

Interim Report 2018/2019

Voith Hydro



Consolidated balance sheet

as at March 31, 2019

Assets

€ in thousands	2019-03-31	2018-09-30	2017-10-01
A. Non-current assets			
I. Intangible assets	21 357	21 956	23 703
II. Property, plant and equipment	174 853	143 578	171 289
III. Investments accounted for using the equity method	0	17 039	17 582
IV. Securities	805	693	706
V. Other financial assets	1 210	951	787
VI. Other financial receivables	22 484	32 009	30 939
VII. Other assets	2 558	10 444	6 607
VIII. Deferred tax assets	38 805	30 506	49 527
Total non-current assets	262 072	257 176	301 140
B. Current assets			
I. Inventories	76 368	75 497	74 601
II. Trade receivables	99 473	146 466	148 039
III. Contract asset	378 029	254 946	226 659
IV. Securities	161	2 259	306
V. Current income tax assets	21 957	13 125	16 329
VI. Other financial receivables	296 181	312 578	372 858
VII. Other assets	66 115	42 816	49 558
VIII. Cash and cash equivalents	92 202	89 809	1 18 836
IX. Assets held for sale	11 650	10 942	0
Total current assets	1 042 136	948 438	1 007 186
Total assets	1 304 208	1 205 614	1 308 326

Equity and liabilities

€ in thousands	2019-03-31	2018-09-30	2017-10-01
A. Equity			
I. Total interests of the limited partners	23 520	23 520	23 520
II. Revenue reserves	151 488	180 498	190 689
III. Other reserves	1 206	- 11 884	4 599
Equity attributable to shareholders of the parent company	176 214	192 134	218 808
IV. Equity attributable to holders of non-controlling interests	25 825	24 143	24 806
Total equity	202 039	216 277	243 614
B. Non-current liabilities			
I. Provisions for pensions and similar obligations	76 084	67 901	70 219
II. Other provisions	44 858	41 103	46 290
III. Income tax liabilities	0	255	277
IV. Bonds, bank loans and other interest-bearing liabilities	130 348	106 603	153 297
V. Other financial liabilities	10 735	10 637	20 962
VI. Other liabilities	4 045	5 116	6 885
VII. Deferred tax liabilities	6 962	7 814	9 633
Total non-current liabilities	273 032	239 429	307 563
C. Current liabilities			
I. Provisions for pensions and similar obligations	3 491	3 180	3 250
II. Other provisions	71 701	89 609	137 195
III. Income tax liabilities	13 208	9 947	7 788
IV. Bonds, bank loans and other interest-bearing liabilities	70 558	67 786	84 345
V. Trade payables	173 792	165 886	203 549
VI. Contract liabilities	412 881	89 039	8 087
VII. Other financial liabilities	53 212	59 969	71 239
VIII. Prepayments received	0	239 114	214 900
IX. Other liabilities	30 294	25 378	26 796
Total current liabilities	829 137	749 908	757 149
Total equity and liabilities	1 304 208	1 205 614	1 308 326

Consolidated statement of income

Period from October 1, 2018 through to March 31, 2019

€ in thousands	2018-10-01 to 2019-03-31	2017-10-01 to 2018-03-31
Sales	553 499	556 690
Changes in inventories and own work capitalized	- 25 649	2 590
Total output	527 850	559 280
Other operating income	61 803	64 562
Cost of material	- 253 197	- 252 457
Personnel expenses	- 145 761	- 159 838
Depreciation and amortization	- 9 598	- 10 731
Other operating expenses	- 157 802	- 164 674
Operational result	23 295	36 142
Share of profit/loss from companies accounted for using the equity method	- 2 023	822
Interest income	2 065	3 347
Interest expenses	- 8 158	- 8 185
Other financial result	- 4 391	- 5 172
Result before taxes	10 788	26 954
Income taxes	- 7 900	- 11 552
Net result	2 888	15 402
Net result attributable to shareholders of parent company	269	12 213
Net result attributable to holders of non-controlling interests	2 619	3 189

