

## Press Release

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### **Voith Paper Prepares for Weaker Paper Market**

- **Chinese paper market grows noticeably slower than expected**
- **European demand remains at a low level**
- **Structural change in the paper market continues**
- **Cut-back of another 560 jobs in Germany and Austria planned**
- **Voith Paper CEO Dr. Hans-Peter Sollinger: “A painful cut is necessary in order to lastingly ensure our competitiveness even under changed market conditions.”**

HEIDENHEIM, GERMANY, September 13, 2013. Voith Paper is preparing for a further worsening of the global paper market with a package of measures. The aim of the planned measures is to ensure the profitability and lasting competitiveness of Voith Paper under worsening market conditions. For this purpose, competences will be pooled together at individual locations and capacities adapted to the lowered market volume. Associated with that is a planned cut-back of another approximately 560 jobs at various locations in Germany and Austria.

Already for quite some time now, Voith Paper has seen its business with new machines and large rebuilds at locations in Germany and Austria severely stressed by a structural reduction in demand for graphic paper machines. This structural change will also continue in the coming years. In addition, there is a weakening economic situation in the global paper market that is more severe than expected. In particular, the Chinese market is growing noticeably more slowly than predicted by market analysts in the past year. RISI, the leading analyst in this area, made a clear downward correction in July 2013 of its forecast for paper consumption in China for 2014 from 123 to 115 million metric tons. The Chinese paper market continues to grow, but substantially more slowly. Thus expectations in comparison to the previous year have once again been noticeably clouded. As a result of paper consumption that is less than expected, the willingness to invest in new paper machines on the part of

Voith Paper's customers is also cooling off further. This concerns all paper grades except sanitary paper (tissue).

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In Europe, Voith Paper is not counting on a market recovery in the coming years. Rather, the business with new machines will remain at a low level. In China, predictions are for growth to increase again in the next two years. But this demand is mostly oriented to compact, locally produced machines of medium size – a trend that is further intensifying and to which Voith Paper has already reacted with specific restructurings. By contrast, the need for paper machines of the larger size segment, which Voith Paper previously produced mainly at its European locations, remains very slight.

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“With the worsening of the market outlook and the intensifying of the structural changes on the demand side, the foundations for our future planning in Germany and Austria have also changed once again. The slackened demand in Europe can no longer be balanced by large orders from China. Thus there is no way around an adjustment of capacities at our main locations in Germany and Austria,” says Dr. Hans-Peter Sollinger, CEO at Voith Paper.

Against the background of this development, a jobs cut-back in Germany and Austria is unavoidable. The Voith Paper locations in Krefeld (around 210 jobs), Ravensburg (around 50 jobs), Neuwied (around 10 jobs) and in St. Poelten, Austria (around 290 jobs) are affected by this. In addition, as already announced in August, 240 jobs are being eliminated at Voith Paper in Heidenheim that are part of the Group-wide package of measures for the Heidenheim location.

Despite the adjustments in capacity, the existing competence centers will remain at the respective locations. Krefeld will continue to be the competence center for calendars and winders, St. Poelten for rolls, Ravensburg for stock preparation systems, environmental technologies and specialty paper machines; and Neuwied remains the center for quality control systems.

Today the Management Board of Voith Paper informed the works council committees and employees at the locations affected. In the next step, Voith will take up discussions with the workers' representatives for implementing the cut-back. Current planning envisages that the measures should be implemented by September 30, 2014. Terminations for operational reasons at individual locations cannot be ruled out at this point.

“This cut is bitter and painful. However, after careful consideration, it is unavoidable in order to align our capacities in Europe to the changed demand. This is a prerequisite to stay profitable and competitive under the changed market conditions,” says Dr. Sollinger.

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Voith Paper’s portfolio remains unchanged despite the bundling of capacities. “We will continue to support our customers in the future with solutions for the entire papermaking process and for all paper grades. The paper industry will also remain an attractive business segment in the future for the Voith Group. In the next years, we will rely even more heavily on the possibilities for growth offered by the already installed paper machines. Above all, we see opportunities in the servicing and rebuilding of machines already in operation,” explained Dr. Sollinger.

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Voith sets standards in the markets energy, oil & gas, paper, raw materials and transportation & automotive. Founded in 1867, Voith employs more than 42,000 people, generates € 5.7 billion in sales, operates in about 50 countries around the world and is today one of the biggest family-owned companies in Europe.

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