



# Lenzing Group

Leading Fiber Innovation

LENZING INVESTOR PRESENTATION – NINE-MONTH REPORT 2015  
November 12, 2015

LEADING FIBER INNOVATION



# Disclaimer

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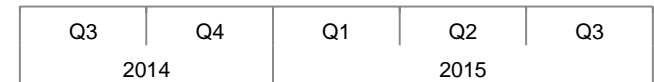
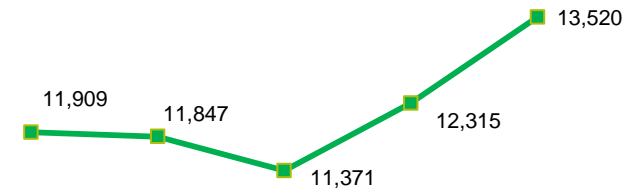
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# Q3/2015: Executive summary

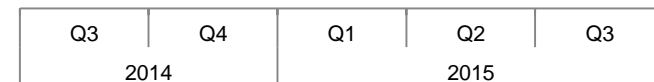
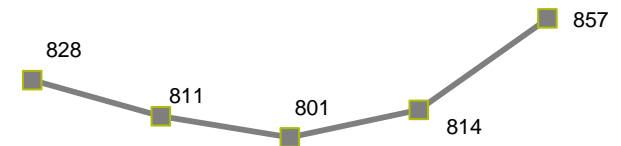
## Strongest quarter since Q2/2013

- Strong earnings improvement
  - EBITDA +23.7% to EUR 84.1 mn (Q3/2014: EUR 68.0 mn)
- Group revenue up 10.0% y-o-y to EUR 503.4 mn (Q3/2014 EUR 457.7 mn)
- Positive price development
  - Average spot market prices for viscose (TX) in China
    - +14% y-on-y
    - +10% q3-on-q2
  - Average quarterly imported DWP<sup>1</sup> price/t
    - +4% y-o-y
    - +5% q3-on-q2
- Net financial debt decreased to EUR 333.3 mn (Q2/2015: EUR 401.5 mn)

Average Quarterly Gross VSF (TX) CCF/CNY/t



Average Quarterly Imported DWP/USD/t



1) DWP – dissolving wood pulp; source: CCF Group

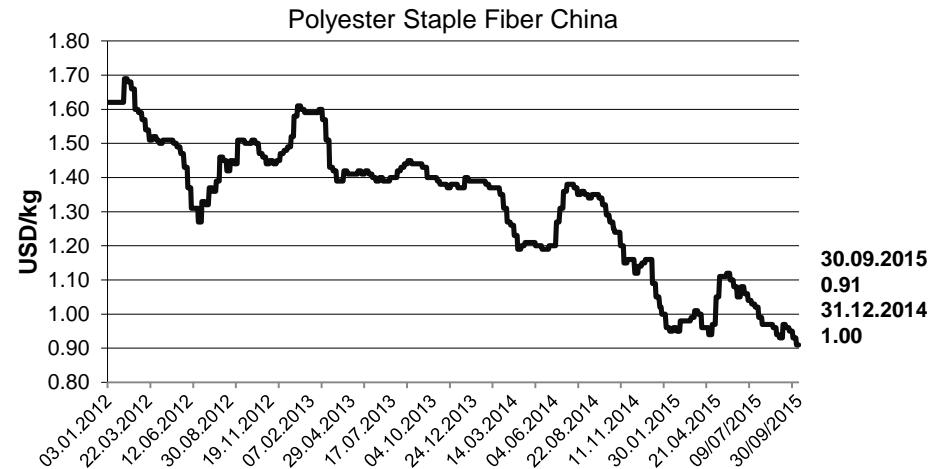
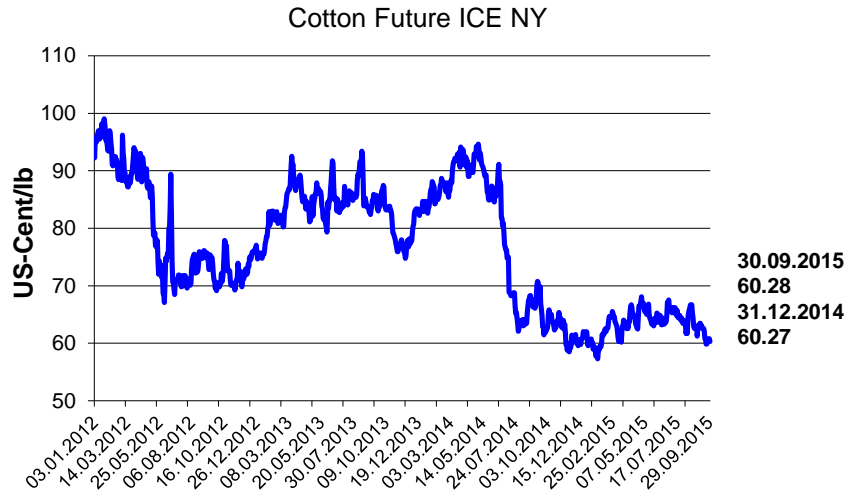
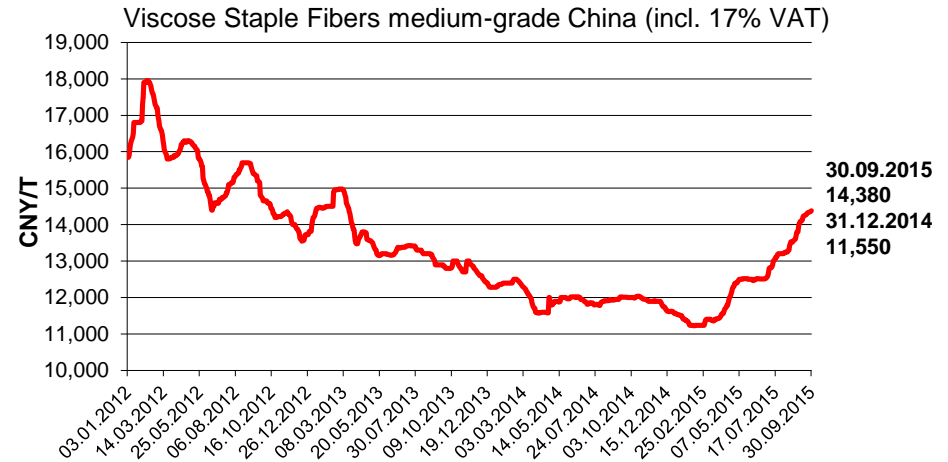
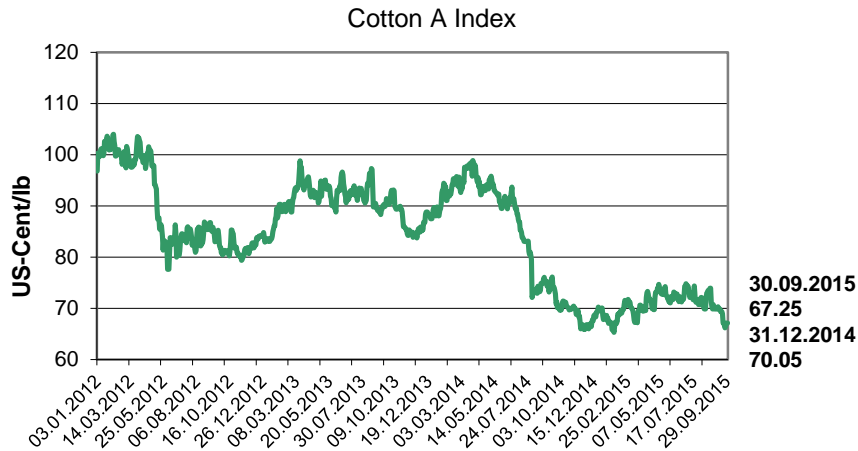
# 9M/2015: Executive summary

