# 2023 Annual Report

# Voith at a Glance

| in € millions | 2021/22 | 2022/23 |
|---|---|---|
| Orders received | 5,164 | 6,139 |
| Sales | 4,881 | 5,506 |
| EBIT adjusted[1)] | 200 | 245 |
| Return on sales in % | 4.1 | 4.4 |
| ROCE in % | 10.5 | 12.1 |
| Result before taxes | 116 | 157 |
| Net result | 30 | 73 |
| Cash flow from operating activities | 93 | 306 |
| Total cash flow | -137 | 36 |
| Investments | 143 | 188 |
| Research and development | 213 | 232 |
| in % of sales | 4.4 | 4.2 |
| Equity | 1,436 | 1,367 |
| Equity ratio in % | 24.1 | 23.9 |
| Balance sheet total | 5,956 | 5,728 |
| Employees[2)] | 21,491 | 22,479 |

1) For more information, see section “Notes on segment reporting” in the notes to the financial statements.
2) Full-time equivalents; without apprentices; as at September 30.

# Annual Report 2023

## Group



## Group Management Report



## Consolidated Financial Statements

# Group

# Ladies and gentlemen, dear business partners of the Voith Group,

With the present report, we are looking back on a 2022/23 fiscal year that was satisfactory despite the challenging economic environment and great uncertainties on the global markets. The war in Ukraine changed the world with direct and indirect consequences. The appreciably higher inflation and rising interest rates in most regions of the world have dampened the growth in the world economy.

Seldom have there been so many and such diverse uncertainties on the global markets. The end to the zero-Covid policy in China brought

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**Dr. Toralf Haag**

about a gradual stabilization of global supply chains, but the central banks continually increased key interest rates globally to combat the inflation prevailing in most regions of the world. The associated rise in the cost of borrowing cast a further shadow on the investment climate. Combined with the wide range of geopolitical crises and an increasing geoeconomic fragmentation of the world, the global economy weakened noticeably in all sales markets relevant to Voith.

In 2023, the rates of growth in the global economy are below the historical average. In this respect, Europe and Germany in particular are proving to be weak by international comparison. The high energy prices, specifically in Germany, are placing a burden on the domestic economy – as is the large amount of bureaucracy and the clearly apparent backlog of reforms.

Voith nevertheless performed satisfactorily in the past fiscal year and showed a positive balance overall. Achieving such a result, despite all the aforementioned imponderables on the markets, can certainly not be taken for granted. This extraordinary achievement is attributable to the enormous efforts on the part of all Voith colleagues. On behalf of the entire Corporate Board of Management, I would like to express at this point my heartfelt thanks for this commitment.

Voith managed well over the 2022/23 fiscal year and remains in a robust condition both in terms of operating business and financially. Orders received rose more appreciably than expected; one of the factors contributing to this was the increase in the volume in an ongoing major

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hydropower project. Correspondingly, the orders on hand reached a new all-time high. We also succeeded in increasing both sales and the operating result.

The broad sectoral and geographical diversification and the established market position in the three Group Divisions contributed to this achievement, as did our regional supply chains. The strategic focus on sustainable technologies is central to further developing our core business as well as to tapping into potential new growth areas such as hydrogen technology and energy storage. This means we are ideally positioned for future growth in the field of industrial sustainability.

For us at Voith, the transformation of industry is a challenge and an opportunity at the same time. The megatrends of digitalization and decarbonization open up new business opportunities that we intend to exploit on our way into a more sustainable future. Today, Voith is already undergoing a transformation from a traditional mechanical engineering company to a sustainable technology group with a high level of digital expertise. Digitalization is revolutionizing the manner in which industry produces goods and offers products and services. In this context, artificial intelligence is a significant driver of transformation and innovation at Voith.

The evolution of the core business towards sustainable technologies and the expansion into new markets offer promising growth opportunities and will be central components of Voith’s corporate strategy once again in the current fiscal year. All in all, we expect to see a stable development in central performance indicators for the 2023/24 fiscal year. In particular, we intend to further improve our profitability: With regard to the operating result (EBIT), we assume a slight increase; growth in the return on capital employed (ROCE) is likewise expected. With regard to orders received and Group sales, we anticipate levels below the high figures seen in the reporting year. Due to the aforementioned uncertainties stemming from the geopolitical situation and the state of the world economy, the outcome of our planning is not a surefire success but will require a great deal of effort. I am convinced that we will overcome the challenges. Over the last few years we have put ourselves into a starting position that will enable us to emerge stronger from the multiple crises.

The fact that we have achieved profitable growth in a very challenging environment showcases one aspect: Our strategy is gaining traction. The unambiguous alignment to the megatrends of decarbonization and digitalization and our strategic focus on sustainable technologies in particular are paying off.

Thank you for the trust you place in us and we would be pleased for you to continue accompanying us on our way forward.

Sincerely yours,

Dr. Toralf Haag
President & CEO

**Dr. Toralf Haag**
President and CEO

**Stephanie Holdt**
Finance and Controlling

**Dr. Stefan Kampmann**
Innovation & Technology
(until November 30, 2023)

**Andreas Endters**
Voith Paper

**Dr. Tobias Keitel**
Voith Hydro

**Cornelius Weitzmann**
Voith Turbo

(from top left to bottom right)

# The Corporate Board of Management






# Report of the Supervisory Board for the 2022/23 Fiscal Year

## Ladies and gentlemen,

The economic and global political climate in the 2022/23 fiscal year was characterized by great uncertainties. The gradual end to the Covid-19 pandemic and, in particular, the ending of the zero-Covid policy in China brought about a slow but steady normalization of global supply chains; however the global economy continued to suffer from the high level of inflation: The policy of interest rate hikes deployed by central banks to combat inflation has increased the costs of borrowing and cast a shadow on the investment climate. Russia's war in Ukraine was a further burden, causing not only enormous human suffering but also high macroeconomic costs as well as upheavals on many markets. Over the reporting year, the economy continued to slow in virtually all of the sales regions of relevance to Voith. This means that 2023 is seeing a rate of growth in the world economy below the historical average. The euro area in particular is weakening. In the light of energy prices that are high by international comparison and a reform backlog that many businesses consider onerous, the German economy has even slipped into recession and, according to the forecasts by leading economists, is expected to contract on the previous year also in the full year 2023.

Voith proved to be in a robust condition both operatively and financially in the 2022/23 fiscal year and saw a satisfactory development despite the extremely challenging general environment. A further increase in sales and net result was achieved. Orders received turned out to be better than expected, growing appreciably, in particular due to an increase in the volume in an ongoing major hydropower project.

A contribution to the overall satisfactory development came just as much from the Company's broad sectoral and geographical positioning and the established market position in the three Group Divisions as it did from the strategic focus area on sustainable technologies – a focus that points the way for the ongoing development of today's core business as well as for investments in new growth areas, such as hydrogen technology and energy storage. The global trend towards sustainable technologies and the expansion of renewable energies underscore once more that Voith is well positioned with its contribution to industrial sustainability and is able to exploit the growth opportunities in this field.

## Oversight activities of the Supervisory Board

The members of the Board of Management of Voith Management GmbH, the personally liable general partner of GmbH & Co. KGaA, informed the Supervisory Board regularly, promptly and comprehensively on all relevant issues and business transactions, including the current business position and financial position of the Group and its Group Divisions, the business planning along with financial and personnel planning as well as the corporate strategy. The sales and earnings situation of the Group and its divisions were also presented in this context. Furthermore, investments and any risks to the Company as well as compliance issues were presented and explained.

In the 2022/23 fiscal year, the Supervisory Board held four scheduled meetings; furthermore, in addition to the scheduled meeting on December 8, 2022, an inaugural meeting was held the same day on account of the new election to the Supervisory Board of the members of the Supervisory Board representing the employees and of representatives of the shareholders. Between Supervisory Board meetings, there was regular contact between the Chairman of the Supervisory Board and the Board of Management of the personally liable general partner, Voith Management GmbH. The Supervisory Board was informed about the most important points of this exchange of information at the subsequent meetings.

The Supervisory Board meetings were held on October 7, 2022, December 8, 2022, March 22, 2023, and on June 14, 2023. All Supervisory Board members attended at least half of the Supervisory Board meetings.

At its first meeting in the 2022/23 fiscal year on October 7, 2022, the Supervisory Board addressed the preliminary business figures for the 2021/22 fiscal year, which at that time had just come to a close; the planning for the 2022/23 and 2023/24 fiscal years, taking special account of the Group Division Turbo; and the Group's financial, investment and personnel planning.

The Supervisory Board came together for its second scheduled meeting on December 8, 2022. In accordance with the resolution recommended by the Audit Committee and following in-depth discussion, that meeting of the Supervisory Board approved the financial statements and the management report of Voith GmbH & Co. KGaA for the 2021/22 fiscal year, as well as the consolidated financial statements and the Group management report. Over and above this, the Supervisory Board proposed that the general meeting, being the body responsible at a company organized as a partnership limited by shares (KGaA), approve the financial statements; likewise, the Supervisory Board adopted the necessary proposals to the general meeting, including those relating to appropriation of the unappropriated retained earnings and election of the independent auditor. Furthermore, the Supervisory Board was provided with information about the energy price management in Germany. The general meeting of the Company was held the same day, December 8, 2022; the general meeting approved the financial statements in accordance with the Supervisory Board's recommendation and otherwise passed resolutions in accordance with the aforementioned proposals submitted by the Supervisory Board.

After the terms of office of the representatives of the employees on the Supervisory Board and of all but one of the representatives of the shareholders had ended at the close of the general meeting on December 8, 2022, the Supervisory Board came together for an extraordinary, inaugural meeting immediately after the general meeting. This meeting addressed exclusively the topic of elections.

At its third scheduled meeting in the 2022/23 fiscal year held on March 22, 2023, the Supervisory Board addressed the development of business over the first quarter of the reporting year and the outlook for the full fiscal year. Over and above this, the Supervisory Board's deliberations concerned the strategy of the Group Division Hydro and Voith's regional strategy in Asia. Finally, at its meeting in March, the Supervisory Board dealt, among other things, with the upcoming new tender process for the independent audit.

The main topic of the Supervisory Board's discussions during its fourth and last scheduled meeting in the reporting year on June 14, 2023, was the report by the Board of Management of the personally liable general partner on the first half of the 2022/23 fiscal year and on expectations for the full fiscal year. Furthermore, at this meeting, the Supervisory Board was provided with an overview of the use of artificial intelligence at Voith.

In the reporting year, there was no indication of any conflicts of interests in the Supervisory Board.

### Report on the work of the committees

The Company's Supervisory Board has an Audit Committee and a Nomination Committee. There were no further Supervisory Board committees in the reporting year.

In the reporting year, the Nomination Committee passed a resolution by written procedure on November 7, 2022, on the election proposals to the general meeting scheduled to convene on December 8, 2022, regarding reelection of Supervisory Board members representing the shareholders.

As in previous years, the Audit Committee came together in the 2022/23 fiscal year for three scheduled meetings that were held on October 6, 2022, on December 7, 2022, and June 13, 2023. Furthermore, an inaugural meeting of the Audit Committee was held on December 8, 2022, on account of the new elections to the Supervisory Board; the single item on this meeting's agenda was the election of the committee's chair.

The Audit Committee held each of its meetings in the presence of the responsible audit partner from the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich. The main topic of the two meetings of the Audit Committee held on October 6, 2022, and December 7, 2022, concerned the 2021/22 financial statements for the Group and Voith GmbH & Co. KGaA including the report by the independent auditor; furthermore, the Audit Committee addressed at these meetings the financial aspects of the 2022/23 planning and, as scheduled, also addressed issues concerning the effectiveness of the internal control system (ICS), the yearly report by the Internal Audit function and the compliance report. At its meeting on June 13, 2023, the Audit Committee addressed primarily the Group's six-monthly financial statements as at March 31, 2023, and dealt with risk management and the measures taken at Voith with regard to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). Further, the Audit Committee prepared the new tendering process for the independent audit of the financial statements.

In addition, the agenda for all meetings of the Audit Committee in the reporting year contained compliance topics including the measures to further improve the compliance management system as a consequence of the settlement concluded with the World Bank in April 2022.

### Change in the Board of Management of the personally liable general partner and on the Supervisory Board

Effective as of November 1, 2022, Dr. Tobias Keitel was appointed to the Board of Management of the personally liable general partner Voith Management GmbH and as member of the Board of Management responsible for the Group Division Hydro; he is the successor to Uwe Wehnhardt, who stepped down from the personally liable general partner, Voith Management GmbH, as of October 31, 2022.

The Supervisory Board would like to thank Mr. Wehnhardt for his exceedingly valuable commitment to the Company and his great dedication to the ongoing development of the Voith Group, particularly the Group Division Hydro. The Supervisory Board wishes Mr. Wehnhardt all the best for the future.

After the end of the reporting period, Dr. Stefan Kampmann stepped down as member of the Board of Management and CTO of the personally liable general partner, Voith Management GmbH, as of November 30, 2023.

The Supervisory Board would also like to express its gratitude to Dr. Kampmann for his dedication to Voith and his successful work as CTO; in this function, Dr. Kampmann made an essential contribution to the technical transformation and new orientation of the entire Voith Group.

The new election of the employee representatives on the Supervisory Board was held on November 17, 2022. Messrs. Walter Beraus, Klaus Lehleiter, Thomas Martin and Gerd Schaible left the Supervisory Board at the close of the general meeting on December 8, 2022. Alongside the reelected employee representatives, Mr. Alexander Schlotz and Mr. Tobias Bucher, Ms. Saskia Genthner, Ms. Simone Jassat, Mr. Kevin Brzoza and Mr. Bernhard Kohl were elected to the Supervisory Board as employee representatives.

Prof. Dr.-Ing. Siegfried Russwurm, Mr. Johannes Hammacher, Mr. Martin Schily, Ms. Isabel Diaz Rohr and Ms. Constanze Hufenbecher, whose previous positions as representatives of the shareholders on the Supervisory Board ended at the close of the general meeting on December 8, 2022, were reelected at the general meeting of December 8, 2022, at the proposal of the Nomination Committee.

The Supervisory Board would like to express its thanks to the members leaving for their many years of involvement with the Company and their dedicated work for the Company.

At the inaugural meeting of the new Supervisory Board on December 8, 2022, Prof. Dr.-Ing. Siegfried Russwurm was reelected chairman of the Supervisory Board and Mr. Alexander Schlotz was reelected deputy chairman.

To the extent that the independent auditor was consulted in the reporting year as expert at the meetings of the Supervisory Board or Audit Committee, the members of the Corporate Board of Management (in the case of the Audit Committee, the CEO and the CFO) of Voith Management GmbH as the personally liable general partner of Voith GmbH & Co. KGaA took part in the meetings pursuant to Section 109 (1) Sentence 3 last clause German Stock Corporation Act (AktG).

KPMG Wirtschaftsprüfungsgesellschaft, Munich, was appointed independent auditor of the financial statements for the 2022/23 fiscal year at the general meeting on December 8, 2022. The Supervisory Board then engaged the independent auditor.

The general meeting of Voith GmbH & Co. KGaA held on December 8, 2022, exonerated the personally liable general partner and the Supervisory Board for their activities in the 2021/22 fiscal year.

### 2022/23 financial statements

The independent auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, examined and granted its unqualified audit opinion on the accounting records, the annual financial statements and the management report of Voith GmbH & Co. KGaA and the consolidated financial statements and the group management report as at September 30, 2023. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

At its meeting on December 5, 2023, the Audit Committee examined in depth the financial statements of Voith GmbH & Co. KGaA and the Group as well as the respective management reports. The responsible audit partner from KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, took part in the meeting of the Audit Committee held on December 5, 2023; at this meeting he reported on the material results of the audit and provided additional information. The CEO and the CFO of Voith Management GmbH as the personally liable general partner of Voith GmbH & Co. KGaA took part in the meeting of the Audit Committee pursuant to Section 109 (1) Sentence 3 last clause AktG. At its meeting on December 6, 2023, in which the responsible audit partner from KPMG AG Wirtschaftsprüfungsgesellschaft, Munich also took part, the Supervisory Board performed an in-depth examination of its own of the financial statements, the consolidated financial statements and the management reports that did not give rise to any objections, the Supervisory Board agreed with the results of the audit on the part of the independent auditor and approved the financial statements and the consolidated financial statements in accordance with the recommendation of the Audit Committee. The Board of Management of Voith Management GmbH as the personally liable general partner of Voith GmbH & Co. KGaA took part in the meeting of the Supervisory Board pursuant to Section 109 (1) Sentence 3 last clause AktG. The financial statements of Voith GmbH & Co. KGaA were then approved by a resolution of the general meeting on December 6, 2023, with the approval of the personally liable general partner. Furthermore, at its meeting on December 6, 2023, the Supervisory Board followed the proposal of the personally liable general partner made to the general meeting relating to the appropriation of the unappropriated retained earnings.

Finally, the Supervisory Board would like to thank the Board of Management of Voith Management GmbH as the personally liable general partner of Voith GmbH & Co. KGaA and the respective managements of the subsidiaries as well as the representatives of the workforce, but most of all the employees, for their dedicated service and their successful work over the past fiscal year.

Heidenheim an der Brenz, December 2023

Chairman of the Supervisory Board

**Prof. Dr.-Ing. Siegfried Russwurm**

# The Supervisory Board

**Prof. Dr.-Ing. Siegfried Russwurm**
Chairman of the Supervisory Board of
Voith GmbH & Co. KGaA and
the Shareholders' Committee of
Voith Management GmbH

**Walter Beraus***
Secretary of the Metal Workers' Union
(IG Metall), Regional Organization
Baden-Württemberg
(until December 8, 2022)

**Kevin Brzoza***
Deputy Chairman of the Works Council
J.M. Voith SE & Co. KG Heidenheim
(from December 8, 2022)

**Tobias Bucher***
First Authorized Representative of
the Metal Workers' Union (IG Metall),
Heidenheim

**Isabel Diaz Rohr**
Member of the Supervisory Board
of Palfinger Group

**Saskia Genthner***
Second Authorized Representative of
the Metal Workers' Union (IG Metall),
Schwäbisch Hall
(from December 8, 2022)

**Johannes Hammacher**
Member of the Executive Board of
JMV Management und Verwaltungs SE

**Constanze Hufenbecher**
Former Member of the Board of Management
of Infineon Technologies AG

**Simone Jassat***
Chairwoman of the Works Council
J.M. Voith SE & Co. KG Voith Turbo Salzgitter
(from December 8, 2022)

**Dr. Norbert Kloppenburg**
Former Member of the Executive Board
of Kreditanstalt für Wiederaufbau

**Bernhard Kohl***
University-qualified engineer Voith Paper,
Spokesman for the Senior Executives
(from December 8, 2022)

**Klaus Lehleiter***
University-qualified engineer Voith Turbo,
J.M. Voith SE & Co. KG
(until December 8, 2022)

**Thomas Martin***
Innovation Manager Voith Paper,
J.M. Voith SE & Co. KG
(until December 8, 2022)

**Gerd Schaible***
Head of Office of the Corporate
Works Council of
Voith GmbH & Co. KGaA
(until December 8, 2022)

**Martin Schily**
Member of the Executive Board of
JMV Management und Verwaltungs SE

**Alexander Schlotz***
Deputy Chairman
(from October 7, 2022),
Chairman of the Corporate and
Joint Works Council

* Elected by the employees.

# Group Management Report

# I. Background

## I.1. Group structure and business activities

### Family-owned, global technology group

The Voith Group is a global technology company. With its broad portfolio of systems, products, services and digital applications, Voith sets standards in the energy, paper, raw materials, and transport & automotive markets. With locations in over 60 countries, Voith operates around the globe, maintaining an extensive network of production, service and sales units on every continent on the planet.

Voith GmbH & Co. KGaA, based in Heidenheim an der Brenz, Germany, is the operative head organization and parent company of the Group. The central functions are also performed here.

The Board of Management of Voith Management GmbH is responsible for the strategy and operative management of the Voith Group. Voith Management GmbH, which like Voith GmbH & Co. KGaA is 100% family-owned, is the personally liable general partner of, and manages the business of, Voith GmbH & Co. KGaA. The Board of Management of Voith Management GmbH is appointed by the Voith Management GmbH Shareholders' Committee. Oversight of Voith GmbH & Co. KGaA is exercised by the Supervisory Board.

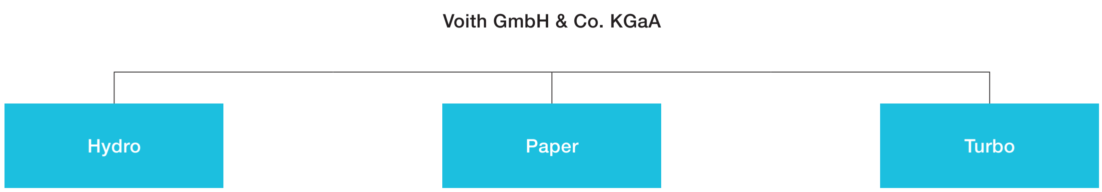
The operating business is structured into three Group Divisions: Hydro, Paper and Turbo. These Group Divisions are managed separately and their respective business results are presented transparently as part of the segment reporting.

The Group Division Hydro is a leading full-line supplier and trusted partner for equipping hydropower plants. Voith Hydro develops customized, long-term solutions and services for large and small hydropower plants all over the world. Its portfolio of products and services covers the entire life cycle and all major components for large and small hydropower plants, from generators, turbines, pumps and automation systems, right through to spare parts, maintenance and training services, and digital solutions for intelligent generation of hydropower.

The Group Division Paper is a leading full-line supplier as well as a pioneer in the paper industry. Through constant innovations Voith Paper is continually optimizing the papermaking process and facilitating resource-saving and efficient production.

The Group Division Turbo is a specialist in intelligent drive systems and customized services. With innovative and smart products, Voith Turbo offers the highest levels of efficiency and reliability. Customers from highly diverse industries, such as oil & gas, energy, mining and mechanical engineering, ship technology, rail and commercial vehicles, rely on the advanced technologies and digital solutions provided by Voith.

**Organizational structure**
Voith Group Divisions




## I.2. Management system

The key financial performance indicators for the Voith Group are the performance of orders received and sales as well as EBIT (earnings before interest and taxes) and ROCE (return on capital employed).

The internal performance indicator EBIT is based on an operating earnings indicator derived from external financial reporting, the operational result. This figure is determined on the basis of operating activities and is calculated from sales less costs before financial result and income taxes. To calculate EBIT, amortization and depreciation of hidden reserves disclosed within the scope of business combinations, restructuring expenses and other extraordinary expenses are added. For reconciliation to EBIT, the operational result is adjusted for these amounts in order to come to a better assessment of the operating activities for internal control purposes.

For more information on the calculation of ROCE, see the **Notes on segment reporting** section in the notes to the financial statements.

Calculating the ratio of EBIT to capital employed produces return on capital employed (ROCE). Capital employed designates the funds tied up within the business with a view to generating sales. This essentially comprises property, plant and equipment and net working capital. Calculating the ratio of a performance indicator from the statement of income (profit from operations) to a figure based on the balance sheet (capital employed) is in compliance with generally accepted standards for holistic business management and with value-based management.

The indicators and reports submitted to the Corporate Board of Management of Voith GmbH & Co. KGaA as well as within the Group Divisions and the operating companies are based on these Group performance indicators.

# I.3. Group strategy

## The basis: Our DNA, our values*

At Voith, business success is defined as a long-term goal. As a family-owned company, Voith understood the importance of the sustainability mindset and of value-driven business long before these concepts became part of the economic debate. In the course of the Company's history covering more than 155 years, this approach has enabled Voith to overcome numerous obstacles, manage in turbulent times and to write industrial history.

Our DNA: Sustainable technologies for future generations.

We develop sustainable technologies to preserve and improve the natural foundation of life for future generations. By doing so, we are, at the same time, safeguarding Voith's long-term future. By generating profitable growth, we guarantee the stability and financial independence of our Company and, at the same time, balance our business success with our responsibility towards society and the environment.

The way we see ourselves is expressed in our corporate values.

Ambitious:
We embrace challenges and set ambitious goals that enable us to continuously grow both as individuals and as an organization.

Innovative:
We turn ambitious ideas into innovative technology. To do so, we listen attentively, have a close look and think in new ways. This enables us to experience firsthand the way the world and our customers are changing, develop solutions that create value added, and set new standards in our markets.

Reliable:
As Voithians, we constantly strive for the trust of our customers and partners by keeping our promises. This allows us to build productive, long-term relationships.

Fair:
In every interaction, we show respect, sincerity, honesty and modesty. This is not a question of mere compliance with rules and regulations but constitutes our underlying philosophy.

Sustainable:
We are mindful of our responsibility to society and the environment in everything we do. With our technical innovations, we want to make a contribution to growth and prosperity worldwide. As a family-owned company we strive for lasting financial independence.

* The content of this section consists of unaudited, voluntary content that was critically read by the independent auditor.

## Our strategy for growth and rising profitability

The last four fiscal years were marked by an exceedingly challenging economic environment. The crisis-related turbulence on the global markets constitutes a stress test for companies around the world and is putting their business models under scrutiny. Voith proved its resilience in this phase: The Company generated operating results in the three-digit million euro range. Compared to the pre-crisis year 2018/19, Voith has increased its sales by more than a quarter and, in the reporting year, EBIT is also appreciably in excess of the pre-crisis level. Over and above this, we are going into the 2023/24 fiscal year with orders on hand that are almost €1.6 billion higher than four years ago.

The broad sectoral and geographical diversification and the established market position in all three Group Divisions are important factors that have enabled Voith to come through these challenging times comparatively well. Over and above this, we are benefiting from a sound balance sheet and from liquidity safeguarded over the long term by appropriate funding lines. In this context, we made a conscious decision to continue investing even in times of crisis: in research and development, business acquisitions, training and the ongoing development of our Company.

To safeguard Voith's long-term success and financial independence, we continue to place an emphasis on growth. Over and above this, we have resolved to appreciably improve the Company's profitability and financial strength. This is increasing in importance especially in times of rising interest rates, low cyclical growth and ongoing economic uncertainty.

The megatrends of decarbonization and digitalization point the way for our growth strategy. They offer immense opportunities for Voith both for expanding our core business and for opening up new business segments and markets. In the light of the fact that overcoming the climate crisis is one of the largest global challenges, governments all around the world have set specific targets for achieving climate neutrality. Furthermore, the impact of increasing resource depletion and the burden of waste on the earth make it necessary to switch over to a circular economy. At the same time, digitalization of all areas of life continues inexorably. This means the global economy is facing tremendous transformation tasks. Companies around the world must set today the right course for tomorrow through investment – firstly, in order to secure important competitive advantages on the global markets with innovative products and with highly efficient digitalized production and, secondly, to meet regulatory requirements. Our business model: With sustainable technologies and digital solutions, we support our customers in achieving their transformation goals and in attaining economic success. This is enabling us to make a key contribution to industrial sustainability and at the same time safeguard our growth. The megatrends of decarbonization and digitalization provide orientation inside the Company. For example, we are also working very hard on digitalizing our own business processes and on making our business activities more sustainable.

We align our business activities to the objective of being a pioneer and performance leader in our strategic business units. We want to be the first point of call for companies in the market segments we serve and set value-adding standards that benefit our customers. We also aspire to grow more strongly in the specified business units compared to the relevant market average and, in each case, to be one of the three largest providers by sales over the medium term.

On the way to this objective, we are focused on four strategic pillars:

1. Leveraging the potential of our core business:
We are one of the largest and most renowned market participants worldwide in our core business. Building on the technological leadership we have in many of the market segments we serve, we intend to leverage the full potential of our current core business. This, firstly, involves an appreciable expansion of the service and aftermarket business in all three Group Divisions. Secondly, the goal is to enhance the core business technologically. In this context, the focus is on environmentally friendly, sustainable solutions that contribute to climate neutrality and resource efficiency, as well as digital, often AI-driven, products and services that boost the efficiency and availability of systems. In strengthening our core business, we are building not only on our own expertise in the areas of technology, sales, marketing, organization and management but also on targeted acquisitions that supplement our core business in a meaningful way.

Information on our innovation strategy, particularly with reference to new business segments and markets, can be found in section I.4. **Research and development**.

2. Exploring future business segments and markets
Our strategy also includes a clear commitment to investment in new business segments and markets. With our experts, we are working on strategies and concepts in order to develop marketable technologies from innovative ideas. Alongside the growth initiatives that are being driven forward from within the individual Group Divisions, centrally managed “strategic workstreams” address growth areas that offer Voith a variety of starting points in existing or new fields. These currently include hydrogen technology and energy storage.

3. Efficiency gains through optimized structures and processes:
In order to position Voith as an independent, successful company in the long term and to secure the financial leeway for necessary investments in the future, it is imperative to boost the Company’s profitability and liquidity. Contributions to this goal stem not only from a cost- and resource-conscious approach to work on the part of every individual, but also from the continual advancement of our productivity and efficiency. For this, we need an organization that is as lean, agile and efficient as possible, as well as demand- and customer-oriented structures and processes throughout the Company. We have successfully implemented a variety of change projects in recent years, including for example a streamlining of the administrative functions and optimization of our production network. In the reporting year, we initiated the “Future” project aimed at optimizing our processes from end to end. “Future” acts as a binding force between various strategic initiatives, some of which were launched towards the end of the reporting year. The initiatives perform an analysis of how activities can be prioritized and rendered more effective as well as of the complexity and efficiency of processes. One important lever in achieving efficiency gains is a powerful IT systems landscape. Specifically, within the scope of a complex multiyear project, we are continuing to work on the introduction of an ERP (enterprise resource planning) system that integrates a number of business processes on a standardized Group-wide platform. In the meantime, the ERP system has been successfully deployed at various locations; further rollouts are planned for the 2023/24 fiscal year. The topics of occupational safety and quality management remain a top priority for Voith. High standards in both areas are imperative for achieving excellence in our business operations and generating good commercial results.

Information on the topic of occupational safety can be found in section I.6. **Employees**.

4. Advancing our corporate culture:
Voith's DNA and values are the foundations of our corporate culture. In order to cope with the changes in our industry and play an active role in shaping the outcome, we have promoted a cultural change in our organization. The direction: a clear market and customer orientation, a distinct culture of innovation and a strong focus on results and, on the other hand, less hierarchical thinking and bureaucratic processes. In this context, the aim is to further strengthen cooperation marked by collegiality and reliability. Even though the intended changes have already been kicked off through various human resources tools, the advancing of our culture remains a central pillar of our corporate strategy.

# I.4. Research and development

## Innovation as the basis of future business success

Research and development (R&D) has traditionally played a central role at Voith. Technological expertise and ability to repeatedly transform this know-how into market-oriented innovations with added value for our customers form the foundation for Voith's strong positioning in the markets and regions we serve. Ever since the Company was founded, our engineers have been writing history with their inventions in the field of technology. This is reflected in the strong patent base: Voith holds several thousand active patents worldwide and several hundred more are registered each year. In this context, active patent management ensures that the portfolio always reflects the current business strategy and no funds are tied up ineffectively in securing outdated or unviable technologies. This means that, even with regard to the handling of its intellectual property, Voith applies the principle of cost optimization through technology and invests the R&D budget in a targeted and sensible manner in the development of forward-looking projects.

Innovation is decisive for the success of industrial companies: New solutions safeguard sustainable competitive advantages and thus the sales and growth of tomorrow. In order to respond to the ever faster pace on markets and the at times radical changes involved, we build on the principle of "open innovation". Applying this approach means that new solutions are not developed in isolated processes and are only presented when they have been thoroughly elaborated; rather, they come into being in an open, collaborative process that includes the involvement of customers, suppliers and research institutions. The networking of expertise and talents from various sectors releases creative energy, increases the speed of innovation and makes the generation of completely new solutions possible through providing access to a wide range of knowledge. For a long time, Voith has built on close cooperation with academic institutions. Over and above this, continuous feedback from customers facilitates incremental innovation, which means that existing products and services are gradually refined. In the reporting year, Voith has now introduced a further, third, pillar for promoting open innovation aimed at reinforcing cooperation with suppliers: As part of the "Supplier Innovation Days", segment experts and visionaries, not only from within the Group but from the industry at large, are brought together to exchange ideas and to explore the most recent technologies and drive change within society and businesses. In this context, the focus is placed not only on gaining new insights but also building up contacts and partnerships likely to be beneficial to all parties on the way to success.

Information on these two pillars of our Group strategy can be found in section I.3. **Group strategy**.

We consider decarbonization and digitalization of the economy to be a great opportunity over the next decade. Consequently, these two megatrends are reflected as central elements in our Group strategy and our R&D strategy is derived from these. They point the way for the ongoing technological development of our current core business as well as for R&D investments in new business segments and markets.

One important strategic objective for Voith is to also use existing expertise in the areas of hydropower, paper production, mobility and industrial applications beyond the current product portfolio and, by doing so, to open up new business segments and markets. Alongside the growth initiatives that are being driven forward from within the individual Group Divisions, Voith has also identified further growth areas, which are managed centrally as strategic workstreams, reporting directly to the Corporate Board of Management. On account of their extremely dynamic environment, the growth projects designated as strategic workstreams differ from the Company's traditional management processes. They are managed agilely according to the lean start-up principle, which is distinguished by iterative product development, rapid learning and an adaptable business model. In this respect, the development of new products and solutions in a strategic workstream is essentially characterized by three strategic directions: technology, market and business. The degree of elaboration is described on the basis of various phases that extend from identifying an innovative idea and its subsequent validation through to building up business. The scaling of the products resulting from this is ultimately performed in the operating business, by means of which the strategic growth streams are transferred into the Company's core business. In recent years, Voith has defined four strategic growth streams: hydrogen technology, electrical drive systems, cargo rail and energy storage. Over the course of the reporting year, the development of electrical drive systems and a fully automatic, digital freight coupler (cargo rail) was transferred into Voith Turbo's core business, where both projects are now being refined. This means that hydrogen technology and energy storage remain as strategic workstreams.

In order to facilitate the viable use of electric drives in trucks and other heavy load vehicles, in one of the strategic workstreams, we are addressing the use of hydrogen in mobility applications. As part of this, and with contributions coming from all Group Divisions, Voith is developing a complete hydrogen tank system that can be easily integrated into vehicles. This is an area where Voith can apply its experience gained over many years with the processing of carbon.

To increase the portion of electricity generated from renewable energies in the grid and to cover increasing demand for energy, it is imperative to stabilize power grids with flexible intermediate storage systems. Within the scope of the growth area of energy storage, we are focusing on the development of a solution providing energy storage for several hours that enables the performance peaks of, for example, solar farms or windfarms to be stabilized and to bridge periods of darkness without wind, also known by the neologism "dunkelflaute". The current solution is based on a vanadium redox flow battery. Compared to other batteries, redox flow technology offers the benefit of slower battery aging which, in turn, makes a longer service life possible. In addition, batteries produced using this technology are recyclable and non-flammable.

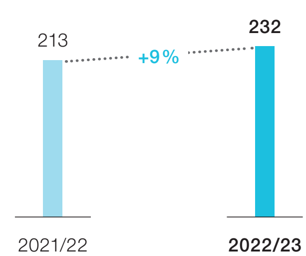
Not only are the strategic growth areas linked to the megatrend of decarbonization, but they are also closely intertwined with the new possibilities of digitalization. Today already, digitalization plays a vital role in our core business, which includes developing digital solutions and services for the Industrial Internet of Things (IIoT) that enable customers of our three Group Divisions to make sustained improvements to the efficiency and availability of their systems and applications. Our dataPARC (previously "OnCumulus") cloud platform in addition to our software applications and AI-driven solutions form the basis for these services and solutions.

Alongside the digital transformation of our customers, we are also accelerating the digitalization of our Company. Through standardization of our internal digital infrastructure and our digital applications, we are optimizing our processes and facilitating a continuous stream of innovations. This is reflected in internal efficiency gains and an increasingly data-based decision-making process.

As the Voith Group, we continue to invest consistently in research and development of new solutions – over €1 billion in total over the past five years. Even in times of crisis, we made a conscious decision to maintain our R&D commitment at a high level.

The Voith Group's R&D expenditure developed as follows over the reporting year:

**Research and development** Group
in € millions




Based on Group sales, the R&D ratio of the Voith Group was 4.2% (previous year: 4.4%). Of the total R&D expenditure of €232 million, €3 million were capitalized (previous year: €5 million). Simultaneously, depreciation and amortization of €12 million (previous year: €9 million) was recognized on capitalized development costs.

Our latest innovations in the reporting year are described in section II.4. Business development of the Group Divisions.

# I.5. Sustainability*

## Industrial sustainability as a business model

Sustainability is one of our central corporate values and is embedded in our DNA: sustainable technologies for future generations. The commitment to engaging in ecologically sound, socially responsible and fair business activities has its roots in the traditions of Voith as a family-owned company. We have refined our understanding of sustainability over past years: Sustainability not only defines the way in which we act as a company. More than ever before, we interpret it to mean how Voith can use technological innovation to help transform the industrial sector in the direction of climate neutrality and conservation of resources while, at the same time, ensuring economic prosperity. Our strategic focus on sustainable technologies points the way for the ongoing development of our product portfolio in the existing core business and for investments in new business segments and markets. In brief: Industrial sustainability is our business model. By doing so, we are making a key contribution to a decarbonized industrial society, supporting our customers in achieving their sustainability and climate goals and, at the same time, safeguarding our growth.

We are systematically implementing our sustainability strategy and have defined five fields of action to this end: sustainable business management, responsibility for our products, for our supply chain, for the environment and for our employees. Our goal is to make a demonstrable contribution to the sustainable development of the Company, society and the environment and to set standards throughout the industry with regard to sustainability issues. In our core business, we are addressing today already the global megatrend of decarbonization with the refinement of hydropower as a regenerative energy source, resource-saving paper production and the development of alternative drive technologies.

We measure the success of our activities in particular against the assessment by ISS-ESG, the renowned rating agency, thus underscoring the fact-based approach of our actions. In this context, Voith's sustainability performance was awarded a B- rating, as in the previous year, thus achieving prime status for the sixth time in succession. According to the current rating, Voith is among the five best companies worldwide in terms of sustainability, compared with 190 other plant and mechanical engineering companies. The ESG company rating is based on a twelve-point grading system, ranging from A+ (excellent performance) to D- (poor performance or lack of transparency for a performance assessment). A rating of C+ or higher grants companies prime status. The rating is not only an important indicator of the effectiveness of our sustainability measures but also has a positive impact on our financing costs.

Since 2009, Voith has systematically recorded and analyzed environmental data, materials indicators and relevant personnel data. Since 2011, we have published an annual sustainability report that provides information on such issues as environmental, employee and social matters as well as compliance with human rights and the combating of corruption. Comprehensive figures, data, facts and explanations relating to all the aforementioned areas of activity can be found in this sustainability report. For the 2022/23 reporting year, the Voith Group plans to issue for the first time a voluntary, non-financial

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Group statement pursuant to Sec. 289b (3) and Sec. 315b (3) German Commercial Code (HGB). The non-financial statement is to be prepared in accordance with Sec. 315c in conjunction with Secs. 289c through 289e HGB and integrated into the Sustainability Report.

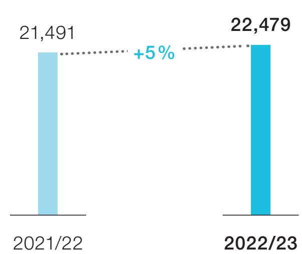
Section I.6. of this Group management report contains general information on how we fulfill our responsibility towards our employees.

# I.6. Employees

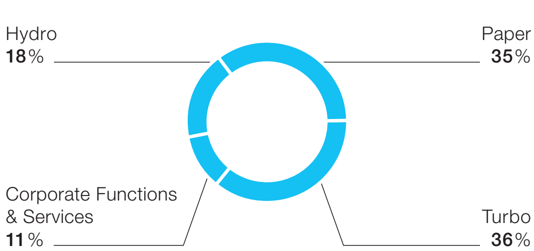
## Number and distribution of employees

The number of employees in the Voith Group developed as follows in the 2022/23 fiscal year and was distributed across the various Group Divisions and regions as shown (all figures represent full-time equivalents excluding apprentices, as at September 30 in each case):

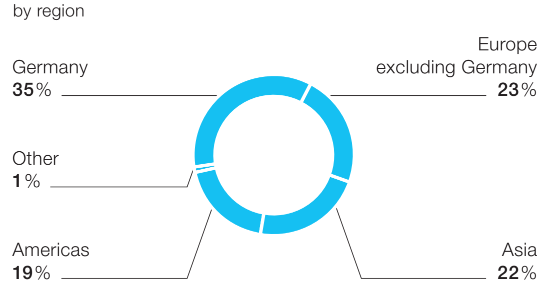
**Employees** Group
Full-time equivalents as at September 30




**Employees** total 22,479
by Group Division




by region



The headcount of Voith Group employees rose by 988 in the reporting year. A large share of the increase stems from the acquisition of IGW Rail, whose approximately 450 employees were consolidated in the Voith Group for the first time. There was, in addition, organic growth in headcount essentially attributable to a build up in capacity due to the good development of business in the Group Division Hydro.

At Voith Hydro, the number of employees as at September 30, 2023, increased by 648 to 4,092 (previous year: 3,444). This was largely due to a higher staffing level being needed temporarily in the context of the assembly and commissioning of four projects in Brazil. The employees recruited at short notice for this purpose received fixed-term contracts for the duration of the assembly work on the respective project. Over and above this, there was an increase totaling around 220 jobs, mainly for a new production facility in Southeastern Europe and in the area of HyService to achieve the planned growth in the service business.

Despite the subdued market outlook, the Group Division Paper largely maintained a stable level of employees and recruited in a targeted manner several new staff members to safeguard the transfer of knowledge between generations and to meet the challenges of digitalization. In addition, there was a slight increase in the number of jobs in the service field. At the end of the 2022/23 fiscal year, the Group Division Paper had 7,898 employees (previous year: 7,825, +73).

At Voith Turbo, the number of employees rose by 305 to 8,037 as at September 30, 2023, (previous year: 7,732). This growth is attributable to the acquisition of IGW Rail with around 450 full-time equivalent jobs. In contrast, minor capacity adjustments were made in one department of the division Industry and in the division Off-Highway.

In Corporate Functions & Services, i.e., in the Group's holding company, there was a stable sideways movement. As at the end of the fiscal year, this function had 2,452 employees (previous year: 2,490).

As far as the regions are concerned, Voith still employs most people in Germany. The second largest region is Europe excluding Germany, closely followed by Asia, with the Americas following behind.

In the 2022/23 fiscal year, global personnel expenses were as follows:
- €1,461 million (previous year: €1,301 million) for wages and salaries
- €277 million (previous year: €243 million) for social security
- €37 million (previous year: €38 million) for post-employment benefits.

## Priorities of HR work*

Our employees are key to sustainable business success. They are the force behind our innovative drive and, with their ideas, their skills and their personalities, they create competitive advantages for Voith. For this reason, we consider the recruitment and long-term retention of employees and the ongoing development of their potential to be an important value driver for our Company.

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Information on our corporate culture and the Voith values can be found in section I.3. **Group strategy**.

