

Press Release

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Voith Paper Gears up for Challenges in the Paper Market

- **Accelerated decline for graphic paper machines due to increasing digitalization**
- **Rise of new market segment: "medium-size" board and packaging machines, especially in Asia**
- **Measurement package launched to adapt to new market situation**
- **Plans to cut approximately 710 jobs at German and Austrian locations**

Heidenheim, 22 May 2012. Voith Paper, one of the world's leading partners and pioneers in the paper industry, gears up for structural changes in its markets.

On the one hand, the ongoing digitalization of everyday life through tablets like the iPad and the ensuing changes in consumer behavior is faster than expected having a negative impact on the demand for so-called graphic papers. These paper grades are, for example, used for printing newspapers or magazines. As a result of this continued development, Voith Paper has experienced a noticeable slow-down in business in this fiscal year and a deterioration of its medium to long-term perspectives for graphic paper machines.

On the other hand, the demand for paper machines will continue to grow in the medium and long term, especially in Asia. These countries are, however, increasingly asking for medium-size plants, particularly for board and packaging papers, which are less investment-intensive. In this newly arising segment, Voith has to fight for a market share against stiff competition from local suppliers. Due to the ensuing cost pressure, these machines are already largely produced locally. The fast-growing demand

in this new segment therefore results in a lower share in value creation and sales in and from Europe.

The company is adapting to these developments with a comprehensive catalogue of measures. The German and Austrian Voith Paper locations, which mainly develop, design and produce large plants with high investment costs, are particularly affected by the market changes and are to be streamlined. Wherever it appears feasible, it is planned to amalgamate and pool production and engineering capacities from several locations, in order to adapt the resources in the German-speaking area to the new market situation.

In the course of this reorganization, personnel measures will be inevitable. It is envisaged to cut a total of about 710 jobs in Germany and Austria in all areas - in the administration and also in the production departments. The intended staff reductions will hit the Voith Paper locations Heidenheim (about 280 jobs), Ravensburg (about 300 jobs), Krefeld (about 55 jobs) and St. Pölten (about 70 jobs). The Voith Paper Management has today informed all relevant committees and the workforces of the affected locations about these plans.

It is a central concern of the company to make these downsizing measures as socially acceptable as possible and to largely avoid lay-offs for operational reasons. Wherever feasible, the affected employees will be offered alternative jobs within the company. Beyond that, social options such as early retirement or transfer companies are to be used. The Management aims to enter into talks with the employees' representatives at the earliest possible opportunity, in order to discuss the implementation of these measures.

Dr. Hans-Peter Sollinger, CEO of Voith Paper: "The paper market will continue to be an attractive market for Voith with good growth perspectives, which we will utilize in a profitable way. At the same time, the market conditions are about to undergo a radical change. Worldwide, graphic papers experience an irreversible decline in demand, while other areas, such as board and packaging or tissue papers, are significantly growing. We are able to utilize the solid position of our company, in order to actively adapt to these developments. With the planned measures that have just been introduced, we will secure our leading position as a partner in the paper industry, as well as retain our competitiveness and profitability in a changing market environment."

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