## Sustained positive development

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- Strongly improved profitability
  - EBITDA +31.7% to EUR 210.6 mn y-o-y (9M/2014: EUR 159.8 mn)
  - Net income +90.6% to EUR 84.4 mn
  
- Group revenue 7.4% higher y-o-y (EUR 1.458.9 mn vs. EUR 1.357.7 mn)
  - Positive FX effects (USD, RMB)
  - Price increases in Q3/2015
  - Better product mix
  
- Cash flow strongly improved
  
- New strategy to be presented on Capital Markets Day (November 17, 2015)
  - excellENZ initiative on track with EUR 160 mn p.a. fully effective from 2016 and to be integrated in improvement program 2016

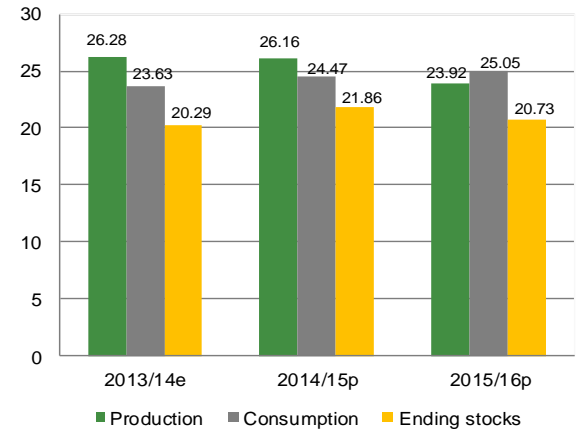
# Fiber price development



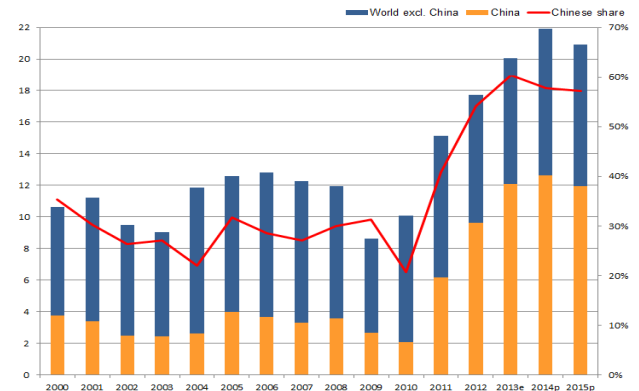
# Cotton prices remain under pressure

- Cotton-A-Index dropped to 67.25 USct/lbs until end of Q3/2015 (Q3/2014: 89.55 USct/lb)
- China
  - Limited reduction of China's cotton reserve despite sales from reserve started in July 2015
  - Import quota to be limited to 894 kt in 2016 – the same as in 2015
  - For the first time since 2010/11 strategic reserve inventories in China are projected to decline in season 2015/16. China's stock-to-use-ratio will remain however high at 151%<sup>2</sup> versus 52% in the rest of the world<sup>1</sup>

