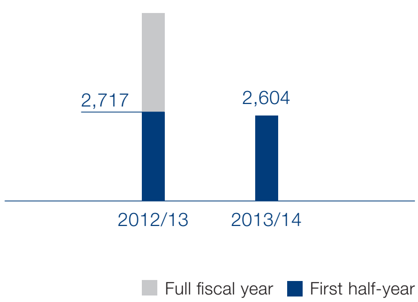
The financial markets remain highly volatile. A number of emerging markets suffered from the impact of capital drain and bearish share and bond markets over the period under review. This was triggered by the US Federal Reserve's announcement to taper off its bond purchase program and the prospect of rising US interest rates. At the same time, there was a deterioration in the fundamental data from emerging markets as well as political unrest in some of the countries (the Crimean crisis, to name but one). As a consequence, Brazil, Turkey, South Africa, India, Russia and various ASEAN countries saw their currencies depreciating rapidly.

In the three late-cycle target markets served by Voith (energy, oil & gas and raw materials), the investment climate remained very subdued. The willingness to commit to investments saw relatively positive developments in the early-cycle transport & automotive market. In the paper market, which is similarly early-cycle, cyclic effects were overshadowed by structural ones, which meant that investment activity remained at a low level overall.

II. Business development and earnings position of the Group

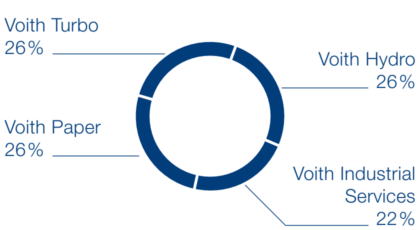
Sales Group

in € millions



Sales total €2,604 million

by Group Division



First half-year 2013/14

II.1. Overall view

Sound business development

Voith looks back at a first half of the fiscal year in which business remained modest but stable. The Voith 150+ measures introduced in 2013 as part of the Group-wide success program are showing their first effects. In an economic environment which has brightened slightly, we identified a few impulses from our markets which we were able to exploit. This permitted us to boost our orders received once again, both at Group level and in the four Group Divisions. Group sales fell slightly on account of currency effects. As we succeeded in lowering expenses in comparison to the previous year, all the Group's key earnings indicators nevertheless remained stable or rose. The Group returned net income, but fell short of the previous year's level, which had been inflated by non-recurring special effects.

Some figures from the previous year have been adjusted in the interim consolidated financial statements for the first half of the 2013/14 fiscal year. Explanations of these changes can be found in the "Adjustment of previous year" section in the notes to the interim consolidated financial statements. These adjustments are taken into account in the following sections.

II.2. Sales

Group sales down slightly, as anticipated

The Voith Group generated sales of €2,604 million in the first half of the 2013/14 fiscal year. This represents a decrease of 4% or €113 million on the comparable period of the previous year (€2,717 million).

The decline in sales is attributable to currency effects of around €120 million. As a consequence of a rapid decline in exchange rates in some markets, our sales in these countries turned out to be significantly lower, when translated into euros, than expected as at the date our Annual Report 2013 was published. All four Group Divisions were impacted by this effect. Adjusted for currency effects, Group sales were slightly higher than in the previous year.

Developments in the four Group Divisions were not uniform. While sales fell by 11% at Voith Paper and 5% at Voith Turbo, Voith Hydro generated slight growth (up 1%) and Voith Industrial Services saw sales remaining stable (up 0.1%). Detailed information on the development of sales in each of the Group Divisions can be found in Section III. of this interim management report, "Business development and earnings position of the Group Divisions".

There was a relatively even distribution of sales among the four Group Divisions: 22% of sales were attributable to Voith Industrial Services and 26% to each of the three other Group Divisions.

II.3.
Orders received

Orders received up 6 %

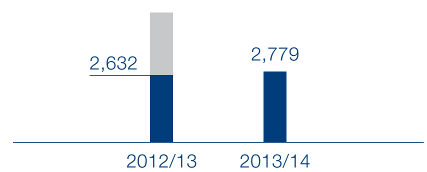
After the decrease seen in the 2012/13 fiscal year, we succeeded in significantly boosting orders received in the period under review. All in all, the Voith Group secured new orders totaling €2,779 million in the first half of the 2013/14 fiscal year (previous year: €2,632 million). This is 6% up on the comparable period of the previous year.

The Group's orders received were similarly impacted by the negative currency effects in the region of €100 million. Adjusted for currency effects, growth in orders received came to 9%. All Group Divisions saw a higher or at least stable level of new business: with growth of 14%, Voith Hydro returned the highest level of growth in comparison to the same period of the previous year. Voith Paper and Voith Turbo boosted orders received by 5% and 2%, respectively. In the Industrial Services Group Division, where the volume of orders on hand is not recorded separately owing to the short throughput times of orders, business was stable (sales up 0.1%).

Each of the four Group Divisions contributed between 21% (Voith Industrial Services) and 27% (Voith Hydro, Voith Turbo) to the orders received by the Group. As at March 31, 2014, orders on hand stood at €5,198, up on the figure seen at the end of the previous fiscal year (September 30, 2013: €5,134 million).

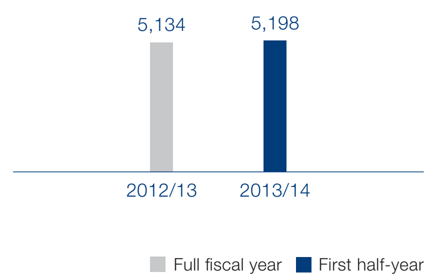
Orders received Group

in € millions



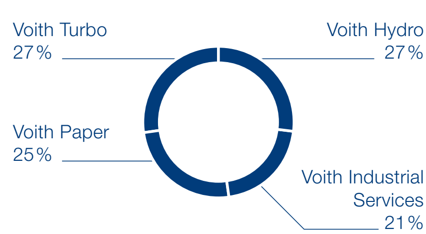
Orders on hand Group

in € millions



Orders received total €2,779 million

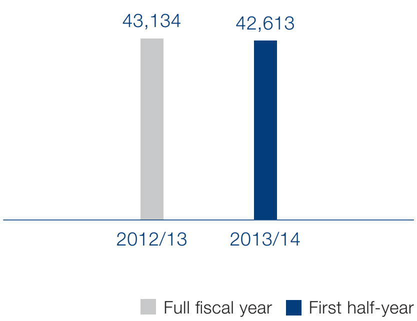
by Group Division



First half-year 2013/14

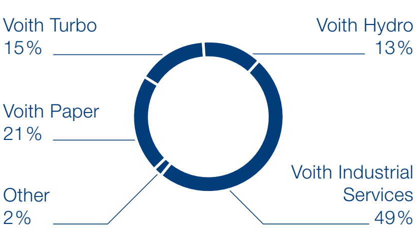
II.4.
Employees

Employees Group



Employees total 42,613

by Group Division



First half-year 2013/14

Job cuts lead to drop in headcount

As at March 31, 2014, the Voith Group had 42,613 employees (full-time equivalents, excluding apprentices). This nets at 521 or 1% fewer jobs than at the end of the previous fiscal year (September 30, 2013: 43,134). The decrease in the number of staff is mainly attributable to the restructuring of the Voith Paper Group Division and capacity adjustments at the Heidenheim location. We intend to implement the personnel-related measures as quickly as possible under the contractual agreements in order to bring the job cuts to a conclusion before the end of the 2014/15 fiscal year.

The distribution of employees across the Group Divisions has changed only slightly compared to the 2012/13 fiscal year. Just under half of Voith's employees (49%) are employed at Voith Industrial Services. 20,793 people were working there at the close of the period under review. Voith Paper, the second-largest Group Division in terms of employees, had 8,906 employees, equivalent to 21% of the Group's total headcount. Voith Turbo employed 6,420 staff at the end of the period under review, accounting for 15% of the Group's workforce. Voith Hydro employed 13% of the Group's total headcount (5,441). Regarding the change in the headcount in the Group Divisions, see also Section III. of this interim management report, "Business development and earnings position of the Group Divisions".

II.5.

Results

Operational result before non-recurring items improved

In the first half of the 2013/14 fiscal year, the Group generated net income of €30 million. This was significantly down on the previous year's figure (previous year: €63 million, down 52%) although all operational earnings indicators remained stable or rose. The decline in the net income arises from one-time effects in the same period of the previous year in the financial result and in income taxes. If these effects are not taken into account, this year's net income is 20% higher than in the comparative period of the previous year.

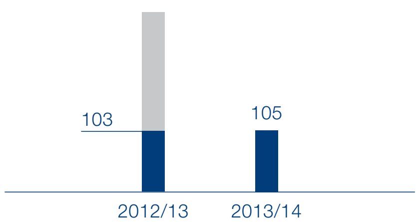
In line with sales, total output fell by 4%, a reduction of €115 million to €2,639 million (previous year: €2,754 million). There was only a slight change in inventories and other own work capitalized (down €2 million). As was the case with sales, total output did not develop uniformly between the Group Divisions (Voith Paper down 11%, Voith Turbo down 6%, Voith Hydro up 1% and Voith Industrial Services up 1%). For the development of sales, please refer to Section II.2. of this interim management report.

The operating expense items were in decline. For example, cost of material fell to €1,021 million (previous year: €1,115 million, down 8%). The ratio of the cost of material to total output decreased to 38.7% (previous year: 40.5%) The fall in sales at Voith Paper made a contribution to this development, especially in the business with new machines and major rebuilds which consumes a greater amount of material. In addition, some plant engineering projects at Voith Hydro had reached their final stages, where the share of material is typically lower.

Personnel expenses fell to €1,072 million (previous year: €1,079 million, down 1%). The ratio of personnel expenses to total output increased to 40.6% (previous year: 39.2%). The savings in personnel costs achieved so far could not yet make up for the fall in sales at Voith Paper and Voith Turbo. The cost savings from the capacity adjustment programs implemented did not develop their full effect in the period under review, as anticipated.