Advancing our corporate culture – an important pillar of our Group strategy – also remains one focal point of HR activities. As we see leadership to be a vital aspect in leveraging the corporate culture, we offer our executive managers a wide range of development programs. We train them in line with their duties and their experience background in the application of our management tools and use various educational formats to convey the knowledge, best practices, skills and abilities needed in modern management based on our Voith values.

## Talent management and personnel development*

Our personnel development concepts help us, as an organization, to prepare for a dynamic, complex and networked working world and empower our employees to actively participate in shaping it. Based on our employees' individual training needs, we support them with internal and external training and personal development measures that foster professional, personal and methodological skills and competencies, thus facilitating lifelong learning.

In this respect, we work with a holistic model for leadership. The structures, processes and systems derived from this are designed in such a way that our executive managers and employees are in constant dialog with each other: Regularly recurring and ad hoc discussions help to optimize collaboration, boost performance and facilitate learning. Additionally, with our talent management tools, we pursue the goal of recruiting personnel for our key positions from our own ranks over the long term. Thanks to internal talent pools and state-of-the-art means of identifying talent, we are continually refining the ways of matching people with positions.

## Employer attractiveness and personnel marketing*

At Voith, fair working conditions and competitive remuneration are standard practice. Voith sees itself as a family-friendly company that supports diverse ways of life. This perception of ourselves has been defined in our Group-wide guidelines for a flexible and family-oriented work culture. It is our declared objective to offer our employees a working environment that adjusts as flexibly as possible to their particular circumstances. This also includes individual working-time models that employees can sign up to in consultation with their line managers. These models range from a combination of "mobile working" and on-site presence, or part-time work and job sharing through to flexible vacation arrangements. Moreover, we provide support with offers of assistance relating to childcare and caring for relatives. We regularly obtain external confirmation that we are living up to our aspiration to be a fair employer: Since 2014, Voith has received the "FairCompany" seal of quality awarded by Handelsblatt newspaper and the Institute for Employment and Employability (IBE).

Given the global shortage of skilled labor, and now a general labor shortage, Voith is constantly working to reinforce its employer brand and strives to make the application and onboarding processes as

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pleasant and efficient as possible for new employees. When selecting applicants, the crucial factors include, in addition to the required professional qualifications, ways of thinking and working that align with our corporate culture. To ensure both factors are met, we build on a personal dialog and additionally deploy objectivized, partially standardized procedures. One key aspect reinforcing the employer brand in the reporting year related to the enhancement of the Voith career website, including its going-live in September 2023.

## First-class professional training*

In the reporting year, we once again provided a large number of young people with career prospects and increased the number of apprenticeships. At the close of the 2022/23 fiscal year, 745 apprentices and students were employed at Voith locations around the globe (previous year: 720, +3%; basis: headcount).

As a matter of tradition, Voith attaches great importance to first-class vocational training. In this context, we build on interdisciplinary learning and a holistic approach to imparting a combination of both social and professional skills. At our major international locations, we employ training methods based on the German dual system but adapted to local requirements. Voith's most important training facilities outside of Germany are located in Kunshan, China, and in São Paulo, Brazil.

## Diversity, inclusion and equal opportunity*

As an employer, Voith sees it as its duty to offer all its employees equal opportunities and to ensure that the workplace is free from discrimination. This stance has been reinforced in the form of a Declaration on Diversity, Inclusion and Equal Opportunities ("D&I Declaration") signed by the Corporate Board of Management.

Since the 2012/13 fiscal year, there has been a Group-wide diversity and inclusion (D&I) program in place at Voith. "Diversity" stands for the variety of our workforce with regard to the dimensions of gender, age, nationality or ethnic origins, skin color, language, religion, training and professional experience as well as all other individual differences such as family status, social background, beliefs, health status, physical or mental abilities or gender or sexual individuality. We are convinced that these varied dimensions – in conjunction with different experiences, talents and strengths – promote diversity of thought. At Voith, we understand "inclusion" to be a culture of appreciation and mutual respect that facilitates the development of individual potential.

Alongside the awareness among executive managers and employees which is maintained consistently via workshops and related campaigns, the D&I program also involves optimizing our processes with the objective of countering unconscious patterns of thought. In addition, managers have been provided with a D&I toolkit that contains specific suggestions for how to work in and manage teams. To promote and foster a diverse and inclusive working environment, we support employee networks, known as employee resource groups (ERGs). Our ERGs offer Voithians a possibility to meet up with like-minded

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colleagues and exchange experiences. As a signatory to and endorser of the Diversity Charter, Voith regularly organizes regional and global D&I days with a wide offering of workshops, discussion forums and keynote speeches.

One significant objective of our D&I program involves increasing the proportion of women in specialist and leadership positions. By doing so, we intend not only to increase the diversity within the Company but also to address demographic challenges. In the light of the fact that women are still underrepresented in technical professions and courses of studies, technology companies generally employ significantly fewer women than men. This is also the case at Voith. In the reporting year, the proportion of women in the overall workforce was 19% (previous year: 18%, based on headcount). We intend to increase both the proportion of women overall and the share of female executives in the Company. For this reason, we are working hard to offer an environment and to promote a culture that are also attractive to women. In our personnel marketing activities we pay attention to positioning Voith as an interesting employer especially for women. Internal regional women's networks also make a valuable contribution with various initiatives such as mentoring programs, networking events and training sessions.

## Occupational health and safety management*

Occupational health and safety are top priorities for us. By taking a responsible approach to the design of workplaces and processes, we aim to avoid accidents and work-related illnesses as far as is possible.

Since the implementation of our global occupational safety program, we have seen great improvements at all our locations: The frequency rate, calculated pursuant to an international standard and documenting the number of accidents per one million working hours, has been reduced appreciably from the baseline of 13.9, or 921 reportable accidents per year in the 2008/09 fiscal year. In the reporting year, the number of accidents per one million working hours stood at 1.8, which means there was a total of 75 accidents. Although this figure makes us better than the internal target (2.0), it is, however, up on the previous year's value (1.6). In an industry comparison, the frequency of accidents at Voith is at a low level: The average frequency rate for companies in the German Wood and Metal Trades Association is over 20. At Voith, there has been an appreciable improvement in what is known as the severity rate, which reflects how serious accidents are. In the reporting year, this figure improved to 362 (previous year: 492) hours lost per one million working hours. The success of our occupational safety program stems from the involvement of all employees acting in conjunction with the Corporate Board of Management and executive managers as well as the organization's ongoing willingness to continue working on these issues with a dedicated and long-term approach.

In the field of occupational safety, we are building on our effective HSE (Health, Safety, Environment) organization. The Group-wide IT system Quentic (previously: hse+) assists our HSE experts in their work.

In the area of occupational health, we pursue a regional approach appropriate to heterogeneous conditions. No matter where our employees work, they should be able to maintain their ability to work and retire in good health at the end of their working lives.

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# II. Economic report

## II.1. Overall assessment

### Growth, improved profitability, increased cash flow – in a challenging environment

The Voith Group performed satisfactorily in the 2022/23 fiscal year (October 1, 2022, to September 30, 2023) and proved to be in a robust condition with regard to its operations and finances. All key financial performance indicators of the Voith Group rose in the reporting year; almost all growth and earnings targets were exceeded.

The orders received by the Voith Group increased by 19% to €6.14 billion. One of the main reasons behind this growth of €975 million was the increase in the volume in an ongoing major project of the Group Division Hydro. Another reason for the encouraging development in the Group's orders received was the appreciable growth in excess of expectations in the Group Division Turbo, partly attributable to acquisitions. At €7.22 billion, orders on hand reached an all-time high at the end of the fiscal year.

Group sales grew by €625 million or 13% to €5.51 billion. All Group Divisions contributed with rising sales to this development exceeding expectations. The Group Division Turbo saw the clearest growth. With sales of €2.24 billion, Voith Paper remained the Group Division with the strongest sales.

In addition to perceptible organic growth, Voith also benefited from two acquisitions: In the reporting year, IGW Rail, taken over in October 2022, was included in the Voith Group's financial statements for the first time, and Argo-Hytos, acquired in August 2022, for the first full fiscal year. This gave rise to an acquisition-related increase of around €210 million in orders received and around €230 million in sales. This expected consolidation effect was already anticipated in the business planning and forecast for the reporting year.

In addition to the good sales trend, the earnings indicators in the reporting year reflect an improved profitability. EBIT grew by 22% to €245 million. Return on sales improved to 4.4% (previous year: 4.1%) and ROCE to 12.1% (previous year: 10.5%). The increase in materials prices, transport costs and wages – which was massive in some cases – required significant countermeasures. Thus, inflation-related cost increases were countered by efficiency gains, general discipline in the use of resources and differentiated procurement strategies and contractual arrangements.

All three Group Divisions – Hydro, Paper and Turbo – contributed to the pleasing development at Group level with higher operating results.

Bottom line, we increased the Group net result from €30 million in the previous year to €73 million in the reporting year.

Significant investments for the future were once again made in the reporting year. For instance, we increased our investments in property, plant and equipment and intangible assets from €143 million to €188 million and our R&D expenditure from €213 million to €232 million. In this context, the strong orientation of the Voith Group towards industrial sustainability is given high priority along with the associated ongoing strategic and technological enhancement of the Voith product portfolio. Over and above this, we invested in the structures and processes and in particular in the IT infrastructure of our organization. Great dedication continued to be applied to the training and ongoing development of our employees.

The net assets and the financial position of the Voith Group is very sound. The equity ratio stood at 23.9% at the reporting date (previous year: 24.1%). A sharp increase in cash flow from operating activities was achieved, amounting to €306 million in the reporting year (previous year: €93 million). Total cash flow was positive at €36 million, in contrast to the previous year (€-137 million) that was characterized by acquisitions.

The net liquidity, defined as the difference between liquid financial assets and interest-bearing financial liabilities (not taking lease liabilities into consideration) likewise improved and amounted to €-182 million at the end of the reporting year (previous year: €-233 million). The stable liquidity position from our own bank balances and existing loan agreements gives us sufficient leeway to further invest in our future and to advance important strategic topics.

The expense and income figures for the 2022/23 fiscal year include negative exchange rate effects, but these are negligible in light of the high level of growth in the operating business.

## II.2. Macroeconomic and industry-specific environment

### Global economic downturn continues, Germany in recession

The downturn in the global economy continued over the 2022/23 fiscal year. After global economic growth of 3.5% in 2022, forecasts by the International Monetary Fund (IMF) see a global growth rate of only 3.0% for 2023. Global supply chains, for instance, have in fact largely normalized over the reporting year and the global economy is gradually recovering from the impact of the Covid-19 pandemic. However, the global economy continues to suffer under the high inflation prevailing in most of the world's regions. Firstly, the high inflation is cutting into household purchasing power and is thus hampering household consumption; secondly, the restrictive monetary policy of most central banks required to combat inflation is increasing the costs of borrowing and discouraging investment. The war in Ukraine continued to cause general uncertainty and high volatility on many markets, particularly those for energy, oil & gas, and raw materials.

In this context, developments are very varied between the regions of the world.

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

| | | |
|---|---|---|
| **World output** | 2022 | 3.5% |
| | **2023** | **3.0%** |
| **Advanced economies** | 2022 | 2.6% |
| | **2023** | **1.5%** |
| USA | 2022 | 2.1% |
| | **2023** | **2.1%** |
| Euro area[2] | 2022 | 3.3% |
| | **2023** | **0.7%** |
| Germany | 2022 | 1.8% |
| | **2023** | **-0.5%** |
| **Emerging market and developing economies** | 2022 | 4.1% |
| | **2023** | **4.0%** |
| China | 2022 | 3.0% |
| | **2023** | **5.0%** |
| ASEAN-5[3] | 2022 | 5.5% |
| | **2023** | **4.2%** |
| India | 2022 | 7.2% |
| | **2023** | **6.3%** |
| Brazil | 2022 | 2.9% |
| | **2023** | **3.1%** |

Source: International Monetary Fund (IMF); World Economic Outlook, October 2023.
[1] 2022: estimates; 2023: forecasts.
[2] Including Germany.
[3] Indonesia, Malaysia, Philippines, Singapore, Thailand

In advanced economies, the economic downturn is more pronounced than in the emerging markets. The euro area, in particular, cooled sharply and is expected to see growth of only 0.7% in 2023. Europe is continuing to suffer under energy price hikes triggered by the Russian war of aggression in Ukraine. Germany has slipped into recession and, as the only major economy of the world, is contracting in 2023. The main reason for this is the weakness of German industrial production due to higher energy prices in an international comparison. This is exacerbated by weak global trade, which is appreciably down on the long-term average and is impacting especially heavily on Germany as an export-oriented economy. The US economy has proven to be relatively robust. The US gross domestic product is expected to grow by a good 2% in 2023, as was the case in the previous year, and is thus not only on a better trajectory than the euro area but also better than expected by economic researchers when our 2022 Group management report was published. The expansive fiscal policy of the US administration, which includes the Inflation Reduction Act, also contributed to this comparatively good development.

Growth in the emerging markets is being driven by China and India. After ending its strict zero-Covid policy at the start of 2023, China (IMF forecast for 2023: +5.0%) experienced a surge in growth which, in turn, triggered the corresponding positive signals worldwide. India continued to see great momentum (2023: +6.3%). For the ASEAN-5 countries, growth of 4.2% is forecast for 2023. A welcome surprise was provided by Brazil (2023: +3.1%), where agriculture in particular underwent very good developments. Although this South American country is experiencing weaker growth than most Asian countries, it is appreciably stronger than expected by economic researchers when our 2022 Group management report was published.

## Mechanical and plant engineering showing an appreciable decline in orders received

The investment climate deteriorated noticeably over the reporting year. The level of orders received in the German mechanical and plant engineering sector fell over the first half of 2023 by 14% in real terms in comparison to the corresponding previous-year period. Thanks to the normalization of the supply chains, it was possible to process the high backlog of orders on hand from the previous year more quickly. However, the lack of a sufficient quantity of new orders meant that price-adjusted production output stagnated.

## Voith markets mainly robust, but volatile

Of the five target markets that Voith serves, the early cyclical paper market reacted most sharply to the economic downturn. The markets for oil & gas, energy and raw materials benefited from prices that remained at a high level following the market turbulence triggered by the Ukraine war and were marked in many segments by high investment activities. The transport & automotive market was on a recovery trajectory after the gradual end to the Covid-19 pandemic.

### Energy: war in Ukraine is accelerating the expansion of renewable energies

The energy market encompasses the conversion of various primary energy sources such as hydropower and wind, and also coal and gas into electricity, as well as various forms of storage. This market is served by the Group Divisions Hydro and Turbo.

Global electricity consumption rose slightly in the 2022/23 fiscal year but with growth slowing on the previous year in line with the weakening economy. Whereas the US and – due to high energy prices – Europe in particular underwent declines, there was an uptick in consumption in China and India. Over the medium term, demand for electricity will continue to rise due to the growth in the world population, the switchover to e-mobility and increasing electrification of all areas of life.

With regard to electricity generation, the trend towards renewable energies continues. In the reporting year, global power generation from renewable energies increased appreciably, driven by ongoing addition of output of solar energy and wind power, with the highest rates of growth seen in the last 30 years. After the outbreak of war in Ukraine, coal saw an unforeseen peak as the short and thus expensive supply of gas was replaced at short notice by coal in many regions; in 2023 and 2024, the amount of coal used in power generation is expected to fall slightly, with developments varying from region to region. Power generation from gas remained roughly at a stable level over the reporting year. Nuclear energy saw at most stable developments and oil has played a subordinate role in power generation for years. In 2022, 29% of the electricity generated worldwide stemmed from renewable energies and 15% from hydropower.

Investments in the electricity sector increased appreciably in the reporting year. The largest share in this is attributable to renewable energies, also supported by government subsidies and regulations in many countries. Among the renewables, the greatest share of investments was allocated to photovoltaics.

In the area of hydropower the market volume may fluctuate sharply from year to year on account of the large volumes of investment of individual hydropower projects. A large portion of total investments in hydropower stemmed from pumped storage projects in China. These, however, are being awarded primarily to local competitors on account of relevant regulations by the Chinese government. In the 2022/23 fiscal year, the volume of contracts awarded that is relevant to the Group Division Hydro increased in comparison to the previous year. With regard to the market for conventional power plant technology relevant for the Group Division Turbo, the picture was mixed: Whereas the investments in fossil power stations were in decline in the reporting year, more investments were made once again in nuclear power generation.

### Oil & gas: prices down on previous year's high, vigorous investment activity

The oil & gas market comprises three segments: upstream involving the extraction of crude oil and natural gas, midstream relating to transport of raw materials primarily via pipelines and tankers, and downstream consisting of the refining of crude oil and natural gas into the various fuels and raw materials used by the chemicals industry. The division Industry of the Group Division Turbo supplies all segments in this market with application-specific products and services.

After the war in Ukraine had triggered enormous price surges and turbulence on the oil & gas market in the previous year, prices of crude oil and gas remained volatile, but they nevertheless fell appreciably below the previous year's level over the 2022/23 fiscal year. Since the high, exceeding USD 70 per million British thermal units, in August 2022, the price of gas in Europe fell continually, coming to an average of USD 11.55 at end of the fiscal year in September 2023. The circumstances behind the fall in prices included an increase in imports of liquid gas to replace the Russian pipeline gas that is no longer being delivered to Europe, a relatively mild winter as well as efforts to boost energy efficiency and to economize on energy use. The price of gas also fell considerably in the USA. In September 2023, it stood at an average of USD 2.64 per one million British thermal units, after reaching USD 8.79 in August 2022. The price for a barrel of Brent crude oil, which had peaked at over USD 120 in June 2022, fluctuated most of the reporting year within a corridor between USD 70 and 90 USD, standing at well over USD 92 at the end of the 2022/23 fiscal year. In this context, an upward trend in the price of crude oil became apparent since the summer, which is essentially attributable to the cuts in oil production by OPEC+ members.

Oil and gas prices determine the earnings position of companies active in the oil & gas market as well as their willingness to make investments, which, in turn, has an influence on Voith Turbo's business in this sector. The major oil and gas companies generated record income in 2022, but only invested part of this income. Upstream investments increased perceptibly in the reporting year, but they remained down on the level prior to the outbreak of the Covid-19 pandemic. In the midstream segment, investments in LNG infrastructure increased significantly, driven by the substitution of Russian pipeline gas with liquid gas in Europe. Investments in refineries (downstream) rose slightly and concentrate on the Middle East, China, India and North America.

### Paper: slight fall in level of production, significant decline in investments in paper machines

The paper market covers all areas of paper production: from stock preparation and paper production – including surface refinement by calendering and coating – through to reeling paper webs. The Group

Division Paper serves this market for all types of paper: board and packaging paper, specialty paper, tissue and graphic paper. Its range of offers includes new lines and rebuilds, automation technology and digitalization solutions, services and spare parts as well as wear parts such as roll covers and fabrics. These are augmented by the preparation of primary (pulp) and secondary fiber (wastepaper) and water treatment facilities.

In the 2022/23 fiscal year, global paper production was, according to industry analysts, in decline. Paper manufacturers around the world suffered under the high material and energy prices, in particular gas. As was already the case in the previous fiscal year, the European market was impacted most severely as energy and gas are especially expensive here in an international comparison. Of the different grades of paper, graphic papers saw the sharpest decline – a trend that is unlikely to be reversed in the near future due to the progressing digitalization. With all other grades of paper, a return to rising production volumes is expected in the foreseeable future following the decline and stagnation in the 2022/23 fiscal year.

All in all, the earnings position of paper manufacturers deteriorated perceivably. In addition, the commissioning of a large number of new machines and rebuilds built up excess capacities over recent years. Specifically in China, large machines came to a standstill at paper factories once again in 2023. After the recent years of strong investment activity, the market for new lines and rebuilds started to cool. In the light of the challenging and uncertain environment, the investment volume fell appreciably in comparison to the previous year. Demand for wear parts has to date been hardly impacted by the decline on the market for new investments. In addition, demand for services recovered after the end of the pandemic-related lockdowns.

### Raw materials: normalization of prices at a good level, high level of investment activity again

We define raw materials as ores and minerals extracted from the earth, such as copper, iron ore and coal along with other geological materials, for instance sediments used as building materials. By contrast, the raw materials oil and gas are considered separately as part of the oil & gas market. The segment of the raw materials market of relevance for Voith is primarily the mining sector, which is supplied by the Group Division Turbo (division Industry).

After the previous year's turbulence and price surges, the market for raw materials started to calm in the reporting year, a development that was accompanied by significant price drops. Prices for power plant coal fell continually after the highs seen in the summer of 2022. Similarly, the prices of metals and minerals such as iron ore, copper, nickel and aluminum fell appreciably in the reporting year in comparison to the highs in the previous year. In a medium-term comparison, prices of raw materials are still at a high level. This development was driven firstly by the normalization and diversification of the global supply chains disrupted by the outbreak of the war in Ukraine and secondly by the subdued global economy. As a result, there was greater balance between supply and demand.

Given the ongoing good price level, investment activity by the mining industry was once again high in the reporting year even though the climate deteriorated somewhat over the course of the reporting year in light of the slower global economic growth, the high inflation and rising interest.

### Transport & automotive: recovery from Covid effects and growth in some market segments

The transport & automotive market includes diverse transport routes and the means of transport used on them for moving people and goods as well as working machinery. The Group Division Turbo (division Mobility) serves this varied market as a specialist for intelligent drive systems and customized services for commercial vehicles, rail vehicles, the marine segment and off-highway vehicles.

The commercial vehicle markets developed better than expected in the 2022/23 fiscal year. Global production of heavy trucks (> 15 metric tons) grew perceptibly in 2023, but is still down on the pre-coronavirus level. The strongest growth was generated in Asia, driven by a market recovery in China after the end of the Covid-19-related lockdowns. Dynamic developments were also seen in Western Europe, and within this region, the German-speaking countries. The bus market returned even more appreciable growth than the truck market, driven by strong developments in the city bus segment. This segment benefited from the transformation towards low-emission vehicles with alternative drive technologies, which is being given regulatory support in many countries. Whereas Europe saw growth in electric buses in particular, Chinese manufacturers benefited from a significant increase in the export business.

The recovery on the rail market continued in the reporting year after passenger figures normalized after the gradual end to the Covid-19 pandemic and global supply chains began to function again. In particular, overhauling and other services were made use of on a large scale.

The market for marine applications likewise remained on a recovery trajectory. In this respect, there was ongoing stronger demand for alternative, carbon-free and low-consumption drive technologies. Specific stimulus for growth was seen with special-purpose vessels for servicing offshore wind turbines.

The market for agricultural machines stagnated in the 2022/23 fiscal year. In the light of the weakness of the construction sector due to high inflation, rising interest rates and shortage of labor, demand for construction equipment was subdued in the reporting year. The development was most of all negative in South America and on the German market that is important for Voith Turbo.

# II.3. Business development of the Group

## II.3.1. Material events

### Change on the Corporate Board of Management

Effective as of November 1, 2022, Dr. Tobias Keitel was appointed a member of the Corporate Board of Management of Voith Group and President & CEO of Voith Hydro. He succeeds Uwe Wehnhardt, who continues to be available to the Company as Senior Advisor. Dr. Tobias Keitel had already been a member of Voith Hydro’s Management Board since 2016 where he was most recently responsible for the areas of operations, project execution, as well as service and sales. Holding a PhD in industrial engineering and an MBA, he worked for a well-known management consulting firm and a major plant engineering company, before he joined the Voith Group in 2011.

### M&A activities

At the beginning of October 2022, Voith acquired 100% of the shares in IGW Rail. Based in the Czech Republic, IGW Rail is a globally operating high-tech company that has specialized in customized gear unit and coupling solutions for the rail vehicle industry. IGW Rail has four production facilities in the Czech Republic, India, the USA and China, and at the time of the takeover employed around 450 people. Through the acquisition, Voith has become one of the world’s largest independent manufacturers of rail vehicle gear units and transmissions. IGW Rail has been fully consolidated since October 1, 2022, and is assigned to the Group Division Turbo.

## II.3.2. Orders received

### Appreciable increase in orders received

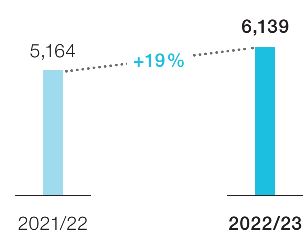
In the 2022/23 fiscal year, orders received by the Voith Group rose by 19% to €6,139 million (previous year: €5,164 million). This appreciable growth means that we have exceeded our targets (forecast in the 2022 Group management report: “slight decline”). One of the main reasons behind this growth and plans being exceeded was the increase in the volume in an ongoing major project of the Group Division Hydro. Another reason for the encouraging development in the Group’s orders received was the appreciable growth in excess of expectations in the Group Division Turbo. In view of the economic environment marked by a lack of economic dynamism and by uncertainties, we consider this result to be very satisfactory.

Two acquisitions also contributed to the growth of €975 million in orders received: In the reporting year, IGW Rail, taken over in October 2022, was included in the Voith Group’s financial statements for the first time, and Argo-Hytos, acquired in August 2022, for the first full fiscal year. This gave rise to an acquisition-related increase totaling around €210 million. This expected consolidation effect was already reflected in the forecast for the 2022/23 fiscal year. In contrast, negative currency effects weighed on orders received. These were negligible in the light of the high level of growth in the operating business, however.

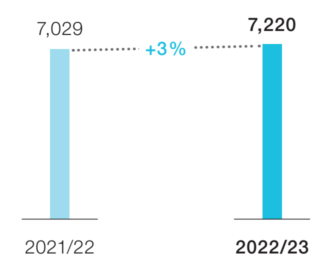
The orders received by the Group and the Group Division Hydro do not contain an order for a customer in Angola with an order volume of €873 million. Although a customer agreement has been signed, financing arranged and an export guarantee put in place, which would normally lead to the order being recognized in full in orders received, the Corporate Board of Management has still, in this specific case, identified not inconsiderable uncertainties regarding implementation of the project because only part of the agreed first down payment has been made by the customer. The Corporate Board of Management has consequently issued instructions to align the business management and controlling of the Group and the Group Division Hydro to performing only activities (essentially engineering) that are covered by the down payment received. Only when the remaining amount of the down payment has been received will the Group and Voith Hydro take this order and its entire order volume into consideration in the business management and controlling.

At €7,220 million as at September 30, 2023, (previous year: €7,029 million), the Voith Group's orders on hand reached a further all-time high. The high level of orders on hand will be reflected only gradually in sales growth on account of long project times customary in the large plant business.

**Orders received** Group
in € millions




**Orders on hand** Group
in € millions

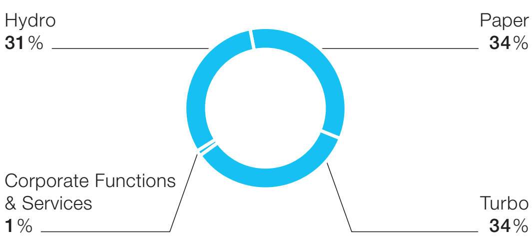



Detailed information on the development of orders received in each Group Division can be found in section II.4. **Business development of the Group Divisions**.

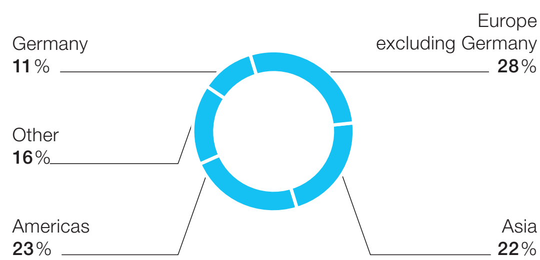
All three Group Divisions operated successfully in a market environment that remained challenging and contributed, with high figures, to the encouraging development at Group level. On account of the increase in volume in an ongoing project already mentioned, Voith Hydro's orders received leapt to €1,915 million (+62%). Voith Turbo (€2,048 million) increased its orders received by 25%. In the Group Division Paper (€2,097 million), orders received declined from the very high previous-year figure as expected following the market cooling (-7%).

In the reporting year, orders received were distributed as follows among the Group Divisions and regional markets:

**Orders received** total €6,139 million
by Group Division




by region




## II.3.3. Sales

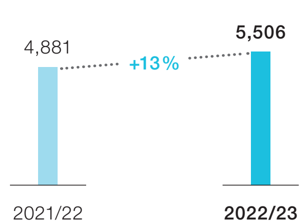
### Appreciable increase in Group sales

Group sales grew by €625 million to €5,506 million (previous year: €4,881 million). The 13% rise exceeded our expectations (forecast in the 2022 Group management report: “slight increase”, taking account of the consolidation effect from Argo-Hytos and IGW Rail).

After the pandemic-related travel and contact restrictions had come to an end and supply chains had largely normalized, we were once again in a better position to process the high level of orders received in the previous years and convert them into sales. Specifically the service business, where revenue is typically recognized quite quickly, also saw a positive development.

In addition to the good development of the operating business, there was acquisition-related growth from the takeover of Argo-Hytos and IGW Rail totaling around €230 million. In contrast, negative currency effects weighed on sales but these were negligible, however, in the light of the perceptible organic growth in sales.

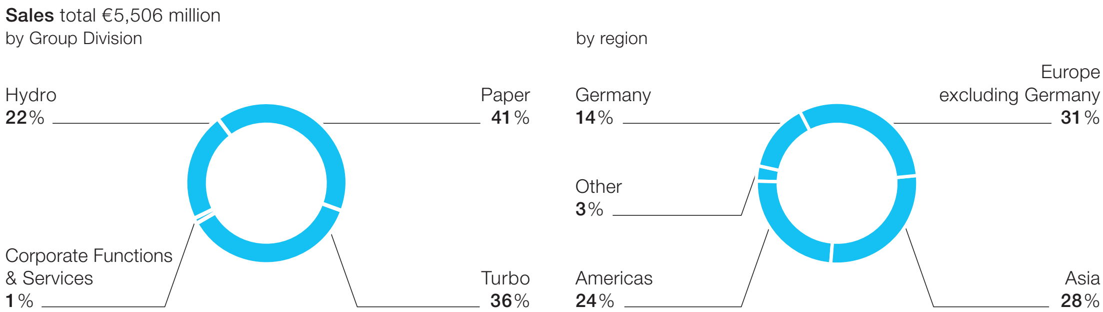
**Sales** Group
in € millions



Detailed information on the development of sales in each Group Division can be found in section II.4. **Business development of the Group Divisions**.

All three Group Divisions succeeded in increasing their sales and exceeding their targets. Voith Turbo (€1,994 million) saw the strongest growth of 28%. In the Group Division Hydro (€1,189 million), sales rose by 13%. Voith Paper (€2,239 million) grew 2% and made the largest contribution to the Group sales.

In the reporting year, Group sales were distributed as follows among the Group Divisions and regional markets:




## II.3.4. Operating result

### Profitability increased

The appreciable sales growth was also reflected in the operating result. EBIT rose by 22% to €245 million and was thus better than expectations (forecast in 2022 Group management report: “perceptible increase”). The increase in materials prices, transport costs and wages – which was massive in some cases – required significant countermeasures. Thus, inflation-related cost increases were countered by efficiency gains, general discipline in the use of resources as well as differentiated procurement strategies and contractual arrangements.

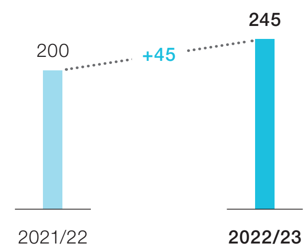
For our definition of EBIT, refer to section I.2. **Management system**.

The appreciable increase in EBIT was achieved although significant forward-looking investments continued to be made. For instance, we further increased our R&D expenditure in the reporting year and remained committed to the training and ongoing development of our workforce. Furthermore, we invested in the structures and processes and the IT infrastructure of our organization.

Detailed information on the development of EBIT in each Group Division can be found in section II.4 **Business development of the Group Divisions**.

A large contribution to the Group EBIT came from the Group Division Paper (€145 million), which increased its operating result by 11% starting from an already high level. The Group Division Turbo improved its operating result appreciably: Voith Turbo’s EBIT increased by 66% to €80 million. At €6 million, EBIT in the Group Division Hydro (previous year: €2 million) remained at a less than satisfactory level.

**EBIT** Group
in € millions




**ROCE** Group
in %


Return on sales stood at 4.4% (previous year: 4.1%). ROCE improved from 10.5% in the previous year to 12.1% in the reporting year, thus within the range of our expectations (forecast in the 2022 Group management report: "perceptible improvement").

With the increase in return on sales and ROCE, we consider ourselves to be on the right path. A further improvement in profitability and return ratios – while investments in the future remain high – will stay one of our main objectives for the coming years.

# II.4. Business development of the Group Divisions

## II.4.1. Hydro

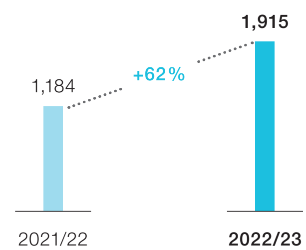
### Growth in sales and orders received, EBIT remains at a low level

The Group Division Hydro looks back on a challenging 2022/23 fiscal year. On the one hand, Voith Hydro made a leap forward in terms of orders received – mostly through the increase in volume in an ongoing project – and was able to perceptibly increase its sales also thanks to the upswing in the service business; on the other hand, the earnings situation remains unsatisfactory with a view to the massive rises in materials and transport costs and the processing of orders booked in weak market phases under high price pressure. Increasing profitability remains an important objective for the Group Division.

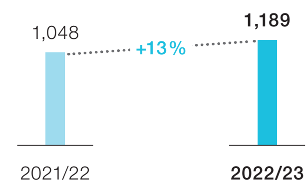
## Key financial performance indicators

The Group Division Hydro's key financial performance indicators for the 2022/23 fiscal year are as follows:

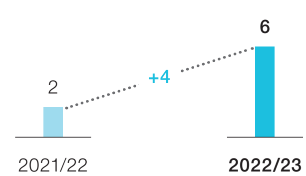
**Orders received** Hydro
in € millions



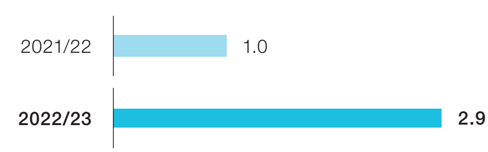

**Sales** Hydro
in € millions




**EBIT** Hydro
in € millions




**ROCE** Hydro
in %




## Hydropower market showing signs of recovery

The market environment of the Group Division Hydro showed signs of recovery after the end of the pandemic-related lockdowns and travel limitations, and the normalization of the supply chains. The global volume of contracts awarded of relevance for Voith in the 2022/23 fiscal year increased on the previous year. However, the war in Ukraine, the higher key interest rates in many of the world's regions and the general economic slowdown ran counter to a comprehensive market recovery.

## Orders received marked by increase in volume in an ongoing major project

Voith Hydro's orders received rose by €731 million to €1,915 million in the reporting year. The forecast published in the 2022 Group management report ("stable development") was exceeded appreciably. As at September 30, 2023, orders on hand rose to €4,005 million (previous year: €3,538 million).

The main reason for the leap in orders received was an increase in volume achieved in the reporting year at a major project where implementation has been ongoing for several years. The service business also developed very positively and contributed to the growth in orders received.

The orders received by the Group Division Hydro do not contain an order for a customer in Angola with an order volume of €873 million. Although a customer agreement has been signed, financing arranged and an export guarantee put in place, which would normally lead to the order being recognized in full in orders received, the Corporate Board of Management has still, in this specific case, identified not inconsiderable uncertainties regarding implementation of the project because only part of the agreed first down payment has been made by the customer. The Corporate Board of Management has consequently issued instructions to align the business management and controlling of the Group Division Hydro to performing only activities (essentially engineering) that are covered by the down payment received. Only when the remaining amount of the down payment has been received will Voith Hydro take this order and its entire order volume into consideration in the business management and controlling.

Voith was awarded an appropriate share of the new projects tendered in the reporting year. In the growing pumped storage segment, Voith received a number of orders. As facilities used for stabilizing grids, pumped storage plants make an important contribution to the expansion of renewable energies. Voith has in-depth expertise and renowned references. As part of the extensive expansions of the Kruonis pumped storage plant in Lithuania, Voith is supplying a highly flexible pump turbine unit with an output of 110 MW. Over and above this, Voith is acting as the general contractor for the design, manufacturing and transport, as well as the assembly and commissioning of the unit on site. One particular success was winning a large pumped storage project in China. Pumped storage projects make up an enormous share of the large Chinese hydropower market. The Chinese government's decoupling strategy has made it impossible for Voith to tender for a large portion of these projects. It is all the more pleasing that our branch office in Shanghai was able to win the order for the 1,400 MW Jingning power plant. Within the scope of this new power plant in the Chinese province of Zheijang, Voith is supplying four reversible Francis turbines, each with an output of 350 MW, as well as the generators.

Voith also recorded a good level of orders received in other countries in Asia. An order from Laos, for example, contributed to this development. Voith will supply the electromechanical equipment for the new hydropower plant located in Nam Phak, which will have an output of 168 MW. In Japan, a large number of small- and medium-size orders were tendered as part of the government's promotion of renewable energies, of which we were able to win several.

We succeeded in maintaining our strong position on the large North American market, which is characterized by modernization projects. For example, we were awarded the contracts for two major projects in the USA, namely the modernization of two run-of-river hydropower plants: Oxbow Dam on the border between Idaho and Oregon and Norfork in the State of Arkansas. In addition, we were awarded various other contracts in North America.

On account of the advanced age of many hydropower plants in South America, opportunities for modernizations and service activities have also started to arise in this region, and Voith is exploiting them. In the reporting year, for example, we were awarded the contract to modernize the Porto Colombia hydropower plant, which is located on the Rio Grande river and has an installed capacity of 320 MW.

In theory, Africa has some of the greatest unused potential for hydropower worldwide and various countries on this continent are seeking to expand their energy supplies over the medium term. As, however, large projects frequently depend on financing by foreign partners, the planning phases are longer than average and the timing of the contract awarding is difficult to predict. No major projects were awarded in Africa over the reporting year.

### Sales up 13%

Voith Hydro's sales rose by 13% to €1,189 million in the reporting year and thus exceeded our expectations (2022 Group management report forecast: "stable development").

A very good service business contributed to this encouraging development in sales. Due to revenue typically being recognized quite quickly in the service business, part of the rise in orders in this area has been reflected in the sales of the reporting year already.

Looking at the regional distribution of sales, a good third is attributable each to the Americas and Europe (including Germany). One quarter of sales was generated in Asia. Europe was the growth driver. South America also saw very positive developments.

### Operating result remains at a low level

The earnings situation in the Group Division Hydro continued to be burdened by sharp rises in materials and transport costs as well as by orders that were booked in weak market phases under high price pressure. For this reason, EBIT, return on sales and ROCE improved on the very weak previous-year level, but remained short of a satisfactory level, nevertheless. At €6 million (previous year: €2 million), EBIT stood at the lower end of our expectations (2022 Group management report forecast: "perceptible increase"). Return on sales increased from 0.2% to 0.5%. ROCE improved from 1.0% to 2.9%. This means the forecast (2022 Group management report: "perceptible improvement") was met.

One important objective in the Group Division Hydro consists of improving the profitability over the coming years. Alongside further expansion of the service business, the plans include differentiated contractual arrangements and close coordination with our customers to contribute to addressing the general increases in costs.

### Material events

Since the reporting year, Voith Hydro has been operating a new center of competence for generator components in Bosnia and Herzegovina. The location in Lukavac (Tuzla) will serve customers in various markets; from North and Latin America to Europe and Africa. The setup was implemented together with experts from Voith Hydro's central technology department in Germany, where essential R&D functions for generator components are based. The new center of competence works in close collaboration with the Bosnian facility of ELIN Motoren, a Voith company belonging to the Group Division Turbo, which successfully produces motor and generator coils as well as wind generator components in the immediate neighborhood.

## Innovations

The Group Division Hydro set new standards in Pelton technology in the reporting year: Voith brought the first six-nozzle horizontal Pelton runner onto the market and successfully put it into operation in a storage facility in Austria. In the Pelton turbine, which is especially suited to plants with high heads, the water is directed by forming free jets at very high velocity from one or several nozzles to the Pelton runner. Until now, Pelton turbines with more than three nozzles have always been designed with a vertical shaft. The main reason for this was that it allowed higher efficiency than a horizontal arrangement. We have now successfully eliminated this drawback and achieved an efficiency level comparable to that of the vertical configuration, as demonstrated in the Gerlos 1 power plant in the Tyrol region of Austria. At the Tyrolean storage facility, which was commissioned in 1949, the previous four vertical Pelton turbines were successfully replaced by one six-nozzle horizontal Pelton turbine. This new development is primarily of interest for upgrades of existing hydropower plants where single- or double-nozzle horizontal units are already installed. This provides enormous potential for increasing efficiency, with the replacement of the turbine not involving a great deal of construction work. In the case of new builds, this innovative technology also has advantages over conventional solutions: Its footprint is smaller and the installation time is shorter, which cuts the total investment costs.

For some time now, Voith has been working intensely with virtual technologies such as building information modeling (BIM) and 3D scans for building development and planning as well as for the asset management of hydropower plants. In the reporting year, we successfully applied these tools at a new plant and a major modernization project. BIM refers to a digital representation of the physical and functional characteristics of a building. BIM models help improve the planning and design and optimize collaboration between the partners involved. 3D scans are used for recording and creating a digital representation of the real world in the machinery room and offer valuable support, especially in engineering. BIM and 3D scans have been in use in traditional construction projects for around 20 years and have become standard in that field. Digital tools are increasingly seen as the key to complex construction projects of all kinds, which also include hydropower plants. The hydropower sector is still in the early-adopter phase in this regard. In line with its role as technology leader, Voith is already leading the way.

As part of the work to modernize an Austrian pumped storage power plant, we succeeded in the 2022/23 fiscal year in not only boosting the efficiency and the output of the plant but also in significantly reducing its noise emissions. With a view to the power plant's proximity to a residential area, this was one of the project's main objectives. The numerical flow and acoustic calculations developed in the context of the modernization work can also be used in future projects to reduce noise emissions.

## II.4.2. Paper

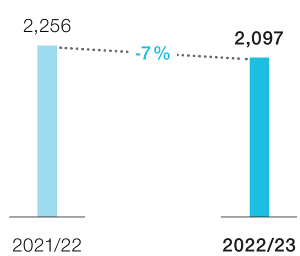
### Good results for orders received, sales and EBIT, despite market cooling

Following two years with exceptionally high levels of investment in the paper market and record figures at Voith Paper, the expected market cooling set in over the course of the 2022/23 fiscal year. In the light of this, the orders received by the Group Division Paper were down on the high previous-year level, and sales grew slightly. Despite the challenging business environment involving massive increases in materials prices and transport costs, Voith Paper succeeded in further increasing EBIT. ROCE almost reached the good previous-year figure.