Heidenheim, May 20, 2019
 For Voith Hydro Holding GmbH & Co. KG
 Voith Hydro Holding Verwaltungs GmbH



Uwe Wehnhardt



Markus Mader



Consolidated statement of changes in equity

Equity attributable to shareholders of the parent company

€ in thousands	Total interests of the limited partners	Revenue reserves	Gains/losses on available-for-sale financial assets	Currency translation
2018-09-30 *	23 520	180 498	- 41	- 11 196
First-time adoption regarding new IFRS standards		- 23 603		
2018-10-01	23 520	156 895	- 41	- 11 196
Net result		269		
Other comprehensive income		- 5 966	14	13 006
Total comprehensive income	0	- 5 697	14	13 006
Other adjustments		290		
Dividends				
2019-03-31	23 520	151 488	- 27	1 810
* previous year adjusted				
2017-09-30	23 520	213 788	- 33	4 856
Adjustments regarding IAS 8		- 23 099		
2017-10-01	23 520	190 689	- 33	4 856
Net result		2 093		
Other comprehensive income		- 147	- 8	- 16 052
Total comprehensive income	0	1 946	- 8	- 16 052
Other adjustments		- 191		
Dividends		- 11 946		
2018-09-30	23 520	180 498	- 41	11 196

		Equity attributable to non-controlling interest	
Net investment in foreign operations	Total		Total equity
- 647	192 134	24 143	216 277
	- 23 603		- 23 603
- 647	168 531	24 143	192 674
	269	2 619	2 888
70	7 124	1 397	8 521
70	7 393	4 016	11 409
	290		290
		- 2 334	- 2 334
- 577	176 214	25 825	202 039
- 224	241 907	24 806	266 713
	- 23 099		- 23 099
- 224	218 808	24 806	243 614
	2 093	6 143	8 236
- 423	- 16 630	- 245	- 16 875
- 423	- 14 537	5 898	- 8 640
	- 191	310	- 119
	- 11 946	- 6 871	- 18 817
- 647	192 134	24 143	216 277

Details of intangible assets

Details of intangible assets

€ in thousands	2019-03-31	2018-09-30
Goodwill	18 691	18 654
Concessions, industrial property rights and similar rights and values	445	496
Development expenses	2 216	2 801
Other intangible assets	0	0
Payment on account	5	5
Intangible assets	21 357	21 956