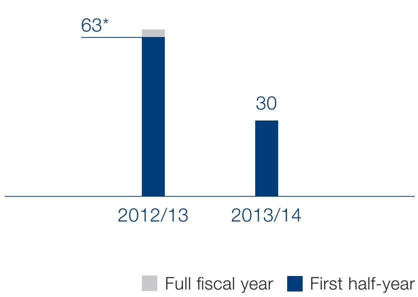
Operational result before non-recurring items
Group

in € millions



Net income Group

in € millions



* Previous year adjusted.

In terms of percentage, the changes in amortization and depreciation (down €6 million) and the balance of other operating expenses and income (down €10 million) essentially correspond to the development of total output, which means that the ratio of these expense types to total output remains virtually unchanged.

The operational result before non-recurring items rose by 2% to €105 million (previous year: €103 million).

The result from non-recurring items in the year under review comes to €-20 million (previous year: €-24 million). This figure includes follow-up effects relating to the restructuring measures initiated in the previous year. These are essentially personnel-related expenses for which it was not possible to recognize provisions in the previous year. Further structural or market-related capacity adjustment measures as well as expenses arising in connection with the discontinuation of operations similarly contributed to the result from non-recurring items. In detail, Voith Paper accounts for €-3 million of the result from non-recurring items (previous year: €0), Voith Turbo for €-4 million (previous year: €-23 million), Voith Hydro for €-5 million (previous year: €0), Voith Industrial Services for €-7 million (previous year: €-1 million) and entities with holding functions €-1 million (previous year: €0).

The balance of interest expenses and interest income came to a net interest expense of €35 million (previous year: net interest expense of €33 million). The main reason for the higher interest expense was an interest payment in connection with a tax backpayment in a foreign country.

The other financial result fell to €0 (previous year: €9 million). The figure from the previous year mainly arose from a one-time effect in the form of a dividend received from a financial investment.

Income taxes totaled €-23 million (previous year: €4 million). In the same period of the previous year, this item included income from the release of tax provisions for previous years amounting to €29 million.

III. Business development and earnings position of the Group Divisions

III.1.

Voith Hydro

Satisfactory performance in the first half of the year

Voith Hydro looks back on a satisfactory first half of the 2013/14 fiscal year. The Group Division saw growth in both sales and orders received.

Hydropower market remains stable

In the period under review, the global hydropower market outperformed the previous year. At the end of a strong first half of the 2013/14 fiscal year, more than half of the project volume anticipated for the full year had already been assigned, which permits us to assess the overall market situation as stable. The large hydro market remained the strongest segment, stimulated by orders placed for several major projects in the period under review. The small hydro segment (power plants with a generating capacity of up to 30 MW per turbine) remained subdued. The service business for maintenance and spare parts continued to develop positively. Significant stimulus came once again from modernization projects on account of the growing installed hydropower base. Although, with their ability to store energy, pumped storage power plants still play an important supplementary role in the expansion of renewable energies, hardly any orders for projects have been placed in this segment on account of regional political or economic hurdles of varying nature. South and North America in addition to Asia, Russia and Eastern Europe remain significant hydropower markets and we also see increasing potential in Africa.

Slight rise in sales

In the first half of the 2013/14 fiscal year, Voith Hydro generated sales of €668 million (previous year: €659 million, up 1%). For the full year, we reconfirm our forecast of a slight decline in sales.

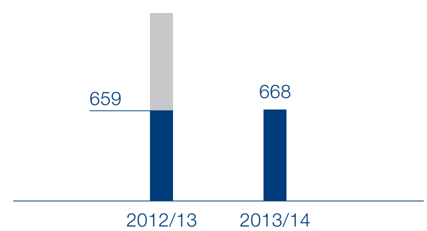
Significant increase in orders received

Voith Hydro operated successfully in the market in the interim reporting period, winning orders worth €747 million. As a result, orders received were 14% up on the comparable period of the previous year (€656 million). The rate of growth is expected to be lower in the second half of the fiscal year on account of the uneven distribution of the volume of orders placed over the fiscal year. We continue to anticipate a slight increase in orders received for the full year. As at March 31, 2014, orders on hand stood at €2,883 million, roughly at the same level as at the end of the last fiscal year (September 30, 2013: €2,880 million).

The largest order placed in the period under review came from Pakistan and had a volume of around €200 million.

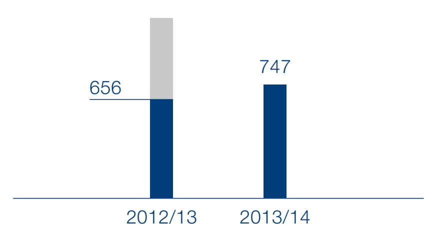
Sales Voith Hydro

in € millions

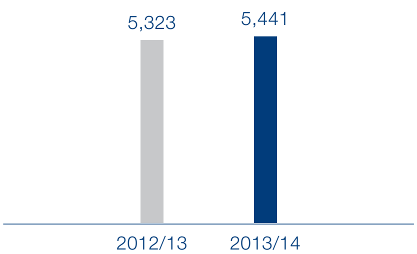


Orders received Voith Hydro

in € millions

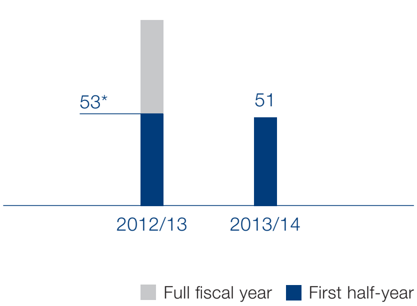


Employees Voith Hydro



Profit from operations Voith Hydro

in € millions



* Previous year adjusted.

We will be supplying the entire electro-mechanical equipment for the extension of Tarbela hydropower plant, which was originally built in 1974. The extension will increase the power plant's installed output by around 40% to 4.9 GW. In addition to Central Asia, Southeast Asia is also gaining in importance as a hydropower market. In this area we received orders to equip small hydropower plants in Indonesia, for instance, in the period under review.

We also succeeded in winning significant contracts in the important hydropower markets of South and North America. For instance, we will be modernizing three generators at Kettle power plant in Canada's Manitoba Province.

The established hydropower markets of Russia and Eastern Europe most of all provide potential for modernization. In the first half of the 2013/14 fiscal year, Voith won the contract for the extensive modernization of Zvornik hydropower plant in Serbia. In the period under review, we were awarded the contract for the third stage of the modernization work relating to four further turbine units for Russia's Saratovskaya hydropower plant. This modernization project has been ongoing since 2011.

Voith Hydro also won orders in the challenging pumped storage segment in Europe. The Austrian energy supplier Vorarlberger Illwerke AG awarded us the contract to supply two pumps and one pump turbine for the two projects Obervermuntwerk II and Rellswerk.

As at March 31, 2014, Voith Hydro employed 5,441 staff worldwide. This means that headcount was up slightly on the previous year's level (September 30, 2013: 5,323, up 2%). The rise in headcount is primarily attributable to temporary contracts in connection with assembly work for large projects in South America.

Profit from operations down slightly

In the first half of the 2013/14 fiscal year, Voith Hydro generated a profit from operations of €51 million (previous year: €53 million, down 4%). The return on sales came to 7.6% (previous year: 8.1%). The reason for the profit from operations being slightly down on the comparative figures from the previous year, despite the positive development of sales, stems from the scheduling of some individual projects. This will balance out over the full year.

III.2.

Voith Industrial Services

Sales at previous year's level

Following a first half of the 2013/14 fiscal year with stable sales and a slightly lower profit from operations, Voith Industrial Services anticipates a stronger second half of the fiscal year.

In the period under review, Voith Industrial Services generated sales of €574 million which is at the previous year's level (previous year: €573 million). Adjusted for the effects of changes in the consolidated group, Voith Industrial Services generated minor growth in sales, stemming from the Automotive and Energy-Petro-Chemicals divisions. Owing to the short throughput times of service contracts, Voith Industrial Services does not record the volume of orders on hand, which means that orders received are identical to sales.

Automotive and Energy-Petro-Chemicals divisions show growth

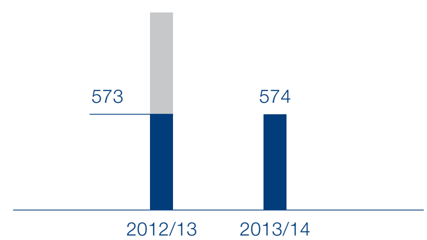
In the Automotive division we succeeded in increasing sales once again following three years with strong volume growth. In Europe we are benefiting from our focus on premium manufacturers whose exports to the Americas and Asia remain at a high level. The good development of business in China also contributed to the division's sales growth.

We achieved a significant boost to sales in the Energy-Petro-Chemicals division in the first half of the 2013/14 fiscal year, which was first and foremost due to excellent business with the petrochemical industry in Central Europe. In addition to several turnaround maintenance projects for oil and gas refineries, we performed automation orders within the framework of plant optimization work. The outcome of the national elections in Germany has provided electricity generators planning certainty with regard to the residual operating periods of nuclear power plants in Germany, which means that deferred inspection work has now been scheduled. The number of project inquiries for turnaround maintenance is also slowly on the increase, which permits us to anticipate higher sales in this division in the second half of the year.

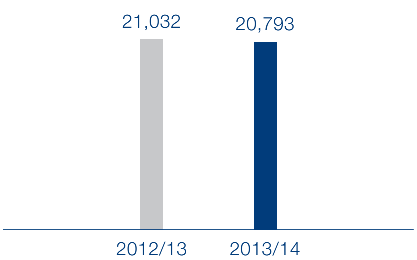
In the Engineering Services division, which offers contract engineering for the aerospace, automobile, commercial and rail vehicle industries, sales declined in the period under review. The disposal of the Dutch entity Voith Railservices contributed to this development (for more details, please refer to Section IV.4. "Financial assets/participating interests"). The performance of the road & rail segment was virtually stable. As the move to outsource engineering services is continuing in the automotive industry, in particular

Sales/Orders received Voith Industrial Services

in € millions

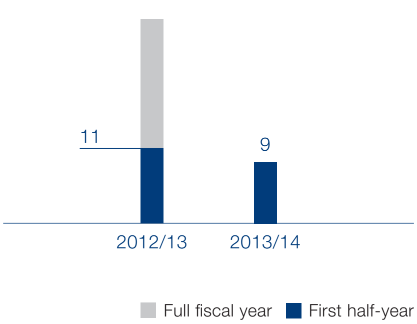


Employees Voith Industrial Services



Profit from operations Voith Industrial Services

in € millions



at European premium manufacturers, we intend to expand our expertise in the field of engineering services to this segment. The building-up of the necessary structures and human resources began in the period under review. In contrast, the major aircraft manufacturers called fewer engineering services in the period under review as they have completed the basic development work for their new aircraft programs and are now concentrating their work on different versions.