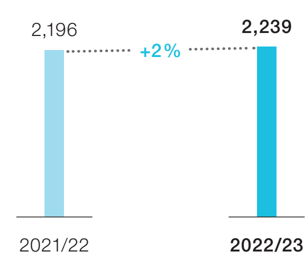
#### Key financial performance indicators

The Group Division Paper's key financial performance indicators for the reporting year are as follows:

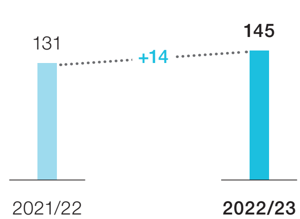
**Orders received** Paper
in € millions




**Sales** Paper
in € millions




**EBIT** Paper
in € millions




**ROCE** Paper
in %


#### Orders received decreased as expected

In the 2022/23 fiscal year, the Group Division Paper generated orders received of €2,097 million (-7%). The slight decline on the very high previous-year figure corresponds to our expectations and is attributable to the already explained market cooling after several years of exceptionally strong investment activity, which became increasingly apparent from the beginning of the second half of the reporting year.

Detailed information on the development of the paper market in section II.2. **Macroeconomic and industry-specific environment**.

In the light of the subdued economic situation, existing excess capacities and a massive rise in costs at the paper manufacturers, investments in paper machines fell around the world. As a consequence, the orders received by our project business (new lines and rebuilds) declined. Over the course of the fiscal year, stagnating paper production and downtimes of numerous machines increasingly also impacted our business with wear parts, spare parts and services.

At the end of the fiscal year on September 30, 2023, orders on hand stood at €1,522 million (September 30, 2022: €1,878 million).

Orders received in the project business (new lines and rebuilds) were dominated by new lines and rebuilds for the production of board and packaging paper. For instance, we received an extensive full-line contract from the Swedish-Finnish paper and packaging manufacturer Stora Enso to convert a former paper machine into Europe's largest board machine with the aim of enabling maximum production and resource efficiency with a minimum $CO_2$ footprint.

Likewise in the area of packaging paper, we were commissioned in August by the Chinese paper manufacturer Shanying Suzhou Paper to supply two new lines for its new site in Zhongying, Anhui Province, in eastern China. The order scope includes state-of-the-art digitalization and automation solutions as well as services and spare parts packages.

We received a further important rebuild order from a packaging and paper manufacturer with global operations. The company commissioned Voith with converting the existing production line into a state-of-the-art production line for recycled packaging papers.

Investments were also made in the segment for specialty paper machines and nonwovens. For instance, we were awarded a contract in the USA for the manufacture of a new line for the production of glass mat.

### Slight sales growth

Sales in the Group Division Paper rose by 2% to €2,239 million, thus developing better than expected (forecast in 2022 Group management report: "slight decline"). The sales trend reflects the high backlog of orders on hand from the previous year and the level of orders received that was still good at the beginning of the fiscal year. Looking at the 2022/23 fiscal year as a whole, we were able to achieve perceptible growth in the business with wear parts, spare parts and services.

From a regional perspective, Asia and Europe (including Germany) each made up a good third of Voith Paper's sales. The Americas were the growth driver.

### Further increase in operating result at a good level

The earnings situation of the Group Division Paper remains good. At €145 million (+11%) in the reporting year, EBIT stood at the upper end of our expectations (2022 Group management report forecast: "slight increase"). We managed to increase return on sales further, from 6.0% in the previous year to 6.5% in the 2022/23 fiscal year. Contributions to the improved margin came from efficiency gains, a changed sales mix and a reduction in technical warranty-related costs. At 25.4 %, ROCE almost reached the very good level of the previous year (26.2 %) but, due to a higher level of capital employed, fell short of our expectations (2022 Group management report forecast: “slight improvement”).

### Material events

In the reporting year, Voith acquired a minority shareholding in the start-up Yangi, headquartered in Sweden, thus investing in future-oriented, new technologies to further drive decarbonization in the paper industry. Yangi is pioneering a new technology to produce 3D-formed, cellulose-based packaging. The manufacturing process developed by Yangi is based on dry forming principles in one machine line and offers a solution which is cost- and resource-efficient and also low-emission. This solution has the potential to replace rigid plastic at scale. The applications for packaging solutions are diverse and range from cosmetics and beauty products to fresh food, take-away articles and consumer goods.

As part of the expansion of the business with wear parts, spare parts and services, we added significant capacities for refurbishing paper machine components in Scandinavia and all over Europe. In January 2023, a state-of-the-art workshop with extended office space was opened in Karlstad, Sweden, offering refurbishment services. With the new location, Voith is doubling, among other things, the capacity for screw press refurbishments on account of increasing customer demand in this area, and is extending its range of services for refurbishing components such as rotary valves, vacuum pumps and rolls.

We have reinforced our service activities in China, too, and opened a new OnPerformance.Lab location in Kunshan. The Voith OnPerformance.Labs (OPL) are remote service centers offering data-based services such as data analysis, condition monitoring, smart monitoring and expert advice. Together with customers, OPL specialists implement innovative Papermaking 4.0 solutions for sustainable cost savings and efficiency improvements. There are already OPL locations in Heidenheim, Germany, and Tokyo, Japan – the opening of further branches in further regions is being planned.

Our commitment to sustainable and efficient paper production was recognized in December 2022 with the German Sustainability Award (GSP). The XcelLine paper machines were among the winners in the Design competition, Vision category. The German Sustainability Award is the most comprehensive award of its kind in Europe. The award is presented by the Stiftung Deutscher Nachhaltigkeitspreis e.V. (German Sustainability Award Foundation) in cooperation with the German federal government, leading municipal and business associations, civil society organizations and research institutions. The decisive factor for the GSP jury was the contribution to achieving the climate targets of the 2030 Agenda.

## Innovations

As part of our Papermaking for Life sustainability program we have set ourselves the ambitious goal of realizing $CO_2$-neutral paper production on an industrial scale by 2030. We reached one important milestone on this journey in the reporting year: Voith has developed a completely new, disruptive concept for $CO_2$-neutral paper production. In addition, the concept significantly reduces fresh water consumption and energy consumption throughout the entire production process and does not require any fossil fuels. This has been confirmed in successful laboratory-scale test runs. The research results were transferred to a pilot line at the Voith Heidenheim site in the reporting year. To drive further development of this new process, Voith has entered into a development partnership with Essity, a global hygiene and healthcare company.

Voith has entered into a further development partnership in the field of decarbonization with Koehler, a German manufacturer of specialty papers. The two long-term business partners will work together on new solutions for decarbonizing production lines. As part of optimizing the energy efficiency of its plants, Koehler is evaluating the possibilities of replacing fossil fuels with sustainable $CO_2$-neutral alternatives as heat sources. Voith will perform the corresponding retrofitting work in close consultation with Koehler.

In the reporting year, we launched a new research project called FOREST together with partners from industry and research organizations. The goal of the project is to develop a fully comprehensive digital map for papermaking processes that can capture energy and material flows, as well as $CO_2$ flows and footprints, down to the sub-process and sub-product level. The digital framework identifies multiple optimization opportunities that promote a targeted acceleration of the paper industry's transformation towards climate neutrality. The research project is funded by the German Federal Ministry of Economic Affairs and Climate Action.

Over and above this, the Group Division Paper brought numerous innovations onto the market in the 2022/23 fiscal year, for example a product for quick and safe format changes: FastFormat enables automated format changes in ongoing operations without operator intervention. This not only increases safety for the operator but also boosts winder production.

As an addition to the proven OceanCoat roll cover, Voith has developed the OceanCoat P. The new coater backing roll cover is specially made for high-demand positions in blade coater applications.

Another of our market launches in the 2022/23 fiscal year is the AdaptClean technology. The AdaptClean rebuild kit is the latest optimization option within our BlueLine product range aimed at keeping energy, water and fiber consumption as low as possible in stock preparation. The AdaptClean enables a quick and easy conversion of existing low consistency cleaners from a diameter of 105 mm, regardless of the manufacturer.

## II.4.3. Turbo

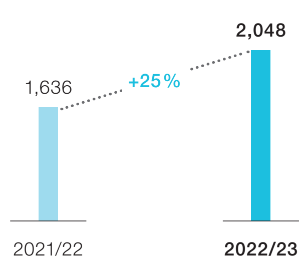
### Significant growth, profitability increased

The Group Division Turbo performed better than expected in the reporting year. Orders received and sales have risen appreciably, also on account of two successful acquisitions, one consolidated for the first time ever and the other for the first time for a twelve-month period. Alongside the acquisition-related growth, a positive operating performance also contributed to this encouraging development. The increase in sales was reflected in the operating result, which was able to be increased significantly despite the considerable rises in materials costs. Return on sales and ROCE improved. After entering the off-highway market (agricultural machinery, construction equipment and material handling vehicles) with the acquisition of Argo-Hytos in August 2022, Voith Turbo's reporting has been aligned to three divisions since the reporting year.

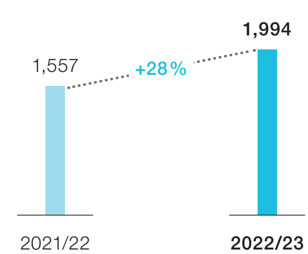
#### Key financial performance indicators

The Group Division Turbo's key financial performance indicators developed as follows in the 2022/23 fiscal year:

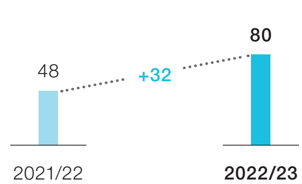
**Orders received** Turbo
in € millions



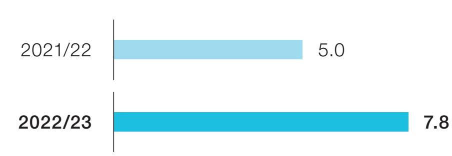

**Sales** Turbo
in € millions




**EBIT** Turbo
in € millions




**ROCE** Turbo
in %




#### Stronger than expected growth in orders received

The Group Division Turbo increased its orders received by 25% in the 2022/23 fiscal year and passed the €2 billion threshold for the first time in its history. This appreciable growth exceeded our own objectives. Taking account of the consolidation of IGW Rail and Argo-Hytos, we had forecast in the 2022 Group management report a perceptible increase and in strictly organic terms a stable development.

The reason for the forecast being exceeded arose from the positive operational development of Voith Turbo, especially in the division Mobility. Despite the generally slower economy, investment activities remained at a high level in many market segments relevant to the Group Division Turbo.

Two acquisitions also contributed to the growth in orders received totaling around €412 million: In the reporting year, IGW Rail taken over in October 2022 was included in the Voith Group's financial statements for the first time ever, and Argo-Hytos acquired in August 2022 for the first full fiscal year. This led to acquisition-related growth totaling around €210 million in orders received.

Orders on hand as at the end of the 2022/23 fiscal year increased to €1,672 million (September 30, 2022: €1,583 million).

The largest division, Mobility, was able to increase its orders received appreciably in comparison to the previous year and saw the highest level of orders received in its history. This stemmed mainly from a dynamic development in the operating business, contributions to which came not only from new business but also from the service business. There was, in addition, the first-time consolidation of the orders received by IGW Rail, which had been acquired in October 2022 and was integrated into the division Mobility in the reporting year. In the commercial vehicles segment, unit sales of air compressors and retarders rose over the course of the reporting year. This development was driven by the recovery of the Chinese truck market after the end of the lockdowns. In the light of the general recovery of the bus market, demand for our VEDS (Voith Electrical Drive System) electric drive showed a very encouraging trajectory as the VEDS supplies the trend towards alternative drives in city buses which receives regulatory support in many countries. The business in the rail segment recovered similarly, with heterogeneous developments in the various regions and product groups. In the marine segment, business picked up noticeably and Voith was awarded further important orders for the electric Voith Schneider propeller (eVSP).

Over the 2022/23 fiscal year, the volume of orders received in the division Industry was stable at the high level of the previous year. The sales markets served by the division Industry – oil & gas, raw materials and energy – remained marked by a high level of investment activity in many segments. Our business with geared variable speed drives for the oil & gas industry developed especially well. We also saw strong demand for turbo gears as well as for actuators and control systems, all of which are product groups used in various industries. Similarly, there was a good level of unit sales of components and solutions from ELIN Motoren, the subsidiary acquired three years ago.

Detailed information on the development of the markets relevant for Voith Turbo for energy, oil & gas, raw materials, transport & automotive can be found in section II.2. **Macroeconomic and industry-specific environment**.

The basis for the division Off-Highway was formed by the subsidiary Argo-Hytos acquired in the previous year. Argo-Hytos develops and produces hydraulic components and system solutions with a focus on agricultural machinery, construction equipment and material handling vehicles. As this company was consolidated in the Voith Group for the first time for the full twelve-month period (previous year: two months), the division's contribution to Voith Turbo's orders received was a multiple of the previous-year figure.

### Significant sales growth

The Group Division Turbo's sales rose by 28% to €1,994 million in the reporting year. Contributions to the significant rise in sales totaling €437 million came not only from the two acquisitions (total consolidation effect around €230 million) but also the existing business. After the end of the pandemic-related travel limitations, the service business, where revenue is typically recognized quite quickly, returned to a positive trajectory.

This means that also in terms of sales, Voith Turbo performed better than anticipated in our planning (forecast in the 2022 Group management report: “perceptible increase”; taking the consolidation effect into account, “stable development”). The main reason for the forecast being exceeded was the good operating development of the Group Division.

Voith Turbo was able to increase its sales in all regions. The strongest sales region and growth driver was Europe (including Germany). Asia remains the second most important region.

### Profitability increased

The good development in sales was also reflected in the operating result. Despite massive rises in materials costs, the Group Division Turbo was able to increase its EBIT by 66% to €80 million (previous year: €48 million). This increase stems primarily from increases in the operating result in the existing business, but also from positive contributions to earnings from the two recently acquired companies. This development was at the upper end of our expectations (forecast in the 2022 Group management report: “perceptible increase”, taking account of the consolidation effect).

The successful implementation of our programs to boost efficiency made it possible to more than compensate for the inflation-related cost increases. Return on sales improved to 4.0% from 3.1% in the previous year. In the reporting year, ROCE stood at 7.8% (previous year: 5.0%). This means the forecast (2022 Group management report: “perceptible improvement”) was met.

### Material events

Voith acquired IGW Rail at the beginning of October 2022. IGW Rail is a globally operating technology company specializing in customized gear unit and coupling solutions for the rail vehicle industry. IGW Rail’s product range addresses all types of rail vehicles. As Voith also supplies a portfolio of components for these rail vehicle markets, the acquisition perfectly complements Voith’s existing activities in this area. IGW Rail has been fully consolidated in the Group Division Turbo as of the 2022/23 fiscal year.

### Innovations

R&D work in the Group Division Turbo over the reporting year continued to focus on the electrification of power trains and on the refinement of alternative low-emission drive technologies.

One core innovation in the division Mobility in recent years is the Voith Electrical Drive System (VEDS) electric drive concept for commercial vehicles introduced in 2019. We have constantly enhanced the concept to successively include further commercial vehicle segments. The outstanding efficiency of the VEDS, which has been confirmed on multiple occasions by independent test centers, makes a significant contribution to our customers’ market success and thus to the good unit sales of the VEDS. This has led to Voith customers winning various tenders in the reporting year for the delivery of emissions-free buses with VEDS drives.

The DIWA NXT transmission presented in the 2021 fiscal year supports not only e-mobility but also other climate-friendly innovations, such as hydrogen drives for buses. For example, we have teamed up with Keyou, a clean mobility company specializing in hydrogen technology, to develop a hydrogen-driven city bus. This hydrogen bus with DIWA NXT won the innovation award from the German specialist journal “busplaner” in July 2023 in the category of “components and power units”. The vehicle based on the chassis of a leading European bus manufacturer is equipped with a “green”, hydrogen-powered combustion engine and the DIWA NXT mild-hybrid system – a combination that creates a new kind of zero-emission mobility and fulfills the pertinent EU standard.

For rail, too, Voith is driving forward important innovations, and offers sustainable, efficient solutions both for passenger transport and cargo rail traffic. One of our lighthouse projects is the CargoFlex, a digital automatic freight coupler that we introduced in 2019 and have been continually refining since then. One current new development is the CargoFlex Hybrid variant, which enables switching between automatic and manual coupling. This offers the flexibility required for the transition period until all freight cars throughout Europe have been equipped with automatic couplers. The new locomotive coupler successfully passed a prototype test in the reporting year and the next steps towards series production have been initiated.

With regard to the electric Voith Schneider propeller (eVSP), our most important innovation in recent years for the marine segment, we have extended the portfolio with various installation variants for various marine applications, with which we have already achieved the first market successes. To name one example, we received an order for two powerful eVSPs for the Federal Republic of Germany’s new research vessel Meteor IV.

The division Industry also brought numerous innovations to market in the 2022/23 fiscal year. After three years of technical development, we succeeded in presenting seven different drive package designs for conveyor systems, with which we won an extensive and demanding contract in the USA in the reporting year. The drive packages developed for the project are based on the new fill control turbo coupling TurboBelt 800 TPXL. The Voith subsidiary ELIN Motoren is providing customized low noise electric motors for the project, including spares. Alongside the TPXL couplings and the main electric motors, the drive packages contain numerous other Voith components, including the TurboBelt DriveControl control system.

The self-learning digital diagnostics system OnCare.Health Vorecon brought us the first market successes in the reporting year. Customers use the system to optimize the maintenance management of Vorecon variable-speed planetary gears. OnCare.Health monitors in real time signals relevant to Vorecons and diagnoses deviations from the normal state so that significant changes can be reported before a fault occurs. This keeps maintenance costs to a minimum and increases the availability of the drivetrain.

Hydrogen as an energy carrier of the future is playing an increasingly important role. There is also considerable potential for industrial applications. In this respect, we see possibilities for growth not only beyond the current product portfolio but also with various existing products. The division Industry is currently working on various forward-looking projects in the area of hydrogen infrastructure.

Research and development initiatives are being driven forward also in Off-Highway, the youngest division of the Group Division Turbo. One of Argo-Hytos's achievements in the reporting year was the enhancement of the MHPS/MSC modular hydro-pneumatic suspension system. The new version 2.0 features a significant improvement in the suspension performance in agricultural machinery and tractors.

Argo-Hytos launched its power packs with frequency converter on the market in the 2022/23 fiscal year. These are intelligent power packs that have the ability to sense what energy is required and can adapt accordingly to the needs of the machine. Use of this groundbreaking product extends the lifespan of components and reduces energy consumption of machines significantly.

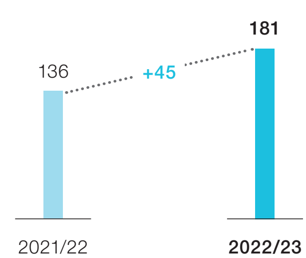
# II.5. Economic position

## II.5.1. Earnings position

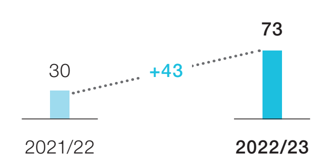
### Significant increase in operational result and Group net result

In the reporting year, the Voith Group's statement of income is marked by perceptible growth in total output and an improved cost structure with a clear reduction in the ratio of materials to total output. All in all, we succeeded in significantly increasing the operational result as well as the Group net result.

**Operational result** Group
in € millions




**Net result** Group
in € millions




Total output in the Voith Group stood at €5,513 million (previous year: €4,963 million). The Group succeeded in growing sales (€5,506 million) at a faster rate (+13%) than total output (+11%), as the increases in the inventories of work in progress had fallen sharply on the previous year.

Cost of materials rose by 6% to €2,549 million (previous year: €2,404 million). The ratio of cost of materials to total output decreased to 46.2% (previous year: 48.4%). In this context, inflation-related rises in materials costs were countered by efficiency gains, general discipline in the use of resources as well as differentiated procurement strategies and contractual arrangements. A changed product mix as well as a fall in the cost of purchased services also contributed to the decrease in the ratio of cost of materials to total output.

The increase in personnel expenses was more noticeable. Due to the higher headcount – largely as a result of the acquisitions – and a general rise in the wage and salary level in comparison to the previous year, this figure increased by 12% to €1,774 million (previous year: €1,582 million). The personnel expenses ratio (ratio of personnel expenses to total output) was at a slightly higher level of 32.2% (previous year: 31.9%).

Depreciation and amortization amounted to €202 million (previous year: €180 million, +12%). The ratio of depreciation and amortization to total output remained stable at 3.7% (previous year: 3.6%).

The negative balance of other operating expenses and income as well as impairment losses on trade receivables and contract assets, net, increased to €-806 million (previous year: €-661 million, +22%). The main driver of this development was a €28 million increase in impairment losses on trade receivables and contract assets, net, and a decrease in exchange rate expenses and income (€-31 million). Furthermore, there was an increase in travel and installation expenses as well as rental expenses. In contrast, additions to provisions decreased by €32 million to €214 million, mainly caused by a lower level of additions for order-related provisions.

The operational result rose by €45 million to €181 million (previous year: €136 million, +34%). EBIT, the important financial indicator for the Group, is obtained by eliminating non-recurring items and performing other adjustments. In the reporting year, EBIT was increased by €45 million to €245 million (previous year: €200 million, +22%). Non-recurring items and other adjustments between the financial performance indicator EBIT (€245 million) and the operational result according to the statement of income (€181 million) amounting to €63 million results from extrapolation of the result from increasing the carrying values upon first-time consolidation (€25 million), restructuring expenses (€11 million) and impairment losses on assets in Russia (€14 million) and other expenses eliminated for business management purposes (€13 million).

Detailed information on the development of EBIT can be found in section II.3.4. **Operating result**.

At €-1 million, the share of profit/loss from companies accounted for using the equity method was up on the previous-year figure (previous year: €-4 million).

The reduction in the financial result from €-19 million to €-25 million is essentially attributable to the fact that the currency results contained in the other financial result decreased from €11 million to €-8 million. In addition, the balance of interest income and interest expenses (without the effect contained therein from the measurement of financial liabilities on account of termination rights of non-controlling interests), which fell from €-48 million to €-50 million, placed a burden on the financial result. This arose from the general rise in the interest rate level, in particular from the compounding of pension provisions and in relation to bank loans. The opposite effect in the financial result stemmed from interest income from the measurement of financial liabilities on account of termination rights of non-controlling interests of €26 million (previous year: €11 million in interest expenses).

The result before taxes increased by €41 million to €157 million (previous year: €116 million, +35%).

Income taxes totaled €84 million (previous year: €87 million). The tax rate decreased to 54% (previous year: 75%). The decrease is mainly attributable to the reduction in deferred tax liabilities on temporary differences.

The Group net result increased by €43 million to €73 million (previous year: €30 million).

## II.5.2. Net assets

### Net assets remain stable

In comparison to September 30, 2022, total assets decreased by €228 million to €5,728 million (previous year: €5,956 million, -4%). The decline is essentially due to a reduction in inventories, contract assets and intangible assets.

In total, non-current assets decreased by €86 million to €2,607 million (previous year: €2,693 million, -3%). The reduction in intangible assets is essentially attributable to the amortization due to increases in the carrying values upon first-time consolidation with regard to business combinations performed in previous years. Property, plant and equipment decreased by €21 million to €1,060 million (-2%).

Current assets decreased by €142 million to €3,121 million (previous year: €3,263 million, -4%). Inventories decreased by €49 million to €830 million (-6%) and contract assets fell by €55 million to €660 million (-8%). Cash and cash equivalents underwent a stable development and amounted to €413 million (previous year: €412 million) as at the reporting date. Further details on the development of cash and cash equivalents can be found in the following section on the financial position.

## II.5.3. Financial position

### Financial position remains sound

Non-current liabilities were reduced slightly by €50 million to €1,632 million (previous year: €1,682 million; -3%). Pension provisions decreased by €20 million to €525 million (-4%) primarily on account of higher discount rates in comparison to the previous year. In addition, the decline in deferred tax liabilities of €14 million (-14%) contributed to the reduction in non-current liabilities. At €627 million, non-current bank loans were at the previous year's level.

Current liabilities fell by €109 million to €2,729 million (-4%), mainly on account of the decrease in trade payables of €77 million to €652 million (-11%) and in contract liabilities of €18 million to €990 million (-2%). In addition to this, there was a decrease in bank loans of €40 million to €154 million (-21%).

The net balance of deferred tax assets and liabilities increased by €10 million. The rise is mainly due to the lower level of deferred tax liabilities of the German Group companies.

Equity fell by €69 million to €1,367 million (previous year: €1,436 million, -5%). The main cause of this development, alongside dividends of €31 million, was other comprehensive income of €-103 million. Other comprehensive income was essentially impacted by negative effects from currency translation of €-109 million. The net income of €73 million had the opposite effect. The equity ratio fell slightly to 23.9% (previous year: 24.1%).

## Sharp increase in cash flow from operating activities

The main components of the cash flow statement in the reporting year break down as follows:

**Development of cash flow**
in € millions

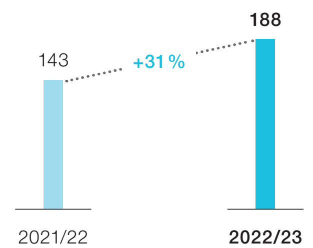
| | 2022/23 | 2021/22 |
|---|---|---|
| Cash flow from operating activities | 306 | 93 |
| Cash flow from investing activities | -140 | -401 |
| Cash flow from financing activities | -130 | 171 |
| **Total cash flow** | **36** | **-137** |

The cash flow from operating activities was increased by €213 million to €306 million in the 2022/23 fiscal year (+231%). The main factor in the rise stemmed from the increase in the result before taxes as well as proceeds from decreasing inventories.

The cash flow from investing activities amounted to €-140 million in the reporting period (previous year: €-401 million). The sharp decline in cash outflows is mainly attributable to the reduced level of M&A activity in comparison to the previous year. Payments of only €43 million were made for the acquisition of consolidated companies in the 2022/23 fiscal year, whereas payments of €192 million were incurred in this respect in the previous year. Payments for business combinations in the reporting year related to the acquisition of IGW Rail. In addition, payments for investments decreased from €139 million to €14 million. The main reason for this decline was the granting in the previous year of a loan to a company that is controlled by the ultimate parent company, JMV SE & Co. KG, and that is not included in the present consolidated financial statements, in order to finance the acquisition of the remaining 35% shareholding in Voith Hydro Holding GmbH & Co. KG. Net receipts and payments for property, plant and equipment, and intangible assets amounted to €-109 million (previous year: €-94 million).

In the 2022/23 fiscal year, we increased our investments in property, plant and equipment and intangible assets appreciably to a total of €188 million (previous year: €143 million). The rights of use under leases amounting to €56 million (previous year: €27 million) were taken into account in this figure pursuant to IFRS 16.

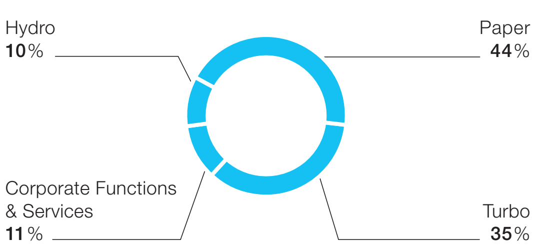
**Investments** Group
in € millions




As a percentage of the Group's sales, our investment ratio rose to 3.4% in the reporting year (previous year: 2.9%).

The investments broke down as follows across the various Group Divisions:

**Investments** total €188 million
by Group Division




## Moderate decrease in financial liabilities

We achieved a moderate decrease in the Voith Group's financial liabilities in the reporting year. There is one final tranche totaling €21 million outstanding from the note loan issued in 2015; this tranche is scheduled for repayment in November 2025. The last but one tranche amounting to €38 million was repaid in November 2022.

The note loan issued in 2020 amounting to €400 million has maturity dates in 2025, 2027 and 2030.

The syndicated euro loan of €600 million was extended until 2028 by all twelve banks over the reporting period. The credit line has not been drawn on and is available as a strategic liquidity reserve, plus a further renewal option until 2029. It contains an option to increase the volume of the facility up to a maximum of €800 million subject to the banks' consent.

The revolving syndicated loan in China, which was refinanced in 2019, will be available until June 2024; it is for an amount of €181 million. This facility is currently not being utilized.

The bilaterally confirmed credit lines entered into with six banking partners totaling €525 million with maturities of two to three years are regularly renewed each year. At the reporting date, €119 million of these credit lines had been utilized.

In July and August 2022, confirmed loans of €100 million each were drawn on at two banks from new credit facilities. These loans are due in 2025 and 2027.

In addition, Voith uses free bilateral bank credit lines for low-interest financing of fluctuations in working capital.

These long-term and diversified instruments facilitate sustainable growth. The availability of a stable liquidity position from its own bank balances and existing loan agreements is given top priority by Voith – especially in the light of the economic environment marked by uncertainty.

Payments for dividends amounted to €-32 million (previous year: €-32 million).

The cash flow from financing activities decreased by €301 million to €-130 million (previous year: €171 million). The decrease was caused by the balance from the taking out and repayment of bank loans being reduced by €304 million to €-45 million.

In contrast to the previous year, the total cash flow was positive, coming to €36 million (previous year: €-137 million).

### Net liquidity still at a good level

The net liquidity of the Voith Group, defined as the difference between liquid financial assets and interest-bearing financial liabilities (not taking lease liabilities into consideration), is at an improved level, despite moderate acquisition activity. At the end of the reporting year, it amounted to €-182 million (previous year: €-233 million). The net liquidity indicator is not defined under International Financial Reporting Standards (IFRS) accounting policies, which means that its definition and calculation may differ from the practice in other companies.

### Fundamentals and objectives of financial management

The key objective of liquidity and financial management is to make sure at all times that the Voith Group is able to continue as a going concern and to ensure the financial independence of the family-owned business.

Cash management is the task of the Group's treasury function as well as the related regional finance centers. The Group maintains cash pooling systems in Europe, China, India and North America, which it uses to concentrate its cash and cash equivalents as far as possible and to lower interest expenses caused by external debt financing. Borrowings are generally taken out by Voith GmbH & Co. KGaA and provided to the Group companies when needed.

# III. Risks and opportunities

## III.1. Risk and opportunities management

### Geared towards increasing the value of the Company

Entrepreneurial activity involves making decisions under conditions of uncertainty. Risk is therefore an integral part of entrepreneurial activity. To safeguard against risks that could jeopardize the Group or its companies as a going concern, Voith operates a consistent and binding Group-wide risk management system.

All the elements of risk management have been brought together in a risk management system. This is not only geared to compliance with legal requirements. It should also contribute to increasing the value of the Group and its companies by reducing potential risks and their probability of occurrence. At the same time, the system is intended to produce a state of equilibrium between correctly assessed risks and the exploitation of opportunities.

Voith distinguishes between five risk types:
1. Strategic risks
2. Financial risks
3. Operating risks (process risks, infrastructure risks, production risks)
4. Performance risks (contractual risks and technical risks)
5. Compliance risks

Risk management at Voith is organized on a decentralized basis but is monitored and coordinated centrally. Responsibilities are clearly defined for the differentiated risk profiles at all levels of the Group.

The risk management process itself breaks down into four stages:

- Risk identification: Voith constantly monitors macroeconomic developments, developments in specific industries and internal business processes that could affect the situation of the Group. A risk catalog helps identify individual risks. For this purpose, risks are collated at all levels of the Group and in all functional areas and then documented in a Group-wide internal database.

- Risk analysis and assessment: The risks identified in this way are assessed in terms of extent of damage and their probability of occurrence. Wherever possible, the potential impact is quantified as a cost factor. In order to assess the potential risk, the worst-case scenario and an expected-case scenario are analyzed for each identified performance risk, and their respective impact on the financial situation of the Group is examined. Multiplying this figure by the probability of occurrence provides the aggregate risk.

- Risk management: Analysis and assessment of the identified risks gives Voith's management the data it needs to decide whether the risks should be avoided, reduced by suitable actions, transferred by signing appropriate agreements, or whether they have to be carried by means of optimized processes and controls.

- Risk monitoring and reporting: Voith has a multitiered set of controlling and reporting tools that help the Corporate Board of Management analyze risks and make well-founded decisions. Those performance risks that involve either a maximum risk potential ≥ €5 million or a maximum risk potential of ≥ €2 million and a probability of occurrence of ≥ 50% are reported to the Corporate Board of Management on a quarterly basis. The reporting additionally includes the measures taken in this context to mitigate the risk such as existing insurance policies, recognized provisions or recorded depreciation. Furthermore, the general risk situation, also with regard to other risk types, is regularly placed on the agenda of the advisory committees of all business units. Risks to the Group's ability to continue as a going concern are reported to the next highest organizational level through to the Corporate Board of Management even between scheduled meetings. Risks to the Group's ability to continue as a going concern are defined as aggregate risk potential (gross, before consideration of measures to mitigate risk) in relation to the respective business unit that exceeds either 50% of equity or 10% of sales.

In addition to the systematic management of risks, it is also essential that we support our business performance by actively managing opportunities. The identification of opportunities and their strategic and financial assessment play an important role in the strategy discussions the Corporate Board of Management holds regularly with those responsible for the operating units. The results of these meetings are incorporated into the Voith Group's strategic decisions as well as into the medium-term planning and the annual operative planning process.

## III.2. Accounting-related internal control system

### Proper and reliable financial reporting

The key elements of the internal control and risk management system for the Group's financial reporting process are described in the following. The aim of the accounting-related internal control and risk management system is to guarantee that accounts are prepared correctly and reliably and to ensure that consolidated and single-entity financial statements comply with the applicable regulations.

The following structures and processes have been implemented in the Group:

The Corporate Board of Management bears overall responsibility for the internal control and risk management system with regard to the Group's financial reporting process. All levels of the Group are integrated through a strictly defined management and reporting organization.

Uniform recognition and measurement based on the regulations applicable for the Voith GmbH & Co. KGaA consolidated financial statements is ensured by Group accounting guidelines. Amended accounting rules are constantly adapted and communicated by Voith GmbH & Co. KGaA. The quality of the guidelines is ensured by an ongoing exchange between the departments responsible.

Accounting is organized on a decentralized basis but is monitored and coordinated centrally. Accounting entries are recorded in the separate financial statements of the subsidiaries of Voith GmbH & Co. KGaA. There are internal controls in place in the Voith risk control matrix for those line items that, from a Group perspective, are significant and exposed to an elevated risk of misstatement; these controls were developed at corporate headquarters and must be applied by the subsidiaries when preparing their end-of-year financial reporting. The controls address the significant accounting-related risks for the specified line items of the financial reporting and contain corresponding instructions on controlling activities, responsibilities and documentation duties. Among other elements, the controlling activities comprise analytical procedures as well as the practice of having significant and complex business transactions processed and controlled by different people. Complex accounting issues (e.g., financial instruments) are referred to corporate departments or external experts (e.g., relating to pensions). The activities and controls for these issues are also considered in the risk control matrix.

The consolidated financial statements are prepared by adding information to the single-entity financial statements of the subsidiaries to create standardized reporting packages which are included in the consolidation system. Once the data has been fed into the consolidation system, it is subject to an automated plausibility check. If this returns an error message, this is immediately corrected by the individuals in charge of the subsidiaries concerned. The subsidiaries are supported by contact persons at headquarters for all accounting-related issues. After the data is finally approved, the respective management, or in isolated cases the representatives they appoint, issues a letter of representation confirming the completeness and accuracy of the reporting package in accordance with the relevant requirements and confirming that the internal controls have been conducted and documented.

Group-wide reconciliation of balances takes place worldwide via an intranet-based platform. The various deadlines for the different parts of the reporting package are stipulated in the consolidation system and centrally monitored in the course of the preparation process. Almost all consolidation activities are undertaken centrally at Voith GmbH & Co. KGaA. The entire consolidation process is supported by both systems-based and manual controls.

The proper functioning of the controls defined in the accounting-related internal control system is evaluated on a regular basis. If any weaknesses are identified, the system is adjusted accordingly by central accounting.

The quality of financial reporting is also ensured by reconciling planning calculations with the external reporting at all levels of the Company. System access controls based on authorization concepts as well as programmed plausibility checks in those IT systems used for the financial reporting ensure that processes are complete and accurate.

The internal audit department performs regular reviews of the proper functioning, correctness, reliability and efficiency of all internal control and risk management systems in the Voith Group independently of the individual processes. Suitable measures are promptly taken to remedy any gaps or weaknesses that may be identified.

Compliance with individual rules of the accounting-related internal control system is tested by the external auditors on a sample basis in the course of their audit of the consolidated and separate financial statements. Any deficiencies or flaws that appear are recorded in a management letter along with suggested improvements.

## III.3. Risks

In the sections that follow, we describe risks that could have a substantially negative effect on our business position, net assets, financial position and earnings position and lead to failure to meet forecasts or targets. The order of the risks within the five risk categories presented below reflects how we currently estimate the importance of these risks for the Voith Group. Unless stated otherwise, the following risks relate to all Group Divisions.

### III.3.1. Strategic risks

In the “strategic risks” risk category we examine external risks stemming from the macroeconomic, market-competitive and political situation, risks arising from the Group strategy and coordination, as well as technology, human resources and IT risks.

#### Risks from the macroeconomic and political environment

Our economic environment is determined by global demand for capital goods. This demand is in turn influenced by the global macroeconomic environment. If economic development were to fall perceptibly short of expectations, it is highly probable that this would have appreciable negative effects on Voith’s business position, net assets, financial position and earnings position. We based our planning for the 2023/24 fiscal year on the assumption that the global economy will continue to grow only slightly, particularly due to the war in Ukraine and the associated effects on energy and raw materials prices as well as the inflation that is continuing to only slowly flatten off. In this respect, Asia, in particular China, is accountable for a large part of the forecast global economic growth, while very little economic momentum is expected for North America, South America and Europe. All in all, the environment will remain marked by high volatility and considerable uncertainties. Various risks call into question whether the forecast economic growth can actually be achieved.

One significant risk to the macroeconomic environment and Voith's earnings position arises from geopolitical crises. It is currently not possible to foresee an end to Russia's ongoing war in Ukraine. Over and above this, the China-Taiwan conflict intensified over the reporting year. In addition, the Middle East conflict flared up again at the beginning of the new fiscal year. Further intensification and escalation of geopolitical crises would in all probability have a negative impact on global trade and supply chains and might cause a new round of price shocks in energy, raw materials and other factor costs. Being an export-oriented economy with a strong manufacturing base, Germany reacts particularly sensitively to disruptions to global trade. The development of energy prices particularly affects energy-intensive sectors such as the paper industry. With its focus on energy-efficient, resource-saving technologies, Voith meets such sectors' requirements and considers itself to be well positioned in the competitive environment.

In the context of the war in Ukraine, the EU imposed economic sanctions against the aggressor, Russia, which have already started to impact parts of Voith's business. If the escalation of other geopolitical conflicts entail sanctions against further countries that affect Voith's business segments, this might impact Voith's earnings position.

Even if interest rates around the world have leveled off, they are, in most countries, still appreciably higher than central bank targets and there is great uncertainty about the further trajectory of inflation. Persistent inflation is cutting into real incomes and weighing on consumer demand. It constitutes a challenge that requires central banks around the world to act sensitively: Excessive countermeasures could protract the current economic slump; insufficient tightening of monetary policy would lead to inflation becoming entrenched, which would require even stronger interest rate hikes with the corresponding discouragement of investment.

For China, a comparatively high growth rate is expected (IMF forecast for 2024 and 2025: +4.2% and 4.1%, respectively). On account of China's large contribution to the forecast global economic growth, any intensification of the Chinese real estate crisis will constitute a further risk to the global economy as a whole. China's development falling below planning levels would, in all probability, also directly impact Voith's business. In the reporting year, more than 15% of our Group sales originate in China.

The European Union is currently not developing as well as the global economy or even the USA. Some factors involve the risk that Europe will continue to lose competitiveness over the medium term. These include the high energy prices in an international comparison, the demographic development and outstanding structural reforms. Europe's falling behind would also directly impact Voith's business. In the reporting year, more than 40% of our Group sales stemmed from Europe (including Germany).

### Market and competitive risks

Various market and competitive risks could have a negative impact on Voith's earnings position should they occur.

A high degree of uncertainty is generally detrimental to the investment climate. Decisions on the awarding of plant engineering contracts could be postponed.

If important sales markets for Voith were to collapse because of the economy cooling off appreciably more sharply than expected, this would have negative effects on Voith's earnings position. This relates primarily to markets and segments that react especially sensitively to economic developments, such as the truck market, mining or wear parts, spare parts and services for paper machines. Falling demand would make it more difficult to achieve the targets for orders received and sales.

For some time now, the Group Division Paper has been observing a rise in competitive and price pressure, especially in China. This pressure might increase more sharply than assumed in the planning, which could under certain circumstances have negative consequences for our earnings margin.

### Risks from Group strategy and coordination

Despite the exceedingly challenging economic environment and the overlapping crises seen over the past three fiscal years, we have continued to consistently pursue our Group strategy described in section I.3. of this Group management report. This strategy involves massive forward-looking investments into the ongoing development of our Company, into research and development, business acquisitions and training. In the past three fiscal years alone, we have invested more than €600 million in in-house development of innovations and just under €300 million in company acquisitions. The megatrends of decarbonization and digitalization point the way not only for the expansion of our product portfolio in the existing core business but also for opening up new business segments and markets. We believe that this alignment provides us with decisive competitive advantages and opens up growth potential. As is always the case with such major transformation processes, there is the general risk of the strategic changes not being implemented within the planned time period or not leading to the desired outcome. We are aware of this risk as well as of the associated opportunities. The alignment of our business model to industrial sustainability and the ongoing strategic and technological development of the Voith range of products enjoy the utmost attention from the Corporate Board of Management, which is reflected among other things in the “Innovation & Technology” portfolio that is organized at this level.

### Human resources risks

One of the central challenges for Voith is the ability to recruit a sufficient number of qualified employees and retain them within the Company, specifically in light of the progressing demographic change and the associated shortage of labor worldwide. The corporate targets will be noticeably jeopardized if qualitative and quantitative bottlenecks in the availability of staff occur. In this respect, we compete with other international players. With regard to personnel marketing, we are building on the strong Voith brand and are constantly taking new directions in the context of staff recruitment and retention. Competitive compensation schemes, a family-friendly HR policy and flexible working models along with international career development prospects enable us to offer an attractive work environment. Through a wide range of training and development programs as well as a culture of lifelong learning, we make it possible for the people employed at Voith to continually improve their qualifications in order to meet

Further information can be found in section I.6. **Employees**.

the demands of a constantly changing working world. By doing so, we also contribute to ensuring the transfer of knowledge from one generation to the next.

### Technology risks

For a technology group such as Voith, the technological shift and the Group's own technology strategy constitute a central risk area. The future profitability of the Company hinges on its ability to develop marketable products and services and to use state-of-the-art production technologies and service processes. Our earnings position could be negatively impacted by investments in technology that do not work out as planned or fail to find the level of market acceptance expected or that are overtaken by new disruptive technologies.

Information on our innovation strategy can be found in section I.4. **Research and development.**

Voith invests large sums of money in further improving and refining existing technologies, and in researching and developing new products, systems and services. The strengthening of our market orientation and our innovative drive is a declared objective in the advancing our corporate culture. Our aim is to identify disruptive technologies at an early stage, get involved in them from the very beginning and take an active role in shaping the future of our markets. In order to make optimum use of its R&D resources, Voith employs tried-and-tested management methods. For instance, agile management following the lean start-up principle is applied to the strategic workstreams, and new R&D projects are managed as "advanced development projects". Both approaches contribute to the optimum deployment of R&D resources because ongoing reflection and the targeted building up of expertise at the relevant places makes it possible to identify unfavorable developments and introduce countermeasures at an early stage. This avoids high amounts of unprofitable investments or quality costs.

