

Press Release

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Voith Forges Ahead With Restructuring

XX-XX-2015

- **Worldwide administrative functions to be consolidated**
- **Additional capacity adjustments at Voith Paper**
- **Planned workforce reduction totaling up to 1,600 positions worldwide**
- **Future focus on technology and engineering expertise for the digital age: Value-preserving sale process for Voith Industrial Services kicks off**
- **Voith CEO Dr. Hubert Lienhard: “We are taking further decisive steps toward positioning Voith as a competitive technology leader on a lasting basis.”**

Heidenheim, Germany. The Voith Group continues to systematically implement the decisions made in the course of the group-wide Voith 150+ success program. At the annual press conference in 2014, Voith announced that it would consolidate worldwide administrative functions and work on additional capacity adjustments at Voith Paper. The two projects now being carried out will involve a workforce reduction of up to 1,600 jobs worldwide by the end of 2016, 870 of which will be in Germany. Going forward, the company will clearly refocus on its traditional technology and engineering expertise to prepare for the future challenges and opportunities of Industry 4.0, and will further restructure its portfolio accordingly. In line with this strategy, a value-preserving sale process for Voith Industrial Services Group Division is to be initiated.

“Our boards today approved a number of far-reaching steps, some of them painful, but necessary. We will now seek out dialog with employee

representatives with the goal of making these moves in a fair and responsible manner, and in a way that honors the culture and values of our company,” explains Hubert Lienhard, President and CEO of the Corporate Board of Management. “Currently, market conditions in mechanical engineering are changing drastically. Voith is ready to face these challenges and will now resolutely take on the next phase of the Group’s restructuring. We will focus on our traditional strength: our technological engineering expertise acquired in the course of many years of research and development. At the same time, we will improve our structures and efficiency. To this end, we are taking further decisive steps toward positioning Voith as a competitive technology leader in the digital age on a lasting basis.”

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Voith will already recognize provisions for all planned workforce reduction and restructuring measures to be effected by the end of 2016 in this fiscal year, in order to ensure swift, systematic implementation. Consequently, the company anticipates that the half-yearly and annual financial statements will reflect a negative net income after non-recurring effects. Operationally, the company expects to achieve positive profit from operations throughout all Group Divisions in fiscal year 2014/15.

Consolidation of administrative functions

The company aims to streamline its administrative processes by taking steps that include establishing four Shared Service Centers (SSC) in which standardizable administrative services will be consolidated across Group Divisions. These Shared Service Centers will be located in Kunshan, China, for Asia; York (PA), USA, for North America; and São Paulo, Brazil, for South America. No decision has been made as yet regarding the location of the Center serving the Europe, Middle East, and Africa region. A total of around 720 positions will be cut as a result of the planned restructuring of administrative activities. Currently, these plans are

scheduled to be implemented by the end of fiscal year 2015/2016 (September 2016).

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Unavoidable capacity adjustments at Voith Paper

At the annual press conference, Voith also reported on the significantly reduced market demand for new machines and major rebuilds in the paper industry and the company's very strained business situation in this segment as a result. In light of this, Voith Paper's management aims to further adjust and consolidate worldwide capacity, consequently reducing global headcount by a total of around 1,000, including 140 jobs already mentioned in the worldwide planned restructuring of administrative activities. In Germany and Austria around 800 jobs are to be reduced. The planned measures include discontinuing paper activities at Voith's St. Pölten site (eliminating some 150 positions) and closing the sites in Krefeld and Neuwied (decreasing headcount by around 200), as well as consolidating those activities in Heidenheim. At the Heidenheim site, this streamlining would affect around 300 jobs. At the Ravensburg site around 150 jobs are to be cut. There, among others the remaining manufacturing plant in Ravensburg will be closed. The center of excellence for stock preparation located there is to remain in operation.

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Alongside the targeted reduction in capacity, various internal initiatives are underway at Voith Paper that will secure it a profitable, customer-driven future.

Future focus on engineering expertise in the digital age – shaping the Industry 4.0 trend

As part of the Voith 150+ success program, the company is also preparing for the challenges and opportunities presented by Industry 4.0. "The possibilities opened up by digitization and networking will reshape the entire process of creating value in industry. We are convinced that this shift is irreversible and will offer our company major opportunities," CEO

Lienhard says. “The Group will be strongly geared toward our engineering expertise. In the coming years, we also intend to expand our existing divisions notably specializing in mechanics to specifically include automation and industrial software capabilities.” The acquisition of a 25.1 percent stake in robot manufacturer Kuka in November 2014 marked an important step in this direction for the company.

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This strategic move prompted Voith’s management to shift the Group’s focus clearly toward its technological engineering expertise and initiate a sale process for the Voith Industrial Services Group Division. The Voith Industrial Services business model comprises labor-intensive services largely performed at client sites and based on customers’ specific know-how and process knowledge. The Group Division is one of the world’s largest suppliers of industrial services operating today and global market leader in automotive industry services. With an 18,000-strong workforce, the division generated sales of around € 1.2 billion, marking a threefold increase since it was founded 15 years ago.

The planned sale will also trigger changes in the Corporate Board of Management at Group level. Martin Hennerici, to date CEO of Voith Industrial Services, has elected to leave the company. His successor in the position of CEO will be Markus Glaser-Gallion, currently head of the Automotive division. Hubert Lienhard will assume responsibility for the Group Division at Corporate Board of Management level until its sale. Employees, customers and business partners will see no changes in their day-to-day work as the Group Division’s business model already operates independently. Voith Industrial Services will continue to provide the reliable service its customers have come to expect.

This decision marks Voith’s refocusing on its roots in technology, its innovative and pioneering approach and its knowledge-based development of technical engineering solutions for key industries. “When our company

was founded nearly 150 years ago, we were one of the trailblazers of the first Industrial Revolution. Today, we accept the challenge of being among those shaping the next industrial revolution in the digital age,” states Voith CEO Hubert Lienhard.

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