The Industries division, which offers regional services for the operation of industrial locations in Germany and Austria, has been operating in a stable economic environment, and generated sales roughly at the previous year's level.

As at March 31, 2014, Voith Industrial Services employed a total of 20,793 persons (September 30, 2013: 21,032, down 1%). The decrease in headcount is mainly attributable to the disposal of the Dutch entity.

Profit from operations fallen on account of special effects

Voith Industrial Services recorded a profit from operations of €9 million in the first half of the 2013/14 fiscal year (previous year: €11 million, down 18%). The profit from operations came under pressure from the costs for expanding automotive expertise in the Engineering Services division, which is expected to make a noticeable contribution to sales from the 2014/15 fiscal year onwards. Return on sales came to 1.5% (previous year: 1.9%) in the period under review. In anticipation of strong sales in the second half of the fiscal year and as a consequence of cost savings from efficiency drives, we are working on the assumption that profit from operations and return on sales will improve in the second half of the fiscal year.

III.3.

Voith Paper

The market for paper machines remains weak with positive stimulus from Asia

Voith Paper looks back at a challenging first half of the 2013/14 fiscal year in which sales and profit from operations deteriorated, but orders received saw slight growth again.

The production of graphic papers is on the decline worldwide, whereas the board & packaging paper and the tissue segments experienced growth in some regions. Even though global paper production remains on the rise overall, supported by relatively good developments in China, this slight growth is currently covered by the production capacity already installed. There was a corresponding reluctance on the part of paper manufacturers to invest in new machines.

In the first half of the 2013/14 fiscal year, Voith Paper's sales fell by 11% to €673 million (previous year: €757 million). The decline in sales solely affects project business (new machines and large rebuilds) and is primarily due to the lower level of orders received in previous years. In addition, there continued to be project delays caused by customers in the current fiscal year. Sales in the business with products, consumables and services remained stable. From a regional perspective, China remained our market with the highest level of sales.

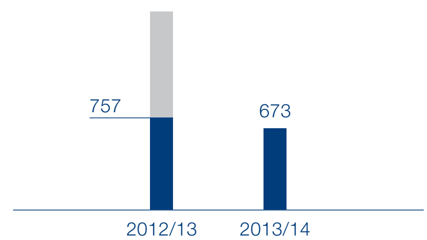
Slight increase in orders received

In the first half of the 2013/14 fiscal year, we achieved an increase in orders received for the first time again after a downward trend for the last three years. All in all, we won new contracts totaling €709 million (previous year: €672 million, which represents an increase of 5%. As at March 31, 2014, orders on hand had risen slightly in comparison to the end of the previous fiscal year to €1,152 million (September 30, 2013: €1,134 million).

There was an increase in orders received in the business with products, consumables and services as well as in the project business. In this respect, we have achieved satisfactory successes, in particular on the Asian market which is slowly recovering. In the period under review, we succeeded in winning orders for new machines for the manufacture of board and packaging paper; the greatest demand being for mid-sized machines. We further received an order from Asia for a new tissue machine. Under our cooperation agreement with the textile machine manufacturer Trützschler Nonwovens, we won two projects from Spain and China for machines to produce nonwoven fabrics. In the board and packaging paper machines segment we received several orders for large rebuilds. We succeeded in winning rebuild orders even in the declining segment for graphic papers

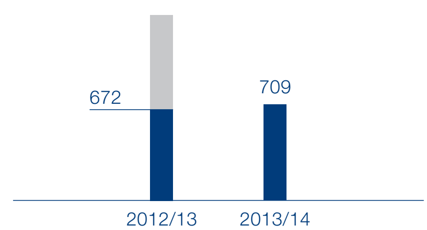
Sales Voith Paper

in € millions

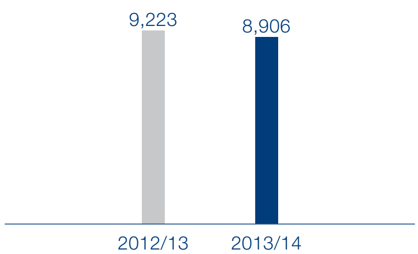


Orders received Voith Paper

in € millions

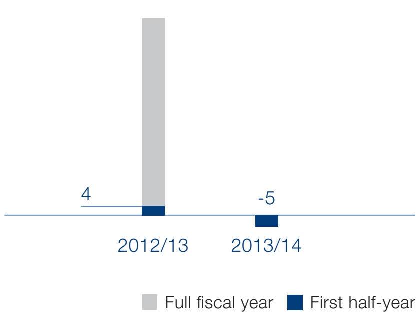


Employees Voith Paper



Profit from operations Voith Paper

in € millions



and in the specialty paper segment (one project in each segment).

At the end of the period under review as at March 31, 2014, the headcount in the Voith Paper Group Division fell to 8,906 employees, which constitutes 317 fewer jobs than as at September 30, 2013 (9,223 employees, down 3%). The fall in headcount stems from the downsizing in Europe under the ongoing restructuring of the Projects business line (new machines and large rebuilds).

Profit from operations negative as at the end of the half-year

In the first half of the 2013/14 fiscal year, the profit from operations was negative, standing at €-5 million (previous year: €4 million). While further savings in personnel costs and other operating expenses were achieved following the restructuring measures, the reduction in costs, which mainly stem from the speed of implementation of the job cuts in Germany, did not fully balance out the decrease in sales in the period under review. In the second half of the fiscal year we are expecting to see a significantly positive profit from operations due to higher sales and a greater impact from the cost-saving measures already implemented.

III.4.
Voith Turbo

Good level of orders received although the market environment remains challenging

The Voith Turbo Group Division increased the level of its orders received in the period under review in a generally adverse market environment and improved its profitability with the aid of the measures initiated under the Group-wide success program Voith 150+.

Voith Turbo introduced a new organizational structure as at October 1, 2013. The new Mining & Metals division and the Power, Oil & Gas division are the successors to the former Industry division. The former Marine division was also allocated to the latter in the form of a business unit. The other two divisions, Commercial Vehicles (formerly: Road) and Rail, were restructured internally. Voith Turbo's global sales organization was also restructured and linked more closely to the four divisions.

Sales down on the previous year

Voith Turbo's total sales came to €682 million in the period under review, 5% down on the comparative figure for the previous year (€722 million). Adjusted for the activities of the Locomotive business, which is undergoing a strategic realignment, Voith Turbo's core business grew slightly by 1%.

Developments in the individual divisions were not at all uniform. We achieved a significant rise in sales in the Commercial Vehicles division. Power, Oil & Gas matched the previous year. The Mining & Metals and the Rail divisions did not reach the sales seen in the previous year.

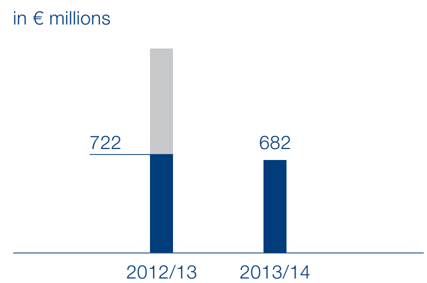
Orders received on the rise

In the first half of the 2013/14 fiscal year, Voith Turbo won new orders worth €742 million (previous year: €724 million) thus boosting orders received by 2%. As at March 31, 2014, orders on hand stood at €1,163 million, slightly improved in comparison to the end of the previous fiscal year (September 30, 2013: €1,120 million).

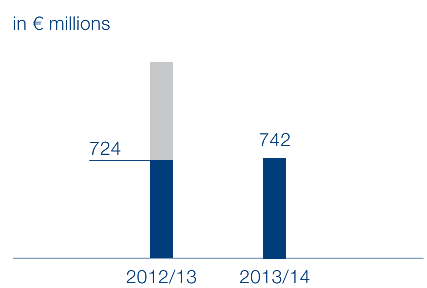
The Commercial Vehicles division saw pleasing developments in a generally positive environment. The transition to the Euro 6 emissions standard led to significant rises in the sales of our European truck business in the first quarter. Our city bus business continued its stable development. A series of attractive contracts were received in Europe and the growth regions worldwide.

The level of orders received by the Mining & Metals division in the first half of the 2013/14 fiscal year was below the previous year's level. On account of

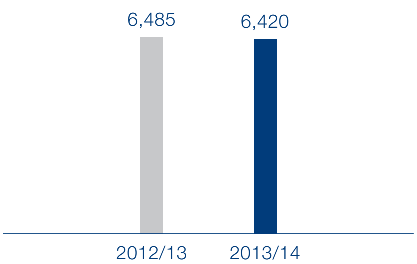
Sales Voith Turbo



Orders received Voith Turbo

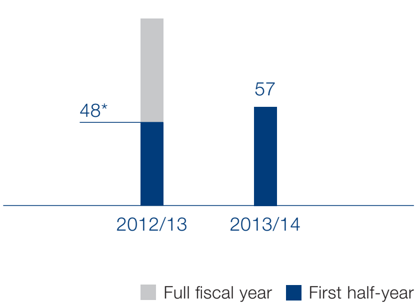


Employees Voith Turbo



Profit from operations Voith Turbo

in € millions



* Previous year adjusted.

the overheating commodities market, producers are still having to contend with slightly falling commodity prices. This leads to cost pressure and a lower level of investment activity on the part of mine operators and mining companies. We won most of our new orders from commodity producers in Asia and Australia. The steel industry expanded its production slightly, but remains characterized by excess capacities. Our machine tools business operated in a stable environment.