Voith Hydro and its shareholdings

as at March 31, 2019

Name and registered office Significant affiliated companies	Capital in local currency	Share held in %
Voith Hydro Holding GmbH & Co. KG, Heidenheim / Germany	23 519 500	EUR
Kössler GmbH & Co. KG, St. Georgen / Stfd. / Austria	363 364	EUR 100.0
Voith Hydro GmbH & Co. KG, St. Pölten / Austria	3 633 642	EUR 100.0
Voith Hydro da Amazonia Ltda., Manaus / Brazil	10 000	BRL 99.9
Voith Hydro Ltda., São Paulo (SP) / Brazil	441 159 810	BRL 100.0
Voith Hydro Services Ltda., São Paulo (SP) / Brazil	1 000 000	BRL 100.0
Voith Hydro Inc., Brossard (QC) / Canada	17 074 850	CAD 100.0
Voith Hydro S.A., Santiago de Chile (Las Condes) / Chile	1 378 741 897	CLP 100.0
Voith Hydro Shanghai Ltd., Shanghai / China	43 333 667	USD 80.0
Voith Hydro s.r.o., Pilsen / Czech Republic	200 000	CZK 100.0
VH Auslandsbeteiligungen GmbH, Heidenheim / Germany	26 000	EUR 100.0
VHG Auslandsbeteiligungen GmbH, Heidenheim / Germany	25 565	EUR 100.0
Voith Hydro GmbH & Co. KG, Heidenheim / Germany	15 441 100	EUR 100.0
Voith Hydro Private Limited, Noida / India	200 000 000	INR 100.0
Voith Hydro S.r.l., Cinisello Balsamo (MI) / Italy	120 000	EUR 100.0
Voith Fuji Hydro K. K., Kawasaki-shi, Kanagawa / Japan	1 000 000 000	JPY 50.0
Voith Hydro Mexico, S. de R.L. de C.V., Ciudad de Mexico, Edo de Mexico / Mexico	3 000	MXN 100.0
Voith Hydro AS, Oslo / Norway	3 300 000	NOK 100.0
Voith Hydro Sarpsborg AS, Gamle Fredrikstad / Norway	540 600	NOK 100.0
Voith Hydro Lima S.A.C., Miraflores – Lima / Peru	1 000	PEN 100.0
Voith Hydro S.R.L., Bucharest / Romania	680	RON 100.0
Voith Hydro S.L., Ibarra (Guipúzcoa) / Spain	345 575	EUR 100.0
Voith Hydro AB, Västerås / Sweden	1 200 000	SEK 100.0
Voith Hydro Limited Sirketi, Söğütözü Ankara / Turkey	1 000 000	TRY 100.0
Voith Hydro Inc., York (PA) / United States	43 344 100	USD 100.0
Voith Hydro Ltda.-Sucursal, Medellin-Antioquia / Colombia	20 000 000	COP 100.0
Voith Hydro Ltda. Sucursal Bolivia, Cochabamba (Recoleta) / Bolivia	6 820	BOB 100.0
Volga Hydro LLC Balakovo / Russian Federation	1 124 535 890	RUB 100.0

Consolidation, accounting and valuation principles

Interim Report 2018 / 2019

Voith Hydro Holding GmbH & Co. KG subgroup interim financial statements, Heidenheim an der Brenz

Basis of the subgroup interim financial statements and accounting

The unaudited subgroup interim financial statements must be read in conjunction with the subgroup financial statements for the year ended September 30, 2018. 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 financial statements pursuant to IFRS, it is necessary to make certain estimates, judgments and assumptions that could have an impact on the amount and presentation of assets and liabilities recognized in the reporting, as well as on the disclosures on contingent assets and contingent liabilities on the reporting date and on the income and expenses reported for the period. Actual amounts may differ from the estimates. Changes in estimates, judgments and assumptions could have a material impact on the interim financial reporting.

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

Adoption of amended and new standards and interpretations

In the first half of the 2018 / 2019 fiscal year, the following new and revised IAS and IFRS standards were applied for the first time.

The effects of the initial application of IFRS 9 and IFRS 15 are explained below. None of the other changes to IAS and IFRS standards had a significant effect on the net assets, financial position and earnings position of the subgroup.

Standard / interpretation	Amendment / new standard or interpretation
Amendments to IFRS 2: Classification and measurement of sharebased payment transactions	Clarification of the classification and measurement of transactions involving share-based payments.
Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 insurance contracts	The objective of the amendment is to reduce the effects of the different effective dates of IFRS 9 financial instruments and the successor standard to IFRS 4.
IFRS 9: Financial instruments	Regulations for the classification and the measurement, impairment and hedge accounting of financial instruments.
IFRS 15: Revenue from contracts with customers incl. amendment of the effective date	Combination of revenue recognition rules previously contained in various standards and interpretations.
Clarifications to IFRS 15: Revenue from contracts with customers	The amendments are aimed at providing transition relief in the case of modified agreements and completed contracts.
Amendments to IAS 40: Transfers of investment property	Clarification relating to transfers to or from the portfolio of investment properties.
IFRIC 22: Foreign currency transactions and advance consideration	IFRIC 22 clarifies the accounting for transactions involving the receipt or payment of consideration in a foreign currency.
Improvements to IFRS (2014 – 2016)	Amendments to standards IFRS 1 and IAS 28.