Cotton market in mn tons<sup>1</sup>



Cotton inventories in mn tons and China's share in %<sup>1</sup>



1) Source: ICAC, November 2, 2015

2) 11.7 mn tons stock compared to 7.7 mn tons consumption

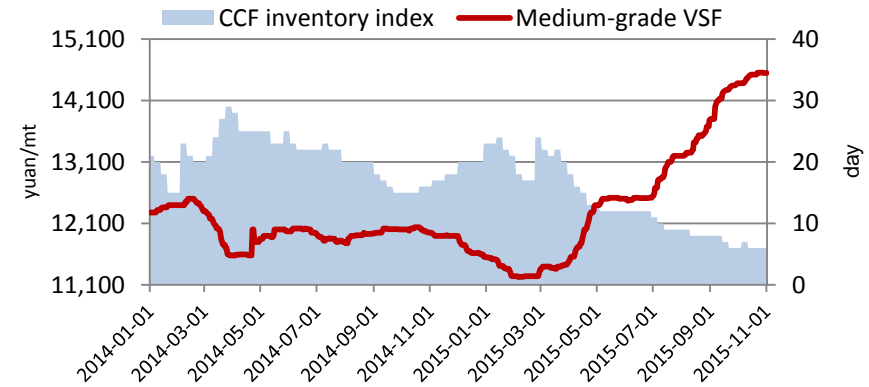
# Competitive viscose environment

## Strong viscose spot fiber market price increase in Q3/2015

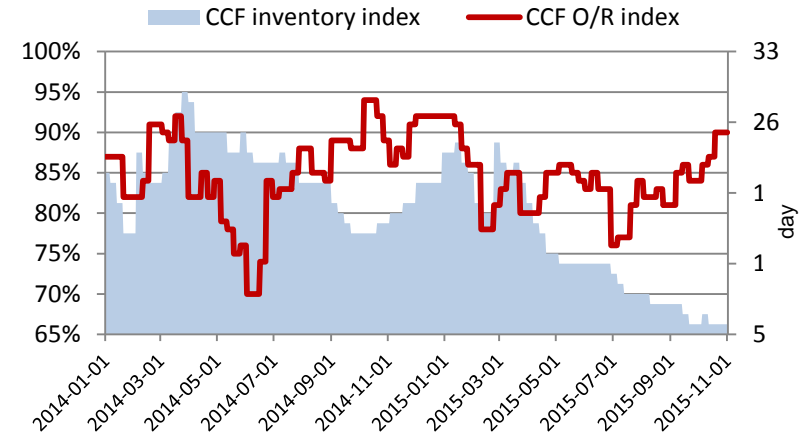
- Still good demand paired with low inventory level
- Strong China viscose spot fiber market price<sup>1</sup> increased by 14.7% from 12,540 RMB end of June to 14,380 RMB by end of September 2015
- DWP spot price<sup>1</sup> increased as well however from 832 USD/t by end June to 878 USD/t by end of September
- The recent restart of temporarily closed viscose fiber production capacities will reduce supply pressure, though the market price impact on the short term is yet unclear

1) Absolute figures

VSF price trend and inventory of China



VSF operating rate and inventory of China



# Lenzing's marketing activities

- Textile – Apparel and Home & Interior
  - Bed linen: introduction of bed linen with warm touch properties
  - TENCEL® + wool: fiber blend concept to enhance wool blends with TENCEL® A100
  - Botanic lounge: promotion of carpets, upholstery fabrics at Mood in Brussels
- Asian roadshow including all fiber applications: „Lenzing Fiber Experience goes to“ (Taipei, Seoul, Shanghai) with more than 550 customers
- Opening of Technical Customer Service lab in Hong Kong
- 50 years of Lenzing Modal® and 25 years of MicroModal®: start of celebration in Premiere Vision Paris and Intertextile Shanghai



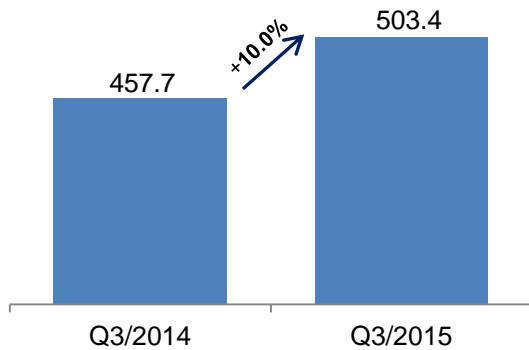


# Financials – Revenue

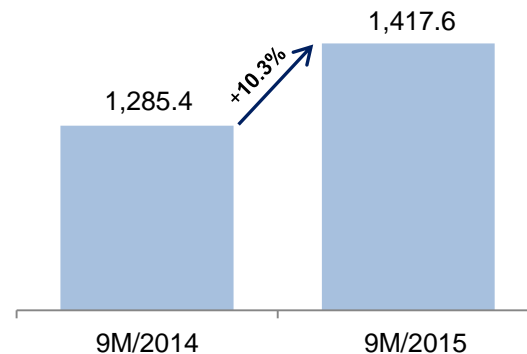
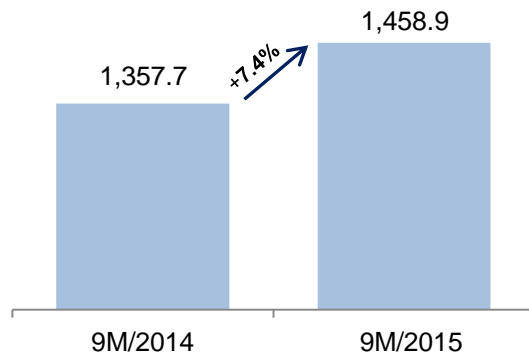
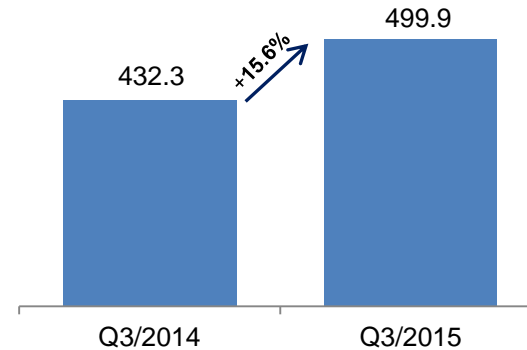
Tailwind due to FX effects, increased prices, better product mix