There was a decline in orders received by the Power, Oil & Gas division. This was mainly due to the weak market for power plant technology in our core markets of China and India on account of pending political decisions and deteriorating macroeconomic data. The market for petrochemical plants and equipment has cooled significantly in China, following years of strong growth. In contrast, our business benefited from a strong market for oil and gas equipment, especially in North America and the Middle East.

Voith Turbo saw the strongest growth in orders received in the Rail division. The upswing in the global market for rail vehicles continued. The recovery in the high-speed segment continued on the important Asian market. The ongoing urbanization in China and India in particular is leading to massive investment in the area of underground rail systems. We received a major order from the Korean rail vehicle manufacturer Hyundai Rotem in connection with the extension of the Delhi metro system serving this Indian city with 16 million inhabitants. We also succeeded in increasing the level of new business on the European market with orders from Russia and the UK, among others.

As at March 31, 2014, Voith Turbo employed a total of 6,420 persons (September 30, 2013: 6,485, down 1%).

Significant rise in profit from operations

Voith Turbo increased its profit from operations in the first half of the 2013/14 fiscal year by 19% to €57 million (previous year: €48 million). This increase is attributable to the positive development in the Commercial Vehicles segment and the fact that the negative special effects from the previous year no longer apply. On the other hand, intense competition and pressure on prices in the business with mining companies and mine operators tend to have a negative impact on profits. The return on sales improved to 8.3% (previous year: 6.5%).

IV. Net assets and financial position

IV.1.

Balance sheet

Equity ratio stable

As at March 31, 2014, the balance sheet of the Voith Group displays a healthy structure of assets and equity and liabilities. Total assets fell by €184 million in comparison to September 30, 2013 to €5,578 million (previous year: €5,762 million, down 3%).

Non-current assets decreased to a total of €2,423 million (previous year: €2,487 million, down 3%). The intangible assets and property, plant and equipment contained in this figure fell in total by €37 million, essentially on account of currency effects and a higher level of amortization, depreciation and impairment losses in comparison to capital expenditure. Non-current securities dropped by €24 million to €192 million chiefly on account of measurement differences posted to other comprehensive income.

There was a reduction in current assets of €120 million to a total of €3,154 million (previous year: €3,274 million, down 4%). In this context, inventories and trade receivables decreased on aggregate by €65 million to €1,867 million. This is mainly attributable to Voith Paper (down €37 million) and Voith Turbo (down €30 million), which reported the corresponding reduction in sales and total output, respectively. Cash and cash equivalents decreased by €36 million to €865 million (further information on this can be found in Section IV.2. “Liquidity”). Current securities saw a reduction of €25 million on account of reclassifications to other cash investments (previous year: €58 million).

Non-current liabilities decreased slightly by €9 million to €1,864 million (previous year: €1,873 million, down 0.5%). On the one hand, pension provisions decreased by €14 million essentially on account of measurement effects and payments into existing plan assets to cover pension obligations; on the other, long-term liabilities to banks rose by €8 million, mainly on account of an increase in long-term debt in China (up €8 million).

Current liabilities fell by €136 million to €2,610 million (previous year: €2,746 million, down 5%). The current other provisions included in this figure decreased by €54 million, essentially on account of a lower level of order-related provisions (down €10 million) and a reduction in provisions for severance payments (down €28 million). The item bonds, bank loans and other interest-bearing liabilities decreased by €34 million, mainly on account of the repayment of short-term liabilities to banks including the repayment of short-term debt in China (down €9 million). Trade payables dropped by €84 million, primarily caused by Voith Paper due to the reduction in the volume of business (down €26 million) and at Voith Hydro (down €37 million) as some of the projects in this Group Division have reached their final stages where less material is consumed. Other financial liabilities decreased by €42 million, essentially as a result of a reduction in personnel-related liabilities. The opposite effect came from other liabilities which rose by €93 million mainly on account of a rise in prepayments received from customers (up €76 million).

Equity decreased by €39 million to €1,104 million (previous year: €1,142 million). Equity was reduced by measurement effects on securities, dividend distributions and currency translation effects and, by contrast the net income positively affected the equity. The equity ratio remained stable at 19.8% (previous year: 19.8%).

IV.2.

Liquidity

Significant improvement in total cash flow

In the period under review, cash flow from operating activities came to €76 million in the period under review, thus significantly exceeding the previous year's figure of €-23 million. The improvement of €99 million is essentially due to the change in net working capital which is in turn attributable to the development of prepayments received from customers associated with the higher level of orders received.

The cash flow from investing activities moved to €-39 million (previous year: €-94 million). The lower cash outflow mainly results from the lower level of investing activities and from the change in cash investments.

The cash flow from financing activities stood at €-57 million (previous year: €-63 million). This effect can be explained to a great extent by a lower level of expenditure for the acquisition of shares from non-controlling interests and a slight reduction in cash outflow from the net repayment of liabilities to banks.

In total, there was a cash outflow in the period under review of €20 million (previous year: €180 million). For more details on the development of cash flow, please refer to the cash flow statement.

Net debt, measured as the difference between interest-bearing financial liabilities and liquid financial assets, amounted to €-10 million (= net asset position; September 30, 2013: €-55 million). This constituted a considerable improvement on March 31, 2013, when there was a net debt position of €144 million.

Cash flows

in € millions	First half-year 2013/14	First half-year 2012/13
Cash flow from operating activities	76	-23
Cash flow from investing activities	-39	-94
Cash flow from financing activities	-57	-63
Total cash flow	**-20**	-180

IV.3.

Investments and R&D expenses

Further investment in productivity

Following the high volume of investment seen in recent years, we have the installed base to realize our mid-term goals and have reduced our investment volume in the current fiscal year, as announced. In the first half of the 2013/14 fiscal year, we invested €68 million in the Voith Group (previous year: €92 million, down 27%). The Voith Paper and Voith Turbo Group Divisions saw the highest additions to property, plant and equipment. The ratio of investment to consolidated sales stood at 2.6% (previous year: 3.4%). From a regional perspective, investments focused on Germany and China. Based on the higher investment volumes seen in previous years, amortization, depreciation and impairment losses came to €82 million.

In the period under review, the research and development expenses came to €112 million (previous year: €122 million, down 7%). The ratio of R&D expenses to sales for the six-month period was therefore 4.3% (previous year: 4.5%).

IV.4.

Financial investments/ participating interests

Disposals at Voith Industrial Services and at Voith Turbo

The Voith Industrial Services Group Division sold its wholly owned subsidiary Voith Railservices B.V., Twello (the Netherlands), in October 2013. This entity, which has four locations and around 100 employees, performed maintenance work for a number of railway operators and used to be fully consolidated in the consolidated financial statements of Voith GmbH. The sale does not impact engineering services for rail vehicle manufacturers which are provided by Voith Industrial Services.

In February 2014, Voith Turbo spun off the waste heat recovery business unit by way of a management buyout. The newly created entity, which is completely independent of Voith, is trading as SteamDrive GmbH and will in future focus on products for use in combined heat and power plants, i.e. the market for local energy generation.

V. Subsequent events

There were no significant events after the close of the first half of the 2013/14 fiscal year (March 31, 2014).

VI. Risks and opportunities

Risk management oriented to increasing the value of the Company

Entrepreneurial activity includes 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. Voith has a distributed risk management system. It is intended to 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. Risk and quality management are interlinked and integrated in a comprehensive internal controlling system.

To the best of our knowledge at the time this report went to press, there are no risks which could jeopardize the ability of the Voith Group to continue as a going concern. The investment grade rating given by Moody's Investors Service first issued in 1999 was confirmed at Baa2 in December 2013. The outlook was downgraded from “stable” to “negative”. The statements made in the “Risks and opportunities” section of the Annual Report 2012/13 otherwise remain valid.

VII. Forecast report

VII.1.
Business environment

Global economic recovery remains fragile

The available economic indicators point to an ongoing recovery of the global economy in the second half of Voith's 2013/14 fiscal year, although the environment for mechanical and plant engineering companies remained challenging on account of the subdued investment climate in a large number of industries.

The International Monetary Fund (IMF) forecasts that the rate of global growth will rise from 3.6% in 2014 to 3.9% in the following year. For the industrialized nations, the IMF is anticipating average growth of 2.2% (2014) or 2.3% (2015). The main drivers behind this development are a loose fiscal policy in conjunction with an ongoing expansive monetary policy. The US is experiencing growth, driven among other things by low energy prices, at rates of 2.8% (2014) and 3.0% (2015), faster than most other mature economies. The IMF forecasts growth in the gross domestic product of the euro zone as a whole, following three years of recession (2014: up 1.2%; 2015: up 1.5%), with lower growth rates in the highly indebted Southern European countries. Once again, Germany is expected to be the economic powerhouse of the euro zone with forecast growth of 1.7% and 1.6% in these two years.

Following GDP growth of 4.9% forecast for 2014, emerging and developing economies are expected to return to stronger growth (up 5.3%), among other things on account of increasing exports to the recovering industrialized nations. China should make a significant contribution to this growth (2014: up 7.5%; 2015: up 7.3%). India (2014: up 5.4%; 2015: up 6.4%) could overcome its backlog of reforms and like the ASEAN countries (2014: up 4.9%; 2015 up 5.4%) benefit from successful exports on account of recent depreciations in their currencies, thus boosting growth impetus. Less dynamic growth rates of 1.8% (2014) and 2.7% (2015) are expected for Brazil.

The current fragile recovery in the global economy is subject to a number of risks which, if they eventuate, could have a significant impact on the global economy and therefore also on Voith. These include geopolitical risks such as a potential escalation of the Ukraine conflict between Russia, the US and Europe and a number of flash points in the Middle East. Further currency turbulence would reduce the competitiveness of Western products and services in the countries affected, increase general insecurity and exert a harmful effect on the investment climate. An additional detrimental impact would come from a significantly more negative outcome than expected to the Asset Quality Review for banks to be performed by the European Central Bank, despite the first positive economic news from the countries suffering from the euro crisis. Our forecast business development is based on the assumption that no economic or political shocks occur.