IFRS 9 – Financial instruments

IFRS 9 „financial instruments“ must be applied from the 2018/2019 fiscal year onwards. This standard replaces the existing requirements of IAS 39 financial instruments: Recognition and measurement and restructures the classification and measurement, impairment and general hedge accounting for financial assets and liabilities.

The amended accounting methods were generally to be applied retrospectively. With regard to the amendments to the classification and measurement (including impairment), Voith Hydro made use of the exemption contained in IFRS 9 and did not make any adjustments to comparative information for previous periods. Differences between the carrying amounts of the financial assets and financial liabilities arising from the first-time adoption of IFRS 9 were reported in the revenue reserves and the other reserves at the time of first-time adoption.

IFRS 9 introduces a new approach to the classification and measurement of financial assets. The criteria for classification consist of the cash flow characteristics and the business model according to which the assets are managed. Voith Hydro has examined the financial assets for compliance with the cash flow condition and assigned them to the corresponding business models. Trade receivables and other financial assets will continue to be measured at amortized cost.

Exceptions to this consist of equity instruments that were measured at amortized cost pursuant to IAS 39 and are to be recognized at fair value pursuant to IFRS 9. For these equity instruments, Voith Hydro exercised the OCI option and assigned them to the category “FVTOCI” (“fair value through other comprehensive income”). Changes in the market value arising from subsequent measurement and accumulated gains/losses in the event of derecognition at a later date are posted directly in equity and are never reclassified with an effect on profit or loss.

With regard to the equity instruments there were no changes in the carrying amounts at September 30, 2018 to the fair values at October 1, 2018.

IFRS 9 has to a great extent taken on the classification and measurement of financial liabilities used in IAS 39. Voith Hydro continues to measure financial liabilities at amortized cost; there are no financial liabilities that were modified in the past. In this respect, first-time adoption of IFRS 9 does not have any implications. The requirements on reporting impairment losses that are now no longer exclusively based on losses that have already occurred but on the recognition of allowances for expected credit defaults are fundamentally new.

For trade receivables and contract assets, Voith Hydro will use the simplified impairment model under which the credit losses anticipated over the entire term are recorded. The general impairment model is employed for other financial assets, particularly cash and cash equivalents, that are not classified at fair value through profit or loss. Allowances for the credit losses anticipated over the next 12 months are determined with this model unless the credit risk has significantly increased since initial recognition. In the event of a significant increase in the credit risk, allowances are to be determined in the amount of the credit defaults expected over the remaining term. The impairment models are based on specific probabilities of default taking account of the divisions, regional factors as well as forward-looking data. A model suitable for determining the anticipated credit losses was implemented.

The adjustment based on this model from the first-time adoption of IFRS 9 with regard to the measurement of trade receivables, contract assets and other financial assets, leads to an insignificant reduction in revenue reserves of approx. 1 %.

In its first-time adoption of IFRS 9, Voith Hydro is exercising the option not to apply the new requirements in its accounting treatment of hedges. Hedges continue to be accounted for according to the provisions of IAS 39. In addition, IFRS 9 introduces new, more extensive disclosure requirements in notes to financial statements, including, but not limited to, the accounting treatment of hedges, credit risk and expected credit losses.

IFRS 15 – Revenue from contracts with customers

IFRS 15 is applied in Voith Hydro's subgroup since 1st October 2018. The objective of the new standard is to bring the many different requirements on revenue recognition together in one standard. Consequently, IFRS 15 replaces the previous revenue recognition standards IAS 18: Revenue and IAS 11 construction contracts and the associated interpretations. The clarifications to IFRS 15 (clarifications) published in April 2016 will likewise be taken into consideration. The new standard means that there are now consistent basic principles for all industries and all kinds of sales transactions. The central issue in this respect is that the sales are to be recorded following transfer of control. This replaces the principle of transfer of opportunities and risk previously applied. A five-step model is used to identify the amount of revenue and the date on which, or the period in which, the sales are recognized.

