

# Leading Fiber Innovation



LENZING INVESTOR PRESENTATION – HALF YEAR RESULTS 2014  
August 21, 2014

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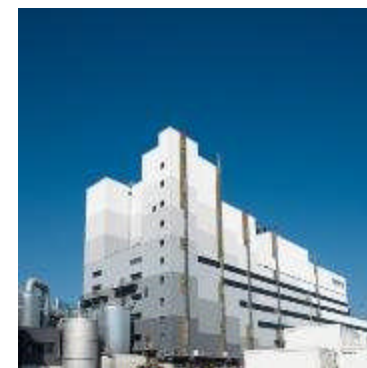
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# H1/2014: Executive summary

Volumes on track, continued tough pricing, successful excelLENZ program

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- New record sales volume of 474 k tons (H1/2013: 438.4 k tons)
- Successful start-up of TENCEL® jumbo line, 30 k tons in H2/2014e
- Average fiber price down 12.5% to EUR 1.54 per kg  
(H1/2013: EUR 1.76 per kg)
- Sales of EUR 900.0 mn vs H1/2013 (EUR 989.9 mn)
  - >50% of decrease due to Plastic's sale
  - Higher volumes and better product mix could not compensate price decline
  - excelLENZ program compensated partially by already delivering numerous savings on a monthly basis
- EBITDA EUR 91.9 mn (H1/2013: EUR 162.0<sup>1</sup> mn), 10.2% margin
- EBIT EUR 32.4 mn (H1/2013: EUR 103.0<sup>2</sup> mn), 3.6% margin
- Improved Cash Flows



1) thereof EUR 32.9 million of discontinued operations

2) thereof EUR 29.1 mn of discontinued operations

# Q2/2014: Executive summary

As expected

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- New record sales volume of +7.7% to 239 k tons  
(Q2/2013: 222 k tons)
- Continuous decrease of average fiber price to EUR 1.52 per kg  
(Q2/2013: EUR 1.75 per kg)
- Sales of EUR 448.3 mn (Q2/2013: EUR 493.3<sup>1</sup> mn)
- EBITDA EUR 45.6 mn (Q2/2013: 95.7<sup>2</sup> mn), 10.2% margin
- EBIT EUR 15.7 mn (Q2/2013: 67.9 mn), 3.5% margin
- Tough measures started
  - excellENZ program up to EUR 90 mn in 2014 (1/3 more than estimated)
  - Strategic review of all sites and products
- Increased TENCEL<sup>®</sup> marketing projects

1) thereof EUR 25.6 million of discontinued operations

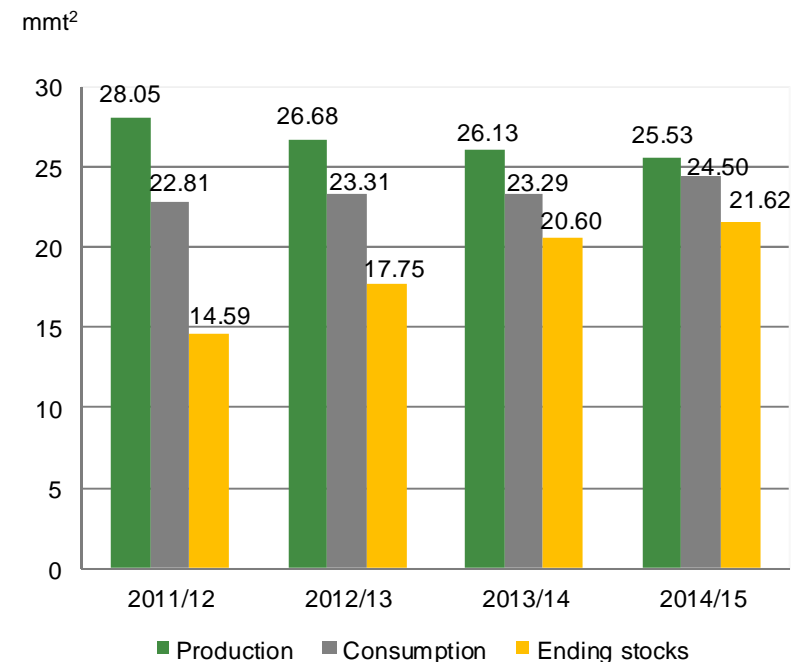
2) thereof EUR 28.2 million of discontinued operations