For our target markets of energy, oil & gas, paper and raw materials, we do not anticipate any fundamental improvements over the course of the second half of the fiscal year. We are optimistic about the Transport & Automotive market.

VII.2.

Future development of the Group

Forecast for the year generally confirmed

Based on developments in the period under review, we confirm the outlook for the 2013/14 fiscal year that we made when the Annual Report was published in December 2013: for the full 2013/14 fiscal year we anticipate Group sales roughly at the level of the previous year, based on the high level of orders on hand and stable new business. In contrast to December 2013, we now anticipate a slight decline in the operational result before non-recurring items on account of the developments at Voith Paper. The net income of the Group, which was heavily burdened by restructuring expenses and other non-recurring items in the previous year, is expected to rise significantly.

Our original forecast was based on our corporate planning drawn up in the fall of 2013 and the exchange rates prevailing at that time. A continuation of the unfavorable development of a number of exchange rates will have a negative impact on our business. Should the exchange rates over the rest of the year remain at the low level seen in the first half of the fiscal year, this will generally negatively impact sales, orders received and all key earnings indicators of the Voith Group. We expect that the Group's net income for the year will nevertheless rise significantly in comparison to the previous year.

All four Group Divisions return a profit

If exchange rate fluctuations are not taken into account, we likewise confirm the forecasts for our four Group Divisions. All Group Divisions, including Voith Paper, which is undergoing restructuring, will continue to return a clear profit from operations, although their sales and orders received will develop differently, depending on their markets.

For Voith Hydro we anticipate a weaker development in the second half of the fiscal year on account of the uneven distribution over the year following a strong first half of the year, as described above. Based on the above, we assume that sales will fall slightly over the full 2013/14 fiscal year on account of the lower level of orders received in previous years, as already predicted in the Annual Report 2013. The return on sales is expected to improve slightly, which means that the profit from operations will roughly match the high level of the previous year. Based on stable market volume, we anticipate for the full 2013/14 fiscal year a level of orders received slightly above the previous year.

For Voith Industrial Services we anticipate a good second half of the fiscal year. As already forecast in the Annual Report 2013, sales for the full 2013/14 fiscal year should remain stable at the previous year's level. After adjusting for the effects of changes in the consolidated group, we expect a rise in sales. Due to the measures introduced to improve earnings, the return on sales is anticipated to rise in comparison to the previous year and the profit from operations to be higher than in the previous year.

In the Voith Paper Group Division we anticipate higher sales in the second half of the fiscal year, in which a profit from operations will also be generated. On account of the low level of orders received in previous years, we anticipate a decrease in sales for the full year, as in our original forecast. In contrast to the situation in the period under review, Voith Paper will succeed in returning a clear profit in the full 2013/14 fiscal year. The cost savings from the restructuring measures will make a contribution to this development. These will take increasing effect in the second half of the fiscal year. In this context, the profit from operations will fall below the previous year somewhat more clearly than originally expected. Under the assumption that the slight recovery in the paper machine market in Asia will continue, we anticipate a slight rise in orders received for the full 2013/14 fiscal year.

Voith Turbo anticipates slightly improved sales in the second half of the fiscal year in comparison to the period under review, which means that it is still possible to achieve the target of generally stable sales development seen on the basis of the full year. We are still working on the assumption that the profit from operations will rise significantly even in a year-on-year comparison on the back of the efficiency drives launched and due to the absence of the extraordinary burdens reported in the previous year. We expect a continued recovery in orders received, with this figure in the 2013/14 fiscal year significantly exceeding the previous year.

Group interim financial statements

for the period from October 2013 to March 2014

02

Consolidated statement of income

for the period from October 1, 2013 to March 31, 2014

in € thousands	**2013-10-01 to 2014-03-31**	2012-10-01 to 2013-03-31*
Sales	2,603,952	2,716,841
Changes in inventories and other own work capitalized	35,413	37,075
Total output	**2,639,365**	2,753,916
Other operating income	149,863	144,244
Cost of material	-1,021,461	-1,115,135
Personnel expenses	-1,072,253	-1,078,796
Depreciation and amortization	-82,291	-87,809
Other operating expenses	-508,053	-512,832
Operational result before non-recurring items	**105,170**	103,588
Result from non-recurring items	-20,184	-23,862
Operational result	**84,986**	79,726
Income from companies accounted for using the equity method	3,226	2,943
Interest income	6,188	5,611
Interest expenses	-41,495	-38,172
Other financial result	159	9,080
Income before taxes	**53,064**	59,188
Income taxes	-23,401	3,688
Net income	**29,663**	62,876
· Net income attributable to shareholders of the parent company	19,265	51,247
· Net income attributable to holders of non-controlling interests	10,398	11,629

* Previous year adjusted (see section “Adjustment of previous year”).

Consolidated statement of comprehensive income

for the period from October 1, 2013 to March 31, 2014

in € thousands	**2013-10-01 to 2014-03-31**	2012-10-01 to 2013-03-31*
Net income	**29,663**	62,876
Components of other comprehensive income that will not be recycled through profit or loss in later accounting periods:		
Remeasurement of defined benefit plans	3,899	5,983
Taxes on components of other comprehensive income that will not be recycled through profit or loss in later accounting periods	-1,508	-2,346
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	-23,994	-3,054
Gains/losses on cash flow hedges	-312	-1,429
Gains/losses on currency translation	-18,839	-9,387
Gains/losses from the currency translation of net investments in foreign operations	-1,315	-1,146
Share of associates in other comprehensive income	0	63
Taxes on components of other comprehensive income that will be recycled through profit or loss in later accounting periods	7	1,272
Other comprehensive income	**-42,062**	-10,044
Total comprehensive income	**-12,399**	52,832
· Total comprehensive income attributable to shareholders of the parent company	-19,006	43,934
· Total comprehensive income attributable to holders of non-controlling interests	6,607	8,898
	-12,399	52,832

* Previous year adjusted (see section “Adjustment of previous year”).

Consolidated balance sheet

as at March 31, 2014

Assets

in € thousands		2014-03-31	2013-09-30*
A.	**Non-current assets**		
I.	Intangible assets	753,372	762,659
II.	Property, plant and equipment	1,169,304	1,197,087
III.	Investments in associates	40,746	37,663
IV.	Securities	191,682	215,856
V.	Other financial assets	28,309	27,012
VI.	Other financial receivables	71,312	71,465
VII.	Other assets	24,271	27,747
VIII.	Deferred tax assets	144,337	147,658
Total non-current assets		**2,423,333**	2,487,147
B.	**Current assets**		
I.	Inventories	758,318	738,112
II.	Trade receivables	1,108,455	1,193,848
III.	Securities	32,693	57,781
IV.	Current income tax assets	73,425	80,721
V.	Other financial receivables	121,837	114,233
VI.	Other assets	195,049	177,327
VII.	Cash and cash equivalents	864,641	900,967
		3,154,418	3,262,989
VIII.	Assets held for sale	0	11,436
Total current assets		**3,154,418**	3,274,425
Total assets		**5,577,751**	5,761,572

* Previous year adjusted (see section “Adjustment of previous year”).

Equity and liabilities

in € thousands	2014-03-31	2013-09-30*
A. Equity		
I. Issued capital	120,000	120,000
II. Revenue reserves	832,114	832,485
III. Other reserves	-12,713	28,437
IV. Profit participation rights	6,600	6,600
Equity attributable to shareholders of the parent company	**946,001**	987,522
V. Profit participation rights	96,800	96,800
VI. Other interests	60,764	58,147
Equity attributable to holders of non-controlling interests	**157,564**	154,947
Total equity	**1,103,565**	1,142,469
B. Non-current liabilities		
I. Provisions for pensions and similar obligations	633,423	647,290
II. Other provisions	219,996	214,863
III. Income tax liabilities	852	869
IV. Bonds, bank loans and other interest-bearing liabilities	865,403	857,832
V. Other financial liabilities	18,840	18,076
VI. Other liabilities	56,931	58,176
VII. Deferred tax liabilities	68,493	75,586
Total non-current liabilities	**1,863,938**	1,872,692
C. Current liabilities		
I. Provisions for pensions and similar obligations	26,997	26,544
II. Other provisions	280,532	334,785
III. Income tax liabilities	93,775	104,706
IV. Bonds, bank loans and other interest-bearing liabilities	274,834	308,514
V. Trade payables	479,262	562,983
VI. Other financial liabilities	275,581	317,968
VII. Other liabilities	1,179,267	1,085,511
	2,610,248	2,741,011
VIII. Liabilities directly associated with assets classified as held for sale	0	5,400
Total current liabilities	**2,610,248**	2,746,411
Total equity and liabilities	**5,577,751**	5,761,572

* Previous year adjusted (see section “Adjustment of previous year”).

Statement of changes in equity

	Equity attributable to shareholders of the parent company				
in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
2013-10-01 (as published)	**120,000**	**1,007,826**	**38,122**	**-1,040**	**-715**
Adjustments		-175,341			-1,072
2013-10-01 (after adjustment)*	**120,000**	**832,485**	**38,122**	**-1,040**	**-1,787**
Net income		19,265			
Other comprehensive income		2,879	-24,124	-312	-15,859
Total comprehensive income	**0**	**22,144**	**-24,124**	**-312**	**-15,859**
Allocation of reserves to profit participation rights		-5,501			
Acquisition of non-controlling interests		771			
Share of income attributable to profit participation rights					
Dividends		-15,000			
Capital increases by holders of non-controlling interests		-1,564			
Non-controlling interests – put options		-738			
Other adjustments		-483			
2014-03-31	**120,000**	**832,114**	**13,998**	**-1,352**	**-17,646**

	Equity attributable to shareholders of the parent company				
in € thousands	Issued capital	Revenue reserves	Available-for-sale financial assets	Cash flow hedges	Currency translation
2012-10-01 (as published)	120,000	990,030	57,116	-864	54,808
Adjustments		-183,391			-3,200
2012-10-01 (after adjustment)*	120,000	806,639	57,116	-864	51,608
Net income		51,247			
Other comprehensive income		3,521	-1,962	-1,366	-6,748
Total comprehensive income	0	54,768	-1,962	-1,366	-6,748
Allocation of reserves to profit participation rights		-5,412			
Acquisition of non-controlling interests		-4,916			
Share of income attributable to profit participation rights					
Dividends		-15,000			
Capital increases by holders of non-controlling interests					
Non-controlling interests – put options		-906			
Other adjustments		3,419			
2013-03-31	120,000	838,592	55,154	-2,230	44,860

* Previous year adjusted (see section “Adjustment of previous year”).