### IT risks

In the area of IT risks, we monitor risks arising from the IT infrastructure and information security risks. The latter relate not only to Voith's own business operations but also to products and solutions developed for customers.

Our successful business activities are underpinned by state-of-the-art and secure information technology. For this reason, we have our own central IT function within the Group that safeguards reliable information processing on an ongoing basis. The IT specialists in this function manage the entire IT infrastructure for the Group and the specific application systems used by each Group Division. We employ a hybrid IT infrastructure: One part of our systems, applications and data is hosted in in-house computer centers, another part is kept in a cloud.

Our information security management is based on the international standard ISO/IEC 27001, and thus meets the most stringent standards. Important IT services have been certified under this standard.

Our primary objective regarding the management of IT risks is to ensure the availability, confidentiality and integrity of our IT infrastructure and IT applications, and data used. Outages of basic systems owing to technical faults, attacks or force majeure would result in business processes being massively disrupted or coming to a complete standstill. In order to prevent such business interruptions, we have built redundancy capacity into the core systems of our IT landscape at two computer centers. At the application level, we address not only the risk of outages but also the risk of defective software and the risk of attacks by third parties, such as those involving ransomware. Applications are consistently implemented with the “security by design” and “privacy by design” approach, which means that security and data protection requirements are already taken into consideration at the development phase in order to prevent later security vulnerabilities and data protection issues. In addition, there are dedicated vulnerability tests and simulated hacks. We intensified our security testing over the reporting year.

In order to maintain the confidentiality of our data, these must be categorized by each and every employee according to the confidentiality levels defined in a Group directive. Depending on the respective level of confidentiality, we have auxiliary IT tools such as encryption technology, which we use to securely store and transfer data. This also ensures that our intellectual property is protected to the fullest extent possible. In addition to these technical measures, we train and inform our employees about how to securely handle confidential data by means of e-learning programs and awareness campaigns.

As early as at the beginning of the Covid-19 pandemic, we succeeded in aligning the global IT infrastructure to a large share of mobile working. A fast, stable IT infrastructure, in addition to data and system security, safeguarded ongoing business operations and unhindered communications even in times of limited personal contact. In the meantime, mobile working has been implemented as standard. In this respect, state-of-the-art authentication methods are deployed in order to ensure data security even with mobile working.

Cyber attacks by criminal groups, state-sponsored actors or politically motivated activists, potentially with serious or even very serious effects on business operations, are a growing threat for companies. At Voith, we put a great deal of effort into addressing this risk. In the 2022/23 fiscal year, we further expanded our protective measures against cyber attacks. For instance, our internal experts have undergone further development in this field and we have strengthened our team with outside specialists. The first tangible result of our intensified efforts in this area: We have further improved the Company’s ability to respond and the associated reporting system with regard to cyber events. Over the 2023/24 fiscal year, we firstly intend to refine the business continuity capabilities in the field of IT and to prepare the Company in the best possible way for potential attacks – we launched a project to this end in the reporting year; secondly, we have plans to further expand our capabilities to prevent and detect as well as respond to cyber attacks.

The cybersecurity of our products and solutions for customers is also of importance to us. The machinery, plants, systems and components in our product portfolio contain digital components that are exposed to cyber threats through increasing interconnectivity. Governments, our customers and business partners all around the world are facing the task of managing the digital transformation and are demanding cybersecurity concepts for software-based components and solutions over the entire product life cycle. If Voith were not in a position to meet the regulatory, statutory and customer requirements relating to the cybersecurity of its products, there would be a risk, in addition to liability risks, of not being considered in calls for tender.

We have recently appreciably expanded our cybersecurity management for the development of digital products and solutions. Since 2022, our processes for the secure development of digital products have been certified on the basis of the internationally recognized standard IEC 62443-4-1. One important component of this standard is a risk-based approach. Accordingly, a threat analysis and a risk assessment are performed for each product which are used to determine product-related security requirements that are then fulfilled by appropriate measures. The introduction of product cybersecurity in our General Terms and Conditions of Purchase also safeguards cybersecurity through the supply chain. With the IEC 62443-4-1 standard, we meet the highest quality and security standards and consider ourselves to be in a good position. Going forward, it is imperative to address the most recent developments and to adapt the product development processes to the resulting requirements.

With a view to reducing the complexity in our IT application landscape, we are currently working towards introducing a Group-wide ERP (enterprise resource planning) system that maps a large number of business processes on a standardized platform. This is a complex multiyear project that involves risk during the implementation phase. Apart from this, there are currently no specific IT risks.

## III.3.2. Financial risks

Voith's diversified financing structure is designed to safeguard long-term stability. By virtue of the ability to access borrowed capital from unused lines of credit, Voith is currently not exposed to any concrete liquidity risks and has sufficient liquidity reserves at its disposal to be able to meet all payment obligations at all times. In 2023, Voith extended its bilaterally confirmed credit lines by a year in each case, thus maintaining the previous year's high level of precaution against increased liquidity requirements with unchanged maturity. Most of these facilities are still available for utilization. Likewise, Voith extended the maturity of its syndicated EUR loan from October 2022 by one year until 2028, as scheduled.

As a company with global operations, Voith remains exposed to the risk of fluctuating exchange rates, which could have a negative impact on the business position, net assets, financial position and earnings position. To contain risks arising from cash flows in different currencies (mainly the US dollar but also currencies such as the Chinese renminbi (yuan), Brazilian real or Indian rupee), there are consistent currency management procedures in place throughout the Group. All Group companies are required to hedge foreign currency items whenever these occur. Revaluation of the euro against various other currencies could have negative effects on sales and net result due to currency translation of the financial statements prepared in foreign currency. This could further have an impact on our competitive position as competitors could benefit from cost advantages in weaker currencies. Moreover, interest rate risks are hedged using suitable instruments in order to maintain interest and financing security in the long term. To this end, interest rate swaps were entered into in the 2021/22 fiscal year in such a way that just over 80% of our financing instruments with maturities of more than one year are not subject to any interest rate risks.

To hedge existing transactions such as future cash flows in different currencies or floating-rate financing, Voith uses a variety of derivative financial instruments, in particular forward exchange contracts to manage currency risks, and interest rate swaps to manage interest rate risks. The instruments used and the hedging strategies are formally designated and documented at the inception of the hedge in line with the Company's risk management objective. The risks are constantly monitored and, if necessary, the hedging instruments are adjusted.

To guard against political and economic risks associated with goods and services provided by the Group Divisions, the Group buys commensurate insurance from government export credit insurance agencies, from the private-sector insurance market and from banks. The Group also maintains adequate cash reserves to cover all other operating risks.

Counterparty risks with financial partners are monitored constantly. For more information, please refer to the notes to the consolidated financial statements. The related reporting as well as reporting on financial instruments (Sec. 315 (2) No. 1 German Commercial Code (HGB)) is provided there in the section "Other notes".

Adequate provisions have been recognized and contingent liabilities have been disclosed in the notes to cover the potential financial burden of tax risks. Neither Voith GmbH & Co. KGaA nor any of its Group companies are involved in any current or foreseeable taxation proceedings that could have a material effect on their economic situation.

There are no indications of particular liquidity or financial risks.

## III.3.3. Operating risks

In the "operating risks" risk category, we monitor process, infrastructure and production risks.

### Procurement risks

The most important operating risks currently stem from the area of procurement. Collaboration with suppliers in the global procurement markets generally involves risks with regard to potential supply disruptions, unforeseen cost increases and non-compliance with environmental and social standards. To secure our supplies, we have embedded effective measures in the relevant purchasing processes – supplier selection, order processing and delivery date tracking. In addition, we have a multiple source policy in place in order to circumvent the risks of supply outages and supplier insolvency at a global level. Despite this general line, there is in some cases only one procurement source that we can utilize. One reason for this might be the supplier being prescribed or pre-specified by the customer. In some cases, there is also no second supplier for technological reasons. In order to keep unplanned cost increases to a minimum, we additionally used master agreements and long-term price agreements in contracts with significant procurement volumes once again in the 2022/23 fiscal year. We have integrated compliance with current national environmental and social standards in our General Terms and Conditions of Purchase.

Our attention is currently focused on the massively increased price level of energy, raw material, other materials and components. Higher than expected inflation rates might cause our costs to rise more sharply than assumed in the budgeting. If we were not able to pass on the rising material and transport costs completely to our customers as part of our order origination process, this would weaken our profitability. If, in the case of contracts already concluded, the costs were to rise more strongly than assumed in the price calculation, the calculated margin of individual orders would not be attained – a risk that relates most notably to the large plant business with long project times, particularly in the Group Division Hydro.

In the current environment with high inflation rates, we strive to keep our cost increases as low as possible. We closely and promptly monitor and analyze the development of global prices for the materials required in our production. In order to implement prices that are as close to the market as possible, we are also reviewing in a targeted manner new suppliers who compete with existing purchasing sources. In this context, best-country strategies are employed, i.e., we do not just look for the lowest price offered, but apply the principle of total cost consideration that also takes into account factors like quality standards, logistics costs and delivery times as well as the legal framework. In the event of falling raw materials prices, as could be observed in some areas over the reporting year, we enter into renegotiations with our suppliers to benefit from this development. Some supplier agreements also contain price escalator clauses that bring about automatic adjustments.

With regard to energy prices: These primarily have an indirect impact on Voith due to the energy costs contained in the product costs of our purchasing volume. In contrast, Voith's own energy and electricity needs are comparatively small. Specifically in Germany, where the energy prices are especially high in an international comparison, we have secured our needs for the 2023/24 fiscal year by using forward contracts. The forward contracts constitute an effective measure to limit this risk.

However, we are able to counter worldwide inflationary trends only to a limited extent with procurement strategies. When concluding new contracts, we consequently ensure that our price calculation is as forward-looking as possible and the contractual arrangement addresses the risk of price increases. In the case of contracts that have already been concluded, we perform new calculations and, in some cases, we enter into renegotiations with our customers.

Global supply chains have to a great extent normalized with the gradual end to the Covid-19 pandemic and in particular the ending of the zero-Covid policy in China. Supply sources and transport routes that became unavailable due to the war in Ukraine have largely been replaced. In this respect, the risk of the lack of availability of raw materials and intermediate products required for manufacturing has decreased on the previous year. And the scenario of energy shortages, and specifically insufficient volumes of gas in Europe deemed realistic at the beginning of the 2022/23 fiscal year, is deemed to be rather unlikely from today's perspective. A new round of supply chain problems are, however, conceivable in the event of a further escalation of the war in Ukraine, the Middle East conflict or other geopolitical disputes. Should materials that are required in our production or directly on our construction sites be temporarily unavailable, our deliveries or commissioning work would have to be postponed, which could delay revenue recognition or lead to considerable contractual penalties.

To counter the massive supply chain issues seen in recent years, we have diversified and, where possible also localized, our procurement sources. As part of intensified risk management, we have additionally developed various tools and processes. Not least, we have introduced strict date-tracking at our suppliers. We, therefore, consider ourselves to be in a good starting position to identify at an early stage any disruptions that might occur in the supply chains and counter them with flexible alternative solutions.

### Environmental and health risks

The business activities of an industrial company generally give rise to risks for people and the environment. Such risks occurring could also result in damages being filed and a loss of reputation. Industrial safety as well as compliance with environmental legislation and corporate policies is a top priority for us. All production processes are subject to the Group directives on health, safety and environmental protection and on quality and risk management. Integrated management systems monitor compliance with these directives and ensure that both production and products consistently meet the same high quality and environmental standards. Environmental risks can thus be identified at an early stage and appropriate countermeasures initiated. Insurance policies have been taken out or adequate provisions have been recognized for any residual risks. In this respect, we consider environmental and health risks arising from Voith's business activities to be well under control with regard to probability of occurrence and amount of potential damage in particular.

## III.3.4. Risks to performance

Long-term contracts, especially for major projects, form a key component of our plant engineering business at the Group Divisions Hydro and Paper. Such contracts are associated with a host of significant risks and we attach great importance to managing these. These firstly include contractual penalties and claims for damages through to withholding of payments and contract terminations arising from unexpected technical problems or unforeseeable developments at the project locations or failure to meet specified deadlines. Secondly, cost overruns or reduction of productivity within the scope of fixed price contracts may lead to a fall in earnings margins. Contracts with price escalator clauses partially minimize this risk; there remains a residual risk if the underlying indices do not fully reflect the price fluctuations. Project management and controlling, as it has been implemented, continuously reviews whether the projects are indeed performing in line with the plans. Any deviations are addressed at an early stage and any risk allowances necessary are recognized. Liability and property insurance in line with standard industry practice is taken out to cover potential losses and/or liability risks. Appropriate provisions are recognized for special risks arising from existing contracts if these risks can be reliably quantified.

As part of our regular internal reporting on performance risks, we monitor the maximum risk potential associated with specific risk positions as well as the risk potential deemed to be realistic after careful assessment. The maximum risk potential is considered in the light of whether they constitute risks jeopardizing the Group's ability to continue as a going concern. There were no risks to the Group's ability to continue as a going concern at the reporting date. The realistic risk potential is considered for profit planning purposes and in order to assess the need to recognize provisions in the balance sheet.

As at the reporting date, provisions and allowances totaling €255 million (previous year: €316 million) were recognized in the balance sheet for significant performance risks (maximum risk: €508 million; previous year: €462 million).

## III.3.5. Compliance risks

At Voith, we base all our actions on trust and integrity. We require each and every employee to comply with the applicable laws and our own internal guidelines (compliance). This applies to all levels of hierarchy throughout the Group. Voith's Code of Conduct contains rules that govern conduct towards third parties such as business partners, competitors, political parties and authorities as well as between employees within the Company. Non-compliant behavior, or even illegal acts committed by employees – for example cartel infringements, corruption, economic crime, money laundering or manipulation of financial reporting – can be damaging to our reputation and can lead to sanctions, penalties and ultimately to a fall in earnings. Even compliance infringements on the part of business partners can likewise have negative consequences. For this reason, we place great value on a well-functioning compliance management. Compliance with these principles is monitored by the Group's Compliance Committee, whose chair reports directly to the Corporate Board of Management, and by the compliance officers in the Group Divisions and in each Group company. All employees are required to report any infringement of the Voith Code of Conduct. Our whistleblower system is also accessible to people outside the Company. In addition, we perform random internal compliance reviews in all areas, but especially anywhere potential corruption risks have been identified within the scope of the risk management process. Infringements are consistently met with sanctions. To avoid compliance infringements on the part of third parties, corresponding regulations are enshrined in our general terms and conditions and are also a constituent part of other contractual arrangements. We perform a compliance due diligence check on important suppliers before our cooperation starts.

In the 2021/22 fiscal year, Voith Hydro entered into a settlement agreement with the World Bank on bringing to a conclusion proceedings against two companies in the Group Division Voith Hydro, Voith Hydro Shanghai Ltd. and Voith Hydro GmbH & Co. KG, that had been running since 2018 and were already addressed in the consolidated financial statements in past years. The settlement agreement includes, among other things, the temporary debarment of the two named Voith Hydro subsidiaries from projects financed by the World Bank; the corresponding debarment of Voith Hydro GmbH & Co. KG ended on July 12, 2023. Within the scope of the settlement, Voith Hydro is fully cooperating with the World Bank and is currently collaborating with an external expert to revise the existing compliance management system, which is also being coordinated with the World Bank.

### III.3.6. Overall risk

To the best of our knowledge, there are no risks which, either individually or collectively, could jeopardize the ability of the Voith Group to continue as a going concern. Of all the risks facing the Voith Group, external risks could have the strongest negative impact on business development. At the end of the 2022/23 fiscal year, the overall risk potential is at a comparable level to that prevailing as at September 30 of the previous year. We are convinced that, in light of our strong diversification, the established market position in all three Group Divisions, our financial strength and the instruments used to control risks, our Group is able to bear the risks associated with our business activities.

## III.4. Opportunities

In the following, we describe significant opportunities that could have a positive impact on our business position, net assets, financial position and earnings position, and lead to forecasts or targets being exceeded. The order of the opportunities presented below reflects how we currently estimate the importance of these opportunities for the Voith Group. Unless stated otherwise, the following opportunities relate to all the Group Divisions.

#### Growing our service business

Part of our strategy consists in expanding the service business and increasing its share of sales. In the light of the uncertain economic and global political climate, investment in new equipment and machines was postponed in several industries. With respect to the extended service life of existing equipment, customers are increasingly tending to make more intensive use of our range of services, such as maintenance, performance-enhancing components and spare parts. This offers opportunities in all Group Divisions for our service activities, which might grow more strongly than currently anticipated.

#### Expansion of our portfolio with product innovations

We are constantly working on developing new technologies, products and solutions as well as improving existing ones. We again launched numerous new products in the market for all Group Divisions in the reporting year. In the best-case scenario, this will not only allow us to secure our market position but also to generate sales and to gain market share that has not yet been integrated in our business plan, especially if innovations are recognized as value-adding by our customers much faster than currently assumed. We see opportunities particularly in products aimed at climate neutrality and resource efficiency, such as products for sustainable paper production or for sustainable passenger and goods transport, such as electrical drives. Over and above this, we see, as part of the progressing digitalization of many segments, growth potential for Voith with new digital solutions relating to the Industrial Internet of Things.

### Growth through acquisitions

Alongside organic growth, we also strive for growth through business acquisitions and equity investments. Potential acquisition targets are profitable businesses with viable technology and above-average potential for growth, that complement our business in the existing markets or expand it with new activities. We use structured M&A processes to continually screen potential target companies for their suitability. Even in the short term, acquisitions offer opportunities for additional earnings not provided for in the business plan; in the mid-term they can help improve our position in existing markets or open up promising new industries for Voith. In addition, acquisitions may offer potential synergies.

### New sales markets for existing products and services

As well as expanding our portfolio of offerings, we also evaluate market opportunities for our existing products and services in all of our Group Divisions in those regions where they have been underrepresented to date or have no presence at all. Africa, for instance, offers great potential, especially for the Group Divisions Hydro and Turbo. As the markets there are proving to be volatile and difficult to predict, however, we have made conservative assumptions in this respect for our business planning. Similarly, additional opportunities, that are not currently reflected in the budgeting, may well arise in China, especially in the rail market and the commercial vehicles market.

We also seek to transfer our already successful products to new fields of application or sales areas. Another approach that offers new growth opportunities especially for the Group Division Turbo consists of more intense marketing of complete systems. This means that various components, some of which can also be purchased from subcontractors, are combined in one system with an optimized setup. The resulting additional sales potential has not yet been integrated in our business plan.

### Expectations on volume awarded in the hydropower market exceeded

On account of the scale of many hydropower projects, the annual volume awarded on the market is exposed to volatile fluctuations. In the event that some of the major projects currently on hold are awarded in the 2023/24 fiscal year, this would lead to an unexpected upward spike and improve the Group Division Hydro's order situation.

### Opportunities associated with the global economy

If the economic environment in important sales regions proves to be better over the short to medium term than currently assumed, it is likely to have a positive impact on Voith's business position, net assets, financial position and earnings position. Upside potential for global economic development might come to fruition, for example, if inflation could be brought down more quickly than currently assumed, or if it were possible to bring about an unexpected solution to existing geopolitical or trade conflicts. Global economic developments which exceed current expectations would benefit all Group Divisions, albeit with different degrees of delay. However, the economic risks currently predominate so that the probability of this occurring should be seen as rather slight.

### Other opportunities

Specifically in the Group Division Hydro, unexpected receipts of payments on impaired receivables might give rise to positive effects on results.

# IV. Forecast report

## IV.1. Business environment

### Economic environment remains sluggish

At the beginning of the 2023/24 fiscal year, the global economy remains in a downturn and is confronted by major challenges. These include, firstly, geopolitical conflicts, particularly the war in Ukraine and the new flare-up of hostilities in the Middle East and an increasing geoeconomic fragmentation of the world. Secondly, cyclical factors are placing a burden on global economic development, in particular the exceptionally high inflation rates prevailing in most countries and the associated restrictive monetary policy by central banks.

Global economic growth is expected to remain slow over the coming two years. For example, in its most recent release from October 2023, the IMF sees world economic growth of 3.0% in 2023, followed by global growth rates of 2.9% (2024) and 3.2% (2025).

In every one of the major advanced economies, growth rates of significantly under 2% are expected in 2024. In this context, the US gross domestic product (IMF forecast 2024: 1.5%) is expected to increase at a minimally higher rate than the euro area (1.2%) before the growth rates converge in 2025 at only a slightly higher level (1.8%). According to forecasts, the German economy will return to positive territory after a year of recession in 2023, but will only grow by 0.9% in 2024. For 2025, the forecast is more optimistic with growth of 2.0%.

Growth in the emerging markets is being driven by Asia. IMF forecasts state that China will raise its gross domestic product in 2024 and 2025 by more than 4%, but will remain however a long way away from the high growth rates seen before the Covid-19 pandemic due to the crisis in the real estate sector. India is forecast to grow more than 6% in those two years, but at a lower level in absolute terms than China. For the ASEAN-5 countries, growth rates of 4.5% are forecast. In South America, the development is expected to be less dynamic. The large Brazilian market is projected to return below-average growth within this region of only 1.5% and 1.9%, respectively.

The IMF forecasts the following growth rates in 2024 and 2025 for the regions and countries most important to Voith:

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

| | | |
|---|---|---|
| **World output** | 2024 | 2.9% |
| | **2025** | **3.2%** |
| **Advanced economies** | 2024 | 1.4% |
| | **2025** | **1.8%** |
| USA | 2024 | 1.5% |
| | **2025** | **1.8%** |
| Euro area[2] | 2024 | 1.2% |
| | **2025** | **1.8%** |
| Germany | 2024 | 0.9% |
| | **2025** | **2.0%** |
| **Emerging market and developing economies** | 2024 | 4.0% |
| | **2025** | **4.1%** |
| China | 2024 | 4.2% |
| | **2025** | **4.1%** |
| ASEAN-5[3] | 2024 | 4.5% |
| | **2025** | **4.5%** |
| India | 2024 | 6.3% |
| | **2025** | **6.3%** |
| Brazil | 2024 | 1.5% |
| | **2025** | **1.9%** |

Source: International Monetary Fund (IMF); World Economic Outlook, October 2023.
[1] Forecasts.
[2] Including Germany.
[3] Indonesia, Malaysia, Philippines, Singapore, Thailand

The material risks to global economic development can be found in section III.3. **Risks**.

All in all, the economic environment remains volatile. The already subdued forecasts are, according to the IMF's own statements, subject to great uncertainty with the balance of risks currently tilted to the downside. These risks include, most of all, a new round of shocks in energy, raw materials and food prices or other market turbulence caused by geopolitical conflicts, a phase of high inflation rates lasting longer than expected and an intensification of the real estate crisis in China with repercussions for the global economy.

## Divergent developments in the Voith markets

Over Voith's 2023/24 fiscal year, the mechanical and plant engineering industry will probably continue to be faced by a subdued investment climate weighing on the order situation due to the low level of global economic growth and the great uncertainty. The German mechanical and plant engineering industry is also expecting a further decline, after adjusting for inflation, with regard to production.

The five Voith markets are expected to see heterogeneous developments in the 2023/24 fiscal year. We anticipate that the raw materials and paper machine markets will cool off. The oil & gas and energy markets should benefit from the ongoing high prices on these markets, but they will probably be marked by a great degree of volatility again in the 2023/24 fiscal year. Important segments of the transport & automotive market will, in our assessment, see a positive trajectory.

The medium- to long-term growth trajectory of the energy market is characterized by rising global needs, which necessitate increasing investments in the creation of additional power generation capacities. In this context, there is a transition to low-emission electricity generation underway around the world, also supported by government regulation and subsidy programs in many countries, such as the Inflation Reduction Act, which came into force in the USA in 2023. Alongside climate change, one of the drivers behind this development is Europe's aspiration towards energy independence and security. Even though most of the additional output is expected to come from photovoltaics and wind energy, hydropower will also play a major role in the energy mix, expanding with new-build and modernization projects. A considerable portion of this growth will be attributable to pumped storage power plants, which can be used to ensure grid stability and supply reliability. Over the short term, the volume of contracts awarded in the hydropower market may be exposed to volatile fluctuations from year to year that are difficult to predict. In the field of conventional energies, growth is expected most of all with nuclear electricity generation. In the future, in particular what are known as "small modular reactors" are hoped to open up new areas of deployment in this field.

The oil & gas market will most probably continue to be characterized by volatility. After oil and gas prices started to rise towards the end of the reporting year, industry analysts expect that specifically the price of oil over the 2023/24 fiscal year overall is likely to be up on the previous-year level in light of the production cuts by the OPEC+ countries. The good earnings positions of oil and gas producers in 2022 and 2023 is increasing the leeway for investment over the short term. On the other hand, global efforts to reduce fossil energies with a view to limiting $CO_2$ emissions is slightly dampening the sector's willingness to invest.

In the light of the low economic dynamics, the investment climate in the paper market will continue to cool. Investments in new lines and rebuilds will, in all probability, continue to fall over the 2023/24 fiscal year in view of existing excess capacities. Assuming that global paper production will, at best, increase only slightly, we reckon with minor growth in demand for wear parts, spare parts and services. The focus of investment activities over the coming years will be on board and packaging due to the long-term market trends. Over the short term, however, market activities will also remain at a low level in this segment, as we see mostly rebuilds under efficiency and sustainability considerations in the 2023/24 fiscal year rather than investments to increase capacity.

For the raw materials market, we anticipate a slight cooling in the 2023/24 fiscal year. According to forecasts by industry analysts, the prices of metals and minerals will fall slightly once again in 2024, with coal seeing an appreciable decrease. Investments by the mining industry are likely to decline slightly in light of the low level of global economic growth and high interest rates. Over the medium and long term, it can be assumed that global efforts to achieve climate neutrality will cause demand for critical hard rock minerals, such as copper, cobalt and lithium, to rise sharply. The corresponding market potential is becoming increasingly apparent from the constant rise in exploration activities in the hard rock mining sector.

We are fundamentally optimistic about the segments of the transport & automotive market that are most important for Voith. For the commercial vehicles segment, we anticipate slight growth in the 2023/24 fiscal year. In the truck market, development is closely tied to the economic development in the most important regions. For instance, stimulus for growth on the Chinese market is expected from the further recovery from the far-reaching uncertainties during the Covid lockdowns. The transition to alternative drive technologies for city buses is the driving force on the bus market. The global rail market will in all probability continue to expand over the coming years. In this respect, rail is benefiting from the global climate protection efforts and the trend towards urbanization. In India, there are signs of significant growth from a sharp rise in government investment in vehicle procurement. Additional opportunities stem from the digitalization and harmonization of European railroad systems. In the marine segment, we anticipate increasing demand. Central growth drivers in the market segments relevant to Voith Turbo are the expansion of offshore wind energy facilities and the rise in security expenditure by many countries in the wake of rising international tensions. We expect the markets for agricultural machinery and construction equipment not to start recovering until the second half of 2024.

## IV.2. Future development of the Voith Group

Over the last four years, which were marked by an exceedingly challenging economic environment, Voith demonstrated the resilience of its business model and its organization. We made a conscious decision to continue investing even in times of crisis: in research and development, business acquisitions, training and in the ongoing strategic and organizational development of our Company. By doing so, Voith has put itself into a good starting position to generate sustainable and profitable growth in the future. Our strategic focus on sustainable technologies will continue to point the way not only for the further development of our current core business but also for investments in new business segments and markets over the coming years. This involves a great deal of commitment to research and development and targeted business acquisitions going forward. Over and above this, we have resolved to further improve the Company's profitability and financial strength.

Our Group forecasts for the four key financial performance indicators in the 2023/24 fiscal year are as follows:

| **Voith Group** | **2022/23** in € millions | **2023/24** Forecast |
|---|---|---|
| Orders received | 6,139 | Perceptible decline |
| Sales | 5,506 | Slight decline |
| EBIT | 245 | Slight increase |
| ROCE | 12.1 % | Slight improvement |

We assume that the level of orders received by the Voith Group will remain at a high level in the 2023/24 fiscal year. Compared with the exceptionally good figure seen in the reporting year stemming from the increase in the volume in a hydropower project, it will probably fall perceptibly. The decisive factor in this development is the Group Division Hydro, while we expect a stable volume of orders received for the Group Divisions Paper and Turbo. Should the contract for a major hydropower project in Angola described in sections II.3.2 and II.4.1 be finalized in the 2023/24 fiscal year, our volume of orders received would be appreciably higher than provided for in the budgeting and likely to reach the level seen in the good reporting year. With regard to Group sales, we anticipate a slight decline on the high value of the reporting year due to the declines in the Group Divisions Hydro and Paper. In all Group Divisions, we expect growth stimulus to come from the service business. We intend to further improve our profitability. Over the last few years, we have worked very hard on optimizing our structures and processes. The efficiency gains brought about by this are now becoming increasingly apparent. The opposite effect came from increases, considerable in some cases, in the costs of materials, personnel and energy. For the 2023/24 fiscal year, our business planning provides for a slight increase in EBIT despite the expected decline in sales. All three Group Divisions are expected to contribute to this improvement in earnings. In line with the development of the operating result, our planning also sees ROCE improving.

All forecasts are stated before taking account of currency effects and the effect of any new M&A activities.

Our forecasts for the Group Division Hydro are as follows:

| Group Division Hydro | 2022/23 in € millions | 2023/24 Forecast |
|---|---|---|
| Orders received | 1,915 | Significant decline |
| Sales | 1,189 | Perceptible decline |
| EBIT | 6 | Slight increase |
| ROCE | 2.9% | Slight improvement |

Investment in the hydropower market is likely to remain dominated by pumped storage power plants as facilities for stabilizing grids, especially in China. However, the majority of Chinese pumped storage projects are being implemented by Chinese competitors due to political constraints, which make it difficult for Voith to tender. Alongside the pumped storage sector, we have identified potential most of all in modernization projects and in the service business. We based our business planning for the 2023/24 fiscal year on the assumption that the global volume of contracts awarded in the hydropower market relevant to Voith will remain roughly at the level of the reporting year. For Voith Hydro, we expect orders received to decrease back to the level of previous years after the exceptionally good reporting-year figure marked by the increase in the volume in an ongoing project. Should the contract for a major project in Angola described in sections II.3.2 and II.4.1 be finalized in the 2023/24 fiscal year, our volume of orders received would be appreciably higher than provided for in the budgeting and likely to reach the level seen in the good reporting year. With regard to sales, there is likely to be a perceptible decline in the

2023/24 fiscal year despite the high level of orders on hand at the end of the reporting year because a project in Eastern Europe was terminated as a consequence of the war in Ukraine. For EBIT and ROCE, our business planning provides for a slight improvement. Both key figures are, however, expected to be below the Group's average in the 2023/24 fiscal year.

For the Group Division Paper we forecast the following developments:

| **Group Division Paper** | **2022/23** in € millions | **2023/24** Forecast |
|---|---|---|
| Orders received | 2,097 | Stable development |
| Sales | 2,239 | Slight decline |
| EBIT | 145 | Slight increase |
| ROCE | 25.4% | Slight improvement |

We assume that the cooling of the paper machine market will continue in the 2023/24 fiscal year. With the expected slight increase in paper production, demand for wear parts and services should, on the other hand, pick up slightly. Thanks to our good market position and our expertise in resource-saving, low-emission paper production, we expect Voith Paper to once again achieve a volume of orders received similar to the good level seen in the reporting year in the 2023/24 fiscal year. Digital solutions, wear parts, spare parts and services are expected to have an increasing share in this development. For the Group Division's sales, our business planning provides for a slight decline as a consequence of the fall in orders received in the reporting year. Despite the forecast decrease in volume, we intend to achieve a slight increase in EBIT and, in doing so, bring about a slight improvement in ROCE starting from the current high level.

Our forecasts for the Group Division Turbo are as follows:

| **Group Division Turbo** | **2022/23** in € millions | **2023/24** Forecast |
|---|---|---|
| Orders received | 2,048 | Stable development |
| Sales | 1,994 | Stable development |
| EBIT | 80 | Perceptible increase |
| ROCE | 7.8% | Slight improvement |

The environment in which the Group Division Turbo operates is likely to remain volatile. For the 2023/24 fiscal year, we expect a stable development in orders received at an ongoing high level. We identify growth stimulus as coming from the service business in particular. In the light of the high volume of orders on hand as at September 30, 2023, we expect to be able to maintain sales in the 2023/24 fiscal year at the high level of the reporting year. We intend to further improve our profitability. In particular, successful implementation of our ongoing efficiency programs is intended to make a contribution to this development. Increases in the costs of materials and personnel will have the opposite effect. From today's perspective, we forecast a perceptible increase in EBIT. ROCE is expected to improve slightly.

There are currently considerable uncertainty factors that make it difficult to provide a reliable outlook. The above forecast report shows the Voith Corporate Board of Management's perspective on the future course of business and reflects the state of knowledge at the time of reporting. The actual development may deviate – positively or negativity – from these forecasts, with the downward factors currently predominating. Concerning the already known opportunities and risks to the forecast business development, we refer to section III. Risks and opportunities of this Group management report.

As a company, we see ourselves equipped in the best possible way for coming challenges. Thanks to its broad sectoral and geographical diversification, the established market position in all three Group Divisions as well as a sound balance sheet, Voith is extremely resilient. The Company has a product portfolio that is fit for the future, an efficient organization and an outstanding, dedicated workforce. We are in a good strategic position, and the reliable long-term access to capital provides us with the necessary entrepreneurial scope needed to make important investments for the future and to implement the decisions we deem suitable to enable us to continue along our path of sustainable profitable growth.

Heidenheim an der Brenz, November 29, 2023

The Board of Management of Voith Management GmbH

Dr. Toralf Haag

Stephanie Holdt

Dr. Stefan Kampmann

Andreas Endters

Dr. Tobias Keitel

Cornelius Weitzmann

# Consolidated Financial Statements

# Consolidated statement of income

## for the period from October 1, 2022 to September 30, 2023

| in € thousands | Note | 2022/23 | 2021/22 |
|---|---|---|---|
| Sales | (1) | 5,505,687 | 4,881,346 |
| Changes in inventories and other own work capitalized | (2) | 6,984 | 81,580 |
| **Total output** | | **5,512,671** | **4,962,926** |
| Other operating income | (3) | 358,328 | 482,820 |
| Cost of materials | (4) | -2,548,699 | -2,404,314 |
| Personnel expenses | (5) | -1,774,417 | -1,581,749 |
| Depreciation and amortization | | -201,983 | -179,968 |
| Impairment losses on trade receivables and contract assets, net | (14) | -44,040 | -15,403 |
| Other operating expenses | (6) | -1,120,368 | -1,128,793 |
| **Operational result** | | **181,492** | **135,519** |
| Share of profit/loss from companies accounted for using the equity method | | -693 | -3,622 |
| Interest income | (7) | 48,101 | 12,299 |
| Interest expenses | (7) | -72,344 | -49,006 |
| Other financial result | (7) | 10 | 21,164 |
| **Result before taxes** | | **156,566** | **116,354** |
| Income taxes | (8) | -83,910 | -86,704 |
| **Net result** | | **72,656** | **29,650** |
| · Net result attributable to shareholders of the parent company | | 72,625 | 19,190 |
| · Net result attributable to holders of non-controlling interests | | 31 | 10,460 |

# Consolidated statement of comprehensive income

## for the period from October 1, 2022 to September 30, 2023

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| **Net result** | **72,656** | **29,650** |
| Components of other comprehensive income that will not be recycled through profit or loss in later accounting periods: | | |
| Remeasurement of defined benefit plans | 12,505 | 262,736 |
| Taxes on components of other comprehensive income that will not be recycled through profit or loss in later accounting periods | 1,243 | -977 |
| Components of other comprehensive income that will be recycled through profit or loss in later accounting periods: | | |
| Gains/losses on financial assets and marketable securities | 746 | -3,075 |
| Gains/losses on cash flow hedges | 204 | 14,822 |
| Gains/losses on currency translation | -114,823 | 144,248 |
| Gains/losses on net investment in foreign operations | -2,935 | 12,345 |
| Taxes on components of other comprehensive income that will be recycled through profit or loss in later accounting periods | 211 | -7,216 |
| **Other comprehensive income** | **-102,849** | **422,883** |
| **Total comprehensive income** | **-30,193** | **452,533** |
| · Total comprehensive income attributable to shareholders of the parent company | -24,297 | 440,876 |
| · Total comprehensive income attributable to holders of non-controlling interests | -5,896 | 11,657 |
| | **-30,193** | **452,533** |

Further information can be found in section 19.

# Consolidated balance sheet

**as at September 30, 2023**

## Assets

| in € thousands | | Note | 2023-09-30 | 2022-09-30 |
|---|---|---|---|---|
| **A.** | **Non-current assets** | | | |
| I. | Intangible assets | (9) | 1,116,384 | 1,159,589 |
| II. | Property, plant and equipment | (10) | 1,059,758 | 1,081,034 |
| III. | Investments accounted for using the equity method | (11) | 43,857 | 43,583 |
| IV. | Securities | (16) | 10,509 | 10,985 |
| V. | Other financial assets | (16) | 168,866 | 184,581 |
| VI. | Other financial receivables | (15) | 72,989 | 73,224 |
| VII. | Other assets | (15) | 40,469 | 41,633 |
| VIII. | Deferred tax assets | (8) | 94,126 | 98,167 |
| **Total non-current assets** | | | **2,606,958** | **2,692,796** |
| **B.** | **Current assets** | | | |
| I. | Inventories | (12) | 829,690 | 878,631 |
| II. | Trade receivables | (13) | 870,175 | 882,037 |
| III. | Contract assets | (14) | 660,317 | 715,432 |
| IV. | Securities | (16) | 60,071 | 58,595 |
| V. | Current income tax assets | | 66,311 | 51,006 |
| VI. | Other financial receivables | (15) | 95,920 | 102,322 |
| VII. | Other assets | (15) | 126,032 | 153,538 |
| VIII. | Cash and cash equivalents | (17) | 412,842 | 411,892 |
| | | | **3,121,358** | **3,253,453** |
| IX. | Assets held for sale | (18) | 0 | 9,704 |
| **Total current assets** | | | **3,121,358** | **3,263,157** |
| **Total assets** | | | **5,728,316** | **5,955,953** |

## Equity and liabilities

| in € thousands | | Note | 2023-09-30 | 2022-09-30 |
|---|---|---|---|---|
| **A.** | **Equity** | | | |
| I. | Issued capital | | 120,000 | 120,000 |
| II. | Revenue reserves | | 1,231,278 | 1,178,451 |
| III. | Other reserves | | -124,362 | -13,782 |
| IV. | Profit participation rights | | 6,600 | 6,600 |
| **Equity attributable to shareholders of the parent company** | | | **1,233,516** | **1,291,269** |
| V. | Profit participation rights | | 96,800 | 96,800 |
| VI. | Other interests | | 36,506 | 48,011 |
| **Equity attributable to non-controlling interests** | | | **133,306** | **144,811** |
| **Total equity** | | (19) | **1,366,822** | **1,436,080** |
| **B.** | **Non-current liabilities** | | | |
| I. | Provisions for pensions and similar obligations | (20) | 525,263 | 545,223 |
| II. | Other provisions | (21) | 114,873 | 116,499 |
| III. | Income tax liabilities | | 1,600 | 313 |
| IV. | Bank loans and other interest-bearing liabilities | (22) | 833,537 | 839,009 |
| V. | Other financial liabilities | (24) | 27,050 | 38,421 |
| VI. | Other liabilities | (24) | 45,220 | 44,315 |
| VII. | Deferred tax liabilities | (8) | 84,715 | 98,501 |
| **Total non-current liabilities** | | | **1,632,258** | **1,682,281** |
| **C.** | **Current liabilities** | | | |
| I. | Provisions for pensions and similar obligations | (20) | 33,161 | 32,867 |
| II. | Other provisions | (21) | 339,530 | 325,425 |
| III. | Income tax liabilities | | 51,238 | 52,011 |
| IV. | Bank loans and other interest-bearing liabilities | (22) | 225,814 | 262,119 |
| V. | Trade payables | (23) | 651,637 | 729,446 |
| VI. | Contract liabilities | (14) | 989,943 | 1,008,444 |
| VII. | Other financial liabilities | (24) | 291,357 | 280,385 |
| VIII. | Other liabilities | (24) | 146,556 | 146,895 |
| **Total current liabilities** | | | **2,729,236** | **2,837,592** |
| **Total equity and liabilities** | | | **5,728,316** | **5,955,953** |

# Consolidated statement of changes in equity

| in € thousands | Equity attributable to shareholders of the parent company | | | | |
|---|---|---|---|---|---|
| | Issued capital | Revenue reserves | Financial assets and marketable securities | Cash flow hedges | Currency translation |
| **2022-10-01** | **120,000** | **1,178,451** | **-50,363** | **14,510** | **41,799** |
| Net result | | 72,625 | | | |
| Other comprehensive income | | 13,658 | 590 | 148 | -108,806 |
| **Total comprehensive income** | **0** | **86,283** | **590** | **148** | **-108,806** |
| Allocation of profit participation rights | | -5,590 | | | |
| Share of net result attributable to profit participation rights | | | | | |
| Dividends | | -20,000 | | | |
| Non-controlling interests – put options | | -6,503 | | | |
| Reclassifications | | | | | -20,477 |
| Other adjustments | | -1,363 | | | |
| **2023-09-30** | **120,000** | **1,231,278** | **-49,773** | **14,658** | **-87,484** |

| in € thousands | Equity attributable to shareholders of the parent company | | | | |
|---|---|---|---|---|---|
| | Issued capital | Revenue reserves | Financial assets and marketable securities | Cash flow hedges | Currency translation |
| **2021-10-01** | **120,000** | **925,988** | **-47,593** | **-290** | **-101,429** |
| Net result | | 19,190 | | | |
| Other comprehensive income | | 254,083 | -2,770 | 14,800 | 143,228 |
| **Total comprehensive income** | **0** | **273,273** | **-2,770** | **14,800** | **143,228** |
| Allocation of profit participation rights | | -5,590 | | | |
| Share of net result attributable to profit participation rights | | | | | |
| Dividends | | -20,000 | | | |
| Non-controlling interests – put options | | 3,823 | | | |
| Other adjustments | | 957 | | | |
| **2022-09-30** | **120,000** | **1,178,451** | **-50,363** | **14,510** | **41,799** |

Further information can be found in section 19.

| | | | Equity attributable to non-controlling interests | | | |
|---|---|---|---|---|---|---|
| Net investment in foreign operations | Profit participation rights | Total | Profit participation rights | Other interests | Total | Total equity |
| **-19,728** | **6,600** | **1,291,269** | **96,800** | **48,011** | **144,811** | **1,436,080** |
| | | 72,625 | | 31 | 31 | 72,656 |
| -2,512 | | -96,922 | | -5,927 | -5,927 | -102,849 |
| **-2,512** | **0** | **-24,297** | **0** | **-5,896** | **-5,896** | **-30,193** |
| | 363 | -5,227 | 5,227 | | 5,227 | 0 |
| | -363 | -363 | -5,227 | | -5,227 | -5,590 |
| | | -20,000 | | -5,550 | -5,550 | -25,550 |
| | | -6,503 | | -46 | -46 | -6,549 |
| 20,477 | | 0 | | | | 0 |
| | | -1,363 | | -13 | -13 | -1,376 |
| **-1,763** | **6,600** | **1,233,516** | **96,800** | **36,506** | **133,306** | **1,366,822** |

| | | | Equity attributable to non-controlling interests | | | |
|---|---|---|---|---|---|---|
| Net investment in foreign operations | Profit participation rights | Total | Profit participation rights | Other interests | Total | Total equity |
| **-32,073** | **6,600** | **871,203** | **96,800** | **46,774** | **143,574** | **1,014,777** |
| | | 19,190 | | 10,460 | 10,460 | 29,650 |
| 12,345 | | 421,686 | | 1,197 | 1,197 | 422,883 |
| **12,345** | **0** | **440,876** | **0** | **11,657** | **11,657** | **452,533** |
| | 363 | -5,227 | 5,227 | | 5,227 | 0 |
| | -363 | -363 | -5,227 | | -5,227 | -5,590 |
| | | -20,000 | | -5,904 | -5,904 | -25,904 |
| | | 3,823 | | -4,524 | -4,524 | -701 |
| | | 957 | | 8 | 8 | 965 |
| **-19,728** | **6,600** | **1,291,269** | **96,800** | **48,011** | **144,811** | **1,436,080** |

# Consolidated cash flow statement

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Result before taxes | 156,566 | 116,354 |
| Depreciation and amortization | 207,535 | 174,451 |
| Interest expenses/income | 24,243 | 36,707 |
| Other non-cash items | 4,470 | -2,612 |
| Gains/losses from the disposal of property, plant and equipment and intangible assets | -462 | -9,067 |
| Gains/losses from investments | -15,147 | -5,049 |
| Changes in provisions and accruals | 42,798 | -10,212 |
| Change in net working capital | 19,162 | -134,500 |
| Interest paid | -48,666 | -19,308 |
| Interest received | 17,773 | 7,963 |
| Dividends received | 6,662 | 6,190 |
| Taxes paid | -108,826 | -68,357 |
| **Cash flow from operating activities** | **306,108** | **92,560** |
| Investments in property, plant and equipment and intangible assets | -131,163 | -116,244 |
| Proceeds from the disposal of property, plant and equipment and intangible assets | 22,033 | 22,276 |
| Investments in financial assets | -14,147 | -138,771 |
| Acquisitions of consolidated subsidiaries minus cash and cash equivalents[1)] | -42,692 | -192,095 |
| Proceeds from the disposal of financial assets | 31,406 | 26,891 |
| Proceeds from the disposal of securities | 152,895 | 208,847 |
| Payments for the acquisition of securities | -158,692 | -212,133 |
| **Cash flow from investing activities** | **-140,360** | **-401,229** |
| Dividends paid | -32,313 | -32,248 |
| Acquisition of non-controlling interests[2)] | -5,550 | -15,334 |
| New bank loans and overdrafts | 73,792 | 328,791 |
| Repayment of bank loans and overdrafts | -118,649 | -69,491 |
| Changes in other interest-bearing financial receivables and liabilities | -47,173 | -40,372 |
| **Cash flow from financing activities** | **-129,893** | **171,346** |
| **Total cash flow** | **35,855** | **-137,323** |
| Exchange rate movements and valuation changes | -34,905 | 38,050 |
| Cash and cash equivalents at the beginning of the period | 411,892 | 511,165 |
| **Cash and cash equivalents at the end of the period** | **412,842** | **411,892** |

[1)] Further information can be found in “Business combinations in the 2021/22 fiscal year and in the 2022/23 fiscal year” in the notes to the consolidated financial statements.
[2)] Further information can be found in “Classification of non-controlling interests of third-party shareholders in limited partnerships based on termination rights of holders of non-controlling interests and put options – a) Put options” in the notes to the consolidated financial statements.