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Group Revenue



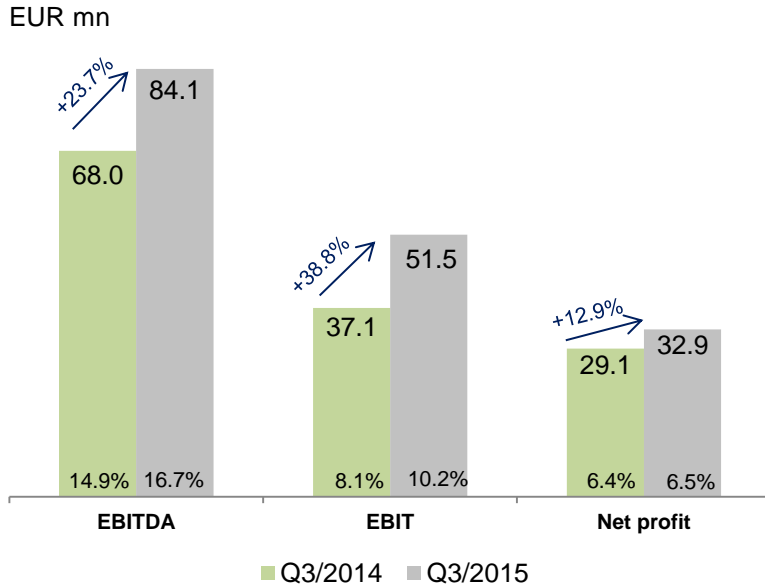
Segment Fibers Revenue



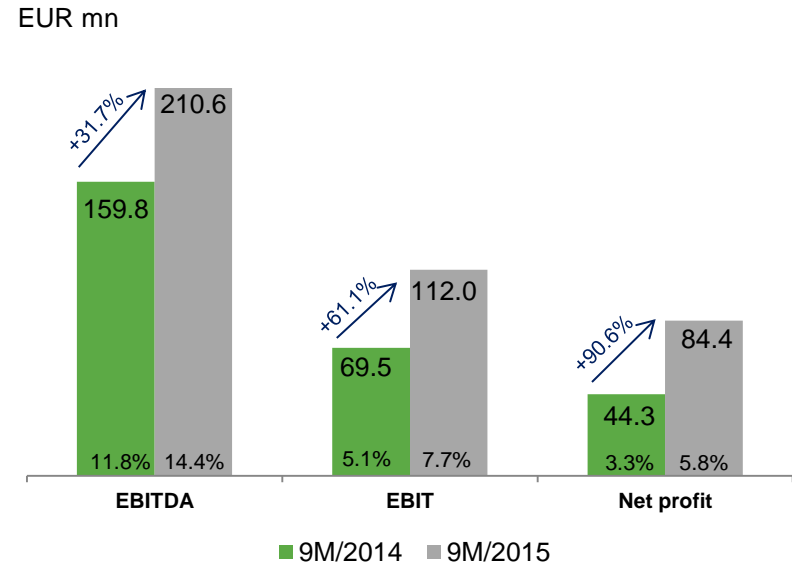
# Financials – Earnings

Strong improvement – 9M/2015 EPS at EUR 3.22 (9M/2014: EUR 1.68)

Q3/2014 vs. Q3/2015



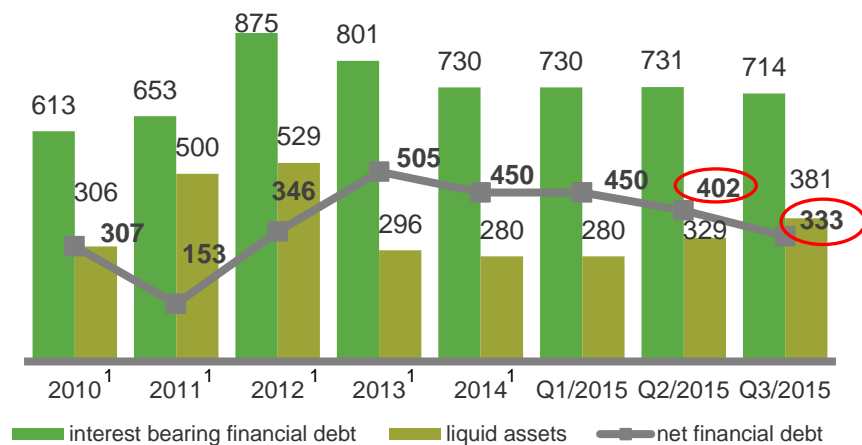
9M/2014 vs. 9M/2015



Margin

# Financials – KPI

## Strong financial position and very low net financial debt



According to IFRS (EUR mn)	30.09.2015	31.12.2014	Change in %
Total assets	2,417.6	2,375.1	1.8
Liquid assets <sup>2</sup>	380.6	280.3	35.8
thereof cash and cash equivalents	372.6	271.8	37.1
Total liabilities	1,267.3	1,329.4	(4.7)
thereof financial liabilities	713.9	729.8	(2.2)
Adjusted equity <sup>3</sup>	1,171.1	1,066.1	9.9
Adjusted equity ratio (%)	48.4	44.9	-
Net gearing (%)	28.5	42.2	-
Net financial debt	333.3	449.5	(25.8)
Net financial debt/EBITDA	1.2 <sup>4</sup>	1.9	-

According to IFRS (EUR mn)	30.09.2015	31.12.2014	Change in %
Total liquidity cushion	571.5	478.8	19.4
thereof liquid assets	380.6	280.3	35.8
thereof unused credit facilities	190.9	198.5	(3.8)

1) FY figures as at December 31

2) Including cash and cash equivalents, liquid securities and liquid bills of exchange

3) Including government grants less proportionate deferred taxes on government grants