			Equity attributable to holders of non-controlling interests			
Net investments in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total equity
-6,858	**6,600**	**1,163,935**	**96,800**	**58,030**	**154,830**	**1,318,765**
		-176,413		117	117	-176,296
-6,858	**6,600**	**987,522**	**96,800**	**58,147**	**154,947**	**1,142,469**
		19,265		10,398	10,398	29,663
-855		-38,271		-3,791	-3,791	-42,062
-855	**0**	**-19,006**	**0**	**6,607**	**6,607**	**-12,399**
	363	-5,138	5,138		5,138	0
		771		-3,024	-3,024	-2,253
	-363	-363	-5,138		-5,138	-5,501
		-15,000		-2,954	-2,954	-17,954
		-1,564		1,809	1,809	245
		-738		528	528	-210
		-483		-349	-349	-832
-7,713	**6,600**	**946,001**	**96,800**	**60,764**	**157,564**	**1,103,565**

			Equity attributable to holders of non-controlling interests			
Net investments in foreign operations	Profit participation rights	Total	Profit participation rights	Other interests	Total	Total equity
-5,894	6,600	1,221,796	91,800	69,942	161,742	1,383,538
		-186,591		-60	-60	-186,651
-5,894	6,600	1,035,205	91,800	69,882	161,682	1,196,887
		51,247		11,629	11,629	62,876
-758		-7,313		-2,731	-2,731	-10,044
-758	0	43,934	0	8,898	8,898	52,832
	363	-5,049	5,049		5,049	0
		-4,916		-5,384	-5,384	-10,300
	-363	-363	-5,049		-5,049	-5,412
		-15,000		-3,228	-3,228	-18,228
		0		2,000	2,000	2,000
		-906		-4,567	-4,567	-5,473
		3,419		-129	-129	3,290
-6,652	6,600	1,056,324	91,800	67,472	159,272	1,215,596

Consolidated cash flow statement

in € thousands	2013-10-01 to 2014-03-31	2012-10-01 to 2013-03-31*
Income before taxes	53,064	59,188
Depreciation and amortization	84,172	110,576
Interest expenses/income	35,307	32,561
Other non-cash items	5,231	631
Gains/losses from the disposal of property, plant, equipment and intangible assets	4,011	1,204
Gains/losses from investments	-40	-8,980
Changes in other provisions and accruals	-89,284	-67,885
Change in net working capital	18,729	-113,624
Interest paid	-10,979	-7,801
Interest received	6,339	5,271
Dividends received	1,174	9,613
Tax paid	-31,894	-44,121
Cash flow from operating activities	**75,830**	-23,367
Investments in property, plant, equipment and intangible assets	-67,578	-92,187
Proceeds from the disposal of property, plant, equipment and intangible assets	2,616	2,305
Investments in financial assets	-3,207	-3,676
Acquisitions of subsidiaries	0	-7,126
Sale of subsidiaries	4,663	0
Proceeds from the disposal of financial assets	957	12,724
Changes in investments in securities	24,137	-6,334
Cash flows from investing activities	**-38,412**	-94,294
Dividends paid	-22,517	-23,640
Contributions from holders of non-controlling interests	0	2,000
Acquisition of non-controlling interests	-6,825	-10,300
Sale of non-controlling interests	245	0
New bonds, banks loans and overdrafts	53,375	83,420
Repayment of bonds, banks loans and overdrafts	-69,901	-103,374
Changes in other interest-bearing financial receivables and liabilities	-11,422	-10,003
Cash flow from financing activities	**-57,045**	-61,897
Total cash flow	**-19,627**	-179,558
Exchange rate movements, valuation changes and changes in the consolidated Group	-16,699	-3,431
Cash and cash equivalents at the beginning of the period	900,967	916,894
Cash and cash equivalents at the end of the period	**864,641**	733,905

* Previous year adjusted (see section “Adjustment of previous year”).

Notes to the interim consolidated financial statements

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 at the Registration Court in Ulm, Germany, under the number HRB 725621. The interim consolidated financial statements prepared by Voith are filed with 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 2013/14 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, 2013 the interim consolidated financial statements are of a condensed 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 ending September 30, 2013. 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 the assets and liabilities recognized in the reporting as well as 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 policies applied by the Group in these interim consolidated financial statements generally correspond to the accounting 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 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.

In the first half of the 2013/14 fiscal year, the following new and revised IAS and IFRS were adopted for the first time:

Standard/interpretation	Amendment/new standard or interpretation	Effects
IAS 19 "Employee Benefits"	See below, section "Adjustment of previous year"	See below, section "Adjustment of previous year"
IFRS 13 "Fair Value Measurement"	IFRS 13 defines fair value, provides a framework for measuring fair value in one IFRS and prescribes disclosures on the measurement of fair value	No material effects on the net assets, financial position and results of operations; extended disclosures, see section "Additional information on financial instruments"
Annual improvements project (2009–2011)	Amendments to IFRS 1, IAS 1, 16, 32 and 34	No material effects on the net assets, financial position and results of operations

Adjustment of previous year

(1) Amendments to IAS 19

The most significant amendment to IAS 19 is that in future cumulative actuarial gains and losses will be recognized directly in equity. The corridor method to smooth unexpected fluctuations in pension obligations and the corresponding plan assets has been eliminated, including the recognition in profit or loss of actuarial gains and losses exceeding the 10% corridor. As Voith used the corridor method in the past, there will be larger fluctuations in equity in future. The net interest approach is also being introduced. According to this, the net defined benefit liability is discounted with the discount rate used in the measurement of the defined benefit obligation. This calculation assumes a return on plan assets at the discounted interest rate instead of the expected return. As a result of the amended definition of termination benefits under IAS 19, the top-up amounts agreed in "Altersteilzeit" (German phased retirement) agreements from now on constitute other long-term employee benefits. In future, this will mean a pro rata accumulation of top-up amounts over the active service period of the employees taking part in the phased retirement scheme. This results in a reduction in provisions for phased retirement schemes. Due to the clarifications presented in the revised IAS 19, enhancements of post-employment benefits in connection with measures stemming from termination benefits are accounted for in the same way as post-employment benefits. These benefits will therefore be presented under provisions for pensions and similar obligations in future and no longer under other provisions. Any resulting actuarial gains or losses are recorded directly in equity.

(2) Owing to non-compliance in the first half of the 2013/14 fiscal year with the accounting policies relating to the accounting for inventories, trade receivables and provisions in previous years at a subsidiary, a need for corrections for these balance sheet items was determined.

(3) While incorporating the results of the tax field audit for the years 2002 to 2006 in subsequent periods, it was determined in the first half of the 2013/14 fiscal year that the calculations of the corporate income tax and trade tax for the years 2006/07 to 2011/12 required significant correction. This renders tax back payments necessary, on the one hand requiring corrections in the form of tax provisions and on the other hand resulting in a need to recognize impairment losses for the deferred tax assets on account of the decrease in unused tax losses.

Voith has adjusted the published previous-year figures pursuant to IAS 8 to reflect the effects from the amendments to IAS 19 as well as from the findings described above. In detail, the following changes were made in the comparative periods:

Effects on the consolidated balance sheet

in € thousands	2012-10-01 Before adjustments	2012-10-01 Adjustment (1)	2012-10-01 Adjustment (2)	2012-10-01 Adjustment (3)	2012-10-01 After adjustments
Other financial assets	36,857		-850		36,007
Inventories	860,220		-578		859,642
Trade receivables	1,213,821		-7,308		1,206,513
Equity	1,383,538	-134,273	-9,525	-42,853	1,196,887
Provisions for pensions and similar obligations	456,909	226,289			683,198
Other provisions	519,440	-23,767	789		496,462
Bonds, bank loans and other interest-bearing liabilities	1,234,081	-7,197			1,226,884
Income tax liabilities	106,662			21,740	128,402
Net deferred tax assets	20,407	61,052		-21,113	60,346

in € thousands	2013-09-30 Before adjustments	2013-09-30 Adjustment (1)	2013-09-30 Adjustment (2)	2013-09-30 Adjustment (3)	2013-09-30 After adjustments
Other financial assets	27,862		-850		27,012
Inventories	738,642		-530		738,112
Trade receivables	1,201,161		-7,313		1,193,848
Equity	1,318,765	-121,253	-9,357	-45,686	1,142,469
Provisions for pensions and similar obligations	459,378	214,456			673,834
Other provisions	588,258	-39,274	664		549,648
Bonds, bank loans and other interest-bearing liabilities	1,172,365	-6,019			1,166,346
Income tax liabilities	80,383			25,192	105,575
Net deferred tax assets	44,656	47,910		-20,494	72,072

Effects on the consolidated statement of income

in € thousands	First half of 2012/13 Before adjustments	First half of 2012/13 Adjustment (1)	First half of 2012/13 Adjustment (2)	First half of 2012/13 Adjustment (3)	First half of 2012/13 After adjustments
Personnel expenses	-1,083,911	4,970	145		-1,078,796
Other operating expenses	-508,242	-4,600	10		-512,832
Interest expenses	-41,278	3,106			-38,172
Income taxes	4,674	-986			3,688
Net income	60,231	2,490	155		62,876
Net income attributable to shareholders of the parent company	48,671	2,421	155		51,247
Net income attributable to non-controlling interests	11,560	69			11,629

Effect on consolidated statement of comprehensive income

in € thousands	First half of 2012/13 Before adjustments	First half of 2012/13 Adjustment (1)	First half of 2012/13 Adjustment (2)	First half of 2012/13 Adjustment (3)	First half of 2012/13 After adjustments
Net income	60,231	2,490	155		62,876
Items that will not be recycled through profit or loss in later accounting periods					
Remeasurement of defined benefit plans		5,983			5,983
Taxes on components of comprehensive income that will not be recycled through profit or loss in later accounting periods		-2,346			-2,346
Items that will be recycled through profit or loss in later accounting periods					
Gains/losses on currency translation	-9,624	237			-9,387
Other comprehensive income	-13,918	3,874			-10,044
Total comprehensive income	46,313	6,364	155		52,832
Total comprehensive income attributable to shareholders of the parent company	37,626	6,153	155		43,934
Total comprehensive income attributable to holders of non-controlling interests	8,687	211			8,898

The disclosures have been adjusted accordingly. This results in reclassifications of certain items in the cash flow statement under cash flow from operating activities. Certain ratios in the segment reporting have also been adjusted.