# Q2/2014: Drop in cotton prices threatening fiber market

Cotton production still higher than demand, stock on record level

- Cotton prices dropped after longer period of high/stable prices
  - Average Cotton A Index from 98.9 USct/lbs (March 2014) to 80 USct/lbs (end of July 2014)
  - China's cotton price to fall from ~141 USct/lbs (2013/14) to ~126 USct/lbs in July 2014 due to
    - pressure from falling world cotton prices
    - China's cotton policy becoming more market-orientated
- Cotton consumption in Asia to strongly grow in 2014/15 (+5% China, +6% India, +8% Rest of Asia)
  - Cotton price decline to increase cotton consumption after greater use of cheap polyester since 2010/2011
  - But production still exceeding consumption for the fifth consecutive season
  - Strongest increase of world cotton stocks outside China by 6.0% to 8.6 mmt<sup>2</sup> weighing heavily on prices for 2014/15 (stocks in China: 11.97 mmt+)
- Stock-to-use-ratio 2013/14<sup>1</sup>
  - China 159%
  - ROW 55%

Cotton market<sup>1</sup>



Source:

1) ICAC, August 1, 2014

2) million metric tons

# Q2/2014: Competitive viscose environment

No improvement in the second quarter

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- Viscose currently with a ~35% price discount to cotton although viscose processing with 10% higher productivity gain for spinning industry
  
- Tough pricing to continue
  - Chinese operate at higher capacity to earn out enough cash
  - Start-ups delayed, new projects postponed
  
- Still no impact of Chinese DWP<sup>1</sup> anti-dumping regulation
  - Soft DWP-pricing (price at ~US\$ 840 in Q2)

1) dissolving wood pulp

# Q2/2014: Successful start-up of worldwide biggest TENCEL<sup>®</sup> jumbo line

First sales volumes already successfully marketed

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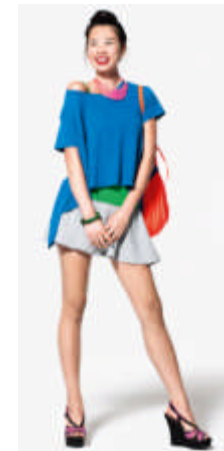
- Positive feedback from many customers
- Technological milestone representing the world's largest leading generation of TENCEL<sup>®</sup> technology
- New TENCEL<sup>®</sup> technology offers new expansion opportunities and innovative applications
- Broader product portfolio successfully complements Lenzing's specialty TENCEL<sup>®</sup> products
- 30 k tons to be produced until end of 2014
- Investment costs of EUR 150 mn (~EUR 2.200 per ton of capacity) and construction time of 24 months fully on schedule
- 140 new jobs created in Lenzing



# Q2/2014: Increased TENCEL® marketing projects

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- Core project “Natural Connection”:  
marketing of 30% TENCEL® in Denim/Jean, shirting, home textiles (mattresses, bed linen, duvets)
- Launch of TENCEL® in knitted apparel
- TENCEL® with reduced flammability in mattresses
- Big success of facial mask TENCEL® Skin in Asia to be continued in Western countries
- Sweeps® – branded market launch of TENCEL® wipes in Europe