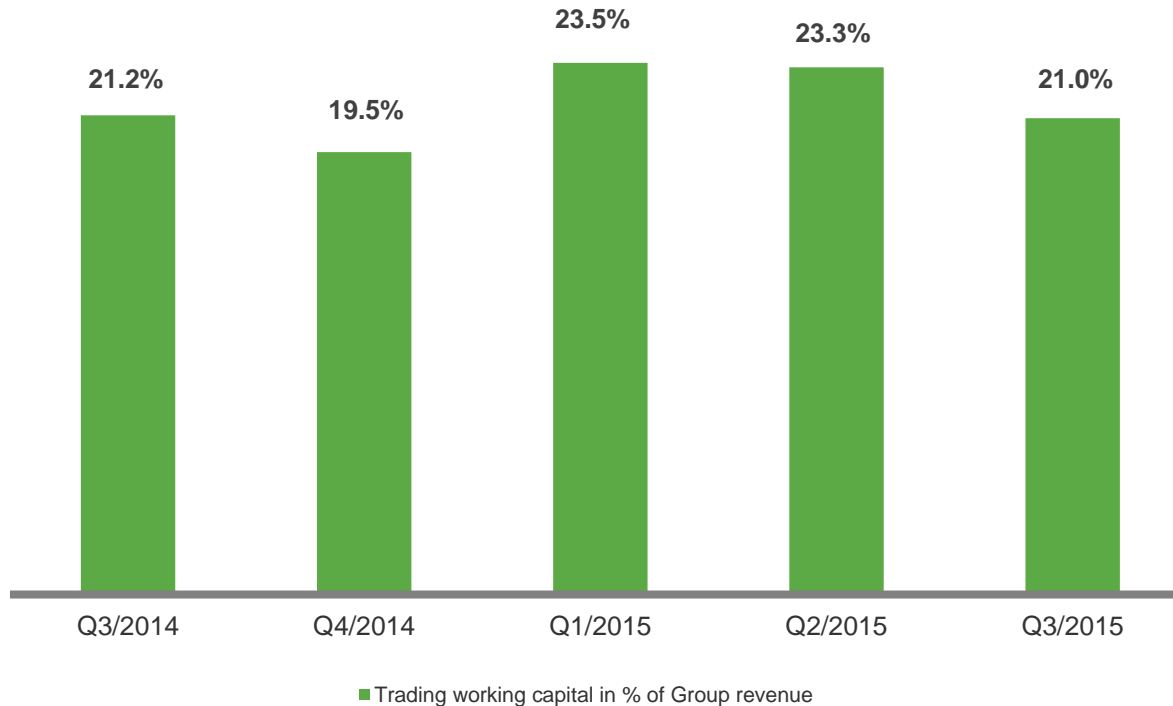
4) Estimates

# Financials – Trading working capital ratio

Positive development

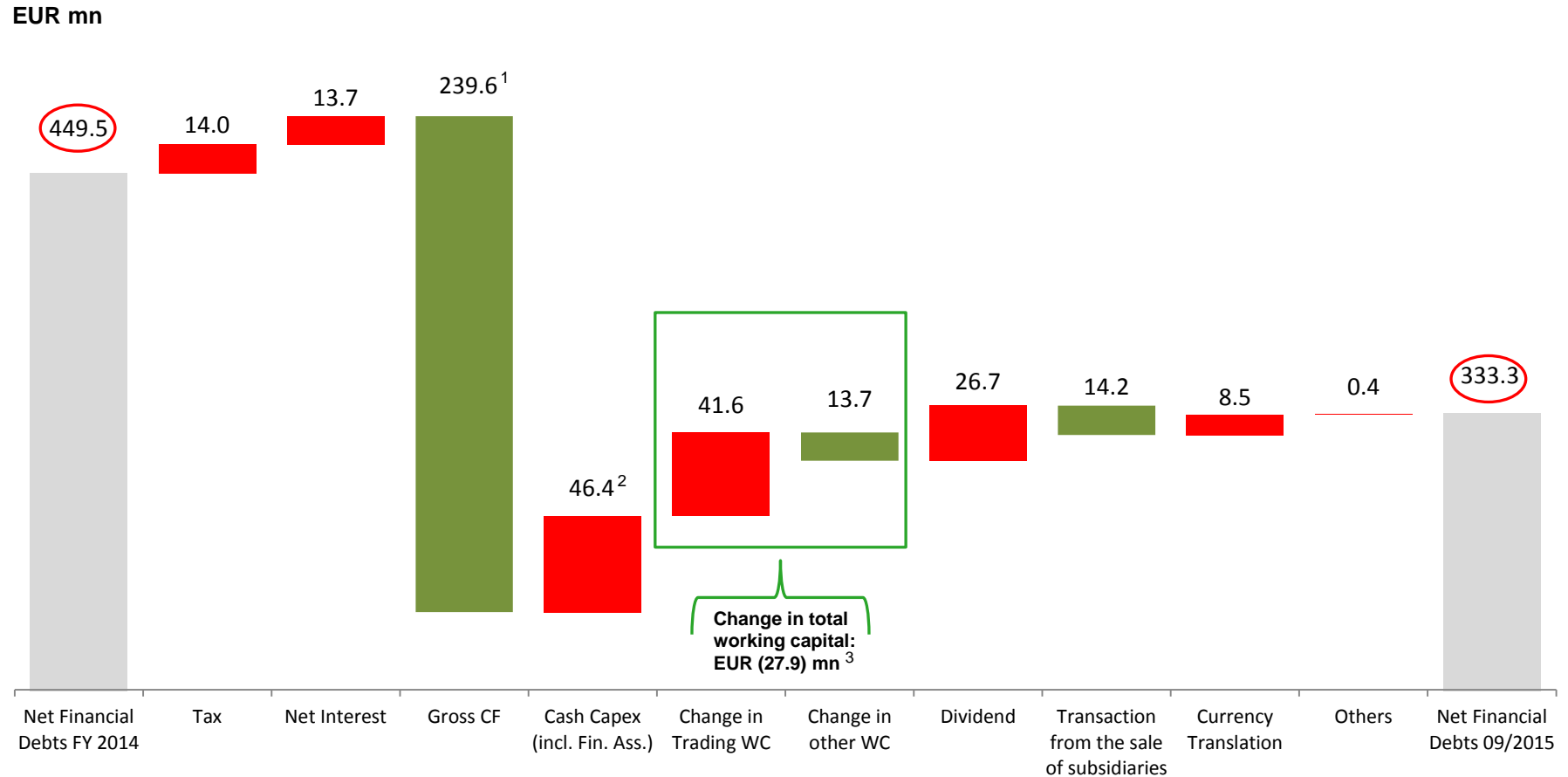
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EUR mn



# Financials – Net financial debt

Further net financial debt reduction due to improved gross cash flow and rather low cash CAPEX spent



1) Gross CF before taxes and interest

2) Including CAPEX of EUR (44.3) mn and financial assets of EUR (2.1) mn

3) Change in total working capital as per cash flow statement EUR (27.0) mn does not include adjustment change in liquid bills of exchange of EUR (0.9) mn