Had items been accounted for pursuant to the unrevised version of IAS 19, provisions for pension and similar obligations would have been €207 million lower, other provisions €39 million higher, the item bonds, bank loans and other interest-bearing liabilities €6 million higher and equity after considering deferred taxes €116 million higher in the consolidated balance sheet as at March 31, 2014. In the consolidated statement of income, the operational result would have been €1 million higher, interest expenses €4 million higher and net income €2 million lower.

Consolidated Group

The following companies are included in the consolidated financial statements:

	2014-03-31	2013-09-30
Voith GmbH and its fully consolidated subsidiaries:		
Germany	61	60
Other countries	139	143
Total fully consolidated companies	**200**	203
Companies accounted for using the equity method:		
Germany	6	6
Other countries	13	13
Total companies accounted for using the equity method	**19**	19

The following companies were fully consolidated for the first time in the period under review:

- Voith Industrial Services Auslandsbeteiligungen GmbH, Stuttgart
- Voith Engineering Services GmbH & Co. KG, Stuttgart
- Voith Paper Mexico S. de R.L. de C.V., Mexico (D.F.), Mexico

Intercompany mergers between Group companies in Germany and other countries reduced the number of fully consolidated companies.

Business combinations in the 2013/14 fiscal year

There were no business combinations in the first half of the 2013/14 fiscal year.

Business combinations in the 2012/13 fiscal year

Acquisition of ThyssenKrupp Services Ltd., United Kingdom

Voith Industrial Services acquired all of the interests and voting rights in ThyssenKrupp Services Limited in the first half of the 2012/13 fiscal year. With this acquisition, Voith Industrial Services intended to consolidate its position as one of the leading service providers for the automotive industry in the United Kingdom. The company provides facility management services, technical cleaning and process management.

The following amounts resulted from the assets and liabilities acquired in the combination:

Balance sheet item

in € thousands	Acquisition date fair value
Intangible assets	2,925
Other non-current assets	933
Inventories	145
Receivables	5,507
Other assets	560
Cash and cash equivalents	2,225
Provisions	-3,298
Liabilities	-3,391
Carrying amount	**5,606**
Goodwill	2,978
Purchase price of the interests purchased	**8,584**
Cash and cash equivalents	-2,225
Cash outflows	**6,359**

Acquisition of Vortex Hydrosystems Inc., Canada

In February 2013, Voith Hydro acquired 80% of the interests and voting rights of the Canadian firm Vortex Hydrosystems Inc. The company supplies mechanical equipment to hydropower plants. The purchase price of the interests purchased was €718 thousand.

Acquisition in the 2013/14 fiscal year of further interests in companies over which the Group already has control

Voith Hydro acquired the remaining 20% of the interests in Voith Hydro Ocean Current Technologies GmbH & Co. KG, Germany, in the first half of the 2013/14 fiscal year. In addition, Voith Paper acquired the remaining 50% of the interests in Voith EcoSolutions GmbH & Co. KG, Germany. The purchase price for the two transactions totaled €6,825 thousand.

Acquisition in the 2012/13 fiscal year of further interests in companies over which the Group already has control

Voith Hydro acquired a further 49% of the interests in VG Power AB, Västerås, Sweden, in the first half of the 2012/13 fiscal year. The Group now wholly owns the company and also holds 100% of the voting rights. The purchase price was €10,300 thousand.

Disposals in the 2013/14 fiscal year

In the course of streamlining the product portfolio, Voith Industrial Services and Voith Turbo each sold one product segment. A total loss of €3,528 thousand was incurred as a result of the disposals which was posted to the result from non-recurring items. The purchase price for the two transactions totaled €4,663 thousand.

Notes on segment reporting

The structure of the segments and the methods used to calculate the segment information have remained unchanged since September 30, 2013.

When calculating the profit from operations, the following profit/loss components are taken into consideration 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 which, 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 effects so as to facilitate the assessment of the operating activities by segment.

The capital employed as at the reporting date March 31, 2014 is an average value derived from the values as at the end of the current period under review and as at the reporting date of the previous period under review. The capital employed presented as a comparative figure as at September 30, 2013 is an average value derived from the values as at the end of the period ended September 30, 2013, the reporting date for the previous interim financial statements and as at the end of the previous period ended September 30, 2012.

Segment information by business segment

in € millions	Voith Hydro 2013/14	Voith Hydro 2012/13	Voith Industrial Services 2013/14	Voith Industrial Services 2012/13
External sales	668	659	574	573
Sales with other segments	2	2	13	14
Total segment sales	670	661	587	587
Profit from operations	51	53[2]	9	11
Average capital employed	448	505	237	238
Employees[3]	5,441	5,323	20,793	21,032

[1] Subtotal for Voith Hydro, Voith Industrial Services, Voith Paper and Voith Turbo.
[2] Previous year adjusted (see section "Adjustment of previous year").
[3] Statistical number of persons employed as at the reporting date compared with September 30, 2013.

Voith Paper		Voith Turbo		Total core business[1]		Reconciliation		Total	
2013/14	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13
673	757	682	722	2,597	2,711	7	6	2,604	2,717
9	15	3	3	27	34	-27	-34	0	0
682	772	685	725	2,624	2,745	-20	-28	2,604	2,717
-5	4	57	48[2]	112	116	13	9	125	125
922	943	772	797[2]	2,379	2,483[2]	152	157	2,531	2,640[2]
8,906	9,223	6,420	6,485	41,560	42,063	1,053	1,071	42,613	43,134

The two defined components “Operating interest income” and “Other adjustments” are not shown directly in the consolidated statement of income and are therefore disclosed separately in the following reconciliation of the profit from operations to income before taxes.

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

in € millions	2013/14	2012/13*
Profit from operations	**125**	125
Operating interest income	-20	-18
Other adjustments	0	-3
Result from non-recurring items	-20	-24
Share of profits from associates	3	3
Interest result	-35	-33
Other financial result	0	9
Income before taxes	**53**	59

* Previous year adjusted (see section “Adjustment of previous year”).

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	**2013/14**	2012/13
Income from the utilization of contract-specific provisions	49,981	59,379
Income from the reversal of provisions and accruals	29,660	24,976
Foreign exchange gains	27,079	24,196
Recovered bad debts	2,746	3,219
Gains on the disposal of intangible assets and property, plant and equipment	564	959
Rental and lease income	2,375	1,907
Income from insurance indemnification payments	3,812	10,797
Other income	33,646	18,811
	149,863	144,244

Other operating expenses

in € thousands	**2013/14**	2012/13*
Increase in provisions and accruals	78,294	94,036
Other selling expenses	170,952	168,276
Other administrative expenses	119,071	130,124
Foreign exchange losses	33,231	23,936
Rent for buildings and machinery	38,871	37,907
Bad debt allowances	4,199	3,739
Losses on the disposal of intangible assets and property, plant and equipment	821	2,163
Other expenses	62,614	52,651
	508,053	512,832

* Previous year adjusted (see section “Adjustment of previous year”).

Result from non-recurring items

The result from non-recurring items in the year under review comes to €-20 million. Of this total, Voith Paper contributed €-3 million and entities with a holding function €-1 million in connection with the restructuring measures initiated in the previous year. These are essentially personnel-related expenses for which it was not possible to recognize provisions in the previous year. Further structural or market-related capacity adjustment measures at Voith Hydro (€-5 million) and Voith Industrial Services (€-7 million) contributed to the result from non-recurring items. Voith Turbo’s share (€-4 million) primarily contains losses from the disposal of a business unit. The previous-year result from non-recurring items of €-24 million mainly contained an impairment loss recorded on intangible assets and property, plant and equipment in connection with the revised business plan for a product group in the Voith Turbo Group Division.

Other financial result

in € thousands	2013/14	2012/13
Income from investments	40	8,980
Impairment of other investments and loans	-9	-39
Sundry other financial result	128	139
	159	9,080

Income taxes

Income taxes totaled €-23 million (previous year [adjusted]: €4 million). In the same period of the previous year, this item included income from the release of tax provisions for previous years amounting to €29 million.

Selected notes to the balance sheet

Intangible assets

In the first half of the 2013/14 fiscal year, an amount of €7 million (previous year: €14 million) was invested in intangible assets. Amortization amounted to €14 million (previous year: €16 million) and impairment losses to €0 (previous year: €6 million).

Property, plant and equipment

Investments in property, plant and equipment amounted to €61 million in the first six months of the 2013/14 fiscal year (previous year: €78 million). Property, plant and equipment originating from business combinations of €0 was added (previous year: €2 million). Depreciation amounted to €68 million (previous year: €72 million) and impairment losses to €2 million (previous year: €17 million).

Inventories

Inventories consist of the following items:

in € thousands	2014-03-31	2013-09-30*
Raw materials and supplies	241,749	241,802
Work in progress	281,596	270,067
Finished goods and merchandise	149,005	141,683
Prepayments	85,968	84,560
	758,318	738,112

* Previous year adjusted (see section "Adjustment of previous year").