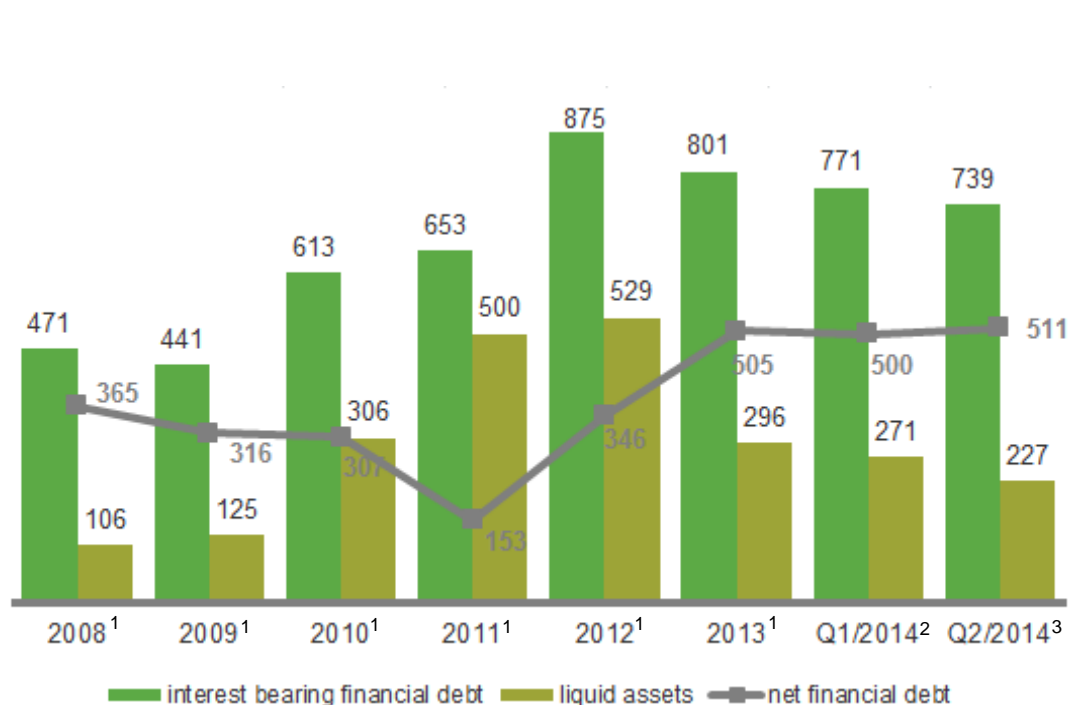
# Q2/2014: Weak fiber prices negatively impact sales and earnings in H1

Only continuing operations ("like for like") <sup>1</sup>		1-6/2014	1-6/2013	Change in %
Consolidated sales	(EUR mn)	900.0	940.0	(4.3)
Personnel expenses	(EUR mn)	152.9	152.9	-
Cost of material and purchased services	(EUR mn)	600.2	577.2	4.0
Other operating expenses	(EUR mn)	107.4	110.5	(2.8)
EBITDA	(EUR mn)	91.9	129.1	(28.8)
EBITDA margin	(%)	10.2	13.7	-
EBIT	(EUR mn)	32.4	73.8	(56.1)
EBIT margin	(%)	3.6	7.9	-

1) taking the Business Unit Plastics sold in the first half of 2013 into account, revenue fell by 9.1%, EBITDA was down 43.3% and EBIT declined by 68.5%.

# Q2/2014: Financials

## Improved cash flows and stable net financial debt



### Improved cash flows

- Cash flow from operating activities EUR 60.4 mn (Q2/2013: EUR 48.7 mn)
- Free cash flow EUR 33.1 mn (Q2/2013: EUR 44.2 mn incl. EUR 61.3 mn cash-in of Plastic's sale)

### Net financial debt increase of EUR 11 mn thereof<sup>4</sup>:

- Cash taxes: **EUR 1.2 mn**
- Net interest: **EUR 3.5 mn**
- Cash Capex: **EUR 27.6 mn** (Q2/2013: EUR 77.8 mn)
- Dividend payment **EUR 46.5 mn**
- Change in trading working capital: **EUR -39.5 mn**

### Total liquidity cushion of EUR 517 mn

- EUR 227.2 mn liquid assets<sup>5</sup>
- EUR 290.1 mn of unused credit lines

### Adjusted equity of EUR 1,083 mn

- 46.3 % equity ratio (FY/2013: 45.5%)
- Net gearing of 47.2% (FY/2013: 45.5%)