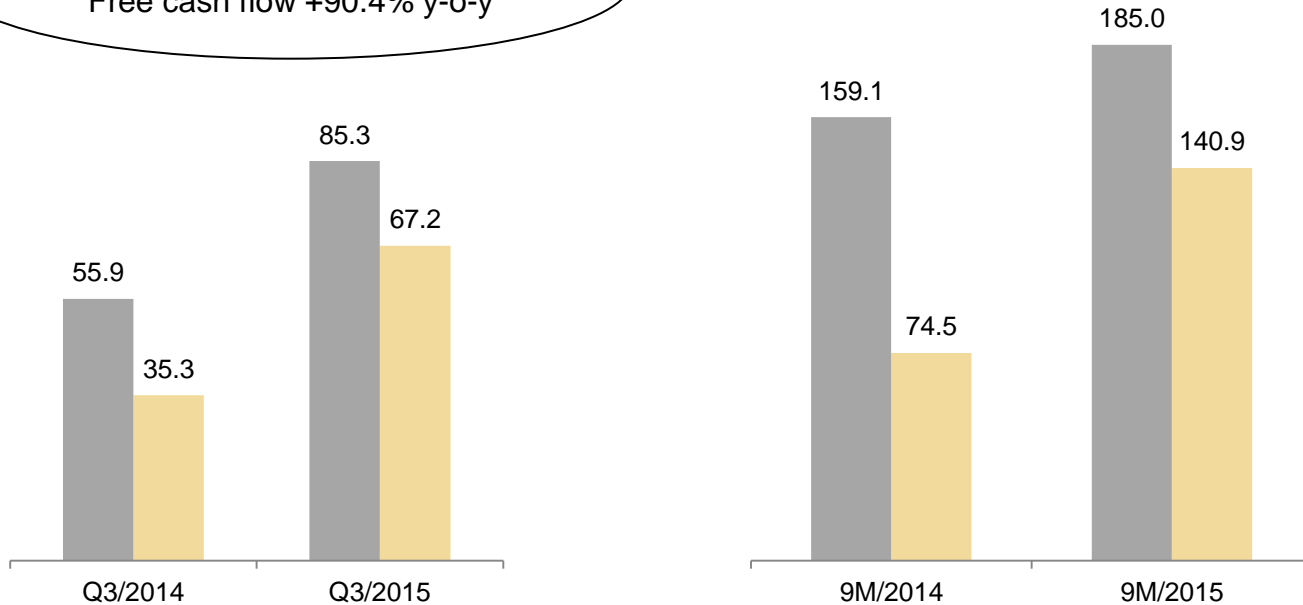
# Financials – Cash flows

Strong improvement through cash and cost discipline

EUR mn

Operating cash flow +52.6% y-o-y  
Free cash flow +90.4% y-o-y

Operating cash flow +16.3% y-o-y  
Free cash flow +89.1% y-o-y



■ Operating cash flow    ■ Free cash flow

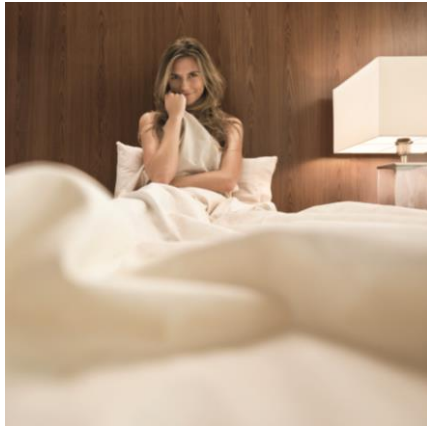
# Outlook: Full Year 2015

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- Short term development Q4/2015
  - Geo-political and macro-economic situation remains volatile
  - The fiber processing companies face increasing difficulties to pass on the higher material costs in the cellulosic fiber value chain. To some extent, this could lead to the substitution of cellulosic fibers, especially by polyester in low-end applications over the medium term
  - In China some of the first previously closed down viscose fiber production capacities are starting operation once again
  - Expected Q4 earnings to show a similar development as in Q3
- Outlook Lenzing Group 2015 reconfirmed
  - Positive currency effects, higher fiber selling prices and a good cost position in the light of ongoing strong demand for Lenzing products will enable a significant earnings improvement for the year 2015 compared to the previous year
  - Further net financial debt reduction
  - Net financial debt/EBITDA < 2, CAPEX <EUR 100 mn

# Q3/2015 – Financial information

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# Q3/2015: Consolidated Group P&L

(EUR mn)	Q3/2015	Q2/2015	Q3/2014	9M/2015	9M/2014
<b>Revenue</b>	<b>503.4</b>	<b>480.9</b>	<b>457.7</b>	<b>1,458.9</b>	<b>1,357.7</b>
Change in inventories of finished goods and work in progress	(9.8)	(1.9)	8.4	(15.9)	14.2
Work performed by the Group and capitalized	7.7	7.1	6.4	20.6	29.6
Other operating income	2.3	15.2	8.6	37.9	31.8
Cost of material and purchased services	(292.7)	(293.1)	(296.5)	(893.0)	(896.7)
Personnel expenses	(72.6)	(75.0)	(73.0)	(224.0)	(225.8)
Other operating expenses	(54.1)	(66.3)	(43.6)	(173.9)	(151.0)
<b>EBITDA/Margin</b>	<b>84.1/16.7%</b>	<b>66.9/13.9%</b>	<b>68.0/14.9%</b>	<b>210.6/14.4%</b>	<b>159.8/11.8%</b>
Depreciation & Amortization	(33.3)	(34.1)	(31.6)	(100.7)	(92.4)
Income from the release of investment grants	0.7	0.7	0.7	2.1	2.1
<b>EBIT/Margin</b>	<b>51.5/10.2%</b>	<b>33.5/7.0%</b>	<b>37.1/8.1%</b>	<b>112.0/7.7%</b>	<b>69.5/5.1%</b>
<b>Financial result</b>	<b>(6.3)</b>	<b>10.0</b>	<b>(4.6)</b>	<b>0.5</b>	<b>(16.3)</b>
Allocation of profit or loss to puttable non-controlling interests	(0.9)	(0.1)	0.8	0.0	2.9
<b>EBT/Margin</b>	<b>44.3/8.8%</b>	<b>43.4/9.0%</b>	<b>33.3/7.3%</b>	<b>112.6/7.7%</b>	<b>56.1/4.1%</b>
Income tax expense	(11.4)	(8.5)	(4.2)	(28.1)	(11.8)
Tax rate (%)	25.8	19.6	12.5	25.0	21.1
<b>Net income/Margin</b>	<b>32.9/6.5%</b>	<b>35.0/7.3%</b>	<b>29.1/6.4%</b>	<b>84.4/5.8%</b>	<b>44.3/3.3%</b>
<b>Net income after minorities/Margin</b>	<b>32.8/6.5%</b>	<b>35.3/7.3%</b>	<b>29.3/6.4%</b>	<b>85.6/5.9%</b>	<b>44.5/3.3%</b>
<b>EPS (in EUR)</b>	<b>1.24</b>	<b>1.33</b>	<b>1.10</b>	<b>3.22</b>	<b>1.68</b>