For first-time adoption, Voith Hydro has chosen the modified retrospective approach where the previous-year figures are not restated but the cumulative effects of first-time adoption of the standard as at October 1, 2018 is recorded in the revenue reserves. In addition, the option relating to simplified first-time adoption is exercised and IFRS 15 is only applied to those contracts that had not been fulfilled by October 1, 2018.

For the Voith Hydro subgroup revenue reserves currently decrease by about 10 % as at October 1, 2018. This effect results from individual orders, which were previously accounted using the percentage-of-completion method, whereas under IFRS 15 revenue has to be recognized at a point in time due to critical termination clauses in the contract.

Furthermore the following changes arise in balance sheet:

IFRS 15 implements the new balance sheet positions “contract assets” and “contract liabilities”. These include the former balance sheet positions “receivables from customer-specific contracts” and “liabilities from customer specific contracts” as well as revenue related allocations according to IFRS 15.

Prepayments received are disclosed under “contract liabilities” in non-current liabilities as well, and no longer represented as a separate balance sheet position.

In addition, until now Voith Hydro has issued milestone invoices for finished and accepted milestones in case of contracts where revenue was recognized over time. According to IFRS 15 payments from such milestone invoices have to be accounted as prepayments received until the identified performance obligation was satisfied. Therefore in case of only one identified performance obligation, milestone invoices are no more possible. This effect leads to reclassifications in current assets and current liabilities with no effect on profit or loss as well as in individual cases to a reduction in total assets / liabilities.

Revenue reserves and other reserves

The revenue reserves consist of retained earnings out of ordinary and extraordinary business (such as profits from sale of assets and investments) generated by Voith Hydro Holding GmbH & Co. KG and its consolidated subsidiaries as well as the effects of remeasurement of defined benefit plans totaling € -36 261 thousand (previous year: € -30 295 thousands). Profits from revaluation of assets are not included as the revaluation model of IAS 16 is not applied.

The other reserves include the effects of the currency translation of foreign subsidiaries, the valuation of net investments in foreign operations as defined by IAS 21, gains / losses from available-for-sale financial assets recognized directly in equity without effect on profit or loss and cash flow hedges pursuant to IAS 39. The effect from cash flow hedges is € 0 in the current as well as in the previous fiscal year.

Contract liabilities

Contract liabilities include prepayments received of € 369 920 thousands. In the previous period these prepayments received were shown as a separate balance sheet position.

Changes to presentation in the statement of income

Since 2018 / 2019 fiscal year the positions “operational result before non-recurring items” and “non-recurring result” are no longer shown separately in the statement of income. The resulting effects for the previous year are presented in the overview “effect on the individual positions of the subgroup statement of income” on the following page.

Prior year adjustments

In the first half of the 2018 / 2019 fiscal year an error in accounting concerning the valuation of foreign currency receivables from construction contracts was identified and therefore an adjustment of the prior year figures of the affected balance sheet positions has been made.

Voith Hydro has adjusted the published prior year figures pursuant to IAS 8 to reflect these effects. In detail the following changes were made in the comparative periods:

Effect on the individual positions of the subgroup balance sheet

€ in thousands		2017-10-01	
	Before adjustment	Adjustment	After adjustment
Current assets			
Contract assets	243 952	- 17 293	226 659
Other financial receivables	378 664	- 5 806	372 858
Equity	266 713	- 23 099	243 614

€ in thousands		2018-09-30	
	Before adjustment	Adjustment	After adjustment
Current assets			
Contract assets	259 460	- 4 514	254 946
Other financial receivables	330 632	- 18 054	312 578
Equity	238 845	- 22 568	216 278

Effect on the individual positions of the subgroup statement of income

€ in thousands		First half of 2017 / 2018		
	Before adjustment	Adjustment	Changes in presentation	After adjustment
Other operating income	63 925		637	64 562
Other operating expenses	- 163 326	2 174	- 3 522	- 164 674
Non-recurring result	- 2 885		2 885	
Net result	13 228	2 174	0	15 402
Net result attributable to shareholders of parent company	10 039	2 174	0	12 213



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