Further information can be found in the section entitled “Notes to the consolidated cash flow statement”.

# Notes to the consolidated financial statements for the 2022/23 fiscal year

## General information

Voith GmbH & Co. KGaA (Voith), which has its headquarters at St. Pöltener Str. 43, Heidenheim an der Brenz, is registered at the commercial register in Ulm, Germany (HRB 735450) and is the parent company of the Voith Group. The Board of Management of Voith Management GmbH (commercial register number HRB 735126) is responsible for the strategy and operative management of the Voith Group. Voith Management GmbH is the personally liable shareholder (general partner) of, and responsible for, the management of the business of Voith GmbH & Co. KGaA.

Voith GmbH & Co. KGaA prepares its own consolidated financial statements as at September 30, 2023, in accordance with IFRS as endorsed by the EU, and a Group management report. JMV SE & Co. KG, as parent of the largest group of companies requiring consolidation, prepares consolidated financial statements as at September 30, 2023, in accordance with IFRS as endorsed by the EU, and a Group management report for the largest consolidated group of companies. Both sets of consolidated financial statements are published in the German company register. The Board of Management of Voith Management GmbH authorized the consolidated financial statements for presentation to the Supervisory Board on November 29, 2023.

The preparation of the consolidated financial statements for the 2022/23 fiscal year in accordance with IFRS as endorsed by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) was undertaken on a voluntary basis because Voith does not participate in capital markets as defined by EU Regulation (EC) No. 1606/2002. In preparing these consolidated financial statements, Voith has applied all pronouncements which are mandatory for listed companies issued by the International Accounting Standards Board (IASB) as well as the additional requirements of German commercial law pursuant to Sec. 315e HGB (German Commercial Code). The consolidated financial statements have been prepared in euros. Except where explicitly stated otherwise, all amounts are stated in thousands of euros (€ thousand). Minor rounding differences may occur.

The Voith Group is divided into three segments: Hydro, Paper and Turbo. Details of the business activities pursued by the Group's segments are provided in the explanatory notes on segment reporting.

## Consolidated group

In addition to those entities acting as holding companies, the consolidated financial statements also include all the Group's manufacturing, service and sales companies both in Germany and in other countries as at September 30 of each fiscal year. The financial statements of the subsidiaries are prepared for the same period as their parents' financial statements, using consistent accounting policies.

Subsidiary companies are consolidated in full from the date on which the Group obtains control. They are no longer included in the consolidation as soon as the parent company ceases to have control. For five companies (previous year: five), control over companies included in the consolidation is obtained due to the fact that the Group has a majority of voting rights in the relevant decision-making bodies.

The following companies are included in the consolidated financial statements:

| | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Voith GmbH & Co. KGaA and its fully consolidated subsidiaries: | | |
| · Germany | 23 | 25 |
| · Other countries | 135 | 133 |
| | **158** | **158** |
| Associates and joint ventures: | | |
| · Germany | 4 | 4 |
| · Other countries | 6 | 5 |
| | **10** | **9** |

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

| | |
|---|---|
| VZ | Voith GmbH & Co. KGaA, Heidenheim an der Brenz, Germany |
| VZB | J.M. Voith SE & Co. KG, Heidenheim an der Brenz, Germany |
| VZUS-VO | Voith US Inc., Appleton (WI), USA |
| | |
| VHH | Voith Hydro GmbH & Co. KG, Heidenheim an der Brenz, Germany |
| VHY | Voith Hydro Inc., York (PA), USA |
| VHP | Voith Hydro Ltda, São Paulo (SP), Brazil |
| VHPO | Voith Hydro GmbH & Co. KG, St. Pölten, Austria |
| VHM | Voith Hydro Inc., Brossard (QC), Canada |
| VHS | Voith Hydro Shanghai Ltd., Shanghai, China |
| VHFK | Voith Fuji Hydro K.K., Kawasaki-shi, Kanagawa, Japan |
| VHN | Voith Hydro Private Limited, New Delhi, India |

| | |
|---|---|
| VPP | Voith Paper Máquinas e Equipamentos Ltda., São Paulo (SP), Brazil |
| VPIT | Voith IHI Paper Technology Co., Ltd., Tokyo, Japan |
| VPC | Voith Paper (China) Co., Ltd., Kunshan, Jiangsu, China |
| VPFI | Voith Paper Fabrics Ipoh Sdn. Bhd., Chemor, Perak Darul Ridzuan, Malaysia |
| VPTA | Voith Paper S.A., Ibarra (Guipúzcoa), Spain |
| VPTI | Toscotec S.p.A., Marlia (LU), Italy |
| VPBE | BTG Eclépens S.A., Eclépens, Switzerland |
| VTKT | Shanghai Voith Schaku KTK Coupler Technology Co., Ltd., Shanghai, China |
| VTCN | Voith Turbo Power Transmission (Shanghai) Co., Ltd., Shanghai, China |
| VTPA | Voith Turbo Ltda., São Paulo (SP), Brazil |
| VTGB | Voith Turbo Limited, Croydon, United Kingdom |
| VTAU | Voith Turbo Pty. Ltd., Smithfield (N.S.W.), Australia |
| VTIV | Voith Turbo S.r.l., Reggio Emilia, Italy |
| VTEM | ELIN Motoren GmbH, Preding/Weiz, Austria |
| VTYD | ARGO-HYTOS GmbH, Kraichtal-Menzingen, Germany |
| VTRB | Voith Turbo Transmission CZ s.r.o., Brno, Czech Republic |

An exhaustive list of the companies and other investments included in the consolidated financial statements can be found in the consolidated financial statements. The consolidated financial statements of Voith GmbH & Co. KGaA are filed with the German company register pursuant to Sec. 264b No. 4 HGB and Sec. 264 (3) No. 5 HGB.

Non-controlling interests are held in the following significant subsidiary companies:

### Voith Hydro Holding GmbH & Co. KG, Heidenheim an der Brenz, Germany

| | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Non-controlling shareholdings, in % | 35 | 35 |

The voting share capital held by Voith Hydro GmbH & Co. KG is equal to the percentage of share capital held.

The following table shows the financial data of significant subsidiary companies with non-controlling shareholders (the figures are those of the Voith Hydro Holding GmbH & Co. KG segment):

### Voith Hydro Holding GmbH & Co. KG, Heidenheim an der Brenz, Germany

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Sales | 1,191,479 | 1,052,240 |
| Net result | -46,265 | -36,159 |
| Net result attributable to non-controlling interests | -16,503 | -14,860 |
| Other comprehensive income | -30,445 | 72,593 |
| Total comprehensive income | -76,710 | 36,434 |
| Total comprehensive income attributable to non-controlling interests | -26,092 | 11,199 |
| Current assets | 1,072,892 | 1,091,895 |
| Non-current assets | 241,449 | 273,435 |
| Current liabilities | 1,164,144 | 1,107,038 |
| Non-current liabilities | 100,830 | 126,839 |
| Net assets | 49,367 | 131,453 |
| Net assets attributable to the non-controlling interests | 7,262 | 33,431 |
| Cash flow from operating activities | -3,007 | 48,952 |
| Cash flow from investing activities | -14,552 | -3,689 |
| Cash flow from financing activities | 32,493 | -48,392 |
| **Total cash flow** | **14,934** | **-3,129** |
| Net foreign exchange difference | -3,019 | 2,541 |
| Net increase/decrease in cash and cash equivalents | 11,915 | -588 |

## Business combinations in the 2021/22 fiscal year

### ARGO-HYTOS

On August 2, 2022, Voith acquired 79.5% of the shares in ARGO-HYTOS Group AG and its 19 subsidiaries (Argo-Hytos). Voith gained control through the acquisition of the majority of shares and voting rights. Based in Baar, Switzerland, this company develops and produces components for hydraulics and system solutions with a focus on the off-highway sector (agricultural machinery, construction equipment and vehicles).

As a components and system supplier, Argo-Hytos serves customers in the field of mobile working machinery and of general mechanical engineering. The family business with more than 1,600 employees has more than 70 years' experience in fluid and motion control and filtration technology in mobile and industrial hydraulics. Argo-Hytos has become an innovation leader particularly in the area of mobile hydraulics. It owns a number of patents and, in many cases, has set new standards in its industry. With production companies in Germany, the Czech Republic, Poland, India and China, as well as numerous own international distribution and assembly companies, the Argo-Hytos Group has operations worldwide.

Under the terms of the business combination, Voith agreed to acquire the remaining 20.5% of the shares at a later date, with the non-controlling shareholder having fixed exercise periods within which he is able to sell his shares to Voith (put option). Over and above this, Voith has the right to acquire the non-controlling interest within fixed exercise periods (call option). The accounting treatment of the put option gives rise to an obligation of €46.2 million that was reported in non-current financial liabilities. The amount of this obligation was determined using discounted earnings indicators on the basis of the contractually agreed terms, an assumption as to the expected exercise date and an interest rate of 8.9%.

The company and its 19 subsidiaries have been fully consolidated since August 1, 2022, and are allocated to the Group Division Turbo.

The business combination was presented using the anticipated acquisition method in combination with the full goodwill method.

The difference between the purchase price and the acquired net assets revalued to their respective fair values amounting to €84.2 million has been reported as goodwill, and represents the future economic benefit of acquired assets that cannot be identified individually and reported separately. The goodwill is not tax-deductible.

Since August 1, 2022, Argo-Hytos contributed an additional €36.5 million to the Group's sales in the 2021/22 fiscal year. The share in net result for the same period amounted to €1.5 million (this figure includes depreciation and amortization of the assets identified within the scope of the purchase price allocation of €1.9 million).

If Argo-Hytos had been included in the Group for the whole 2021/22 fiscal year, it would have generated additional sales of €186.1 million and a net result of €10.8 million.

| in € thousands | Acquisition date fair value |
|---|---|
| Intangible assets | 72,682 |
| Property, plant and equipment | 55,985 |
| Inventories | 55,140 |
| Receivables and other assets | 47,189 |
| Cash and cash equivalents | 22,012 |
| Pension obligations | -5,283 |
| Other liabilities and accruals | -46,373 |
| Bank loans | -17,185 |
| Option – financial liability | -46,222 |
| Deferred tax liabilities | -13,436 |
| **Net fair value of equity** | **124,509** |
| Goodwill | -84,232 |
| **Purchase price of the interests acquired** | **208,741** |
| Cash and cash equivalents | -22,012 |
| **Cash outflows** | **186,729** |

The purchase price of the interests acquired was paid by means of the outflow of cash and cash equivalents (€204.2 million) and the taking out of a loan (€4.5 million).

There are no significant differences between the gross value and the fair value of the receivables.

### Suzlon Generators Ltd.

At the beginning of April 2022, Voith acquired the remaining 75% of the shares in the Indian company Suzlon Generators Ltd. Before the share purchase, the company was operated jointly with the Indian partner Suzlon Energy and accounted for as an associate.

Suzlon Generators specializes in the manufacture of generators for onshore wind turbines. With the acquisition, Voith is expanding its expertise in the wind generator business.

The remeasurement of the 25% shareholding in Suzlon Generators previously accounted for using the equity method gave rise to a gain of €1.6 million that was recognized in the Group's statement of income in the item "Share of profit/loss from companies accounted for using the equity method".

The remeasured 25% shareholding and the purchase price for the 75% shareholding acquired in the 2021/22 fiscal year are listed in the table shown below.

The company has been fully consolidated since April 1, 2022, and is allocated to our Group Division Turbo. Until March 31, 2022, the 25% shareholding was accounted for using the equity method.

The difference between the purchase price and the acquired net assets revalued to their respective fair values amounting to €4.1 million has been reported as goodwill, and represents the future economic benefit of acquired assets that cannot be identified individually and reported separately.

Since April 1, 2022, Suzlon Generators Ltd. contributed an additional €5.8 million to the Group's sales in the 2021/22 fiscal year. The share in net result for the same period amounted to €-0.2 million.

If the company had been included in the Group for the whole 2021/22 fiscal year, it would have generated additional sales of €13.3 million and a net result of €-1.8 million.

| in € thousands | Acquisition date fair value |
|---|---|
| Property, plant and equipment | 4,321 |
| Receivables | 1,469 |
| Other assets | 1,870 |
| Cash and cash equivalents | 670 |
| Other liabilities and accruals | -3,705 |
| Deferred tax liabilities | -651 |
| **Net fair value** | **3,974** |
| Goodwill | 4,074 |
| **Fair value of the 100% shareholding held by Voith** | **8,048** |
| thereof: fair value of the 25% shareholding already held | 2,012 |
| **Purchase price of the 75% shareholding newly acquired** | **6,036** |
| Cash and cash equivalents | -670 |
| **Cash outflows** | **5,366** |

## Business combinations in the 2022/23 fiscal year

### IGW Rail

At the beginning of October 2022, Voith acquired 100% of the shares and voting rights of IGW Rail and thus gained control of the company. Based in Brno, Czech Republic, this is a high-tech company with worldwide operations at four production locations and around 500 employees; it has specialized in customized gear unit and coupling solutions for the rail vehicle industry.

With IGW Rail’s product and service portfolio, Voith is further expanding its range of offerings and is strengthening its position as global provider of rail vehicle components.

The acquired units have been fully consolidated since October 1, 2022, and are allocated to the Group Division Turbo.

The difference between the purchase price and the acquired net assets revalued to their respective fair values amounting to €1.7 million has been reported as goodwill, and represents the future economic benefit of acquired assets that cannot be identified individually and reported separately.

Since October 1, 2022, IGW Rail contributed an additional €51.0 million to the Group’s sales. The share in net result for the same period amounted to €-0.9 million (this figure includes depreciation and amortization of the assets identified within the scope of the purchase price allocation of €0.9 million).

| in € thousands | Acquisition date fair value |
|---|---|
| Intangible assets | 2,787 |
| Property, plant and equipment | 21,988 |
| Inventories | 23,250 |
| Receivables and other assets | 18,169 |
| Cash and cash equivalents | 6,206 |
| Pension obligations | -137 |
| Other liabilities and accruals | -20,923 |
| Bank loans | -3,273 |
| Deferred tax liabilities | -915 |
| **Fair value of the net assets** | **47,152** |
| Goodwill | 1,746 |
| **Purchase price of the interests acquired** | **48,898** |
| Cash and cash equivalents | -6,206 |
| **Cash outflows** | **42,692** |

The purchase price was €48.9 million and was paid in cash. Incidental acquisition cost totaled €1.3 million and was recognized in other operating expenses at €0.8 million in the current fiscal year (in the previous year at €0.5 million).

## Basis of consolidation

Acquisition accounting is performed using the acquisition method in accordance with IFRS 3. Accordingly, the consideration transferred to the seller plus any non-controlling interests and the fair value of the previously held equity interests in the acquiree are offset against the fair value of the acquired assets and liabilities as at the acquisition date. Any excess of cost over carrying amount is recognized as goodwill. Any excess of carrying amount over cost is recognized in profit or loss.

Any contingent consideration is recognized at acquisition date fair value. Subsequent changes to the fair value of the contingent consideration, which represents an asset or liability, are recognized either in profit or loss or in other comprehensive income in accordance with IFRS 9. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

In the case of business combinations achieved in stages that give rise to control over an entity, or in the case of disposals of shares which result in a loss of control, the previously held or remaining equity interests are remeasured at fair value through profit or loss.

A change in the parent's ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Accordingly, business combinations achieved in stages where the Group already has control or disposals of shares without a loss of control have been recognized directly in equity without affecting the result for the period from the 2009/10 fiscal year onwards.

Companies in which Voith GmbH & Co. KGaA has the power to directly or indirectly exercise a significant influence on financial and operating policy decisions (associates) are accounted for using the equity method, as are joint ventures over which common control is exercised together with other companies. Changes in the share of the associate/joint venture's equity that are not recognized in profit or loss are likewise recognized directly in equity in the consolidated financial statements. The same accounting policies are used to determine Voith's share in equity of all companies accounted for using the equity method.

Receivables and liabilities between the consolidated companies are eliminated on consolidation. Intercompany profits in inventories and non-current assets are eliminated in the consolidated statement of income. Intercompany sales and other intercompany income are netted against the corresponding expense. Deferred tax is recognized for consolidation transactions.

## Foreign currency translation

The consolidated financial statements are presented in euros, which is Voith GmbH & Co. KGaA's functional currency. Financial statements prepared by subsidiaries that use a different functional currency are translated as follows:

The equity of foreign companies included in the consolidated financial statements is translated at historical rates. All other items on the balance sheet are generally translated to the presentation currency at the rates applicable as at the reporting date. Goodwill arising from business combinations before transition to IFRS reporting is an exception to this rule. This goodwill continues to be translated at historical exchange rates.

In the statement of income, income and expenses are translated at average exchange rates. Retained earnings and losses are translated using the relevant historical exchange rate.

Differences arising from currency translation are netted with other reserves.

Foreign currency transactions in local financial statements are translated at the historical exchange rates. At fiscal year-end the resulting monetary items are measured at the closing rate, and any exchange rate gains or losses are recorded as foreign exchange gains or losses under other operating income/expenses.

Exchange rate gains or losses resulting from long-term loans and liability balances, both between Group companies and on external balances, as well as valuation effects arising from their associated hedging instruments, are reported within financial results in the statement of income.

Currency translation differences arising from loans denominated in foreign currencies (where these are used to hedge a net investment in foreign operations) are recognized in other comprehensive income until the underlying net investment is disposed of. These currency translation differences give rise to deferred tax items that are also recognized under other comprehensive income.

## Accounting policies

Consistent accounting policies are used to prepare the separate financial statements for the companies included in the consolidated financial statements. Significant accounting policies are described below.

### Sales

In accordance with IFRS 15, revenue is recognized upon transfer of control of the goods or services to the customer. The amount of revenue is determined on the basis of the transaction price, taking account of variable consideration. The latter is only included in determining the transaction prices if it is highly probable that there will be no subsequent sales reversals. The “most likely amount” method is generally chosen for estimating such variable consideration. The performance obligations identified are realized both over time and at a point in time.

Specifically with construction contracts for customer-specific plant and equipment at Voith Paper and Voith Hydro, revenue is recognized over time if the transaction meets the criteria of IFRS 15.35. Such contracts are consequently recognized in accordance with the percentage-of-completion (PoC) method. The percentage of completion per contract to be recognized is calculated as the ratio of the actual costs incurred to the anticipated total costs of the project (“cost-to-cost method”). If the outcome of a construction contract cannot be estimated reliably, it is not possible to calculate contract revenue and costs based on the percentage of completion. In such cases, revenue is recognized at the amount of costs incurred for the construction contract to date, with the contract costs being recognized immediately and in full in the period in which they are incurred. Expected losses on such contracts are based on recognizable risks. In the case of contracts that are presented using the PoC method, there is essentially only one performance obligation. In addition, revenue is recognized over time in the case of service contracts and customer-specific products from the Group Divisions Turbo and Paper. In the latter case, the criterion of no alternative use will, in some instances, only be met at a later point in time, therefore recognition over time is not performed until this criterion is met.

For all other products, revenue is recognized at the point in time at which the customer obtains control. This is generally the case when merchandise has been delivered or services performed and the risk of ownership has been transferred to the customer. If, in the case of consignment warehouse agreements, control has already been transferred upon warehousing at the customer’s premises, revenue is recognized at this point in time.

Voith uses the practical expedients pursuant to IFRS 15.129 and does not adjust transaction prices for significant financing components, as the period between transfer of the goods or provision of the service and payment by the customer is less than one year. Furthermore, the costs of obtaining a contract are not capitalized and amortized over the life of the contract as the amortization period would be less than one year. In the case of contracts with a term of less than one year, the transaction prices for obligations not yet fulfilled are not disclosed in accordance with the practical expedients of IFRS 15.

### Other income and expenses

Interest expenses and income are recorded as they arise (using the effective interest method, i.e., the effective interest rate at which the estimated future cash flows from the asset are discounted to the financial asset’s net book value over the expected term to maturity of the financial instrument).

Dividend income is recognized when the Group’s right to receive the payment is established.

Operating expenses are recognized as expenditure at the time when a service is used and other sales-related expenses are recognized as incurred. Taxes on income are calculated in accordance with tax law in the countries in which the Group operates.

For all measurement categories recognized in accordance with IFRS 9, net gains or losses as defined in IFRS 7 result from the measurement or disposal of financial instruments. At Voith, such income and expense items mainly consist of foreign exchange gains and losses, impairments, and gains/losses from the sale of financial instruments. Neither current interest income and expenses nor dividend income are included.

### Intangible assets

Intangible assets acquired for monetary consideration are recognized at acquisition cost and amortized on a straight-line basis over their estimated useful lives. Amortization is recognized on a straight-line basis over the following useful lives:

### Useful life

| | |
|---|---|
| Brands | 25 years |
| Customer relationships | 5 to 17 years |
| Technology | 5 to 19 years |
| Development costs | 1 to 5 years |

Internally generated intangible assets are capitalized as development costs based on their production costs, provided that manufacture of these assets meets the recognition criteria stated in IAS 38 and, in particular, that the generation of future economic benefits is probable. The production costs include all costs which are directly attributable to the development process and a proportionate share of overheads. These assets are amortized using the straight-line method from the date of completion, i.e., the start of production, over a defined period which is usually between three and five years. If the requirements for capitalization are not satisfied, expenses are recognized in profit or loss in the fiscal year in which they were incurred.

Impairment losses are recorded in accordance with IAS 36 if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use, the present value of expected future cash flows from the use of the asset and the fair value less costs to sell. Should the reasons for impairment losses recognized in previous periods no longer apply, these impairment losses are reversed.

The reversal posted through profit or loss is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in previous years.

Impairment losses are generally shown in the statement of income under depreciation and amortization. Reversals of impairment losses are reported under other operating income. Borrowing costs that are directly attributable to intangible assets are capitalized as part of the cost of those assets.

Goodwill is tested for impairment at least annually. For impairment testing, goodwill is assigned to essentially three groups of cash-generating units. In line with the management's internal reporting practices, these are identified on the basis of the Group's operating activities. Voith has therefore defined the segments Hydro, Paper and Turbo as relevant groups of cash-generating units. Goodwill recognized on acquisition of some ventures that to date have been treated as their own cash-generating units will be tested for impairment on a stand-alone basis at the level of the respective unit. The units Ray Sono AG and FlowLink Systems Private Ltd. come into this category. As of October 1, 2022, Pilotfish Networks AB has been allocated to the Voith Turbo cash-generating unit. It is at this level that the goodwill of this unit is tested for impairment. At the time of the reclassification, there was no indication of a need to record impairment of goodwill.

The Voith Group generally determines whether goodwill is impaired by reference to the fair value less costs to sell. This is based on the discounted cash flow projections taken from the latest business planning prepared by management. The planning assumptions are adjusted to reflect the current information available. Key assumptions on which calculations of fair value are based include assumptions about the trend in orders received and sales, growth rates, extrapolated cash flow forecasts beyond the planning horizon, and discount rates. Due account is taken of reasonable assumptions regarding macroeconomic trends and historical developments. Based on the value in use measurement of these assets there was no indication of a need to record an impairment loss on goodwill at the cash-generating units Hydro, Paper and Turbo or FlowLink Systems Private Ltd. The need for impairment of €3.2 million was, however, identified at Ray Sono AG and is disclosed in depreciation and amortization in the statement of income.

For the purposes of the impairment tests the following assumptions were made concerning the cash-generating units:

**Voith Hydro:**
After an extraordinarily good level of orders received in 2022/23, Voith Hydro anticipates a return to a level seen in previous years. Despite the high volume of orders on hand, a perceptible decline in sales is to be expected. Improved contractual arrangements with regard to price increases and expansion of the service business should lead to a rise in net result. With regard to an order for a customer in Angola that is not included in orders on hand, reference is made to the information on this contained in section II.4.1 of the management report.

**Voith Paper:**
A stable development in orders received is to be expected in 2023/24. The Group Division Paper anticipates a slight decline in sales. The net result should rise as a result of efficiency gains, lower warranty-related costs and a change in the sales mix.

**Voith Turbo:**
A stable development in orders received and sales is to be expected. A perceptible increase in EBIT is envisaged based on results of an efficiency program.

**Ray Sono AG:**
A constant rise in orders received and sales is planned. The objective is for EBIT to rise as a result of improved pricing to end customers and a reduction in purchased services.

**FlowLink Systems Private Ltd.:**
A slight decrease in orders received and sales is to be expected in 2023/24 but the intention is to reach other markets through diversification. EBIT is impacted by high personnel costs and investments.

The cash flow forecast is based on the detailed finance budget for the coming two years and a qualified top-down projection for years three to five. Cash flows for periods after the fifth fiscal year are extrapolated at a constant growth rate of approximately 1% (Ray Sono AG: 2%). These growth rates do not exceed the average long-term growth rates of the business segment in which the corresponding cash-generating unit operates.

The discount rates are arrived at by determining the weighted average cost of capital, which is based on the financing costs of comparable competitors for each of the cash-generating units. The discount rates used reflect the specific equity risk associated with the respective cash-generating units.

| | 2022/23 | | 2021/22 | |
|---|---|---|---|---|
| | Discount rate | | Discount rate | |
| in % | after taxes | before taxes | after taxes | before taxes |
| Voith Hydro | 7.4 | 9.6 | 5.3 | 6.9 |
| Voith Paper | 7.3 | 9.9 | 6.3 | 8.6 |
| Voith Turbo | 7.9 | 10.6 | 6.6 | 9.2 |
| Ray Sono | 7.8 | 11.0 | 6.3 | 8.3 |
| FlowLink | 7.5 | 10.1 | 6.3 | 8.6 |

The potential changes in the discount rate of +1 percentage point and in the anticipated future cash flow of -5% assumed by the management for the segments Voith Paper, Voith Turbo and Voith Hydro as well as FlowLink Systems Private Ltd., do not give rise to any impairment. In this scenario, Ray Sono would be subject to a further impairment loss of €14 million.

The brands acquired in the 2019/20 fiscal year as part of the acquisition of BTG and Toscotec were classified as intangible assets with an indefinite useful life. Since then, the brands have been subject to impairment testing at least once a year. In the 2022/23 fiscal year, impairment testing was performed as at March 31, 2023, using a discounted cash flow method. Since April 1, 2023, these brands have been qualified as intangible assets with a definite useful life and amortized on a straight-line basis. The residual useful life is 25 years.

The carrying amount of the BTG brand as at March 31, 2023, is €42.8 million (€38.8 million as at the acquisition date) and the carrying amount of the brand Capstone is €2.9 million (€2.9 million as at the acquisition date). The changes since the acquisition date are exclusively attributable to exchange rate differences.

For the purpose of impairment testing, the BTG and Capstone brands were allocated to the “BTG” and “Capstone” cash-generating units. As part of impairment testing, the recoverable amount was determined by establishing the value in use on the basis of the present value of future cash flows based on 25-year financial planning. To determine the present values of future net cash inflows, an after-tax interest rate of 7.3% was used for BTG and Capstone (previous year: 6.3%). The discount factor (before taxes) for the future cash flows is 9.0% (previous year: 8.5%) for BTG and 9.7% (previous year: 8.0%) for Capstone, respectively, for the 2022/23 fiscal year.

As at March 31, 2023, the carrying amount of the Toscotec brand came to €24.7 million, unchanged from the acquisition date.

For the purpose of impairment testing, the Toscotec brand was allocated to the “Toscotec” cash-generating unit. As part of impairment testing, the recoverable amount was determined by establishing the value in use on the basis of the present value of future cash flows based on 25-year financial planning. To determine the present values of future net cash inflows, an after-tax interest rate of 7.3% was used for Toscotec. The discount factor (before taxes) for the future cash flows is 10.7% (previous year: 8.6%) for the 2022/23 fiscal year.

From its acquisition in the previous fiscal year and until March 31, 2023, the Argo-Hytos brand was classified as an intangible asset with an indefinite useful life and was correspondingly subject to impairment testing at least once a year. Since April 1, 2023, this brand has been qualified as an intangible asset with a definite useful life and amortized on a straight-line basis. The residual useful life is 25 years.

As at March 31, 2023, the carrying amount came to €33.3 million (€34.1 million at the acquisition date). The changes since the acquisition date are exclusively attributable to exchange rate differences.

For the purpose of impairment testing, the Argo-Hytos brand was allocated to the “Argo-Hytos” cash-generating unit. As part of impairment testing, the recoverable amount was determined by establishing the value in use on the basis of the present value of future cash flows based on 25-year financial planning. To determine the present values of future net cash inflows, an after-tax interest rate of 7.9% was used for Argo-Hytos (previous year: 6.6%). The discount factor (before taxes) for the future cash flows is 10.2% (previous year: 8.9%) for the 2022/23 fiscal year.

The impairment testing performed as at March 31, 2023, did not lead to any need to recognize impairment losses on the brands.

The potential changes in the discount rate of +1 percentage point and in the anticipated future cash flows of -5 percentage points assumed by management for all brands capitalized did not result in a need to record an impairment loss as at March 31, 2023.

According to new estimates relating to the Voith Group's strategies and the most recent developments within the divisions concerned, the decision was made to classify the useful lives of the brands as definite instead of indefinite. The useful life is 25 years. The amortization of the brands is disclosed within depreciation and amortization in the consolidated statement of income. Amortization of the brands totaling €2.1 million was recorded and disclosed for the first time in the 2022/23 fiscal year. There was no indication of a need for recognizing impairment from April 1 to September 30, 2023. From the 2023/24 fiscal year onwards, amortization of the brands on the basis of the exchange rates for the 2022/23 fiscal year of €4.2 million will be deducted each year from the result before taxes. Deferred tax income arising from this effect will amount to €667 thousand.

The Voith Group aims to achieve growth with the acquired brands and although the brands will be preserved, customers will over time come to see them as Voith Group products. Synergies arising in the future will likewise promote this process.

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and after deduction of any impairment losses. The production cost of internally produced property, plant and equipment includes all directly attributable production costs and an appropriate share of production overheads. Depreciation is recognized on a straight-line basis over the following useful lives:

### Useful life

| | |
|---|---|
| Buildings | 40 to 50 years |
| Plant and machinery | 4 to 15 years |
| Other equipment, furniture and fixtures | 4 to 12 years |

The carrying amount of property, plant and equipment capitalized is tested for impairment if unusual events or market developments give rise to indications of impairment. To this end, the carrying amount of an asset or cash-generating unit is compared with its recoverable amount, which is defined as the higher of fair value less costs to sell and value in use. Impairment losses are reversed if the fair value of a previously impaired asset subsequently increases again.

The reversal posted through profit or loss is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in previous years.

Impairment losses are generally shown in the statement of income under depreciation and amortization.

Reversals of impairment losses are reported under other operating income. Repair and maintenance costs are recognized as expenses at the time when they are incurred. Any major renewals or improvements are capitalized. Borrowing costs that are directly attributable to property, plant and equipment are capitalized as part of the cost of those assets.

### Leases

IFRS 16 defines a lease as a contract (or part of a contract) that conveys the right to use an identifiable asset (the underlying asset) for an agreed period of time in exchange for consideration. In this context, a contract is an agreement between two or more parties (lessor and lessee) that creates enforceable rights and obligations. In accordance with IFRS 16, the Voith Group, acting as lessee, generally recognizes all leases in the form of a right of use and a corresponding liability. The lease liability is recognized at the present value of future lease payments taking into account extension, termination and purchase options that are reasonably certain to be exercised. The right of use is calculated with the amount of the lease liability plus all lease payments made upon or prior to provision of the leased asset and initial direct costs and estimated costs for the disassembly, disposal or restoration of the leased asset, less all incentive payments received from the lessor. The right of use is amortized on a straight-line basis and the lease liability is accreted applying the effective interest method taking account of the incremental borrowing rate of the lessee and the lease payments. To determine its incremental borrowing rate, the Voith Group obtains interest rates from various external sources of finances and makes certain adjustments to take into account the terms of the lease and the type of asset. Lease payments are split into a principal component and interest payments. In the cash flow statement, the interest component is disclosed in the cash flow from operating activities, whereas the repayments of lease liabilities are shown as part of the cash flow from financing activities.

The Voith Group makes use of the simplifications contained in IFRS 16 for short-term and low-value leases (up to USD 5 thousand). Payments under such leases are recognized as expenses directly in the statement of income. The provisions of IFRS 16 on the accounting treatment of leases are not applied to leases for intangible assets. Similarly, leases within the Group are not accounted for in accordance with IFRS 16 so that for the segment reporting pursuant to IFRS 8 the lease payments under these lease arrangements will continue to be recorded in profit or loss over the term of the lease using the straight-line method. At every reporting date, the carrying amounts of rights of use under lease arrangements are assessed for any indication of impairment. If there are any such indications, an impairment test will be performed.

### Financial instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset of one party to the contract and a financial liability or equity instrument of the other party to the contract. Financial assets and liabilities are recorded for the first time on the trading date and recognized in the consolidated balance sheet when Voith is a contract party to a financial instrument.

For the classification of financial instruments, the Group distinguishes between the following measurement categories: measured at amortized cost (AC), measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL).

**Financial assets (debt instruments) – measured at amortized cost ("AC")**

The Group recognizes debt instruments at the date they are originated. Such assets are initially recognized either at fair value plus directly attributable transaction costs or, in the case of trade receivables, at the transaction price. Subsequent to initial recognition, they are measured at amortized cost (AC) to the extent that the objective of the business model is to hold the financial assets in order to realize the contractual cash flows. In this respect, the cash flow condition ("SPPI criterion") is met when the contractual terms of the financial asset give rise to cash flows at determined points in time that constitute solely payments of principal and interest (SPPI).

**Financial assets (equity instruments) – measured at fair value through other comprehensive income ("FVOCI")**

Generally speaking, equity instruments are to be measured at fair value through profit or loss upon initial recognition. During first-time recognition, it is possible to exercise an irrevocable option of classifying equity instruments as measured at fair value through other comprehensive income. Equity instruments may be classified as measured at fair value through other comprehensive income only if they are neither held for trading nor constitute contingent consideration as part of a business combination (OCI option). Voith exercised the OCI option for equity instruments held as a strategic investment in order to supplement the Group's business operations. These are measured at fair value through other comprehensive income. Furthermore, the Group holds financial assets to cover future pension obligations. These pension funds are not held for trading. Consequently, Voith also exercised the OCI option for these instruments, with the underlying financial assets being measured at fair value through other comprehensive income (FVOCI). There is no intention to generate short-term gains on disposal of any material amount from such instruments. For this reason, fluctuations in the measurement of investments and the financial assets used for securing pensions should not have any effect on the statement of 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.

**Financial assets (equity instruments) – measured at fair value through profit or loss ("FVTPL")**

Voith decided not to exercise the OCI option for financial assets that are not held as a strategic investment. These equity instruments are held with a view to generating income from the financial instruments. For this reason, gains and losses from the disposal of shares and fluctuations in the measurement of the investments are to be recorded in the statement of income.

**Financial liabilities – measured at amortized cost (“AC”)**
Non-derivative financial liabilities are measured on initial recognition at fair value less attributable transaction costs. Subsequent to initial recognition, the Group classifies them as other financial liabilities measured at amortized cost.

**Derivative financial instruments – measured at fair value through profit or loss (“FVTPL”)**
All derivative financial instruments are recognized at fair value on the trading date. The derivative financial instruments are classified as held for trading and thus assigned to the measurement category “FVTPL” (measured at fair value through profit or loss) unless they are designated as being a hedging instrument and are effective as such.

**Fair value**
The fair value of investments for which an organized market exists is determined by the quoted market price at the reporting date. Where no active market exists, valuation techniques are used to determine the fair value. The techniques used by Voith for this purpose aim to reflect objective criteria as accurately as possible and to simulate an active market. This is done, for example, by analyzing discounted cash flows, referring to arm’s length transactions between knowledgeable, willing and independent partners, and drawing on comparisons with the current fair value of other financial instruments which are identical in all significant aspects.

**Derivative financial instruments and hedging**
Voith uses a variety of financial derivatives – such as forward exchange contracts and interest rate swaps – to hedge underlying transactions. Essentially, the Group applies fair value hedge accounting of firm commitments to hedge operating business transactions. The Group continues to use the provisions of IAS 39 for the recognition of hedges.

At the inception of a hedge relationship, the Group formally designates and documents both the underlying transaction and the hedging instrument as well as the risk management objective and strategy for entering into the hedge. This documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value that is attributable to the hedged risk.

Such hedging relationships are considered to be highly effective in offsetting the risks of fair value changes. Currency hedges are used in line with the contracts in question (term, volume). Their effectiveness is assessed on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

### Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss for the period. In the case of fair value hedges, the carrying amount of a hedged item is adjusted by the profit or loss that is attributable to the hedged exposure, and the difference is reported in profit or loss. The derivative financial instrument is remeasured at its fair value and any gains or losses arising as a result are recognized in profit or loss.

For fair value hedges relating to hedged items carried at amortized cost, the adjustment to the carrying amount is amortized through profit or loss over the remaining term to maturity.

When an unrecognized firm commitment is designated as a hedged item, the subsequent accumulated change in the fair value of the firm commitment that is attributable to the hedged risk is recognized as an asset or liability and the corresponding gain or loss is recognized in the profit or loss for the period. Changes in the fair value of the hedging instrument are also recognized in the profit or loss for the period.

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Every adjustment to the carrying amount of a hedged financial instrument is released to income using the effective interest method. The reversal may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for hedging gains and losses.

### Cash flow hedges

Hedging transactions are classified as cash flow hedges when the transactions hedge the risk of changes in cash flows which can be attributed to a risk affecting a recognized asset, a recognized liability or a planned transaction, and could affect profit or loss for the period. The effective portion of the gain or loss on a hedging instrument is recognized directly in equity, whereas the ineffective portion is recorded in the statement of income.

The amounts recorded in equity are reclassified to the statement of income in the period in which the hedged transaction affects the profit or loss for the period, e.g., in which the hedged financial income or expense is recorded or in which a planned sale or purchase is made. If the underlying hedged transaction is the acquisition of a non-financial asset or a non-financial liability, the amounts recorded in equity are included in the initial carrying amount of the non-financial asset or a non-financial liability.

If the planned transaction is no longer expected to occur, the amounts recorded previously in equity are transferred to the profit or loss for the period. When the hedging instrument expires, is sold, terminated or is exercised without a hedging instrument being replaced or rolled over into another hedging instrument or when the Group ceases to designate a hedging instrument as such, the amounts previously recorded remain as a separate item in equity until the planned transaction occurs. If the planned transaction is no longer expected to occur, the amount is recognized in profit or loss.

#### Embedded derivatives

Pursuant to IFRS 9, embedded derivatives where the underlying is a financial asset covered by the standard are never accounted for separately. Instead, the hybrid financial instrument as a whole is assessed with regard to classification.

In the event of there being embedded derivatives for which separate recognition is required, such derivatives are classified as held for trading and thus assigned to the measurement category “FVTPL” (measured at fair value through profit or loss). Embedded financial derivatives with positive fair values are stated under other financial receivables; those with negative fair values are stated under bank loans and other interest-bearing liabilities or other financial liabilities.