# Q3/2015: Topline breakdown

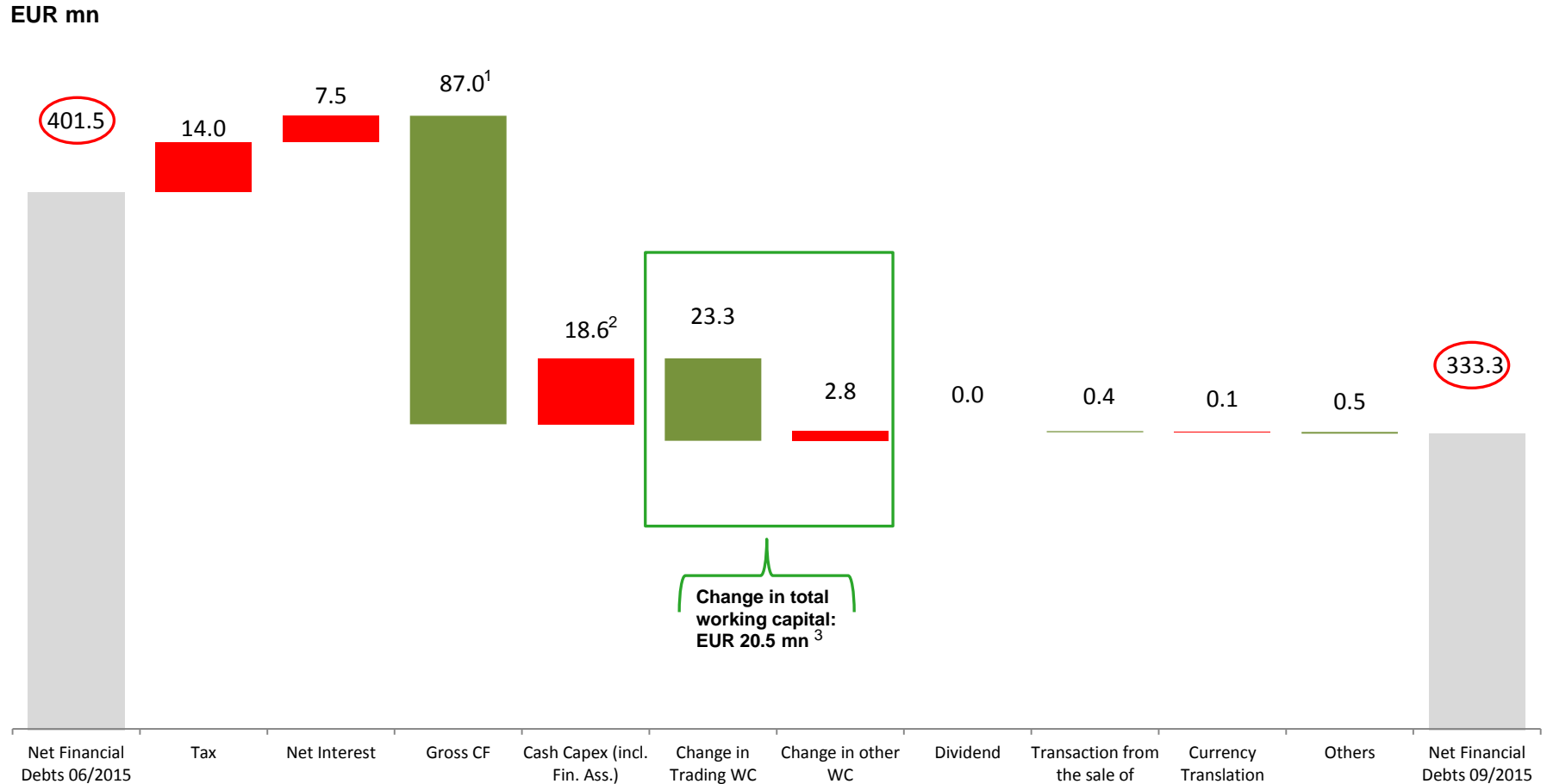
(EUR mn)	Q3/2015	Q2/2015	Q3/2014	Change Q3/Q2 (%)	Change y-o-y (%)	9M/2015	9M/2014	Change y-o-y (%)
<b>Breakdown of Fibers segment revenue</b>								
Textile fibers (%)	70.1	69.3	68.6	n.a.	n.a.	68.9	67.8	n.a.
Nonwoven fibers (%)	29.9	30.7	31.4	n.a.	n.a.	31.1	32.2	n.a.
<b>Fibers only</b>	<b>446.7</b>	<b>429.9</b>	<b>365.1</b>	<b>3.9</b>	<b>22.4</b>	<b>1,278.2</b>	<b>1,095.1</b>	<b>16.7</b>
Others <sup>1</sup>	53.2	42.3	67.2	25.8	(20.8)	139.4	190.3	(26.7)
<b>Total segment Fibers</b>	<b>499.9</b>	<b>472.2</b>	<b>432.3</b>	<b>5.9</b>	<b>15.6</b>	<b>1,417.6</b>	<b>1,285.4</b>	<b>10.3</b>
<b>Total segment Lenzing Technik</b>	<b>15.1</b>	<b>21.0</b>	<b>23.2</b>	<b>(28.1)</b>	<b>(34.9)</b>	<b>57.9</b>	<b>68.4</b>	<b>(15.3)</b>
Others and consolidation <sup>2</sup>	(11.6)	(12.3)	2.2	n.a.	n.a.	(16.6)	3.9	n.a.
<b>Total Group revenue</b>	<b>503.4</b>	<b>480.9</b>	<b>457.7</b>	<b>4.7</b>	<b>10.0</b>	<b>1,458.9</b>	<b>1,357.7</b>	<b>7.4</b>

1) Includes sales of sodium sulfate and black liquor, external sales of pulp, wood and energy and hedging

2) In Q2 effect from sale of Dolan and European Carbon Fiber

# Q3/2015: Net financial debt

Further reduction



1) Gross CF before taxes and interest

2) Including CAPEX of EUR (18.3) mn and financial assets of EUR (0.3) mn

3) Change in total working capital as per cash flow statement EUR 19.7 mn does not include adjustment change in liquid bills of exchange of EUR 0.8 mn