1) as at December 31

2) as at March 31, 2014

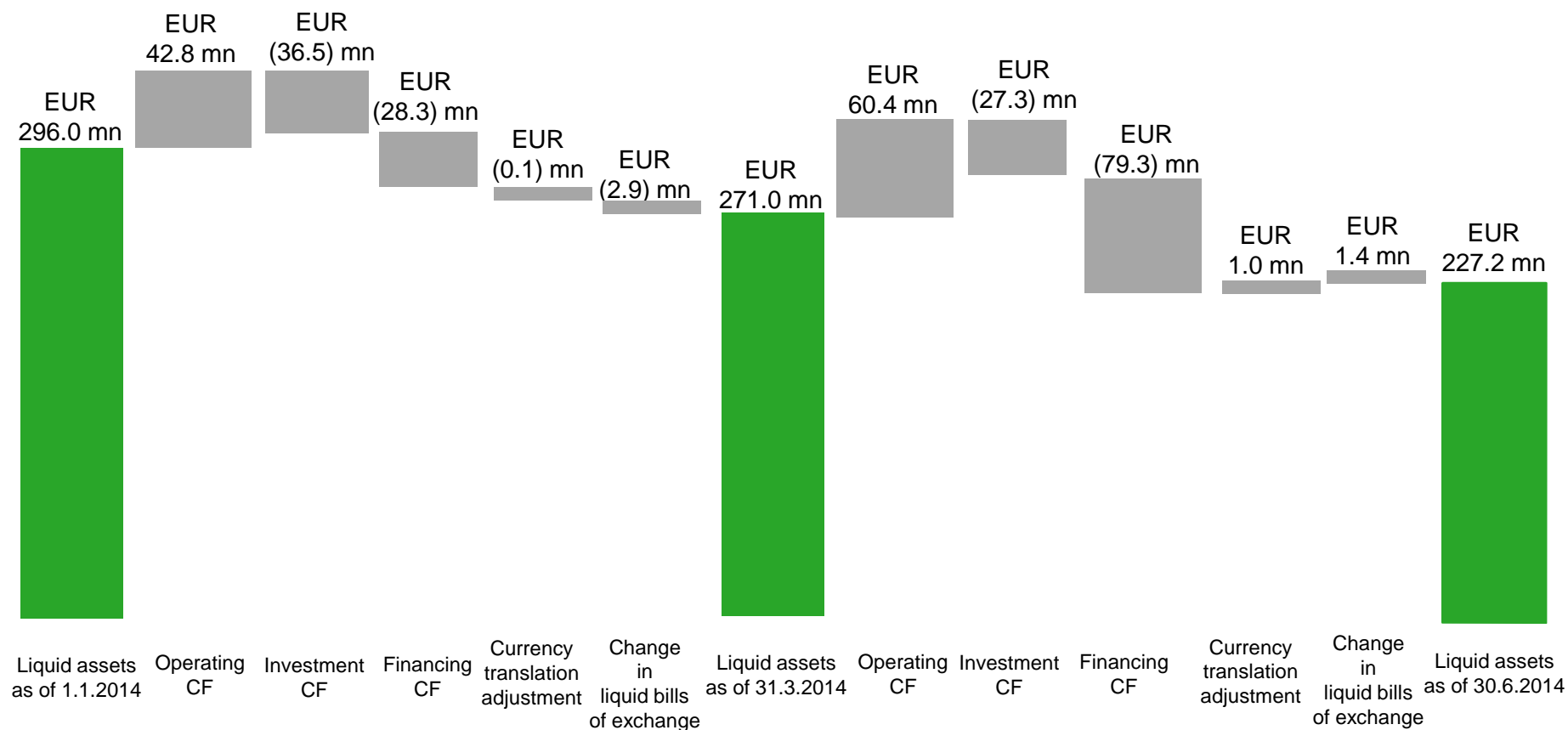
3) as at June 30, 2014

4) major influencing factors

5) including cash and cash equivalents (EUR 220.7 mn), current securities, liquid investments and liquid bills of exchange

# H1/2014: Financials

## Liquid assets



# Increased excelLENZ program

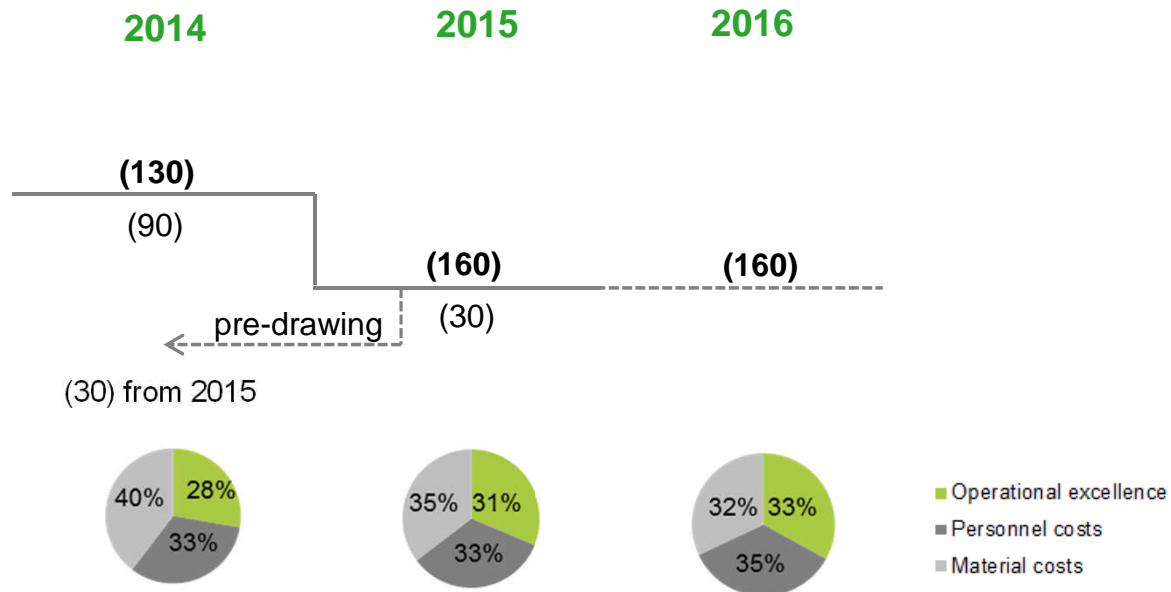
1/3 more cost savings than estimated (up to EUR 90 mn in 2014e)