### Inventories

Raw materials and supplies, merchandise, work in progress and finished goods are all stated under inventories at the lower of cost and net realizable value. In addition to direct costs, cost includes an appropriate portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. The average cost, or cost based on the first-in, first-out (FIFO) method, is capitalized in the balance sheet. Appropriate allowance is made for inventory risks associated with slow-moving stocks, reduced salability, etc. When the circumstances that previously caused inventories to be written down below cost no longer exist, the write-down is reversed.

### Contract assets and contract liabilities

Contract assets constitute an entity’s right to consideration in exchange for goods already transferred or services already performed. In the Voith Group, contract assets essentially consist of long-term projects at Voith Hydro and Voith Paper, which are recognized over time in accordance with IFRS 15.35. Contract assets are disclosed at the percentage of completion to be recognized less any customer payments already received.

The customer payments are contractually agreed and are generally dependent on project progress and/or predetermined milestones.

If customer payments exceed the performance already completed, the resulting balance is disclosed under contract liabilities. Furthermore, contract liabilities include advances received from customers for products where revenue is recognized at a specific point in time.

### Receivables and other assets

Receivables and other assets (with the exception of derivatives) are assigned to the measured at amortized cost ("AC") measurement category and are initially recognized either at fair value plus directly attributable transaction costs or, in the case of trade receivables, at the transaction price. Subsequent to initial recognition they are measured at amortized cost. They are regularly tested for impairment on an individual basis. Where objective evidence of a potential loss exists (for example, if the debtor is experiencing significant financial difficulty, if it is highly probable that insolvency proceedings will be opened against the debtor, if the debtor defaults on or is in arrears with interest or principal payments, if significant adverse changes in the technological, economic or legal environment of the contracting partner occur, if there is a significant or prolonged decline in the fair value of a financial instrument below its cost or if legal proceedings are opened), individual allowances are recorded using an allowance account to reflect these factors. Furthermore, the estimated aggregate credit losses are calculated using a forward-looking credit risk management system based on CDS spreads. In doing so, the receivables are segmented according to common default risk features. A decline in the volume of receivables brings about a corresponding decrease in such provisions and vice versa. Impaired receivables are derecognized when they are assessed as uncollectible. Interest-free or low-interest receivables due in more than one year are discounted.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and checks, cash at banks and cash equivalents. Cash at banks includes both daily deposits and time deposits with fixed maturities of up to three months.

### Discontinued operations and non-current assets held for sale

Non-current assets and disposal groups held for sale are classified as non-current assets held for sale or as liabilities directly associated with assets classified as held for sale, respectively, if their carrying amount is to be recovered through sale rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. In this case, management has decided to sell the asset and it is expected that the sale will take place within 12 months from the date of classification. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Assets held for sale are not subject to depreciation and amortization.

Discontinued operations are recognized as soon as any component of an entity with business activities and cash inflows and outflows that can be clearly distinguished from the rest of the entity for operational and accounting purposes is classified as held for sale or has already been disposed of, and such Group Division either (1) represents a separate major line of business or a geographical

Group Division, and (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical Group Division, or (3) is a subsidiary exclusively acquired with a view to resale. The net result of discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income. Figures shown for previous years are presented on a comparable basis. Cash inflows and outflows from discontinued and continuing operations are not presented separately in the consolidated cash flow statement, and figures shown for previous years in the cash flow statement are not restated. Figures disclosed in the notes to the consolidated financial statements for items in the consolidated statement of income relate to continuing operations. Information on discontinued activities is provided in the section “Disposals and discontinued operations”. Sales and expenses generated within the Group have been eliminated in order to present the financial effect of the discontinued operations with the exception of sales and expenses which are expected to continue after the sale of the discontinued operations.

### Deferred and current taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences (temporary concept). Deferred tax assets are also recognized for tax losses carried forward, interest carryforwards and tax credits insofar as it is reasonable to expect that they will be realized in the near future. Taxes that relate to items recognized under other comprehensive income are also themselves recognized in equity. Deferred taxes are calculated based on the tax rates enacted or substantively enacted by the reporting date that apply or are expected to apply in the countries concerned at the time of realization. Deferred tax assets on tax losses carried forward, interest carryforwards and tax credits that are not likely to be realized or that are not covered by deferred tax liabilities are either written down or not recognized at all. Deferred tax assets and deferred tax liabilities are presented on a net basis if the Group has a legal right to offset current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority. No deferred taxes are recognized in connection with the first-time recognition of goodwill or in the case of initial recording of an asset or a liability for transactions that do not constitute business combinations and do not have any effect on the reported or taxable earnings.

Current taxes are calculated and reported in accordance with the tax laws and regulations valid for each company.

### Profit participation rights

Profit participation rights amounting to €103,400 thousand are reported as a separate component of the Group’s equity, in accordance with IAS 32. Interest is not reported as interest expenses, but is treated in a similar manner to a dividend obligation.

### Provisions for pensions and similar obligations

Provisions for pension obligations are measured based on actuarial valuation methods using the prescribed projected unit credit method for defined benefit plans as required by IAS 19. This method considers not only the pensions and future claims known at the end of the reporting year but also future anticipated increases in salaries and pensions. Defined benefit obligations are measured based on the proportion of future benefits accrued at the reporting date. Measurement includes assumptions about the future development of certain parameters that could affect the actual future benefit amount. The expenses for these benefit plans are divided into service cost and interest expenses on the net debt from the obligations and plan assets. Both expense items are recognized in the statement of income. Revaluations of the net debt recognized are disclosed under other comprehensive income net of deferred taxes.

### Other provisions

Provisions are recognized for all discernible risks and uncertain obligations at the amount that is likely to be realized. These provisions are not netted against recourse claims. Provisions are recognized when the Group has a present obligation to a third party as a result of a past event and it is probable that an outflow of resources will be required whose amount can be estimated reliably. Provisions for warranty claims are based on historical claim trends and estimated future trends. Specific provisions are set up for known claims. Provisions for outstanding expenses, onerous contracts and other business-related obligations are measured based on services still to be rendered, usually at the amount of the costs to sell.

Provisions which do not lead to an outflow of resources in the following year are carried at the discounted settlement amount at the reporting date. The discount rate used is derived from market interest rates. The settlement amount also includes the estimated cost increases. If an amount set aside as a provision is expected to be refunded (through an insurance claim, for example), the refund amount is stated separately as an asset only if it is virtually certain. Income from refunds is not netted against expenses.

### Liabilities

Current liabilities are stated at the amount needed to settle the obligation. Financial liabilities are measured at their amortized cost. Amortized cost corresponds to the cost of the financial liabilities adjusted for repayments, issue costs and the amortization of any debt discounts or debt premiums. Where liabilities are accounted for as hedged transactions, they are measured taking into account the market value of the hedged risk. Gains and losses are recognized in profit or loss.

Liabilities arising from leases are recognized at the present value of the minimum lease payments at the start of the lease and subsequently stated under financial liabilities at their amortized cost. Lease payments are split into an interest component and a principal component. The interest component of each payment is recognized as an expense in the statement of income.

### Classification of non-controlling interests of third-party shareholders in limited partnerships based on termination rights of non-controlling shareholders and put options

In accordance with IAS 32, financial instruments that entitle the holder to repayment of the capital made available to the partnership must be classified as liabilities. In companies that operate as limited partnerships, partners have the right under German law to demand repayment of the capital they have made available to the partnership. This right cannot be excluded by the partnership agreement. This provision also extends to other comparable repayment rights of holders of non-controlling interests with a settlement agreement. Put options create sale rights for the holder of the put pursuant to IAS 32.

a) Put options

Where the right to terminate on the part of non-controlling interests exists in the form of a put option, the corresponding non-controlling interests are not derecognized but are treated as a component of equity during the reporting year. Based on this, a share of net result for the year is allocated to holders of non-controlling interests. At each reporting date, it is assumed that the put option will be exercised and the corresponding non-controlling interests are reclassified from equity to financial liabilities. This financial liability is recognized in the amount of the estimated compensation obligation and measured at fair value. The difference between this liability and the share of equity attributable to non-controlling interests is treated as a transaction between owners and has been recognized from the 2009/10 fiscal year onwards as a change in equity without any effect on the statement of income. Up until and including the 2008/09 fiscal year, such transactions were regarded as a business combination achieved in stages and the difference stated as goodwill. The Group elected to retain these amounts under the transitional arrangements provided for under IAS 27 (2008).

One option was exercised in the current fiscal year. By doing so, Voith acquired further shares in the company. A total of €5,550 thousand was paid for exercising the put option.

Two material options were exercised in the previous year. By doing so, Voith acquired 100% of the shares in the companies. A total of €15,092 thousand was paid for exercising the put options.

The amounts reclassified from equity to financial liabilities came to a total of €78,094 thousand in the 2022/23 fiscal year (previous year: €77,494 thousand).

b) Limited partnerships

Liabilities from interests held in limited partnerships as well as non-controlling interests with comparable termination rights are measured at amortized cost. The measurement-related changes in the liability are recognized in the interest result in the consolidated statement of income.

If the non-controlling interests in limited partnerships are terminated or if the respective comparable termination rights or put options are exercised, the financial liabilities recognized prior to termination or exercise of the put options are reclassified as other financial liabilities.

### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. These financial guarantee contracts are treated as insurance contracts as defined by IFRS 4, i.e., the financial guarantee contracts are disclosed as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized.

### Exercise of judgment and estimates by management

The presentation of net assets, financial position and earnings position in the consolidated financial statements requires the exercise of judgment by management. Management has exercised judgment in the following instances:

- Income taxes: Management must make assessments on whether deferred tax assets are impaired and on risks from uncertain tax items.
- Determining the requirement for, and measuring the amount of, impairment of intangible assets and property, plant and equipment
- Determining the requirement for allowances against doubtful receivables
- Sales recognized in accordance with the percentage-of-completion method: determining the percentage of completion
- Measurement of provisions and assessment of the likelihood of their utilization
- Meeting the recognition criteria described in IAS 38 for capitalization of development costs

Some accounting policies require critical estimates that involve complex and subjective assessments and the use of assumptions, some of which are inherently uncertain and subject to change. These critical accounting estimates can vary from period to period and significantly impact a company's financial position and/or earnings. The management explicitly points out that future events will often deviate from planning assumptions, and that it is normal for estimates to have to be adjusted.

Significant estimates and assumptions have to be made in the following areas of accounting:

#### Revenue recognition over time in the case of long-term projects

Specifically in the case of long-term projects involving customer-specific plant and equipment, revenue is recognized over time using the PoC method if the criteria of IFRS 15.35 are met.

Accurate estimates of the percentage of completion are of vital importance under this method. Depending on the method used to measure the percentage of completion, the most significant estimates concern the total contract cost, the remaining costs to complete the contract, the total contract revenue and contract risks.

The management of operating subsidiaries reviews all estimates that are needed for revenue recognition over time using the PoC method on an ongoing basis and makes adjustments as and when necessary.

Such examinations are part of management's normal accounting activities at operating level. Refer to notes 1 and 14 for details of the carrying amounts.

#### Trade and other receivables

Determining allowances for doubtful receivables requires significant judgment on the part of management as well as an analysis of the individual debtors that covers their creditworthiness, current and future economic trends and an examination of historic default scenarios. Refer to note 13 for details of the carrying amounts.

#### Impairment of goodwill

Determining the recoverable amount of a Group Division to which goodwill was allocated involves estimates by management. The value in use is measured based on planning for the first five years, which is based on taking management's expectations and adjusting them for economic trends and historic developments. Estimates of growth, the weighted average cost of capital and tax rates are likewise based on reliable information that reflects the risks associated with operating business in each given industry or Group Division. Refer to note 9 and to the segment reporting for details of the carrying amounts.

#### Development costs

Development costs are capitalized if the recognition criteria described in IAS 38 are met. Initial capitalization is based on management's estimate that the technical and economic feasibility is demonstrated; the forecast of the expected future economic benefit to be gained from assets is essential to the decision whether or not costs are to be capitalized. Refer to note 9 for details of the carrying amounts.

#### Pension obligations

Estimates of pension obligations depend significantly on key assumptions including discount factors, expected salary increases, mortality rates and healthcare trends. The assumptions used to calculate the discount factor reflect the interest rates that can be realized on high-quality fixed-income instruments with appropriate maturities. Refer to note 20 for details of the carrying amounts.

#### Other provisions

Recognizing provisions for anticipated losses on contracts, warranty-related costs and litigation involves the use of significant estimates. Voith recognizes provisions for anticipated losses in all cases where current estimates of the total contract costs exceed expected contract revenues. Onerous contracts are identified by estimating the total costs of the contract, which requires significant judgment. Estimates are also necessary for assessing obligations from warranties and litigation. Provisions for restructuring are based on detailed plans for expected activities which are reviewed and approved by the Board of Management. Refer to note 21 for details of the carrying amounts.

#### Taxes

The Voith Group has business operations in many countries and is subject to many different tax laws. Both current and deferred taxes on income must be calculated for each individual taxable entity. To calculate deferred tax assets on tax losses carried forward and temporary differences, for example, assumptions must be made about the possibility of realizing sufficient taxable income in the future and the interpretation of complex tax laws and regulations. Refer to note 8 for details of the carrying amounts.

In the event that it is unlikely that amounts reported in the tax returns can be realized (uncertain tax items), tax liabilities are recognized. The amount is determined from the best possible estimate of the expected tax payment (anticipated value or most probable value of the uncertain tax item). Tax receivables from uncertain tax items are recognized when it is probable that they will materialize. Only in cases where there is a tax loss carried forward or an unused tax credit is no tax liability or tax receivable recognized for these uncertain tax items, and instead the deferred tax assets are adjusted for the as yet unused tax losses carried forward and tax credits.

#### Determining fair values

Within the scope of business combinations, purchase price allocations are subject to not insignificant estimates. The specification of planning values and discount rates should be specifically mentioned in this context. The specification of useful lives is, however, also subject to not inconsiderable assumptions.

### Adoption of amended and new standards and interpretations

#### Changes in accounting and measurement policies due to first-time adoption of revised and new IFRS and IFRIC

The following new and revised IAS and IFRS standards were applied for the first time in the 2022/23 fiscal year:

| Standard/interpretation | Amendment/new standard or interpretation |
|---|---|
| Amendments to IFRS 3<br>Business Combinations | The amendment updated an obsolete reference to the conceptual framework without modifying the provisions in the standard in any significant manner. |
| Amendments to IAS 12<br>Income Taxes | The amendments relate to a temporary, mandatory exemption from accounting for deferred taxes arising from the introduction of the global minimum taxation. |
| Amendments to IAS 16<br>Property, Plant and Equipment | The amendment governs the handling of any proceeds stemming from the sale of items that are produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended. |
| Amendments to IAS 37<br>Provisions, Contingent Liabilities and Contingent Assets | The amendment governs which costs an entity must take into account for the fulfilling of a contract when it is assessing whether a contract is onerous. |
| Improvements to IFRS (2018–2020) | Amendments to standards IFRS 1, IFRS 9, IFRS 16 and IAS 41. |

All IAS and IFRS standards applied for the first time had no significant effect on the net assets, financial position and earnings position of the Group.

The adoption of the following revised and newly issued IFRS and IFRIC was not yet mandatory in the 2022/23 fiscal year, and/or they had not yet been endorsed by the European Commission for adoption in the European Union.

| Standard/interpretation | Amendment/new standard or interpretation | Mandatory effective date |
|---|---|---|
| Amendments to IFRS 16<br>Leases | The amendment relates to the accounting treatment of lease liabilities from sale-and-leaseback transactions. | Periods beginning on or after January 1, 2024 |
| IFRS 17<br>Insurance Contracts, including amendments to IFRS 17 | IFRS 17 establishes principles for the identification, recognition, measurement, presentation and disclosure in the notes for insurance contracts.<br>The amendments to IFRS 17 primarily included a deferral of the effective date. | Periods beginning on or after January 1, 2023 |
| Amendments to IFRS 17<br>Insurance Contracts | First-time application of IFRS 17 and IFRS 9 – Comparative information: The minor (“narrow scope”) amendment to IFRS 17 introduced the option to apply a “classification overlay approach” if certain criteria are met. This can increase the informative value of the comparative information on financial instruments in the year prior to the first-time application of IFRS 17. | Periods beginning on or after January 1, 2023 |
| Amendments to IAS 1<br>Presentation of Financial Statements | Improvement in consistency regarding the classification of liabilities as current or non-current. Specifically, the intention is to provide rules on the classification of liabilities with an uncertain settlement date. | Periods beginning on or after January 1, 2024 |
| Amendments to IAS 1<br>Presentation of Financial Statements, Practice Statement 2 and Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | Clarification that in future information only has to be provided on “material” and no longer on “significant” accounting policies. Furthermore, the term “accounting estimate” used in IAS 8 has been redefined. | Periods beginning on or after January 1, 2023 |
| Amendments to IAS 7<br>Statements of Cash Flows and IFRS 7<br>Financial Instruments | The amendments relate to disclosure in connection with supplier finance agreements. | Periods beginning on or after January 1, 2024 |
| Amendments to IAS 12<br>Income Taxes | The amendments relate to an exemption from the initial recognition exemption in closely specified cases. These lead to a situation where deferred taxes, for instance on leases recognized at the lessee and on decommissioning obligations, must be recognized. | Periods beginning on or after January 1, 2023 |
| Amendments to IAS 12<br>Income Taxes | The amendments contain targeted disclosures in the notes for the companies affected in order to provide users of financial statements with an understanding of the degree to which an entity will be affected by the minimum tax, specifically before legislation comes into effect. | Periods beginning on or after January 1, 2023 |
| Amendments to IAS 21<br>The Effects of Changes in Foreign Exchange Rates | Addition of provisions and corresponding disclosure requirements to determine the exchange rate in the event of a long-term lack of exchangeability. | Periods beginning on or after January 1, 2025 |

None of the revised and newly issued IFRS and IFRIC that are subject to mandatory adoptions as of the 2023/24 fiscal year will have any significant effect on the net assets, financial position and earnings position of the Voith Group. The impact of revised or newly issued standards and interpretations that will be subject to mandatory adoption by the Voith Group at a later date is currently being investigated.

At present, the Voith Group does not plan to adopt the new or amended standards and interpretations early.

# Notes to the consolidated statement of income

## 01. Sales

| in € thousands | 2022/23 Over time | 2022/23 At a point in time | 2022/23 Total | 2021/22 Over time | 2021/22 At a point in time | 2021/22 Total |
|---|---|---|---|---|---|---|
| Voith Hydro | 1,189,250 | 0 | 1,189,250 | 1,047,848 | 0 | 1,047,848 |
| Voith Paper | 1,355,473 | 882,965 | 2,238,438 | 1,373,749 | 822,503 | 2,196,252 |
| | **2,544,723** | **882,965** | **3,427,688** | **2,421,597** | **822,503** | **3,244,100** |

Sales of €1,993,855 thousand (previous year €1,556,507 thousand) at Voith Turbo and the other sales of €84,144 thousand (previous year: €80,739 thousand) were mainly recognized at a specific point in time.

Sales of €2,007,508 thousand (previous year: €1,397,603 thousand) are expected in future periods from currently not, or only partially, completed performance obligations.

## 02. Changes in inventories and other own work capitalized

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Changes in inventories of finished goods and work in progress | 558 | 70,446 |
| Other own work capitalized | 6,426 | 11,134 |
| | **6,984** | **81,580** |

## 03. Other operating income

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Income from the use of provisions | 91,892 | 94,658 |
| Income from the reversal of provisions and accruals | 73,162 | 74,111 |
| Foreign exchange gains | 129,170 | 199,752 |
| Gains on the disposal of intangible assets and property, plant and equipment | 3,829 | 12,472 |
| Rental and lease income | 2,521 | 2,083 |
| Income from insurance indemnification payments | 10,242 | 17,937 |
| Other income | 47,512 | 81,807 |
| | **358,328** | **482,820** |

## 04. Cost of materials

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Cost of raw materials and supplies and of purchased merchandise | 2,143,760 | 1,943,511 |
| Cost of purchased services | 404,939 | 460,803 |
| | **2,548,699** | **2,404,314** |

## 05. Personnel expenses

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Wages and salaries | 1,460,766 | 1,300,560 |
| Social security, pension and other benefit costs | 313,651 | 281,189 |
| | **1,774,417** | **1,581,749** |

The costs of post-employment benefits total €36,628 thousand (previous year: €37,779 thousand).

### Number of employees

| | Annual average | | As at the reporting date | |
|---|---|---|---|---|
| | 2022/23 | 2021/22 | 2023-09-30 | 2022-09-30 |
| Direct production employees | 11,536 | 10,326 | 11,675 | 10,943 |
| Administration staff/indirect production | 10,762 | 9,813 | 10,804 | 10,548 |
| | **22,298** | **20,139** | **22,479** | **21,491** |
| Apprentices and students | 745 | 720 | 745 | 720 |
| | **23,043** | **20,859** | **23,224** | **22,211** |

### Number of employees by region

| | Annual average | | As at the reporting date | |
|---|---|---|---|---|
| | 2022/23 | 2021/22 | 2023-09-30 | 2022-09-30 |
| Germany | 7,918 | 7,498 | 7,931 | 7,863 |
| Europe excluding Germany | 5,197 | 4,299 | 5,169 | 5,002 |
| Americas | 3,988 | 3,532 | 4,177 | 3,643 |
| Asia | 5,029 | 4,648 | 5,032 | 4,823 |
| Other | 166 | 162 | 170 | 160 |
| | **22,298** | **20,139** | **22,479** | **21,491** |

# 06. Other operating expenses

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Increase in provisions and accruals | 213,829 | 245,343 |
| Other selling expenses | 320,581 | 286,289 |
| Other administrative expenses | 270,004 | 266,173 |
| Foreign exchange losses | 152,777 | 192,226 |
| Rental and lease expenses | 40,806 | 23,961 |
| Losses on the disposal of intangible assets and property, plant and equipment | 3,506 | 3,404 |
| Other expenses | 118,865 | 111,397 |
| | **1,120,368** | **1,128,793** |

# 07.

## Interest result and other financial result

Interest income of €48,101 thousand (previous year: €12,299 thousand) primarily includes interest income of €26,170 thousand (previous year: interest expense of €11,199 thousand) from the measurement of the obligations arising from termination rights of holders of non-controlling interests in limited partnerships.

Interest expenses of €72,344 thousand (previous year: €49,006 thousand) mostly consist of interest from external loans (€30,379 thousand, previous year; €11,084 thousand) and expenses from the discounting of pension obligations (€22,377 thousand, previous year: €10,531 thousand).

The other financial result consists of:

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Gains/losses from investments | 15,147 | 5,049 |
| Reversal of impairment/impairment of other investments and loans | -5,552 | 5,517 |
| Income from securities and loans | 608 | 507 |
| Currency gains on long-term financing positions | 15,640 | 29,590 |
| Currency losses on long-term financing positions | -23,824 | -18,750 |
| Measurement of derivatives used to hedge financial transactions | -2,009 | -749 |
| | **10** | **21,164** |

Gains/losses from investments and reversal of impairment/impairment of other investments and loans relate to financial instruments in the “at fair value through profit or loss” (FVTPL) measurement category.

The currency gains and losses on long-term financing positions result from currency gains and losses on long-term intragroup and external loans and liability balances. The measurement effects of derivatives used to hedge financial transactions relate to the hedging instruments associated with these long-term financing positions.

# 08.

## Income taxes

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Current taxes | -99,319 | -63,472 |
| thereof taxes from previous periods | -5,959 | 5,249 |
| Deferred taxes | 15,409 | -23,232 |
| | **-83,910** | **-86,704** |

Current taxes include domestic income taxes and comparable foreign income taxes that are calculated in accordance with the local tax laws valid for each subsidiary.

Deferred taxes are recognized for temporary differences between carrying amounts for tax reporting and carrying amounts recognized under IFRS at the individual Group companies as well as for consolidation measures. Deferred tax assets are also recognized for tax losses carried forward that can be reasonably expected to be realized in the near future. The average income tax rate for German companies is 29.125% (previous year: 29.125%).

Deferred taxes are calculated at the tax rates prevailing in the respective countries. The deferred tax income from temporary differences amounted to €22,640 thousand (previous year: tax expense of €26,516 thousand).

The deferred tax expense from tax losses carried forward amounted to €7,231 thousand in the 2022/23 fiscal year. This primarily includes the impairment of deferred tax assets of €9,115 thousand which were recognized in the 2021/22 fiscal year, an increase in deferred tax assets on tax losses carried forward of €1,347 thousand as a result of adjustments of tax losses carried forward from the previous year, income of €6,653 thousand from the initial recognition of deferred tax assets on tax losses carried forward, expenses of €16,316 thousand from the utilization of tax losses recognized in the previous year and income of €12,679 thousand from the initial recognition of previously unrecognized tax losses.

The deferred tax income from tax losses carried forward amounted to €3,284 thousand in the 2021/22 fiscal year. This primarily includes the impairment of deferred tax assets of €2,833 thousand which were recognized in the 2020/21 fiscal year, an increase in deferred tax assets on tax losses carried forward of €1,534 thousand as a result of adjustments of tax losses carried forward from the previous year, income of €2,195 thousand from the initial recognition of deferred tax assets on tax losses carried forward, expenses of €3,803 thousand from the utilization of tax losses recognized in the previous year and income of €9,497 thousand from the initial recognition of previously unrecognized tax losses.

In addition, the current income tax charge was reduced by the use of deferred tax assets on tax losses of €4,343 thousand unrecognized in the previous year (previous year: €3,651 thousand).

As at September 30, 2023, no deferred tax assets were recognized on German trade tax losses of €1,026,313 thousand (previous year adjusted*: €913,109 thousand), German corporate income taxes of €432,839 thousand (previous year adjusted*: €503,696 thousand) and interest carryforwards under German tax law of €76,358 thousand (previous year: €36,950 thousand) as it is not likely that these tax losses carried forward can be utilized in the near future.

No deferred tax assets were recorded on tax losses carried forward for foreign federal tax of €303,662 thousand (previous year: €255,897 thousand) or foreign state taxes of €32,858 thousand (previous year: €57,916 thousand) due to the fact that the utilization of the losses is not probable in the near future.

* Adjustments on account of external tax audits and subsequent effects.

No deferred tax assets were recognized on temporary differences of €190,257 thousand (previous year: €204,028 thousand) as utilization of the losses is not probable in the near future. The decrease arises from the reduction in the temporary differences mainly in the provisions for pensions.

In Germany, tax losses carried forward can be carried forward indefinitely. Outside Germany, tax losses can usually be carried forward for a limited period of no more than five to ten years.

| | 2022-10-01 | | | | | 2023-09-30 | | |
|---|---|---|---|---|---|---|---|---|
| in € thousands | Net | Recognized in consolidated statement of income | Recognized in other comprehensive income | Business combinations | Currency | Net | Deferred tax assets | Deferred tax liabilities |
| Intangible assets | -89,729 | 8,210 | 0 | -147 | -619 | -82,285 | 10,987 | -93,272 |
| Property, plant and equipment | -48,893 | -7,221 | 0 | -768 | 1,612 | -55,270 | 3,800 | -59,070 |
| Financial assets and securities | -1,500 | 222 | 259 | 0 | 16 | -1,003 | 206 | -1,209 |
| Inventories and receivables | -87,242 | 17,379 | 0 | 0 | -2,861 | -72,724 | 55,160 | -127,884 |
| Other assets | -34,660 | 3,952 | 8 | 0 | -387 | -31,087 | 12,187 | -43,274 |
| Pension provisions | 7,689 | -1,078 | 1,243 | 0 | -289 | 7,565 | 8,522 | -957 |
| Financial liabilities | 34,232 | 6,590 | -56 | 0 | -310 | 40,456 | 44,545 | -4,089 |
| Other provisions and liabilities | 157,657 | -6,953 | 0 | 0 | -2,509 | 148,195 | 178,090 | -29,895 |
| Tax effect on distributable earnings of Group companies | -2,649 | 1,539 | 0 | 0 | 0 | -1,110 | 0 | -1,110 |
| Tax losses carried forward | 64,761 | -7,231 | 0 | 0 | -856 | 56,674 | 56,674 | 0 |
| Netting | 0 | | | | | 0 | -276,045 | 276,045 |
| | **-334** | **15,409** | **1,454** | **-915** | **-6,203** | **9,411** | **94,126** | **-84,715** |

| in € thousands | 2021-10-01 Net | Recognized in consolidated statement of income | Recognized in other comprehensive income | Business combinations | Currency | 2022-09-30 Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | -79,508 | 3,978 | 0 | -15,778 | 1,579 | -89,729 | 9,223 | -98,952 |
| Property, plant and equipment | -45,189 | 982 | 0 | -3,159 | -1,527 | -48,893 | 5,470 | -54,363 |
| Financial assets and securities | -1,984 | 3,392 | -2,910 | 0 | 2 | -1,500 | 25 | -1,525 |
| Inventories and receivables | -63,096 | -29,446 | 0 | 1,883 | 3,417 | -87,242 | 59,070 | -146,312 |
| Other assets | -18,596 | -10,535 | -4,254 | -27 | -1,248 | -34,660 | 7,536 | -42,196 |
| Pension provisions | 17,551 | -10,053 | -977 | 656 | 512 | 7,689 | 9,171 | -1,482 |
| Financial liabilities | 35,125 | -2,577 | -52 | 1,792 | -56 | 34,232 | 41,690 | -7,458 |
| Other provisions and liabilities | 137,914 | 14,901 | 0 | 546 | 4,296 | 157,657 | 187,742 | -30,085 |
| Tax effect on distributable earnings of Group companies | -5,491 | 2,842 | 0 | 0 | 0 | -2,649 | 0 | -2,649 |
| Tax losses carried forward | 62,167 | 3,284 | 0 | 0 | -690 | 64,761 | 64,761 | 0 |
| Netting | 0 | | | | | 0 | -286,521 | 286,521 |
| | **38,893** | **-23,232** | **-8,193** | **-14,087** | **6,285** | **-334** | **98,167** | **-98,501** |

Reconciliation of expected and effective tax expense:

The income of Voith GmbH & Co. KGaA and its subsidiaries in Germany is subject to corporate income tax and trade tax as well as the solidarity surcharge. Profits earned outside Germany are taxed at the prevailing rates in the countries concerned. The expected tax expense was calculated based on a tax rate of 29.125 % (previous year: 29.125 %) that takes into account the legal structure of the Voith Group relevant for tax purposes.

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Result before income taxes | 156,566 | 116,354 |
| Expected tax expense (+)/tax income (-) | 45,600 | 33,888 |
| Deviations from expected tax rate | -5,067 | -8,840 |
| Effect of changes in tax rates | 48 | -1,093 |
| Tax-free income | -24,454 | -10,430 |
| Non-deductible expenses | 45,440 | 20,952 |
| Taxes relating to other periods | 2,940 | -8,861 |
| Change in impairments of deferred tax assets | 20,080 | 61,996 |
| Other tax effects | -677 | -908 |
| **Income taxes** | **83,910** | **86,704** |
| **Effective tax rate (in %)** | **53.6** | **74.5** |

The non-deductible expenses contain withholding taxes of €12,417 thousand (previous year: €8,936 thousand).

No deferred tax liabilities were recorded on temporary differences in connection with investments in subsidiaries of €99,990 thousand (previous year: €93,733 thousand), as the criteria specified in IAS 12.39 were met.

When distributions by foreign subsidiaries are made in Germany, 5% of the distribution is subject to German taxation. In addition, withholding taxes and dividend-related taxes abroad may also be incurred. Further income tax implications must also be observed in the case of distributions from subsidiaries abroad to another foreign company.

### Global minimum taxation

In order to address concerns about large, multinational companies having an unfair ability to distribute profits and choose where they are taxed, various agreements were reached at a global level, including an agreement between 135 countries on the introduction of a global minimum tax rate of 15 percent. In December 2021, the OECD published a proposal for a legal framework, followed by further detailed guidance in March 2022 and July 2023 that is intended to be used by the individual countries that have signed the agreement to amend their local tax legislation. As soon as the amendments to the tax legislation in the countries in which the Voith Group has operations apply, or will shortly apply, the Voith Group may be subject to the minimum taxation. In Germany, the federal parliament (Bundestag) passed the federal government’s bill on the global minimum taxation on November 10, 2023.

As at the date on which the consolidated financial statements were approved for publication, the tax legislation in connection with the minimum tax had been passed in countries in which Voith has operations; these are: the UK, Japan, Indonesia, Malaysia and South Korea. The rules are applicable in these countries for the first time in periods beginning after December 31, 2023.

The Board of Management is monitoring closely the progress of the legislative procedure in every country in which the Voith Group has operations.

As at September 30, 2023, the Voith Group did not have sufficient information to be able to determine the potential quantitative impact.

# Notes to the consolidated balance sheet

## 09. Intangible assets

### Development of intangible assets from October 1, 2022 to September 30, 2023

| in € thousands | Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets | Goodwill | Development costs | Prepayments | Total |
|---|---|---|---|---|---|
| **Cost 2022-10-01** | **483,782** | **922,316** | **174,890** | **190** | **1,581,178** |
| Business combinations | 891 | 1,746 | 1,896 | 0 | 4,533 |
| Currency translation differences | -6,304 | -10,763 | -254 | 1 | -17,320 |
| Additions | 8,353 | 0 | 3,112 | 9 | 11,474 |
| Disposals | -12,069 | 0 | -9,051 | 0 | -21,120 |
| Other adjustments | 4 | 0 | 12 | 0 | 16 |
| Transfers | 1,571 | 0 | 28 | -62 | 1,537 |
| **Cost 2023-09-30** | **476,228** | **913,299** | **170,633** | **138** | **1,560,298** |
| **Accumulated amortization and impairment 2022-10-01** | **-225,775** | **-54,179** | **-141,635** | **0** | **-421,589** |
| Currency translation differences | 2,650 | 0 | 123 | 0 | 2,773 |
| Amortization | -30,165 | 0 | -10,069 | 0 | -40,234 |
| Impairment losses | -301 | -3,220 | -2,260 | 0 | -5,781 |
| Disposals | 11,958 | 0 | 8,972 | 0 | 20,930 |
| Other adjustments | -13 | 0 | 0 | 0 | -13 |
| **Accumulated amortization and impairment 2023-09-30** | **-241,646** | **-57,399** | **-144,869** | **0** | **-443,914** |
| **Carrying amounts 2023-09-30** | **234,582** | **855,900** | **25,764** | **138** | **1,116,384** |

The impairment losses on development costs include the write-down of a project in the Group Division Hydro amounting to €2,230 thousand that needed to be recognized for this project on account of a deterioration in the sales prospects.

## Development of intangible assets from October 1, 2021 to September 30, 2022

| in € thousands | Franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets | Goodwill | Development costs | Prepayments | Total |
|---|---|---|---|---|---|
| **Cost 2021-10-01** | **395,459** | **808,081** | **169,582** | **0** | **1,373,122** |
| Business combinations | 71,243 | 88,306 | 1,254 | 185 | 160,988 |
| Currency translation differences | 10,324 | 25,276 | -83 | 0 | 35,517 |
| Additions | 12,634 | 653 | 5,441 | 5 | 18,733 |
| Disposals | -7,143 | 0 | -715 | 0 | -7,858 |
| Other adjustments | 3 | 0 | -13 | 0 | -10 |
| Transfers | 1,262 | 0 | -576 | 0 | 686 |
| **Cost 2022-09-30** | **483,782** | **922,316** | **174,890** | **190** | **1,581,178** |
| **Accumulated amortization and impairment 2021-10-01** | **-211,358** | **-54,179** | **-132,361** | **0** | **-397,898** |
| Currency translation differences | -2,778 | 0 | 125 | 0 | -2,653 |
| Amortization | -18,753 | 0 | -8,684 | 0 | -27,437 |
| Impairment losses | 0 | 0 | -979 | 0 | -979 |
| Disposals | 7,116 | 0 | 264 | 0 | 7,380 |
| Other adjustments | -2 | 0 | 0 | 0 | -2 |
| **Accumulated amortization and impairment 2022-09-30** | **-225,775** | **-54,179** | **-141,635** | **0** | **-421,589** |
| **Carrying amounts 2022-09-30** | **258,007** | **868,137** | **33,255** | **190** | **1,159,589** |

In the previous year, the franchises, industrial rights and similar rights and assets as well as licenses in such rights and assets contained brands with an indefinite useful life of €107.5 million, thereof addition from business combinations in 2021/22 of €34.1 million.

Since April 1, 2023, the useful life of the brands is classified as definite at 25 years. For more information, refer to the accounting policies for intangible assets.

# 10. Property, plant and equipment

## Development of property, plant and equipment from October 1, 2022 to September 30, 2023

| in € thousands | Land and buildings, including buildings on third-party land | Plant and machinery | Other equipment, furniture and fixtures | Prepayments and assets under construction | Rights of use | Total |
|---|---|---|---|---|---|---|
| **Cost 2022-10-01** | **927,627** | **1,576,979** | **557,191** | **62,943** | **180,780** | **3,305,520** |
| Business combinations | 11,169 | 4,662 | 794 | 813 | 4,550 | 21,988 |
| Currency translation differences | -40,883 | -78,935 | -11,415 | -2,799 | -6,415 | -140,447 |
| Additions | 6,174 | 45,184 | 29,480 | 38,850 | 43,051 | 162,739 |
| Capitalized interest | 0 | 0 | 0 | 284 | 0 | 284 |
| Remeasurements | 0 | 0 | 0 | 0 | 13,395 | 13,395 |
| Disposals | -2,402 | -24,233 | -17,396 | -6,197 | -12,568 | -62,796 |
| Transfers | 3,438 | 22,366 | 6,022 | -32,488 | -875 | -1,537 |
| Reclassification to assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Other adjustments | 10 | 87 | -141 | -656 | -1,001 | -1,701 |
| **Cost 2023-09-30** | **905,133** | **1,546,110** | **564,535** | **60,750** | **220,917** | **3,297,445** |
| **Accumulated depreciation and impairment 2022-10-01** | **-457,074** | **-1,242,112** | **-447,985** | **-240** | **-77,075** | **-2,224,486** |
| Currency translation differences | 18,452 | 59,918 | 8,471 | 0 | 3,345 | 90,186 |
| Depreciation | -19,736 | -58,876 | -32,959 | 0 | -34,087 | -145,658 |
| Impairment losses | -5,146 | -4,158 | -704 | 0 | -302 | -10,310 |
| Disposals | 1,270 | 21,539 | 16,466 | 0 | 12,309 | 51,584 |
| Transfers | 18 | -953 | 615 | 0 | 320 | 0 |
| Reclassification to assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairment losses | 1 | 11 | 0 | 0 | 0 | 12 |
| Other adjustments | 57 | 13 | 201 | 0 | 714 | 985 |
| **Accumulated depreciation and impairment 2023-09-30** | **-462,158** | **-1,224,618** | **-455,895** | **-240** | **-94,776** | **-2,237,687** |
| **Carrying amounts 2023-09-30** | **442,975** | **321,492** | **108,640** | **60,510** | **126,141** | **1,059,758** |

## Development of property, plant and equipment from October 1, 2021 to September 30, 2022

| in € thousands | Land and buildings, including buildings on third-party land | Plant and machinery | Other equipment, furniture and fixtures | Prepayments and assets under construction | Rights of use | Total |
|---|---|---|---|---|---|---|
| **Cost 2021-10-01** | **862,955** | **1,509,075** | **534,108** | **49,377** | **155,963** | **3,111,478** |
| Business combinations | 29,163 | 7,130 | 11,466 | 2,795 | 9,752 | 60,306 |
| Currency translation differences | 44,311 | 95,915 | 11,870 | 3,501 | 3,225 | 158,822 |
| Additions | 6,073 | 29,797 | 22,391 | 39,250 | 20,186 | 117,697 |
| Capitalized interest | 0 | 0 | 0 | 127 | 0 | 127 |
| Remeasurements | 0 | 0 | 0 | 0 | 6,343 | 6,343 |
| Disposals | -8,069 | -84,182 | -26,439 | -1,328 | -12,188 | -132,206 |
| Transfers | 7,514 | 19,383 | 6,102 | -31,087 | -2,598 | -686 |
| Reclassification to assets held for sale | -14,265 | -94 | -2,246 | 0 | 0 | -16,605 |
| Other adjustments | -55 | -45 | -61 | 308 | 97 | 244 |
| **Cost 2022-09-30** | **927,627** | **1,576,979** | **557,191** | **62,943** | **180,780** | **3,305,520** |
| **Accumulated depreciation and impairment 2021-10-01** | **-416,430** | **-1,183,846** | **-434,674** | **-240** | **-56,516** | **-2,091,706** |
| Currency translation differences | -20,785 | -74,629 | -9,667 | 0 | -1,874 | -106,955 |
| Depreciation | -18,830 | -57,665 | -31,682 | 0 | -31,329 | -139,506 |
| Impairment losses | -7,597 | -4,462 | -90 | 0 | 0 | -12,149 |
| Disposals | 1,193 | 79,072 | 24,962 | 0 | 11,676 | 116,903 |
| Transfers | -677 | -843 | 655 | 0 | 865 | 0 |
| Reclassification to assets held for sale | 6,028 | 89 | 1,915 | 0 | 0 | 8,032 |
| Reversal of impairment losses | 0 | 3 | 11 | 0 | 103 | 117 |
| Other adjustments | 24 | 169 | 585 | 0 | 0 | 778 |
| **Accumulated depreciation and impairment 2022-09-30** | **-457,074** | **-1,242,112** | **-447,985** | **-240** | **-77,075** | **-2,224,486** |
| **Carrying amounts 2022-09-30** | **470,553** | **334,867** | **109,206** | **62,703** | **103,705** | **1,081,034** |

The impairment losses are included in the consolidated statement of income item "Depreciation and amortization". Impairment losses include impairments on land and buildings of €5,139 thousand and on plant and machinery of €3,890 thousand as well as on other equipment, furniture and fixtures of €696 thousand, which had to be recognized on account of the impairment of a production plant in Russia of the Group Division Hydro as a consequence of the deterioration in the prospects for the future of this cash-generating unit. Impairment losses were already recognized on land and buildings of €5,824 thousand and on plant and machinery of €4,198 thousand in this context in the previous year. The recoverable amount of the cash-generating unit amounting to €2.7 million corresponds to the fair value less costs to sell. The fair value less the costs to sell was measured on the basis of the current planning prepared by management applying the discounted cash flow method (level 3 of the fair value hierarchy).

An interest rate of 2.96% was used to calculate capitalized interest (previous year: 1.6%).

The prepayments and assets under construction include buildings of €3,794 thousand (previous year: €2,621 thousand), plant and machinery of €50,887 thousand (previous year: €54,046 thousand) and non-production-related equipment of €5,829 thousand (previous year: €6,036 thousand).

As at September 30, 2023, the carrying amounts of the rights of use under leases contained land and buildings of €88,724 thousand (previous year: €68,682 thousand), plant and machinery of €8,946 thousand (previous year: €7,625 thousand), leased vehicles of €18,774 thousand (previous year: €16,304 thousand) and other of €9,697 thousand (previous year: €11,094 thousand).