Equity

A dividend of €0.13 per share was distributed from the unappropriated retained earnings of Voith GmbH. This equates to €15,000 thousand (previous year: €15,000 thousand). Distributions totaling €5,501 thousand were made to holders of profit participation capital (previous year as at March 31, 2013: €5,412 thousand). Dividends totaling €2,954 thousand were distributed to other holders of non-controlling interests (previous year as at March 31, 2013: €3,228 thousand).

Bonds, bank loans and other interest-bearing financial liabilities

Financial liabilities include the following items:

in € thousands	Current	Non-current	2014-03-31	Current	Non-current	2013-09-30*
Bonds	133,664	705,341	839,005	138,994	707,885	846,879
Bank loans	82,035	86,220	168,255	112,540	77,732	190,272
Financial liabilities from leases	428	1,608	2,036	681	1,675	2,356
Notes payable	302	0	302	335	0	335
Other financial liabilities	58,405	72,234	130,639	55,964	70,540	126,504
	274,834	**865,403**	**1,140,237**	308,514	857,832	1,166,346

* Previous year adjusted (see section “Adjustment of previous year”).

Other notes

Contingent liabilities, contingent assets and other financial obligations

In the previous year, possible tax risks existed outside Germany concerning the tax recognition of expenses amounting to €13 million. Due to the development in the period under review, the occurrence of the risk is, in the meantime, regarded as remote.

In connection with the recognition of transfer prices outside Germany, there are additional risks of €5 million (previous year: €5 million) and of €17 million (previous year: €23 million) for legal disputes. A successful outcome is currently expected in both cases.

Owing to failure, due to an end customer, to comply with specific rules concerning the receipt of tax incentives outside Germany, the recognition of tax privileges was disputed by the tax authorities in previous years. The risk amounted to a maximum of €9 million as at September 30, 2013. The proceedings were concluded in the first half of the 2013/14 fiscal year and resulted in €5 million being paid to the tax authorities.

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.

In connection with the ongoing tax field audit of the German companies, further changes may be made to tax items.

From the Voith Group's perspective, the Group might have rights to offset tax liabilities due to the tax authorities totaling approximately €7 million (previous year: €9 million) outside Germany. There are potential VAT credits of €3 million in Germany (previous year: €8 million).

The Company has guarantee obligations of €19,114 thousand (previous year: €36,649 thousand).

Moreover, other financial obligations are as follows:

in € thousands	2014-03-31	2013-09-30
Purchase commitments for capital expenditures	17,043	25,898
Obligations arising from non-cancelable operating leases	138,920	140,440
Other	1,204	910
	157,167	167,248

Additional information on financial instruments

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category.

in € thousands	IAS 39 measurement category	Carrying amount 2014-03-31	Amount recognized in the balance sheet in accordance with IAS 39				Amount recognized in the balance sheet in accordance with IAS 17	Fair value 2014-03-31
			Amortized cost	Acquisition cost	Fair value through equity	Fair value through profit or loss		
Assets:								
Cash and cash equivalents	LaR	864,641	864,641					864,641
Trade receivables	LaR	792,644	792,644					792,644
Receivables from construction contracts	LaR	315,811	315,811					315,811
Other financial assets and securities		252,684						
· Financial assets, loans and receivables	LaR	30,057	30,057					30,057
· Available-for-sale financial assets	AfS	217,154		22,063	195,091			195,091[1]
· Financial assets at fair value through profit or loss	Fafvtpl	5,473				5,473		5,473
Derivative financial instruments		34,251						
· Derivatives not used for hedging	FAHfT	5,935				5,935		5,935
· Derivatives used for hedging	n.a.	28,316			0	28,316		28,316
Other receivables		158,899						
· Financial receivables	LaR	48,405	48,405					48,405
· Sundry financial assets	LaR	110,494	110,494					110,494
Equity and liabilities:								
Trade payables	FLAC	469,581	469,581					469,581
Bonds/bank loans/notes	FLAC	1,007,562	1,007,562					1,092,830
Financial liabilities from leases	n.a.	2,036					2,036	
Derivative financial instruments		9,996						
· Derivatives not used for hedging	FLHfT	2,276				2,276		2,276
· Derivatives used for hedging	n.a.	7,720			181	7,539		7,720
Other financial liabilities	FLAC	130,639	130,639					130,639
Sundry financial liabilities	FLAC	284,425	284,425					284,425
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,162,052	2,162,052					
Available for sale (AfS)	AfS	217,154		22,063	195,091			
Financial assets held for trading (FAHfT)	FAHfT	5,935				5,935		
Financial assets at fair value through profit or loss (Fafvtpl)	Fafvtpl	5,473				5,473		
Financial liabilities measured at amortized cost (FLAC)	FLAC	1,892,207	1,892,207					
Financial liabilities held for trading (FLHfT)	FLHfT	2,276				2,276		

[1] Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.

in € thousands	IAS 39 measure-ment category	Carrying amount 2013-09-30*	Amount recognized in the balance sheet in accordance with IAS 39* Amortized cost	Acquisition cost	Fair value through equity	Fair value through prof-it or loss	Amount rec-ognized in the balance sheet in accordance with IAS 17	Fair value 2013-09-30*
Assets:								
Cash and cash equivalents	LaR	900,967	900,967					900,967
Trade receivables	LaR	926,400	926,400					926,400
Receivables from construction contracts	LaR	267,448	267,448					267,448
Other financial assets and securities		300,649						
· Financial assets, loans and receivables	LaR	53,796	53,796					53,796
· Available-for-sale financial assets	AfS	241,831		20,897	220,934			220,934[1)]
· Financial assets at fair value through profit or loss	Fafvtpl	5,022				5,022		5,022
Derivative financial instruments		37,633						
· Derivatives not used for hedging	FAHfT	8,063				8,063		8,063
· Derivatives used for hedging	n.a.	29,570			162	29,408		29,570
Other receivables		148,065						
· Financial receivables	LaR	35,418	35,418					35,418
· Sundry financial assets	LaR	112,647	112,647					112,647
Equity and liabilities:								
Trade payables	FLAC	544,881	544,881					544,881
Bonds/bank loans/notes	FLAC	1,037,486	1,037,486					1,132,419
Financial liabilities from leases	n.a.	2,356					2,356	
Derivative financial instruments		15,991						
· Derivatives not used for hedging	FLHfT	3,141				3,141		3,141
· Derivatives used for hedging	n.a.	12,850			183	12,667		12,850
Other financial liabilities	FLAC	126,504	126,504					126,504
Sundry financial liabilities	FLAC	320,053	314,053		6,000			320,053
IAS 39 measurement categories:								
Loans and receivables (LaR)	LaR	2,296,676	2,296,676					
Available for sale (AfS)	AfS	241,831		20,897	220,934			
Financial assets held for trading (FAHfT)	FAHfT	8,063				8,063		
Financial assets at fair value through profit or loss (Fafvtpl)	Fafvtpl	5,022				5,022		
Financial liabilities measured at amortized cost (FLAC)	FLAC	2,028,924	2,022,924		6,000			
Financial liabilities held for trading (FLHfT)	FLHfT	3,141				3,141		

[1)] Available-for-sale financial assets (AfS) include investments whose fair value could not be determined reliably.
* Previous year adjusted (see section “Adjustment of previous year”).

Fair value hierarchy

in € thousands	2014-03-31	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	200,564	200,564	0	0
Derivative financial instruments	34,251	0	34,251	0
Liabilities				
Derivative financial instruments	9,996	0	9,996	0

in € thousands	2013-09-30	Level 1	Level 2	Level 3
Assets				
Other financial assets and securities	225,956	225,956	0	0
Derivative financial instruments	37,633	0	37,633	0
Liabilities				
Derivative financial instruments	15,992	0	15,992	0

The three-level fair value hierarchy divides the input factors used in the measurement techniques to measure the fair value into three levels.

Level 1:
Fair values are determined on the basis of quoted market prices in active markets for identical assets or liabilities for the Company on the measurement date.

Level 2:
Fair values are determined using valuation techniques in which the inputs are based on observable market data.

Level 3:
Fair values are determined using valuation techniques where the inputs are not based on observable market data.

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.

Related parties

Transactions with related parties continue to be conducted at arm's length conditions. The majority of intercompany deliveries and services to related parties are shown in the two tables below:

in € thousands	**2014-03-31**	2013-09-30
Liabilities to family shareholders	27,421	27,915
Receivables from associates, incl. advances paid	3,736	3,452
Liabilities to associates	3,428	3,410
Receivables from other investments, incl. advances paid	9,703	8,651
Impairment of receivables from other investments	-412	-412
Liabilities to other investments, including advances received	23,525	25,215
Receivables from joint ventures	2,738	192
Liabilities to joint ventures	828	827
Receivables from the ultimate parent company	198	144
Liabilities to the ultimate parent company	4,317	4,345

in € thousands	**2013/14**	2012/13
Services purchased from associates*	4,638	2,001
Services rendered to associates*	49	672
Services purchased from other investments	1,097	1,396
Services rendered to other investments	9,103	7,423
Services purchased from joint ventures	2,306	2,216
Services rendered to joint ventures	59	356
Services purchased from the ultimate parent company	5,170	5,230
Services rendered to the ultimate parent company	348	385

* Previous year adjusted

Guarantees of €11,836 thousand (previous year: €11,836 thousand) were issued in favor of one associate, €1,411 thousand (previous year: €1,693 thousand) in favor of one joint venture and €195 thousand in favor of other investments (previous year: €378 thousand).

Obligations from outstanding orders payable to the ultimate parent amount to €2,239 thousand (previous year: €4,634 thousand) and those payable to associates amount to €1,625 thousand (previous year: €2,230 thousand).

Capital increases of €1,006 thousand (previous year: €1,781 thousand) were carried out in favor of joint ventures.

Events after the period under review

There were no significant events after the balance sheet date.

Heidenheim, May 6, 2014

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Martin Hennerici
Bertram Staudenmaier
Dr. Roland Münch
Carsten J. Reinhardt

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 interim Group 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 material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Heidenheim, May 6, 2014

Voith GmbH
The Board of Management

Dr. Hubert Lienhard
Dr. Hermann Jung
Dr. Hans-Peter Sollinger
Martin Hennerici
Bertram Staudenmaier
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