# Q3/2015: Cash flow by quarter

## Strong cash flows

(EUR mn)	Q3/2015	Q2/2015	Q3/2014	Change Q3/Q2 (%)	Change y-o-y (%)	9M/2015	9M/2014	Change y-o-y (%)
Gross CF (before taxes and interest)	87.0 <sup>1</sup>	94.8 <sup>1</sup>	71.3	(8.2)	21.9	239.6 <sup>1</sup>	157.5	52.2
Taxes and interest	(21.5)	(11.5)	(4.0)	86.5	432.1	(27.7)	(17.9)	54.6
<b>Gross CF (after taxes and interest)</b>	<b>65.5</b>	<b>83.2</b>	<b>67.3</b>	<b>(21.3)</b>	<b>(2.7)</b>	<b>212.0</b>	<b>139.6</b>	<b>51.9</b>
Change in total working capital <sup>2</sup>	19.7	(21.2)	(11.5)	n.a.	n.a.	(27.0)	19.5	n.a.
<b>Operating cash flow</b>	<b>85.3</b>	<b>62.1</b>	<b>55.9</b>	<b>37.4</b>	<b>52.6</b>	<b>185.0</b>	<b>159.1</b>	<b>16.3</b>
Investment cash flow <sup>3</sup>	(17.8)	(1.9)	(20.4)	815.2	(12.4)	(31.5)	(84.1)	(62.6)
<b>Free cash flow unadj.</b>	<b>67.4</b>	<b>60.1</b>	<b>35.5</b>	<b>12.1</b>	<b>89.8</b>	<b>153.5</b>	<b>75.0</b>	<b>104.8</b>
Net inflow from sale of subsidiary	(0.4)	(13.8)	0.0	(97.4)	n.a.	(14.2)	0.0	n.a.
Acquisition of other financial assets	0.3	1.1	0.1	(76.0)	133.3	2.1	0.5	322.7
Proceeds/repayments of other financial assets	(0.2)	(0.2)	(0.3)	(10.3)	(40.8)	(0.6)	(1.0)	(39.8)
<b>Free cash flow</b>	<b>67.2</b>	<b>47.2</b>	<b>35.3</b>	<b>42.2</b>	<b>90.0</b>	<b>140.9</b>	<b>74.5</b>	<b>89.1</b>

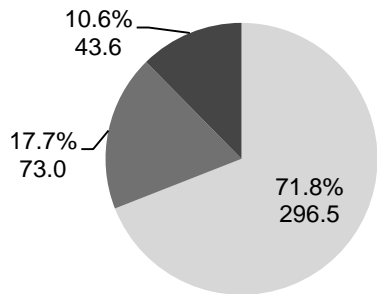
1) Positive contribution from one-off cash in from investment accounted for using the equity method

2) Including trade and other working capital

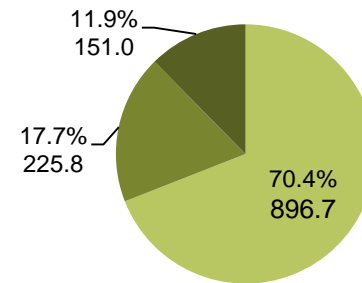
3) Including investment in financial assets and proceeds from disposal

# Total Opex structure

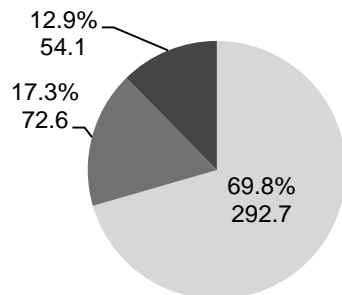
**Q3/2014**  
(Total Opex EUR 413.1 mn)



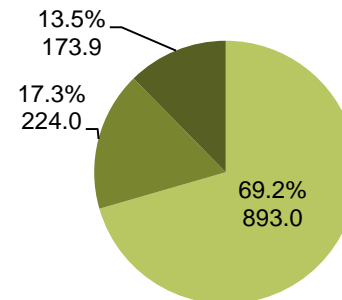
**9M/2014**  
(Total Opex EUR 1,273.5 mn)



**Q3/2015**  
(Total Opex EUR 419.5 mn)



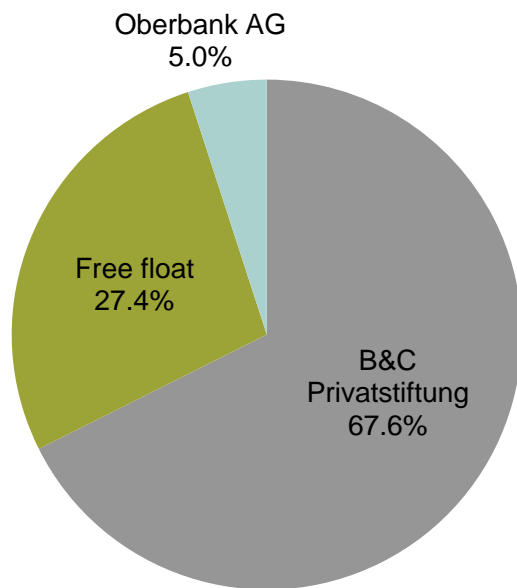
**9M/2015**  
(Total Opex EUR 1,290.9 mn)



Material cost
  Personal cost
  Other cost

Material cost
  Personal cost
  Other cost

# Lenzing share information



## Overview of B & C Privatstiftung<sup>1</sup>

- 67.6% owner of Lenzing is B & C Privatstiftung (B & C Private Foundation). Its purpose is the promotion of Austrian entrepreneurship.
- B & C Industrieholding GmbH is the management holding of B & C Foundation with 3 representatives on Lenzing's Supervisory Board.
- As the core shareholder, B & C takes a long-term view and supports the strategy of Lenzing Group.

ISIN	LNZ / AT0000644505
Bloomberg	LNZ:AV
Reuters	LNZNF.PK
Indices	ATX Prime, ATX Global Players, VÖNIX Sustainability Index
Number of shares	26,550,000 mn
Share price September 30, 2015	67.07 EUR
Market capitalization September 30, 2015	1,780.7 mn

## Coverage as of November 12, 2015:

Baader Bank	Hold
Berenberg Bank	Hold
Citi Group	Sell
Deutsche Bank	Hold
Erste Group	Accumulate
Kepler Cheuvreux	Buy
Raiffeisen Centrobank AG	Buy

1) Link to B & C Privatstiftung homepage: <http://www.bcprivatstiftung.at/bc-privatstiftung/die-privatstiftung/> (only in German)

# Contacts and financial calendar

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## ■ Investor Relations contact

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E-Mail: [s.kniep@lenzing.com](mailto:s.kniep@lenzing.com)

### Visit our IR website:

➔ <http://www.lenzing.com/en/investors/financial-publicationsad-hoc.html>

### Visit our SRI sites:

➔ <http://www.lenzing.com/en/responsibility/our-approach.html>

<http://www.lenzing.com/en/press/publications/sustainability-reports.html>

## ■ Financial calendar

Financial calendar 2015/2016

Capital Markets Day	November 17, 2015
Full year results	March 23, 2016
71th Annual General Meeting	April 20, 2016
Results 1st quarter	May 12, 2016
Half year results	August 24, 2016
Results 3rd quarter	November 16, 2016