The depreciation and impairment losses on the rights of use under leases break down as follows: €20,145 thousand (previous year: €18,794 thousand) on land and buildings, €1,412 thousand (previous year: €374 thousand) on plant and machinery, €10,545 thousand (previous year: €9,824 thousand) on leased vehicles and €2,287 thousand (previous year: €2,337 thousand) on other.

# 11. Investments accounted for using the equity method

### Associates

The following table summarizes the financial information for associates; all amounts relate to the Group's proportionate share of the respective associates:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Carrying amount of the investments in associates | 39,100 | 38,600 |
| Share of: | | |
| Net result of continuing operations | -653 | -5,480 |
| Other comprehensive income | -240 | 527 |
| **Total comprehensive income** | **-893** | **-4,953** |

The acquisition of 20% of the shares in Yangi AB gave rise to an addition to the carrying amounts of the shares in associates of €2,937 thousand. This addition relates to the Voith Paper segment.

The net result of continuing operations includes income from associates of €873 thousand (previous year: €680 thousand) and expenses of €1,526 thousand (previous year: €6,160 thousand). In the 2022/23 fiscal year, a loss of €9,293 thousand (previous year: €1,872 thousand) was not disclosed in the statement of income.

### Joint ventures

The Group has interests in joint ventures which are not individually material. The following table summarizes the financial information for these joint ventures; all amounts relate to the Group's proportionate share of the respective joint ventures:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Carrying amount of the interests in joint ventures | 4,757 | 4,983 |
| Share of: | | |
| Net result of continuing operations | -40 | 268 |
| Other comprehensive income | -186 | 137 |
| **Total comprehensive income** | **-226** | **405** |

For one joint venture, a loss of €249 thousand (previous year: €1,402 thousand) was not disclosed in the statement of income.

In some cases, the companies accounted for using the equity method have reporting periods which do not end on September 30, as the reporting dates are aligned to those of the controlling shareholder. Accordingly, some companies prepare interim financial statements as at September 30. For other companies the effects of the different reporting periods are not significant for the Voith Group's earnings position and net assets.

## 12. Inventories

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Raw materials and supplies | 328,435 | 338,991 |
| Work in progress | 199,597 | 234,546 |
| Finished goods and merchandise | 207,145 | 203,034 |
| Prepayments | 94,513 | 102,060 |
| | **829,690** | **878,631** |

Write-downs of inventories recognized as expenses amounted to €18,492 thousand (previous year: €3,712 thousand). Obligatory reversals of write-downs totaling €8,212 thousand (previous year: €6,139 thousand) were made. These amounts are recognized in the cost of materials.

## 13. Trade receivables

Trade receivables consist of the following items:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Trade receivables | 913,909 | 924,270 |
| Bad debt allowances | -43,734 | -42,233 |
| | **870,175** | **882,037** |

Trade receivables are classified as current assets. As at September 30, 2023, the volume of receivables that is not expected to be realized within one year is €11,029 thousand (previous year: €11,183 thousand).

Movements in the allowance account for the impairment of trade receivables were as follows:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| **Impairment at the beginning of the fiscal year** | **-42,233** | **-33,791** |
| Additions | -23,191 | -18,311 |
| Utilization | 4,886 | 6,720 |
| Reversal | 13,009 | 5,691 |
| Changes in consolidated group/exchange differences | 1,823 | -2,857 |
| Expected credit losses | 1,972 | 315 |
| **Impairment at the end of the fiscal year** | **-43,734** | **-42,233** |

The total reversal of €13,009 thousand (previous year: €5,691 thousand) consists of a reversal of specific bad debt allowances of €12,966 thousand (previous year: €5,691 thousand) and further expected credit losses of €43 thousand (previous year: €0). Additions of €23,191 thousand (previous year: €18,311 thousand) include additions to specific bad debt allowances of €23,191 thousand (previous year: €16,694 thousand) and further expected credit losses of €0 (previous year: €1,617 thousand).

# 14. Contract assets and contract liabilities

Notes on material changes in contract assets and contract liabilities:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| **Contract assets as at October 1** | **715,432** | **573,952** |
| Exchange rate differences | -30,369 | 32,730 |
| Change as a result of project progress, taking account of customer payments received | 509,149 | 487,818 |
| Reclassification from contract assets to trade receivables | -505,392 | -427,317 |
| Impairments | -31,538 | -2,541 |
| Other changes | 3,035 | 50,790 |
| **Contract assets as at September 30** | **660,317** | **715,432** |
| **Contract liabilities as at October 1** | **1,008,444** | **938,859** |
| Exchange rate differences | -35,522 | 42,499 |
| Business combinations | 1,600 | 540 |
| Sales included in contract liabilities at the beginning of the period | -437,776 | -395,045 |
| Increase as a result of customer payments received less figure recognized as sales over the period | 419,601 | 368,798 |
| Other changes | 33,596 | 52,793 |
| **Contract liabilities as at September 30** | **989,943** | **1,008,444** |

The item “Impairment losses on trade receivables and contract assets, net” in the statement of income contains impairment losses on trade receivables and contract assets pursuant to IFRS 9 of €66,517 thousand. Of this amount, impairment losses totaling €31,645 thousand are attributable to a project in the Hydro segment in Russia. Otherwise, income from the reduction and the utilization of impairment losses on trade receivables and contractual assets are offset in this item of the statement of income.

# 15. Other financial receivables and other assets

## Other financial receivables

| in € thousands | Current | Non-current | 2023-09-30 | Current | Non-current | 2022-09-30 |
|---|---|---|---|---|---|---|
| Derivatives used to hedge operational transactions | 21,654 | 6,052 | 27,706 | 31,029 | 19,201 | 50,230 |
| Derivatives used to hedge financial transactions | 2,148 | 14,580 | 16,728 | 112 | 14,609 | 14,721 |
| Financial receivables | 26,455 | 537 | 26,992 | 20,275 | 372 | 20,647 |
| Sundry financial assets* | 45,663 | 51,820 | 97,483 | 50,906 | 39,042 | 89,948 |
| | **95,920** | **72,989** | **168,909** | **102,322** | **73,224** | **175,546** |

## Other assets

| in € thousands | Current | Non-current | 2023-09-30 | Current | Non-current | 2022-09-30 |
|---|---|---|---|---|---|---|
| Prepaid expenses | 38,151 | 4,200 | 42,351 | 34,039 | 8,249 | 42,288 |
| Other taxes (without income taxes) | 87,881 | 36,269 | 124,150 | 119,499 | 33,384 | 152,883 |
| | **126,032** | **40,469** | **166,501** | **153,538** | **41,633** | **195,171** |

# 16. Other financial assets and securities

The financial assets mainly consist of a loan to a related company amounting to €121 million.

Further information on the other financial assets and securities can be found in the section “Additional information on financial instruments”.

* Includes assets totaling €24,803 thousand (previous year: €24,933 thousand) which are not financial instruments and which are accordingly excluded from the disclosures made in the section “Additional information on financial instruments”.

# 17. Cash and cash equivalents

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Cash on hand | 94 | 106 |
| Cash equivalents | 6,818 | 4,865 |
| Cash at bank | 405,930 | 406,921 |
| | **412,842** | **411,892** |

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

On account of foreign exchange controls in one country, the Group currently has no access to cash and cash equivalents of €6,105 thousand (previous year: €7,563 thousand).

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

As at the reporting date, there were no assets held for sale (previous year: €9,704 thousand, relating exclusively to property, plant and equipment).

# 19. Equity

## Issued capital

The share capital of Voith GmbH & Co. KGaA of €120,000 thousand comprises 108,000 thousand ordinary shares with a nominal value of €1.00 each and 12,000 thousand preference shares with a nominal value of €1.00 each.

## Revenue reserves and other reserves

The revenue reserves and other reserves consist of retained earnings generated by Voith GmbH & Co. KGaA and its consolidated subsidiaries as well as the effects of the remeasurement of defined benefit plans, the currency translation of foreign subsidiaries, the valuation of net investments in foreign operations, gains/losses on available-for-sale investments and financial assets recognized directly in equity without effect on profit or loss and cash flow hedges pursuant to IAS 39.

The statement of comprehensive income shows the measurement effects of the individual components of other comprehensive income. Other comprehensive income consists of:

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| **Remeasurement of defined benefit plans** | **12,505** | **262,736** |
| · Gains/losses in the current period | 12,505 | 262,736 |
| **Gains/losses on the valuation of financial assets and marketable securities** | **746** | **-3,075** |
| · Gains/losses in the current period | 893 | -3,075 |
| · Transfers to profit and loss | -147 | 0 |
| **Gains/losses on cash flow hedges** | **204** | **14,822** |
| · Gains/losses in the current period | 204 | 14,415 |
| · Transfers to profit and loss | 0 | 407 |
| **Gains/losses on currency translation** | **-114,823** | **144,248** |
| · Gains/losses in the current period | -114,823 | 144,248 |
| · Transfers to profit and loss | 0 | 0 |
| **Gains/losses from the currency translation of net investments in foreign operations** | **-2,935** | **12,345** |
| · Gains/losses in the current period | -2,935 | 12,345 |
| · Transfers to profit and loss | 0 | 0 |
| **Tax on components of other comprehensive income** | **1,454** | **-8,193** |
| **Other comprehensive income** | **-102,849** | **422,883** |

Deferred taxes on the components of other comprehensive income are as follows:

| | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| in € thousands | Before taxes | Deferred taxes | After taxes | Before taxes | Deferred taxes | After taxes |
| Remeasurement of defined benefit plans | 12,505 | 1,243 | 13,748 | 262,736 | -977 | 261,759 |
| Gains/losses on the valuation of financial assets and marketable securities | 746 | -164 | 582 | -3,075 | 291 | -2,784 |
| Gains/losses on cash flow hedges | 204 | -48 | 156 | 14,822 | -4,306 | 10,516 |
| Gains/losses on currency translation | -114,823 | 0 | -114,823 | 144,248 | 0 | 144,248 |
| Gains/losses from the currency translation of net investments in foreign operations | -2,935 | 423 | -2,512 | 12,345 | -3,201 | 9,144 |
| **Other comprehensive income** | **-104,303** | **1,454** | **-102,849** | **431,076** | **-8,193** | **422,883** |

## Profit participation rights

Profit participation rights with a nominal volume of €103,400 thousand (previous year: €103,400 thousand) qualify as Group equity under the IAS 32 criteria. The rights are lower-ranking bearer profit participation rights with variable compensation, no fixed maturity date and no right of termination on the part of the creditors. Profit participation rights of €96,800 thousand were issued by a subsidiary of Voith GmbH & Co. KGaA. Profit participation rights of €6,600 thousand were issued by Voith GmbH & Co. KGaA. Subject to the approval of the appropriate governing body, profits totaling €5,590 thousand (previous year: €5,590 thousand) are scheduled to be distributed on the sum total of these rights for the 2023/24 fiscal year.

## Non-controlling interests

The majority of non-controlling interests are held by the co-owners of the subsidiaries Shanghai CRRC Voith Transmission Technology Co., Ltd., China, Rif Roll Cover Srl, Italy, Voith Fuji Hydro K.K., Japan, Voith IHI Paper Technology Co., Ltd., Japan, Voith Hydro Shanghai Ltd., China and Voith Paper Fabrics India Ltd., India. Of the profit participation rights totaling €103,400 thousand, €96,800 thousand is attributable to non-controlling interests.

## Appropriation of retained earnings at Voith GmbH & Co. KGaA

The Board of Management proposes to pay a dividend of €0.17 per share (€20,000 thousand in total) out of the unappropriated retained earnings of Voith GmbH & Co. KGaA and to carry forward the remaining amount. Of the total dividends proposed, €2,000 thousand is attributable to preference shares. Dividend payments in the fiscal year amounted to €20,000 thousand (previous year: €20,000 thousand). The distribution per share in the fiscal year amounted to €0.17 (previous year: €0.17).

### Additional disclosures on capital management

Voith is a family-owned company. As such, it is obliged to maintain a robust and sustainable financial profile that enables the Group to meet its earnings and growth targets.

Voith manages its capital with the aim of maximizing the return on capital. The Group's managed capital consists of equity and interest-bearing financial liabilities.

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Equity | 1,366,822 | 1,436,080 |
| Interest-bearing financial liabilities | 1,059,351 | 1,101,128 |
| | **2,426,173** | **2,537,208** |

Equity decreased by 4.8% compared to the previous year. It was mainly the negative effects from currency translation of foreign subsidiaries that contributed to this development. Interest-bearing financial liabilities decreased by 3.8%. The composition of interest-bearing financial liabilities is described in note 22.

The articles of incorporation and bylaws of Voith GmbH & Co. KGaA do not prescribe any specific capital requirements.

## 20. Provisions for pensions and similar obligations

Provisions for pensions are recognized for benefit obligations in the form of retirement, invalidity and surviving dependents' benefits payable under pension plans. The benefits provided by the Group vary according to local legal, tax and economic conditions in the respective countries and are usually based on the length of employee service and the level of remuneration.

The Group's post-employment benefits include both defined benefit plans and defined contribution plans. In the case of defined contribution plans, the Company pays contributions to state or private pension schemes based on either legal or contractual requirements or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Company. Current contributions are recognized as pension expenses in the period concerned and total €119,834 thousand for the Voith Group as a whole (previous year: €104,809 thousand).

The majority of the pension plans are defined benefit plans that take the form of provisions-based or externally funded schemes.

The pension provisions for defined benefit plans are determined in accordance with IAS 19 using the internationally recognized projected unit credit method. For this purpose, the future obligations are measured on the basis of the pro rata employee benefit obligations earned at the end of the fiscal year.

Pension provisions are measured taking into account development assumptions for those factors which affect the benefit amount. All defined benefit plans require actuarial valuations. These are prepared annually by qualified actuaries.

The amount of the individual benefit payments is generally measured based on the wage or salary level and/or position in the corporate hierarchy, as well as the length of service. The features and related risks of the defined benefit plans available to employees vary according to local legal, tax and economic conditions in the respective countries. The features of the material defined benefit plans at Voith are described below.

Pension plans in Germany and Austria

The pension plans in Germany generally include retirement, invalidity and surviving dependents' benefits. Traditionally, the pension commitments are measured on the beneficiary's final salary. In recent years, these benefits have been increasingly replaced by capital savings models. Under capital savings models, the amount of the benefit is measured as the sum of the (annual) savings modules. The individual modules are measured from the defined salary-based contribution using a variable conversion factor for age and interest rates for a defined retirement age.

Numerous Group companies have introduced capital savings models to satisfy their obligation to pay an employer contribution.

In accordance with the German Company Pensions Act, current benefit payments are regularly reviewed with regard to the increase in the consumer price index.

In contrast to the older final-salary-based pension commitments, which involve a relatively high risk of extra funding requirements arising from salary trends, from external input parameters (e.g., the income threshold for the statutory pension insurance scheme) and from the adjustment of current pensions, the current capital savings models ultimately only involve the risk of a change in the interest rates used in the calculation.

Pension provisions are recognized for all pension commitments. Funding is therefore only obtained in exceptional cases. The plan assets of German companies take the form of insurance policies. They do not include any financial instruments issued by companies of the Voith Group.

For mortality and invalidity, the RT 2018G mortality tables by Heubeck are used. Employee turnover probabilities were calculated specifically for the Group.

In Austria, the obligations result primarily from a severance benefit scheme ("Abfertigungen"). Benefits become due upon termination of the employment relationship (provided the employee is not culpable for the termination), i.e., also upon retirement. Austrian severance benefits all qualify as capital savings. A few years ago, the nature of these benefits changed for new hires to post-employment benefits on account of new statutory requirements. These qualify as defined contribution plans and are organized via legally independent employee welfare funds. The employer's obligation is limited to payment of the contribution. In addition, obligations exist for retirement, invalidity and surviving dependents' benefits on the basis of individual commitments and a pension plan, which closed to new hires a long time ago, at the St. Pölten location.

The following amounts were recorded in the consolidated financial statements for post-employment defined benefit pension plans:

| | Defined benefit obligation | | Fair value of plan assets | | Net carrying amount from defined benefit plans | |
|---|---|---|---|---|---|---|
| in € thousands | 2023-09-30 | 2022-09-30 | 2023-09-30 | 2022-09-30 | 2023-09-30 | 2022-09-30 |
| Germany and Austria | 555,393 | 574,486 | -24,846 | -25,223 | 530,547 | 549,263 |
| Other | 108,621 | 104,189 | -80,744 | -75,362 | 27,877 | 28,827 |
| | **664,014** | **678,675** | **-105,590** | **-100,585** | **558,424** | **578,090** |

Movements in the net liability from defined benefit plans:

| | 2023-09-30 | | | 2022-09-30 | | |
|---|---|---|---|---|---|---|
| in € thousands | Present value of defined benefit obligations | Fair value of plan assets | Total | Present value of defined benefit obligations | Fair value of plan assets | Total |
| **Balance, October 1** | **678,675** | **-100,585** | **578,090** | **1,068,109** | **-235,400** | **832,709** |
| Current service cost | 11,600 | - | 11,600 | 19,286 | - | 19,286 |
| Past service cost from plan curtailments (income) | -638 | - | -638 | -4,379 | - | -4,379 |
| Interest expenses (+)/interest income (-) | 26,697 | -3,862 | 22,835 | 14,258 | -3,731 | 10,527 |
| Remeasurements: | | | | | | |
| Losses (+)/gains (-) from changes in demographic assumptions | -179 | - | -179 | 353 | - | 353 |
| Losses (+)/gains (-) from changes in financial assumptions | -23,372 | - | -23,372 | -287,368 | - | -287,368 |
| Losses (+)/gains (-) from experience adjustments | 8,608 | - | 8,608 | 7,412 | - | 7,412 |
| Remeasurement of plan assets (without amounts included in interest result) | - | 2,322 | 2,322 | - | 24,538 | 24,538 |
| Employer contributions to the fund | - | -3,787 | -3,787 | - | -3,507 | -3,507 |
| Employee contributions to the fund | - | -2,214 | -2,214 | - | -1,575 | -1,575 |
| Benefits paid | -41,264 | 7,920 | -33,344 | -179,148 | 146,622 | -32,526 |
| Change to the Group's structure | -104 | 0 | -104 | 5,283 | 0 | 5,283 |
| Other | 6,476 | -7,089 | -613 | -2,999 | 4,654 | 1,655 |
| Currency translation differences on foreign plans | -3,321 | 1,705 | -1,616 | 36,495 | -32,186 | 4,309 |
| Addition to termination benefits in accordance with IAS 19.159 et seq. | 836 | - | 836 | 1,373 | - | 1,373 |
| **Balance, September 30** | **664,014** | **-105,590** | **558,424** | **678,675** | **-100,585** | **578,090** |

Movements in the net liability from defined benefit plans:

## Germany and Austria

| | 2023-09-30 | | | 2022-09-30 | | |
|---|---|---|---|---|---|---|
| in € thousands | Present value of defined benefit obligations | Fair value of plan assets | Total | Present value of defined benefit obligations | Fair value of plan assets | Total |
| **Balance, October 1** | **574,486** | **-25,223** | **549,263** | **814,807** | **-25,003** | **789,804** |
| Current service cost | 8,961 | - | 8,961 | 15,875 | - | 15,875 |
| Past service cost from plan curtailments (income) | 50 | - | 50 | -693 | - | -693 |
| Interest expenses (+)/interest income (-) | 22,749 | -999 | 21,750 | 10,580 | -333 | 10,247 |
| Remeasurements: | | | | | | |
| Losses (+)/gains (-) from changes in demographic assumptions | 0 | - | 0 | 0 | - | 0 |
| Losses (+)/gains (-) from changes in financial assumptions | -24,414 | - | -24,414 | -236,245 | - | -236,245 |
| Losses (+)/gains (-) from experience adjustments | 9,831 | - | 9,831 | 4,748 | - | 4,748 |
| Remeasurement of plan assets (without amounts included in interest result) | - | -36 | -36 | - | -638 | -638 |
| Employer contributions to the fund | - | -243 | -243 | - | 0 | 0 |
| Employee contributions to the fund | - | 0 | 0 | - | 0 | 0 |
| Benefits paid | -33,822 | 1,655 | -32,167 | -33,177 | 1,373 | -31,804 |
| Change to the Group's structure | -104 | 0 | -104 | 2,412 | 0 | 2,412 |
| Other | -3,180 | 0 | -3,180 | -5,108 | -622 | -5,730 |
| Currency translation differences on foreign plans | 0 | 0 | 0 | 0 | 0 | 0 |
| Addition to termination benefits in accordance with IAS 19.159 et seq. | 836 | - | 836 | 1,287 | - | 1,287 |
| **Balance, September 30** | **555,393** | **-24,846** | **530,547** | **574,486** | **-25,223** | **549,263** |

Costs for defined benefit plans break down as follows:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Current service cost | 11,600 | 19,286 |
| Past service cost | -638 | -4,379 |
| Interest expenses from pension obligations and plan assets | 22,835 | 10,527 |

Current service cost and past service cost relating to the obligation are stated under personnel expenses. Interest expenses on the obligation and interest income on plan assets are stated in the interest result. Past service cost includes the effects of the increase in the actuarial interest rate for the capital savings plans.

The plan assets consist of the following components:

| | Quoted prices in an active market | | No quoted prices in an active market | | Total | |
|---|---|---|---|---|---|---|
| in € thousands | 2023-09-30 | 2022-09-30 | 2023-09-30 | 2022-09-30 | 2023-09-30 | 2022-09-30 |
| Equity instruments | 4,743 | 5,012 | 0 | 0 | 4,743 | 5,012 |
| Debt instruments | 3,551 | 4,756 | 0 | 0 | 3,551 | 4,756 |
| Real estate | 968 | 1,028 | 0 | 0 | 968 | 1,028 |
| Cash and cash equivalents | 237 | 401 | 0 | 0 | 237 | 401 |
| Other* | 9,962 | 16,117 | 86,129 | 73,271 | 96,091 | 89,388 |
| | **19,461** | **27,314** | **86,129** | **73,271** | **105,590** | **100,585** |

The calculation of pension provisions was based on the following assumptions:

| | Germany and Austria | |
|---|---|---|
| in % | 2023-09-30 | 2022-09-30 |
| Discount rate | 4.55 | 4.07 |
| Pension increases | 2.20 | 2.00 |

The inputs used in the calculation of the defined benefit obligation (DBO) include assumed discount rates, wage and salary trends, as well as mortality rates. These vary depending on the state of the economy and other factors in the respective country.

* Primarily employer's pension liability insurance.

Changes to the relevant actuarial assumptions would have had the following impact on the defined benefit obligation:

| | | 2023-09-30 | | 2022-09-30 | |
|---|---|---|---|---|---|
| | | in € thousands | in % | in € thousands | in % |
| Discount rate | up 0.50% points | -38,313 | -5.8 | -39,703 | -5.9 |
| | down 0.50% points | 42,565 | 6.4 | 44,130 | 6.5 |
| Pension increases | up 0.25% points | 10,518 | 1.6 | 11,283 | 1.7 |
| | down 0.25% points | -10,077 | -1.5 | -10,844 | -1.6 |
| Life expectancy | + 1 year | 17,028 | 2.6 | 18,182 | 2.7 |

The sensitivity analyses presented here show the effect of changes to one assumption with no change in the other assumptions, i.e., possible correlations between the individual assumptions are not considered.

Increases or decreases in the discount rate, the wage and salary trends and the mortality rates do not have the same impact in absolute terms on the defined benefit obligation (DBO), primarily on account of discounting the obligation to net present value. If a number of assumptions are changed simultaneously, the total impact does not necessarily equate to the sum of the effects attributable to the individual assumptions changed. In addition, the sensitivity of the DBO to a change in an assumption is only a reflection of the specific magnitude of the change. If an assumption changes by a different magnitude to that assumed here, the impact on the DBO will not necessarily be linear.

### Future cash flows

Contributions of €4,894 thousand are expected to be paid into the plans in the next reporting period.

The weighted average term of the DBO is 13 years.

# 21. Other provisions

The provisions consist of the following:

| in € thousands | 2022-09-30 | Change in scope of consoli-dation | Utilization | Additions | Reversals | Transfers | Discounting effect | Currency translation differences | 2023-09-30 |
|---|---|---|---|---|---|---|---|---|---|
| Personnel-related provisions | 70,505 | 137 | -10,062 | 18,865 | -2,745 | 0 | 235 | -538 | 76,397 |
| Warranty provisions | 212,408 | 906 | -54,648 | 84,073 | -21,791 | -3,153 | -812 | -6,736 | 210,247 |
| Other order-related provisions | 111,045 | 0 | -20,082 | 62,539 | -23,607 | -1,052 | 11 | -5,164 | 123,690 |
| Other provisions | 47,966 | -5 | -16,013 | 18,266 | -3,857 | -1,412 | -223 | -653 | 44,069 |
| | **441,924** | **1,038** | **-100,805** | **183,743** | **-52,000** | **-5,617** | **-789** | **-13,091** | **454,403** |

| | 2023-09-30 | | 2022-09-30 | |
|---|---|---|---|---|
| in € thousands | < 1 year | > 1 year | < 1 year | > 1 year |
| Personnel-related provisions | 25,247 | 51,150 | 23,986 | 46,519 |
| Warranty provisions | 166,920 | 43,327 | 169,832 | 42,576 |
| Other order-related provisions | 122,338 | 1,352 | 108,214 | 2,831 |
| Other provisions | 25,025 | 19,044 | 23,393 | 24,573 |
| | **339,530** | **114,873** | **325,425** | **116,499** |

Other provisions include restructuring provisions and provisions for personnel adjustments totaling €20.5 million (previous year: €20.2 million).

Personnel-related provisions mainly comprise the phased retirement scheme (“Altersteilzeit”) and long-service bonuses. In the case of provisions for phased retirement, the amount and maturity of the future payments to be made to the beneficiaries are uncertain. Warranty provisions are recorded based on past experience or on the basis of individual assessments and represent the legal and contractual warranty obligations as well as goodwill commitments to customers. The provisions generally represent amounts that will be payable within the next two fiscal years. Other contract-related provisions include obligations for services still to be rendered on customer orders or parts of orders that have been billed, obligations for service and maintenance contracts, and commission provisions. In these cases, the amount and timing of future expenses are dependent on completion of the orders concerned.

# 22. Bank loans and other interest-bearing liabilities

Financial liabilities include the following:

| in € thousands | Current | Non-current | 2023-09-30 | Current | Non-current | 2022-09-30 |
|---|---|---|---|---|---|---|
| Bank loans | 153,779 | 626,593 | 780,372 | 193,968 | 628,552 | 822,520 |
| Financial liabilities from leases | 35,271 | 88,660 | 123,931 | 30,070 | 71,640 | 101,710 |
| Notes payable | 2 | 0 | 2 | 0 | 0 | 0 |
| Derivatives used to hedge financial transactions | 5,046 | 404 | 5,450 | 332 | 0 | 332 |
| Other interest-bearing liabilities | 31,716 | 117,880 | 149,596 | 37,749 | 138,817 | 176,566 |
| | **225,814** | **833,537** | **1,059,351** | **262,119** | **839,009** | **1,101,128** |

Other interest-bearing liabilities contain obligations from the classification of non-controlling interests in limited partnerships based on termination rights of holders of non-controlling interests and put options.

The Voith Group's current and non-current bank loans are denominated in the following currencies:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Euro | 763,358 | 813,856 |
| Indian rupee | 14,429 | 0 |
| US dollar | 116 | 3,019 |
| Other currencies | 2,469 | 5,645 |
| | **780,372** | **822,520** |

# 23. Trade payables

Trade payables of €34 thousand (previous year: €266 thousand) are due after more than one year.

# 24. Other financial liabilities and other liabilities

## Other financial liabilities

| in € thousands | Current | Non-current | 2023-09-30 | Current | Non-current | 2022-09-30 |
|---|---|---|---|---|---|---|
| Derivatives used to hedge operational transactions | 23,772 | 7,567 | 31,339 | 38,705 | 15,574 | 54,279 |
| Personnel-related liabilities | 123,305 | 3,127 | 126,432 | 101,363 | 2,981 | 104,344 |
| Sundry financial liabilities | 144,280 | 16,356 | 160,636 | 140,317 | 19,866 | 160,183 |
| | **291,357** | **27,050** | **318,407** | **280,385** | **38,421** | **318,806** |

Personnel-related liabilities at fiscal year-end included outstanding annual bonus payments and outstanding payments for wages, salaries and social security contributions.

## Other liabilities

| in € thousands | Current | Non-current | 2023-09-30 | Current | Non-current | 2022-09-30 |
|---|---|---|---|---|---|---|
| Tax liabilities | 59,183 | 11,663 | 70,846 | 61,784 | 11,635 | 73,419 |
| Prepaid expenses | 3,432 | 4,626 | 8,058 | 5,722 | 4,637 | 10,359 |
| Other liabilities | 83,941 | 28,931 | 112,872 | 79,389 | 28,043 | 107,432 |
| | **146,556** | **45,220** | **191,776** | **146,895** | **44,315** | **191,210** |

Tax liabilities principally relate to sales taxes (VAT).

# Notes to the consolidated cash flow statement

| in € thousands | 2022-10-01 | Cash changes | Non-cash changes: Changes arising from the acquisition/disposal of companies | Non-cash changes: Changes due to currency effects | Non-cash changes: Changes in fair value | Non-cash changes: Other effects | 2023-09-30 |
|---|---|---|---|---|---|---|---|
| Bank loans | 822,520 | -44,857 | 3,273 | -753 | 0 | 189 | 780,372 |
| Financial liabilities from leases | 101,710 | -37,358 | 4,550 | -3,164 | 0 | 58,193 | 123,931 |
| Notes payable | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Derivatives used to hedge financial transactions | 332 | 0 | 0 | 78 | 5,040 | 0 | 5,450 |
| Other interest-bearing liabilities | 176,566 | -386 | 0 | -213 | -25,197 | -1,174 | 149,596 |
| | **1,101,128** | **-82,599** | **7,823** | **-4,052** | **-20,157** | **57,208** | **1,059,351** |
| Other financial receivables | -38,717 | -9,431 | 0 | 1,644 | -2,020 | 414 | -48,110 |
| | **1,062,411** | **-92,030** | **7,823** | **-2,408** | **-22,177** | **57,622** | **1,011,241** |

| in € thousands | 2021-10-01 | Cash changes | Non-cash changes: Changes arising from the acquisition/disposal of companies | Non-cash changes: Changes due to currency effects | Non-cash changes: Changes in fair value | Non-cash changes: Other effects | 2022-09-30 |
|---|---|---|---|---|---|---|---|
| Bank loans | 546,724 | 259,300 | 17,185 | -846 | 0 | 157 | 822,520 |
| Financial liabilities from leases | 98,189 | -32,421 | 7,989 | 1,507 | 0 | 26,446 | 101,710 |
| Notes payable | 1 | -1 | 0 | 0 | 0 | 0 | 0 |
| Derivatives used to hedge financial transactions | 291 | 0 | 0 | 55 | -14 | 0 | 332 |
| Other interest-bearing liabilities | 142,404 | -9,873 | 46,306 | 351 | -3,515 | 893 | 176,566 |
| | **787,609** | **217,005** | **71,480** | **1,067** | **-3,529** | **27,496** | **1,101,128** |
| Other financial receivables | -26,397 | 1,923 | 0 | 382 | -14,621 | -4 | -38,717 |
| | **761,212** | **218,928** | **71,480** | **1,449** | **-18,150** | **27,492** | **1,062,411** |

# Notes on segment reporting

## Information on the segment data

The business is managed according to the different products and business segments and corresponds to the structure of internal reporting to the Board of Management of Voith Management GmbH.

EBIT adjusted for non-recurring items (extrapolation of result from increasing the carrying values upon first-time consolidation (PPA depreciation) and restructuring expenses and other exceptional items) forms the central performance indicator for the operating result. Reconciliation of EBIT adjusted for non-recurring items to the Group's result before taxes contains effects which are, as a rule, shown as other operating income and expenses, and depreciation and amortization in the consolidated statement of income on account of their operating nature. In the course of calculating EBIT, these items are adjusted as non-recurring effects in order to facilitate a better assessment of segments' business operations.

Segment information is generally based on the same presentation and measurement methods as the consolidated financial statements. Intercompany sales are effected at market prices, and intersegment transactions and business are all reported in accordance with the accounting policies used for the consolidated financial statements.

In the Voith Group, the key indicator for assessing and managing an individual segment is return on capital employed (ROCE). ROCE is calculated by bringing EBIT and the average capital employed into relation with each other. Capital employed designates the funds tied up within the business with a view to generating sales. This essentially comprises property, plant and equipment and net working capital. Calculating the ratio of a performance indicator from the statement of income ("EBIT") to a figure based on the balance sheet ("capital employed") is in compliance with generally accepted standards for holistic business management and with value-based management.

The capital employed on the reporting date is an average value derived from the values as at the end of the fiscal year, as at the reporting date for the previous six-monthly financial statements and as at the end of the previous year. In contrast to the requirements of IAS 21, the assets and liabilities of foreign subsidiaries are translated at the average exchange rate for the reporting year. Owing to the use of averages, capital employed cannot be reconciled to the figures in the consolidated balance sheet on any given reporting date.

Consolidation entries were taken into account in full in calculating capital employed.

Capital expenditures relate to intangible assets (excluding goodwill) and property, plant and equipment. Furthermore, the remeasurements from IFRS 16 are also disclosed as investments. Additions due to business combinations are not included.

Sales are broken down regionally, based on the customer's registered office. Non-current assets, consisting of property, plant and equipment including rights of use, goodwill and other intangible assets, are allocated based on the location of the asset.

## Information on the activities of the segments presented

As a full-line supplier for equipping hydropower plants, the Group Division Hydro is one of the world's leading industrial partners for hydropower plant operators. This applies both to the field of electricity generation and to the pumped storage of energy. Voith Hydro's portfolio of products and services covers the entire life cycle and supplies all major components for large and small hydropower plants: from generators, turbines, pumps, automation systems and digital solutions for smart hydropower right through to aftermarket business in spare parts and maintenance services, as well as training services.

As a leading partner and pioneer in the paper industry, the Group Division Paper provides technologies, products and services for the entire paper manufacturing process, all from a single source. A constant stream of innovations allows the technology group to optimize the paper manufacturing process on an ongoing basis. Voith Paper focuses on developing resource-saving products which reduce the consumption of energy, water and fibers. Furthermore, the Group Division Paper offers a broad service portfolio for all sections of the paper manufacturing process. The Company's Papermaking 4.0 concept also allows papermakers to link up their equipment in the best possible way and improve their competitiveness through effective and secure use of the data generated.

The Group Division Turbo is a supplier of components and systems for intelligent drive technology and a provider of customized services. With innovative and smart products, Voith Turbo offers the highest levels of efficiency and reliability. Customers from highly diverse industries, such as oil & gas, energy, mining and mechanical engineering, ship technology, rail and commercial vehicles, rely on the advanced technologies and digital solutions provided by Voith Turbo.

# Segment information by business segment

| | Hydro | | Paper | | Turbo | |
|---|---|---|---|---|---|---|
| in € millions | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| Sales with third parties | 1,189 | 1,048 | 2,239 | 2,196 | 1,994 | 1,557 |
| Sales with other segments | 2 | 4 | 22 | 20 | 8 | 7 |
| Segment sales, total | 1,191 | 1,052 | 2,261 | 2,216 | 2,002 | 1,564 |
| EBIT | 6 | 2 | 145 | 131 | 80 | 48 |
| Depreciation and amortization of property, plant and equipment and intangible assets[2] | 23 | 23 | 59 | 59 | 61 | 50 |
| Capital spending[3] | 18 | 24 | 83 | 54 | 65 | 43 |
| Segment goodwill | 18 | 18 | 507 | 516 | 277 | 271 |
| Average capital employed | 192 | 205 | 572 | 500 | 1,021 | 975 |
| ROCE | 2.9% | 1.0% | 25.4% | 26.2% | 7.8% | 5.0% |
| Employees[4] | 4,092 | 3,444 | 7,898 | 7,825 | 8,037 | 7,732 |

[1] Sub-total of Hydro, Paper and Turbo.
[2] Depreciation and amortization does not include depreciation and amortization recorded in the non-recurring result as it is not included in EBIT.
[3] Without additions due to business combinations and financial assets.
[4] Statistical headcount on reporting date.

| Total core business[1)] | | Reconciliation | | Total | |
|---|---|---|---|---|---|
| 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| 5,422 | 4,801 | 84 | 80 | 5,506 | 4,881 |
| 32 | 31 | -32 | -31 | 0 | 0 |
| 5,454 | 4,832 | 52 | 49 | 5,506 | 4,881 |
| 231 | 181 | 14 | 19 | 245 | 200 |
| 143 | 132 | 25 | 23 | 168 | 155 |
| 166 | 121 | 22 | 22 | 188 | 143 |
| 802 | 805 | 54 | 63 | 856 | 868 |
| 1,785 | 1,680 | 230 | 230 | 2,015 | 1,910 |
| 12.9% | 10.8% | | | 12.1% | 10.5% |
| 20,027 | 19,001 | 2,452 | 2,490 | 22,479 | 21,491 |

## Reconciliation of EBIT to the Group's result before taxes:

| in € millions | 2022/23 | 2021/22 |
|---|---|---|
| **EBIT** | **245** | **200** |
| Non-recurring result | -62 | -66 |
| thereof PPA depreciation and amortization | -25 | -12 |
| thereof restructuring expenses | -11 | -15 |
| thereof expenses relating to other periods from legal disputes | 0 | -18 |
| thereof impairment losses on property, plant and equipment* | -10 | -10 |
| thereof other exceptional items | -16 | -11 |
| Other adjustments | -1 | 2 |
| Share of profit/loss from companies accounted for using the equity method | -1 | -4 |
| Interest income/expense | -24 | -37 |
| Other financial result | 0 | 21 |
| **Result before taxes** | **157** | **116** |

* Further information on this in section 10. Property, plant and equipment.

# Segment information by region

## External sales (registered office of customer)

| | Hydro | | Paper | | Turbo | | Reconciliation | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| in € millions | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| **Germany** | **48** | **39** | **193** | **186** | **493** | **408** | **44** | **46** | **778** | **679** |
| **Foreign countries** | **1,141** | **1,009** | **2,046** | **2,010** | **1,501** | **1,149** | **40** | **34** | **4,728** | **4,202** |
| thereof Europe | 360 | 227 | 587 | 570 | 758 | 554 | 7 | 7 | 1,712 | 1,358 |
| thereof Americas | 403 | 379 | 650 | 584 | 237 | 182 | 26 | 22 | 1,316 | 1,167 |
| thereof Asia | 302 | 329 | 778 | 835 | 426 | 340 | 6 | 5 | 1,512 | 1,509 |
| · of which China | 120 | 121 | 536 | 615 | 253 | 194 | 0 | 1 | 909 | 931 |
| thereof others | 76 | 74 | 31 | 21 | 80 | 73 | 1 | 0 | 188 | 168 |
| | **1,189** | **1,048** | **2,239** | **2,196** | **1,994** | **1,557** | **84** | **80** | **5,506** | **4,881** |

## Non-current assets

| in € millions | 2023-09-30 | 2022-09-30 |
|---|---|---|
| **Germany** | **781** | **784** |
| **Foreign countries** | **1,395** | **1,457** |
| thereof Europe | 754 | 767 |
| · of which Switzerland | 292 | 298 |
| thereof Americas | 293 | 301 |
| · of which USA | 244 | 249 |
| thereof Asia | 343 | 383 |
| · of which China | 253 | 290 |
| thereof others | 5 | 6 |
| | **2,176** | **2,241** |

# Other notes

## Contingent liabilities, contingent assets and other financial obligations

Appropriate provisions have been recognized in the relevant Group companies to cover potential financial obligations arising from taxation, legal and arbitration proceedings.

Over and above this there are risks from tax-related legal disputes and ongoing taxation proceedings in Brazil. There are risks of €17.9 million relating to income taxes. Likewise, tax risks in connection with VAT, among other things, were identified; no estimate of the financial effect is disclosed for reasons of practicability, as it is impossible to make any reliable estimate. The current assessment of the situation is that the proceedings will be brought to a successful conclusion and, therefore, there will be no outflow of economic resources.

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

There are also risks related to legal disputes amounting to €29.9 million (previous year: €30.8 million).

Other financial obligations from purchase commitments for capital expenditures amount to €31.4 million (previous year: €32.4 million).

## Contingent liabilities

The contingent liabilities listed below are stated at face value. No provisions were recognized for these contingencies, as the probability of occurrence is regarded as low:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| Guarantee obligations | 3,389 | 2,442 |
| Provision of collateral for third-party liabilities | 0 | 500 |
| | **3,389** | **2,942** |

Most of the guarantee obligations expire in 2026.

## Leases

The rental and lease agreements in the Voith Group mainly relate to buildings, passenger vehicles and machinery. The agreements mainly have terms of one to 15 years. Some companies have the option of extending their rental agreements.

Liabilities of €35,999 thousand in connection with lease agreements were repaid (previous year: €31,617 thousand). Including the interest payments, cash outflows totaled €37,358 thousand (previous year: €32,421 thousand).

The interest expenses from the compounding of lease liabilities are disclosed in the financial result and amounted to €1,830 thousand in the 2022/23 fiscal year (previous year: €881 thousand).

Lease expenses include expenses for short-term leases of €12,322 thousand (previous year: €10,650 thousand) and expenses for leases of low-value assets of €1,118 thousand (previous year: €3,543 thousand) that are disclosed in other operating expenses.

Future cash outflows of an immaterial amount were not included in the lease liabilities as it is not reasonably certain that the lease agreements will be extended or not terminated.

Income from the sublease of rights of use as well as gains and losses from sale-and-leaseback transactions are immaterial in the Voith Group.

## Additional information on financial instruments

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category as at September 30, 2023.

| | | | Amount recognized in the balance sheet in accordance with IFRS 9 | | | | |
|---|---|---|---|---|---|---|---|
| in € thousands | IFRS 9 measurement category | Carrying amount 2023-09-30 | Amortized cost | Fair value through equity | Fair value through profit or loss | Not assigned to an IFRS 9 measurement category | Fair value 2023-09-30 |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | AC | 412,842 | 412,842 | | | | 412,842 |
| Trade receivables | AC | 870,175 | 870,175 | | | | 870,175 |
| Contract assets | n. a. | 660,317 | | | | 660,317 | 660,317 |
| Other financial assets and securities | | 239,446 | | | | | |
| · Financial investments | AC | 54,273 | 54,273 | | | | 54,273 |
| · Loans | AC | 125,533 | 125,533 | | | | 125,533 |
| · Investments (strategic) | FVOCI/n. a. | 8,367 | | 132 | | 8,235 | 132 |
| · Investments (financial investments) | FVTPL | 34,966 | | | 34,966 | | 34,966 |
| · Securities | FVOCI | 16,307 | | 16,307 | | | 16,307 |
| Derivative financial instruments | | 44,434 | | | | | |
| · Forward exchange contracts | FVTPL | 18,038 | | | 18,038 | | 18,038 |
| · Forward exchange contracts (fair value hedges) | n. a. | 11,816 | | | | 11,816 | 11,816 |
| · Interest rate swaps (cash flow hedges) | n. a. | 14,580 | | | | 14,580 | 14,580 |
| Other receivables | | 99,672 | | | | | |
| · Financial receivables | AC | 26,992 | 26,992 | | | | 26,992 |
| · Sundry financial assets | AC | 72,680 | 72,680 | | | | 72,680 |
| **Liabilities:** | | | | | | | |
| Trade payables | AC | 651,637 | 651,637 | | | | 651,637 |
| Bank loans/notes | AC | 780,374 | 780,374 | | | | 754,979 |
| Financial liabilities from leases | n. a. | 123,931 | | | | 123,931 | |
| Derivative financial instruments | | 36,789 | | | | | |
| · Forward exchange contracts | FVTPL | 19,550 | | | 19,550 | | 19,550 |
| · Forward exchange contracts (fair value hedges) | n. a. | 17,239 | | | | 17,239 | 17,239 |
| · Forward exchange contracts (cash flow hedges) | n. a. | 0 | | | | 0 | 0 |
| Other interest-bearing liabilities | | 149,596 | | | | | |
| · Other interest-bearing liabilities | AC | 72,950 | 72,950 | | | | 205,689 |
| · Liabilities arising from the acquisition of investment shareholdings | FVTPL | 76,646 | | 65,712 | 10,934 | | 76,646 |
| Sundry financial liabilities | AC | 287,068 | 287,068 | | | | 287,068 |

Carrying amounts, amounts recognized in the balance sheet and fair values by measurement category as at September 30, 2022

| in € thousands | IFRS 9 measurement category | Carrying amount 2022-09-30 | Amount recognized in the balance sheet in accordance with IFRS 9 | | | Not assigned to an IFRS 9 measurement category | Fair value 2022-09-30 |
|---|---|---|---|---|---|---|---|
| | | | Amortized cost | Fair value through equity | Fair value through profit or loss | | |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | AC | 411,892 | 411,892 | | | | 411,892 |
| Trade receivables | AC | 882,037 | 882,037 | | | | 882,037 |
| Contract assets | n. a. | 715,432 | | | | 715,432 | 715,432 |
| Other financial assets and securities | | 254,161 | | | | | |
| · Financial investments | AC | 53,203 | 53,203 | | | | 53,203 |
| · Loans | AC | 124,391 | 124,391 | | | | 124,391 |
| · Investments (strategic) | n. a. | 10,966 | | 137 | | 10,829 | 137 |
| · Investments (financial investments) | FVTPL | 49,224 | | | 49,224 | | 49,224 |
| · Securities | FVOCI | 16,377 | | 16,377 | | | 16,377 |
| Derivative financial instruments | | 64,951 | | | | | |
| · Forward exchange contracts | FVTPL | 27,914 | | | 27,914 | | 27,914 |
| · Forward exchange contracts (fair value hedges) | n. a. | 22,430 | | | | 22,430 | 22,430 |
| · Interest rate swaps (cash flow hedges) | | 14,607 | | | | 14,607 | 14,607 |
| Other receivables | | 85,662 | | | | | |
| · Financial receivables | AC | 20,647 | | | | | 20,647 |
| · Sundry financial assets | AC | 65,015 | 65,015 | | | | 65,015 |
| **Liabilities:** | | | | | | | |
| Trade payables | AC | 729,446 | 729,446 | | | | 729,446 |
| Bank loans/notes | AC | 822,520 | 822,520 | | | | 783,021 |
| Financial liabilities from leases | n. a. | 101,710 | | | | 101,710 | |
| Derivative financial instruments | | 54,611 | | | | | |
| · Forward exchange contracts | FVTPL | 28,214 | | | 28,214 | | 28,214 |
| · Forward exchange contracts (fair value hedges) | n. a. | 26,165 | | | | 26,165 | 26,165 |
| · Forward exchange contracts (cash flow hedges) | n. a. | 232 | | | | 232 | 232 |
| Other interest-bearing liabilities | | 176,566 | | | | | |
| · Other interest-bearing liabilities | AC | 98,267 | 98,267 | | | | 184,836 |
| · Liabilities arising from the acquisition of investment shareholdings | FVTPL | 78,299 | | 67,362 | 10,937 | | 78,299 |
| Sundry financial liabilities | AC | 264,527 | 264,527 | | | | 264,527 |

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

| in € thousands | 2023-09-30 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities | 16,307 | 16,307 | 0 | 0 |
| Derivative financial instruments | 44,434 | 0 | 44,434 | 0 |
| Investments | 35,098 | 0 | 0 | 35,098 |
| **Equity and liabilities** | | | | |
| Derivative financial instruments | 36,789 | 0 | 36,789 | 0 |
| Liabilities arising from the acquisition of investment shareholdings | 76,646 | 0 | 0 | 76,646 |

| in € thousands | 2022-09-30 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities | 16,377 | 16,377 | 0 | 0 |
| Derivative financial instruments | 64,951 | 0 | 64,951 | 0 |
| Investments | 49,361 | 0 | 0 | 49,361 |
| **Equity and liabilities** | | | | |
| Derivative financial instruments | 54,611 | 0 | 54,611 | 0 |
| Liabilities arising from the acquisition of investment shareholdings | 78,299 | 0 | 0 | 78,299 |

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

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

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

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

Within the Group, transfers between fair value hierarchy levels are performed at the end of the reporting period. No transfers were made between the levels of the fair value hierarchy in the 2022/23 and 2021/22 fiscal years.

The fair values of derivative financial instruments allocated to level 2 of the fair value hierarchy are taken from the daily observable exchange rates, associated forward rates and the term structure of interest rates. In addition, fair value measurement includes both the counterparty credit risk and the Group's own credit risk. Input factors that take account of counterparty credit risk can be obtained from observable credit default swaps (CDS) from the banks participating in the respective transaction. At the Voith Group, the market CDS rates were used to calculate the Group's own credit risk.

€35 million (previous year: €49 million) of the investments allocated to level 3 of the fair value hierarchy relate to those held by the Group as investments with a view to generating income. These investments are therefore measured at fair value through profit or loss (FVTPL). The fair values of the investments were determined by firstly calculating the fair value for each investment resulting in each case from the total of the shares held and cash and cash equivalents available as at the measurement date. The equity value of the respective investment is determined on the basis of a market-oriented measurement approach, the multiplier method, and is calculated in each case from the total value of the Company less the net financial position. In the present case, multipliers derived from representative external transactions are used, taking account of current developments up to the measurement date. These multipliers are multiplied by the average of operating results (EBITDA) achieved in the past in relation to the total enterprise value. In a second step, the fair values of the investments attributable to the Voith Group are calculated in accordance with the existing ownership structure. One investment in this measurement category with a market value of €12.5 million was sold in the previous year.

Furthermore, investments that the Group would like to hold over the long term for strategic purposes, and for which it exercised the OCI option, are allocated to level 3 of the fair value hierarchy. Both in the current year and in the previous year, market values of an immaterial amount were determined for these investments. No dividends were recognized in profit or loss from the equity investments designated as FVOCI in the 2022/23 fiscal year.

A rise (fall) in the projected figures or falling (rising) interest rates would give rise to an increase (decrease) in the fair value of the investment.

The fair values of liabilities arising from business combinations that are allocated to level 3 relate to put options held by non-controlling shareholders as well as contractually agreed purchase price installments for the future acquisition of shares. Contractually agreed purchase price installments are measured through profit or loss. The fair values of purchase price installments that are not contractually specified are measured directly in equity. The fair values were determined on the basis of the current planning prepared by management using the discounted cash flow method. The planning assumptions are adjusted to reflect the current information available. A risk-adjusted discount rate (WACC) was used for discounting. Agreements concluded under company law generally contain a fixed formula for calculating the purchase price in the event of the put options being exercised. In this respect, the purchase prices result from the gross business values of the investments determined using the multiplier method in accordance with a contractually agreed definition, minus the net debt, multiplied by the non-controllers' shareholdings. If the put options can be exercised only at a later date, the purchase prices are discounted to the reporting date using an interest rate (WACC) appropriate for the term involved.

If the business value of the underlying companies were to increase (decrease), this would lead to an increase (decrease) in the liabilities from the acquisition of investment shareholdings. In contrast, rising (falling) interest rates would lead to a fall (rise) in the liabilities arising from the acquisition of investment shareholdings.

The changes in the fair values of assets and liabilities classified as level 3 in the fair value hierarchy were as follows:

| in € thousands | 2023-09-30 | 2022-09-30 |
|---|---|---|
| **Balance, October 1** | **-28,938** | **8,761** |
| Acquisition of investments | 9,202 | 10,101 |
| Exercise of put options | 5,550 | 15,092 |
| Disposal of investments FVTPL | -18,533 | -26,478 |
| Disposal of investments FVOCI | -5 | 0 |
| Put options from business combinations | 0 | -46,222 |
| Change in valuation policy | 0 | 137 |
| Fair value changes of the investments recorded in the financial result | -4,927 | 6,081 |
| Fair value changes in liabilities from the acquisition of investment shareholdings recorded in the financial result | 20 | 329 |
| Fair value changes in liabilities from the acquisition of investment shareholdings not affecting net income | -3,917 | 3,261 |
| **Balance, September 30** | **-41,548** | **-28,938** |

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

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

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

The market value of the note loan of €395 million (previous year: €419 million) is calculated in the same way as the market values of unlisted bonds, bank loans and other financial liabilities as the present value of the payments associated with the liabilities, based on the effective yield curve and Voith GmbH & Co. KGaA's credit spread curve determined for different currencies (fair value hierarchy level 2).

The market value of other financial liabilities totaling €140 million (previous year: €120 million) was determined based on internal planning data. These are measured using the discounted cash flow projections taken from the latest business planning prepared by management. The planning assumptions are adjusted to reflect the current information available (fair value hierarchy level 3).

Net gains and losses recognized in profit or loss for each measurement category of financial instruments:

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Financial assets measured at amortized cost (AC) | -13,430 | 65,777 |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | 572 | 529 |
| Financial assets and liabilities measured at fair value through profit or loss (FVTPL) | 10,570 | 14,839 |
| Financial liabilities measured at amortized cost (AC) | -19,084 | -43,599 |

For details of net gains and losses from financial assets recognized in other comprehensive income, refer to note 19.

Net gains and losses recognized on financial assets measured at amortized cost (AC) mainly relate to trade receivables.

Interest income of €21,925 thousand (previous year: €10,653 thousand) and interest expenses of €40,353 thousand (previous year: €16,166 thousand) for financial assets or financial liabilities relate to those assets or liabilities measured at amortized cost. No interest was recorded for financial assets measured at fair value through other comprehensive income or for financial assets measured at fair value through profit or loss.

### Offsetting of financial instruments

The following table shows the volume that can potentially be offset under master netting agreements. The agreements do not meet the criteria required for net presentation in the balance sheet due to the fact that the Group does not have a present legal right to offset the amounts recognized, as the right to offset is conditional on the occurrence of future events.

| | Derivative financial instruments | | | |
|---|---|---|---|---|
| | Assets | | Equity and liabilities | |
| in € thousands | 2023-09-30 | 2022-09-30 | 2023-09-30 | 2022-09-30 |
| Gross presentation in balance sheet | 44,434 | 64,951 | 36,789 | 54,611 |
| Volume that can potentially be offset against under master netting agreements | 22,117 | 31,277 | 22,117 | 31,277 |
| Potential net amount | 22,317 | 33,674 | 14,672 | 23,334 |

Collateral

As at the reporting date, the financial assets include non-current securities totaling €6,497 thousand (previous year: €7,118 thousand) that are used to cover future pension obligations. Furthermore, €115 thousand of the sundry financial assets (previous year: €114 thousand) has been provided as collateral for liabilities and contingent liabilities. They may be drawn on if the underlying obligations are not fulfilled or if the contingent liabilities are realized.

Assets of €131 thousand (previous year: €159 thousand) have been provided as collateral for financial liabilities.

## Risk management

### Principles of financial risk management

The Voith Group is a global business and is exposed to risks arising from changes in interest rates and exchange rates in the course of its ordinary business activities which affect its liabilities, assets and transactions. These risks could affect its net assets, financial position and earnings position. The aim of financial risk management is to manage and limit these risks.

The principles of the Group's financial policy are laid down by the Voith GmbH & Co. KGaA Board of Management and monitored by the Supervisory Board. Corporate Finance, a corporate department of Voith GmbH & Co. KGaA, implements the financial policy and regularly reports to the Chief Financial Officer on the financial position of the Group and its current risk exposures. Certain financial transactions require special approval by the Corporate Board of Management. Long-term refinancing is obtained by Voith GmbH & Co. KGaA.

Derivative financial instruments are used to limit the currency and interest rate risks arising both from the operating business and from the resultant financing requirements. These instruments are used in accordance with clearly defined, consistent, Group-wide guidelines. Compliance with these guidelines is verified on an ongoing basis. Hedge transactions and cash investments are placed only with financial institutions that have first-class credit ratings.

### Credit risk

The Voith Group does business only with recognized, creditworthy third parties. Customers who wish to do credit-based business with the Group are subject to creditworthiness verification.

Cash and cash equivalents and other financial assets:

For the purposes of internal risk management, other financial assets consist essentially of cash and short-term securities. Counterparty default risks associated with term deposits are limited by selecting solvent banking partners and by spreading cash across multiple counterparties. For banks, a ratings-based limit (derived from credit default swaps/rating) is monitored constantly. If a defined threshold is exceeded with the CDS rates, the limits are reduced and funds have to be allocated. In addition, the Voith Group invests in securities and monitors the associated risks of these centrally. The low credit risk exemption is applied. The Voith Group allocates cash investments primarily to business partners with investment grade ratings. In addition, all counterparties are continually monitored using a risk management system based on CDS rates.

With respect to credit risk arising from the Group's other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. For details of financial guarantees, please refer to the discussion of contingent liabilities. This kind of loss can occur if individual business partners fail to meet their contractual obligations. As a rule, no collateral exists for such an eventuality.

For determining the expected credit losses (ECL) for other financial instruments, Voith uses an evaluation model in which determination of the ECL is based on probabilities of default observable in the capital market and that are applied in each case to the individual counterparties and the associated exposures. Market-orientated probabilities of default for the relevant counterparties are derived on the basis of the corresponding credit default swap (CDS) rates that reflect the future expected credit losses. In the consolidated financial statements, the ECL for other financial instruments is of secondary importance, which means that no further quantification is necessary.

A significant rise in credit risk is assumed if the financial assets are more than 30 days overdue. An event of default is assumed if the financial assets are more than 90 days overdue. Objective evidence of impairment exists, for example, in a situation where the debtor is in significant financial difficulties or there has been a breach of contract such as an overdue payment.

**Trade receivables:**
Credit risk arising from the delivery of goods and services stems from manufacturing risks and receivable risks. Management of these risks is governed by rules that are binding throughout the Voith Group. The maximum default risk is limited to the carrying amount of trade receivables, which is €870,175 thousand (previous year: €882,037 thousand). The maximum default risk for contract assets is €660,317 thousand (previous year: €715,432 thousand). Based on the collateral held, the maximum default risk for trade receivables is reduced by €152,455 thousand (previous year: €105,331 thousand) and that for contract assets by €92,775 thousand (previous year: €75,755 thousand).

All orders above a defined contract value are subject to general risk assessment requirements. Without special permission from the relevant decision-making bodies, Group companies do not accept unsecured orders from customers whose credit rating is below a defined threshold and who cannot furnish an adequate guarantor.

Political manufacturing and receivables risks with a Euler Hermes Country Risk Level of 3 or higher must, as a rule, be hedged, unless approval is issued by the decision-making bodies in individual cases. Further risk assessment is also activated for orders upward of defined contract values. Necessary credit insurance is obtained via export credit agencies (ECAs), in the private insurance market or by means of bank products.

The impairment model in IFRS 9 involves a risk allowance for expected credit losses (ECL). This means that the accounting method is close to the forward-looking credit risk management and necessitates a model for measuring expected credit losses on trade receivables and also for contract assets that takes account of macroeconomic factors (“forward-looking information”). IFRS 9 does not contain any regulations on the specific design of the model.

IFRS 9 does not permit mere extrapolation of credit losses observed in the past, which means that a certain likelihood of default exists even for customers who have always had a first-class rating.

Voith uses a simplified evaluation model in which determination of the ECL is based on probabilities of default observable in the capital market and that are applied in each case to the portfolio of receivables and the contract assets (exposure) for each individual region and Group Division. In this context, allocation of total exposure to the relevant regions is derived from the regional distribution of sales in the past fiscal year. Market-orientated probabilities of default for the relevant regions and Group Divisions are derived on the basis of the corresponding credit default swap (CDS) rates that reflect the future expected credit losses. Any impaired and hedged receivables still contained in the exposure are taken into account as necessary.

In principle, expected credit losses should be determined at the level of individual instruments, but, for the purpose of simplification, clustering is deemed permissible and is customary in practice. With regard to clustering, it should be noted that the clusters must be comprised of financial instruments with homogeneous characteristics. In this respect, the assumption is made that each of the outstanding receivables have similar risk features and are thus subject to similar default probabilities. Voith performs clustering according to the Group Divisions Hydro, Paper, Turbo and Others, and according to geographical regions.

The following structure of external default risk rating classes is derived from the ECL model:

| in € thousands | External rating | Breakdown of receivables | Gross carrying amount* | Impairment loss | Net carrying amount | Loss rate |
|---|---|---|---|---|---|---|
| **2023-09-30** | | | | | | |
| Low risk | **AAA to BBB-** | 88% | 1,458,921 | -8,147 | 1,450,774 | 0.56% |
| Medium risk | **BB+ to BB-** | 6% | 97,784 | -638 | 97,146 | 0.65% |
| High risk | **B+ to B-** | 6% | 97,665 | -6,641 | 91,024 | 6.80% |
| 2022-09-30 | | | | | | |
| Low risk | **AAA to BBB-** | 91% | 1,553,327 | -12,538 | 1,540,789 | 0.81% |
| Medium risk | **BB+ to BB-** | 7% | 61,003 | -739 | 60,264 | 1.21% |
| High risk | **B+ to B-** | 1% | 117,110 | -4,750 | 112,360 | 4.06% |

* Gross carrying amount less impairments and without taking account of deduction of provisions on the assets side.

The impairment model applied is based on an event of default of the receivable after a maturity of 365 days. None of the financial instruments in the ECL has a credit rating impeding their use.

Prior to application of the model at Group level, the Voith companies examined the portfolio of receivables with regard to objective evidence of impairment, such as delayed payment on the part of the debtor for no apparent reason, significant levels of debt or breach of contract. The gross carrying amount of the impaired receivables from customers is ultimately derecognized when the debtor has become insolvent and insolvency proceedings have been opened.

The Voith Group is not exposed to any material concentration of risks. Corporate policy is to avoid concentration of credit risk in a single financial institution. Instead, the Group invests with a variety of creditworthy financial institutions. The Group's customer structure is not materially concentrated in any particular geographic region. The Group tests doubtful accounts for impairment considering certain customers, historical trends, branches of industry and various other information.

### Liquidity risk

To ensure that it can always meet its financial obligations, the Voith Group has negotiated sufficient cash lines and syndicated credit facilities with its banking partners.

In February 2020, Voith took out a note loan of €400 million with terms of five, seven and ten years. Fixed rate interest (€169 million) or floating rate interest on the basis of the 6M Euribor (€231 million) is payable on the tranches. The variable interest was fixed in the 2021/22 fiscal year by means of interest rate swaps. Of the long-term loans amounting to €200 million taken out in the 2021/22 fiscal year, floating interest based on the Euribor is payable on €100 million and fixed interest on the other €100 million. No new long-term loans were taken out in the 2022/23 fiscal year.

The euro loan of €600 million successfully refinanced in October 2022 was extended by one year in the 2022/23 fiscal year, as scheduled. The credit line has not been drawn on and is available as a strategic liquidity reserve until 2028, plus one renewal option until 2029. It contains an option to increase the volume of the facility up to a maximum of €800 million subject to the banks' consent.

The revolving syndicated loan in China, which was refinanced in 2019, will be available for financing local working capital until June 2024; it is for an amount of RMB 1,400 million. This facility is currently not being utilized.

The credit facilities are subject to the customary market conditions and contractual terms and conditions based on Voith's rating. As in previous years, all contractual terms and conditions were complied with in full in the 2022/23 fiscal year. The rating given by Moody's rating agency remains unchanged at Ba1 stable.

The liquidity of Group companies is ensured by means of cash pools, intercompany loans and the allocation of external bank credit lines to individual operating units. Corporate Finance produces monthly finance status reports for the entire Group. Balances of central bank and cash pool accounts and bank guarantees are available on a daily basis.

The table below lists the undiscounted, contractually agreed cash outflows for financial instruments:

| in € thousands | 2023-09-30 | Cash flows < 1 year | Cash flows 1–5 years | Cash flows > 5 years |
|---|---|---|---|---|
| Trade payables | 651,637 | 651,603 | 41 | 0 |
| Bank loans/notes | 780,374 | 175,504 | 617,775 | 46,847 |
| Financial liabilities from leases | 123,931 | 34,951 | 74,164 | 20,940 |
| Other interest-bearing liabilities | 149,596 | 31,716 | 74,232 | 43,648 |
| Other financial liabilities | 287,068 | 267,586 | 18,860 | 622 |
| Derivative financial instruments | 36,789 | | | |
| · Outflows | | 709,518 | 187,938 | 0 |
| · Inflows | | -676,918 | -175,037 | 0 |
| | **2,029,395** | **1,193,960** | **797,973** | **112,057** |

| in € thousands | 2022-09-30 | Cash flows < 1 year | Cash flows 1–5 years | Cash flows > 5 years |
|---|---|---|---|---|
| Trade payables | 729,446 | 729,445 | 282 | 0 |
| Bank loans/notes | 822,520 | 203,734 | 601,073 | 48,862 |
| Financial liabilities from leases | 101,710 | 30,668 | 62,199 | 9,865 |
| Other interest-bearing liabilities | 176,566 | 39,026 | 64,706 | 73,951 |
| Other financial liabilities | 264,527 | 243,986 | 20,760 | 2,087 |
| Derivative financial instruments | 54,611 | | | |
| · Outflows | | 789,226 | 175,841 | 578 |
| · Inflows | | -748,185 | -154,494 | -501 |
| | **2,149,380** | **1,287,900** | **770,367** | **134,842** |

Solvency is ensured and liquidity managed using cash equivalents and short-term securities which can be transformed into cash at any time.

Derivatives include cash outflows for derivative financial instruments with negative market values for which gross cash settlement has been agreed. The cash outflows for these financial derivatives are matched by corresponding cash inflows which are shown separately in the table above under inflows and outflows (gross). On the other hand, where a net cash settlement is effected, cash outflows are presented on a net basis.

There are no expectations that cash flows presented in the maturity analysis could be incurred significantly earlier, or that there will be significant changes to the cash flow amounts.

### Financial market risk

**Foreign exchange risk:**

Its global production and trading activities expose the Voith Group to risks arising from fluctuations in exchange rates. Foreign exchange risks exist in particular wherever receivables, liabilities, cash and cash equivalents, and orders received (fixed obligations/forecast transactions) are or will be denominated in a currency other than the functional currency of the Group company concerned.

Most currency hedging is undertaken by Corporate Finance and its Regional Finance Center. Transaction risks arising from the international delivery of goods and services are mainly limited by forward exchange contracts. In general, all foreign currency transactions at the Voith Group are hedged. Major balance sheet items and orders are hedged individually within the framework of hedge accounting (full fair value method). Based on this, the foreign currency risk essentially corresponds to the nominal value of the forward exchange contracts.

In the project business, both the hedge relationship and the risk management objectives and strategies must be documented in respect of the underlying hedged item or transactions before external hedges are entered into.

Hedges must be highly effective to be in compliance with the Voith Group's risk management strategy. Where hedges are demonstrated to be effective, the transactions qualify for hedge accounting. The Group uses the dollar offset and critical term match method to assess whether the derivative designated in each hedge will probably be effective and has been effective. As a result, fluctuations in the exchange rate do not affect profit or loss, nor do they influence project costing.

The main causes for these hedges being ineffective can be firstly the impact of the credit risk of the counterparties and the Group on the fair value of the forward exchange contracts that are not reflected in the change in the fair value of the hedged cash flows and that are attributable to the change in the exchange rates, and secondly changes in the timing of the hedged transaction.

In the Voith Group, derivative financial instruments are traded externally by Corporate Finance on behalf of Group companies. Group companies in countries subject to foreign exchange restrictions hedge their currency risks locally. A Group-wide treasury management software tool is used for central scheduling, monitoring and documentation of all foreign currency hedges entered into by Corporate Finance or Group companies.

Changes in the US dollar exchange rate are significant for the Voith Group. The net USD exposure amounted to €125 million as at September 30, 2023 (previous year: €191 million). Based on the relevant balance sheet items, the effects on the net result and consolidated equity are as follows: if the US dollar falls by 5%, the result before taxes increases by €873 thousand (previous year: increase of €652 thousand) and other comprehensive income increases by €1,710 thousand (previous year: increase of €3,464 thousand). If, on the other hand, the US dollar rises by 5%, the result before taxes decreases by €873 thousand (previous year: decrease of €652 thousand) and other comprehensive income decreases by €1,710 thousand (previous year: decrease of €3,464 thousand). In addition, changes in the CNY exchange rate are also material within the Voith Group. The CNY net exposure included in the sensitivity analysis for the first time as at September 30, 2023, amounted to €50 million as at September 30, 2023. The effects on the net result and consolidated equity are, taking account of the relevant balance sheet items, as follows: if the CNY falls by 5%, the result before tax decreases by €3,036 thousand, and other comprehensive income by the corresponding amount. If, on the other hand, the CNY appreciates by 5%, the result before taxes and, correspondingly, other comprehensive income, increase by €3,036 thousand. The exposure to SEK amounting to €63 million (previous year: €112 million) was not included in the sensitivity analysis.

**Interest rate risk:**

The Voith Group's exposure to interest rate risks arising from external refinancing is analyzed and managed centrally by Corporate Finance. Medium- to long-term assets and liabilities with fixed interest rates are the main source of interest rate risks at the Group, as changes in market rates of interest can cause the value of a financial instrument to fluctuate. The risk to the market value of fixed-interest receivables and liabilities and the interest rate risk with floating-rate receivables and liabilities is hedged on a case-by-case basis, for example by means of interest rate swaps and, where appropriate, hedge accounting is applied.

The Voith Group's risk management strategy requires highly effective hedges. When demonstrated to be effective, the hedge transactions qualify for hedge accounting status. The critical term match method and the dollar offset method are used to prove the effectiveness of the hedge. As a result, interest rate fluctuations do not affect the interest result.

The main causes for these hedges being ineffective can be firstly the impact of the credit risk of the counterparties and the Group on the fair value of the interest rate derivatives that are not reflected in the change in the fair value of the hedged interest payments, and secondly changes in the timing of the hedged exposures.

The relevant asset items are essentially cash at banks that is invested in the money market and/or is used to fund the existing cash pools. The Group companies that participate in the cash pool operate a daily zero-balancing policy and therefore have no exposure to external interest rate risks.

On the cost side, interest rate risks arise from a note loan and a variety of bank loans.

The carrying amounts of the Group's significant financial instruments that are exposed to interest rate risks are grouped by their contractually agreed maturities in the following table:

| **2023-09-30**<br>in € thousands | Less than 1 year | 1–2 years | 2–3 years | 3–4 years | 4–5 years | More than 5 years | **Total** |
|---|---|---|---|---|---|---|---|
| **Floating interest rate** | | | | | | | |
| Cash and cash equivalents | 412,842 | 0 | 0 | 0 | 0 | 0 | **412,842** |
| Bank loans | 153,043 | 100,711 | 711 | 711 | 588 | 0 | **255,764** |
| **Fixed interest rate** | | | | | | | |
| Bank loans | 736 | 200,586 | 21,719 | 261,028 | 737 | 39,802 | **524,608** |

| 2022-09-30<br>in € thousands | Less than 1 year | 1–2 years | 2–3 years | 3–4 years | 4–5 years | More than 5 years | **Total** |
|---|---|---|---|---|---|---|---|
| **Floating interest rate** | | | | | | | |
| Cash and cash equivalents | 411,892 | 0 | 0 | 0 | 0 | 0 | **411,892** |
| Bank loans | 155,236 | 101,109 | 711 | 711 | 711 | 887 | **259,365** |
| **Fixed interest rate** | | | | | | | |
| Bank loans | 38,732 | 737 | 200,480 | 21,711 | 260,967 | 40,528 | **563,155** |

The variable part of the note loan is presented in the fixed interest liabilities as it has been hedged using interest rate swaps. In the event of an increase in the interest rate of 100 basis points, the market value of the interest rate swaps, and correspondingly the other comprehensive income, would increase by €4.4 million (previous year: €6.3 million). A decrease by 100 basis points would bring about a reduction in the market values of the interest rate swaps and correspondingly of the other comprehensive income of €4.5 million (previous year: €6.3 million).

The interest result from the other material floating-rate financial instruments would have been €1.6 million higher (lower) (previous year: €1.5 million higher (lower)) if the market rate of interest had been 100 basis points higher (lower) as at September 30, 2023. This effect mainly results from floating-rate financial instruments denominated in CNY (€1.3 million, previous year: €1.4 million) and denominated in EUR (€-1.6 million, previous year: €-1.7 million). The remainder breaks down into immaterial amounts in various currencies, in particular USD, INR, BRL and CAD.

**Risks relating to securities and stock prices:**
The Voith Group holds securities in the "at fair value through other comprehensive income" (FVOCI) measurement category of €16 million (previous year: €16 million). A 10% change in the underlying stock prices would cause equity to change by 10% of the carrying amount of the stocks concerned.

It should be noted that all existing stock price risks are analyzed continuously and suitable counteraction is taken accordingly.

### Commodity price risk:

The Voith Group is exposed to risks arising from changes in commodity prices, as these also affect most of the semi-finished goods that it needs. Voith's Corporate Purchasing regularly reviews the nature, volume and scheduling of the Group's materials requirements. On request by Corporate Purchasing and in consultation and agreement with Group companies, suitable forward commodity contracts can be arranged by Corporate Finance to limit any latent commodity price risks. The Group had no commodity contracts during the fiscal year.

### Hedge relationships:

The following items are used to hedge foreign exchange and interest rate risks:

| 2023-09-30 | Nominal values* | | Positive market values | | Negative market values | |
|---|---|---|---|---|---|---|
| in € thousands | < 1 year | > 1 year | < 1 year | > 1 year | < 1 year | > 1 year |
| Forward exchange contracts (fair value hedges) | 425,236 | 157,787 | 9,366 | 2,450 | 12,407 | 4,832 |
| Forward exchange contracts (cash flow hedges) | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate swaps (cash flow hedges) | | 231,500 | | 14,580 | 0 | 0 |
| Other derivatives | 867,649 | 124,164 | 14,436 | 3,602 | 16,411 | 3,139 |
| | **1,292,885** | **513,451** | **23,802** | **20,632** | **28,818** | **7,971** |

| 2022-09-30 | Nominal values* | | Positive market values | | Negative market values | |
|---|---|---|---|---|---|---|
| in € thousands | < 1 year | > 1 year | < 1 year | > 1 year | < 1 year | > 1 year |
| Forward exchange contracts (fair value hedges) | 457,869 | 143,191 | 13,404 | 9,026 | 19,752 | 6,413 |
| Forward exchange contracts (cash flow hedges) | 1,237 | 0 | 0 | 0 | 232 | 0 |
| Interest rate swaps (cash flow hedges) | 0 | 231,500 | 0 | 14,607 | 0 | 0 |
| Other derivatives | 821,786 | 211,912 | 17,737 | 10,177 | 19,053 | 9,161 |
| | **1,280,892** | **586,603** | **31,141** | **33,810** | **39,037** | **15,574** |

Positive market values are disclosed at the reporting date as other financial assets and negative market values as financial liabilities (in the case of financial transactions) or as other financial liabilities (in the case of operational transactions).

* Nominal values refer to the volume of the hedged transaction in local currency, translated at the closing rate.

The market values of the forward exchange contracts were determined as present values of the cash flows taking account of the respective contractually agreed forward rates and the forward rate on the reporting date. The average rates of the forward exchange contracts entered into for material currency pairs are as follows as at September 30, 2023:

| | Average hedged rates | |
|---|---|---|
| | < 1 year | > 1 year |
| USD/EUR | 1.04 | 1.14 |
| CNY/EUR | 7.84 | 9.01 |
| BRL/USD | 5.23 | 5.65 |
| CNY/USD | 6.95 | 6.71 |
| INR/USD | 83.33 | 87.64 |

The average interest rate for the interest rate hedges is 1.003%.

**Fair value hedges:**
The Group uses fair value hedges primarily to hedge foreign exchange risks.

In the 2022/23 fiscal year, a loss of €1,688 thousand was recorded on derivative financial instruments classified as fair value hedges (previous year: a loss of €4,597 thousand). Since the hedges have been mainly classified as highly effective, measurement of the hedged transactions at the reporting date produced an offsetting gain/loss in the same amount.

The following table presents the measurement effects of the underlying hedged transactions ("firm commitments") and the change in the value of the underlying transactions that are used as a basis for determining whether the hedge is ineffective. The change in the value of the hedging instruments that were used as a basis for determining whether the hedge is ineffective corresponds to the change in value of the underlying hedged transactions.

| | Firm commitments | |
|---|---|---|
| in € thousands | 2023-09-30 | 2022-09-30 |
| **Balance sheet item** | | |
| Sundry financial assets | 15,809 | 15,251 |
| Financial liabilities/sundry financial liabilities | 12,253 | 15,812 |
| Change in the value of the underlying hedged transactions that were used as a basis for determining whether the hedge is ineffective | -5,423 | -3,735 |

In the 2022/23 fiscal year, negative effects on profit or loss of €3.2 million arose from ineffective hedges (previous year: positive effects of €3.4 million) that are contained in other expenses.

Changes in the value of derivative financial instruments that do not meet the requirements for hedge accounting under IAS 39 are recognized as income or expenses in profit or loss at the reporting date.

**Cash flow hedges:**
As at September 30, 2023, there were cash flow hedges in place that are subject to interest rate risks.

Hedge relationships designed to hedge interest rate risks were classified as highly effective. Accordingly, an unrealized loss of €27 thousand (previous year: gain of €14,415 thousand) was recognized within consolidated equity in other reserves as at September 30, 2023.

The following table presents the measurement effects of the underlying hedged transactions ("forecast transactions") and the change in the value of the underlying transactions that are used as a basis for determining whether the hedge is ineffective. The change in the value of the hedging instruments that were used as a basis for determining whether the hedge is ineffective corresponds to the change in value of the underlying hedged transactions.

| | Foreign exchange risk Forecast transactions | | Interest rate risk Floating interest rate instruments | |
|---|---|---|---|---|
| in € thousands | 2023-09-30 | 2022-09-30 | 2023-09-30 | 2022-09-30 |
| Change in the fair values of the underlying transactions | -81 | 192 | 27 | -14,607 |
| Hedge reserve | 0 | -231 | 14,580 | 14,607 |
| Change in the value of the underlying hedged transactions that were used as a basis for determining whether the hedge is ineffective | -81 | 192 | 27 | -14,607 |

There were no effects on profit or loss from ineffective hedges in the 2021/22 and 2022/23 fiscal years.

In the 2022/23 fiscal year, there was a reclassification from other reserves of €150 thousand (previous year: €407 thousand) to other operating expenses in the statement of income on account of the termination of hedges. No effects were reclassified in the statement of income relating to the interest rate swaps.

## Research and development costs

In the 2022/23 fiscal year, research and development costs totaled €231,884 thousand (previous year: €212,544 thousand).

Of this amount, development costs of €3,112 thousand (previous year: €5,441 thousand) were capitalized in the balance sheet. The remaining costs represent activities for non-customer-specific new developments and improvements of €169,751 thousand (previous year: €155,702 thousand) and development activities of €59,021 thousand (previous year: €51,401 thousand) capitalized for customer-specific contracts.

### Transactions with related parties and individuals

In the course of its ordinary business activities, Voith GmbH & Co. KGaA maintains relationships both with the subsidiaries listed in these consolidated financial statements and with other related companies and individuals (family members who are shareholders, and members of the Supervisory Board and of the Board of Management).

In the 2007/08 fiscal year, one subsidiary of Voith GmbH (as it was known at the time) was sold to family shareholders in a transaction under common control. That company, JMV GmbH & Co. KG, Heidenheim an der Brenz, Germany, was merged into JMV SE & Co. KG, Heidenheim an der Brenz, Germany, in the 2019/20 fiscal year. Since then, it has been the ultimate parent company of the Voith Group.

All business transactions with related parties are on principle conducted at arm’s length conditions.

Members of the Board of Management of Voith Management GmbH, members of the Supervisory Board of Voith GmbH & Co. KGaA and family member shareholders also serve on the supervisory boards of other companies with which Voith maintains relationships in the course of its ordinary business activities. Any transactions involving these companies are conducted at arm’s length conditions.

A total of €600 thousand (previous year: €680 thousand) was paid at customary market rates to members of the Supervisory Board and former members of the Board of Management for consulting and other services. Consulting services for a total of €460 thousand were provided by other related parties (previous year: €460 thousand), where the last quarterly invoicing was taken into account in the form of a provision totaling €115 thousand (previous year: €0). This means there were no trade payables as at September 30, 2023 (previous year: €115 thousand).

The majority of goods and service transactions with related parties (entities and individuals) are shown in the table below:

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Liabilities to family shareholders | 4,757 | 9,165 |
| Services purchased from associates | 749 | 261 |
| Services rendered to associates | 290 | 292 |
| Receivables from associates | 871 | 437 |
| Liabilities to associates | 700 | 1,073 |
| Services purchased from other investments | 3,717 | 2,732 |
| Services rendered to other investments | 19,053 | 12,020 |
| Receivables from other investments, including advances paid | 22,411 | 12,891 |
| Impairment of receivables from other investments | -354 | -354 |
| Liabilities to other investments and to Voith Management GmbH | 34,021 | 29,018 |
| Loans to JMV Hydro Beteiligungen GmbH | 121,000 | 120,600 |
| Services purchased from joint ventures | 1,388 | 2 |
| Services rendered to joint ventures | 1,128 | 9 |
| Receivables from joint ventures | 529 | 170 |
| Liabilities to joint ventures | 1,142 | 971 |
| Services purchased from the ultimate parent company | 13,068 | 12,999 |
| Services rendered to the ultimate parent company | 1,417 | 1,393 |
| Receivables from the ultimate parent company | 0 | 676 |
| Liabilities to the ultimate parent company | 12,269 | 11,208 |

The loan to JMV Hydro Beteiligungen GmbH is subject to a qualified subordination in the amount of €20,000 thousand.

Liabilities to family shareholders include current floating-rate clearing accounts and pension obligations.

For more information on the profit participation rights of €103,400 thousand (previous year: €103,400 thousand) granted to family shareholders, please refer to note 19.

In the 2022/23 fiscal year, guarantees of €3,371 thousand (previous year: €2,424 thousand) were issued in favor of other investments.

No capital increases in favor of associates were performed in the 2022/23 fiscal year (previous year: €1,003 thousand).

## Compensation of governing bodies

The compensation for members of the Board of Management of Voith Management GmbH, including pension expenses, totaled €11,720 thousand in the fiscal year (previous year: €9,416 thousand). Due to the fact that these expenses are recharged by Voith Management GmbH to Voith GmbH & Co. KGaA, they are presented in the Voith Group's consolidated statement of income wholly within personnel expenses. This amount includes short-term benefits totaling €11,062 thousand (previous year: €8,515 thousand) and post-employment benefits of €658 thousand (previous year: €901 thousand).

The compensation for members of the Board of Management under commercial law totaled €10,056 thousand (previous year: €7,741 thousand).

As a consequence of bringing together the Corporate Board of Management at Voith Management GmbH, the pension commitments to this group of individuals existing prior to their appointment to the Voith Corporate Board of Management were transferred to Voith Management GmbH at the respective fulfillment amount under commercial law. In the 2022/23 fiscal year, around €520 thousand (previous year: €0) were transferred.

The present value as at September 30, 2023, of the defined benefit obligations to the Corporate Board of Management at Voith Management GmbH amounted to €6,498 thousand (including entitlements from deferred compensation; previous year: €6,258 thousand).

The present value of defined benefit obligations toward past members of the Board of Management totaled €66,109 thousand (previous year: €67,588 thousand). Of this amount, €1,890 thousand (previous year: €2,311 thousand) relates to obligations on the part of the former parent of the Group, J.M. Voith SE & Co. KG, toward past members of the Corporate Board of Management.

Plan assets for former members of the Board of Management total €38,226 thousand (previous year: €38,977 thousand).

These amounts are included in note 20.

The compensation for past members of the Board of Management totaled €5,957 thousand (previous year: €4,624 thousand). Of this amount, €347 thousand (previous year: €411 thousand) relates to compensation for the members of the Board of Management of the former parent of the Group, J.M. Voith SE & Co. KG.

The members of the Supervisory Board of Voith GmbH & Co. KGaA received (short-term) compensation of €414 thousand (previous year: €378 thousand).

## Auditor’s fees and services

The following fees (including reimbursement of expenses) were paid to the independent auditor for the services rendered in the 2022/23 fiscal year:

| in € thousands | 2022/23 | 2021/22 |
|---|---|---|
| Annual audit | 3,099 | 3,102 |
| Other assurance or valuation services | 0 | 41 |
| Tax advisory services | 535 | 778 |
| Other services | 0 | 49 |
| | **3,634** | **3,970** |

## Subsequent events

Dr. Stefan Kampmann is stepping down as a member of the Corporate Board of Management as of November 30, 2023.

No additional significant developments have occurred since the close of the 2022/23 fiscal year.

## Corporate Board of Management

The following were appointed members of the Board of Management of Voith Management GmbH in the 2022/23 fiscal year:

Dr. Toralf Haag
Stephanie Holdt
Dr. Stefan Kampmann
Andreas Endters
Uwe Wehnhardt (until October 31, 2022)
Dr. Tobias Keitel (from November 1, 2022)
Cornelius Weitzmann

Heidenheim an der Brenz, November 29, 2023

The Board of Management of Voith Management GmbH

Dr. Toralf Haag

Stephanie Holdt

Dr. Stefan Kampmann

Andreas Endters

Dr. Tobias Keitel

Cornelius Weitzmann

The German language consolidated financial statements of Voith GmbH & Co. KGaA as at September 30, 2023, as authorized for issue and the unqualified audit opinion issued thereon by KPMG Wirtschaftsprüfungsgesellschaft, Munich, will be filed with the German company register. They can be viewed at www.unternehmensregister.de.

# Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and earnings position of the Group, and the 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 principal opportunities and risks associated with the expected development of the Group.

Heidenheim an der Brenz, November 29, 2023

The Board of Management of Voith Management GmbH

Dr. Toralf Haag

Stephanie Holdt

Dr. Stefan Kampmann

Andreas Endters

Dr. Tobias Keitel

Cornelius Weitzmann

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Both versions, as well as other information, can
be downloaded at www.voith.com.