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- Additional cost savings necessary because of decreasing viscose prices
  - ~EUR 60 mn not enough to secure a profitable production especially in Europe
  - Up to EUR 90 mn planned cost savings in 2014
    - Thereof ~25% personnel cost savings (~ 500 FTE)
    - Thereof ~75% operational excellence (~50%) and material costs (~50%)
  
- >EUR 160 mn until 2016
  - Quicker cost savings including more “one-offs”
  - Structural cost savings as planned
  - Slightly increased provisions for personnel measures

# excelLENZ: Effects on the timeline

Structural cost savings from 2016 of EUR 160 mn p.a.



# Outlook: Full Year 2014

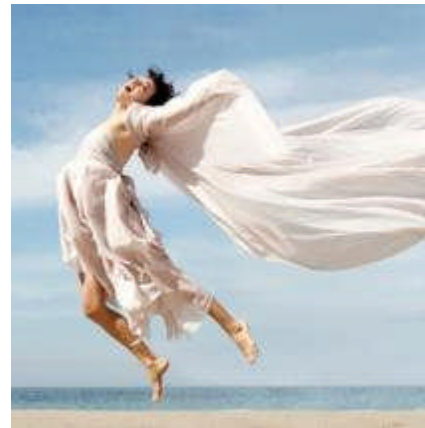
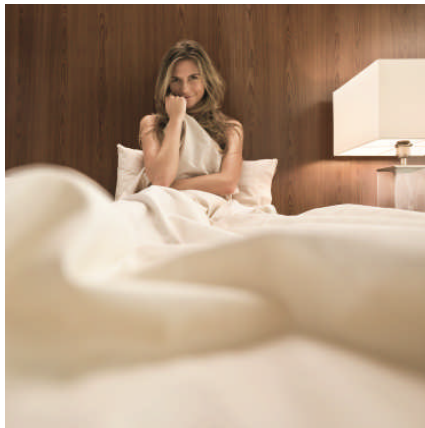
## Focus on cost savings and specialties marketing

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- No short-term improvement of global fiber market
  - Good volume demand but tough pricing to continue
  - Higher Chinese capacity utilization
  - Cotton production surplus to increase pressure on all fiber prices
- Increased focus on specialties
  - TENCEL<sup>®</sup> jumbo line with 30 k tons production in H2/2014
  - Several marketing campaigns for TENCEL<sup>®</sup> and Modal<sup>®</sup>
- Strategic review for cost competitiveness and product portfolio review
- Financials
  - Successful excellENZ program with cost savings of up to EUR 90 mn
  - Net debt at approx. EUR 500 mn
  - Active cash flow management

# Q2/2014 – Financial information

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# Q2/2014: Consolidated Group P&L

(EUR mn)	Q2/2014	Q2/2013 <sup>1</sup>
<b>Total sales</b>	<b>448.3</b>	<b>493.3</b>
Inventory change/work in progress	5.9	(9.2)
Work performed by the group and capitalized	10.6	14.1
Cost of material and purchased services	(298.5)	(297.4)
Personnel	(78.3)	(81.4)
Other operating expenses/income	(42.5)	(23.7)
<b>EBITDA/Margin</b>	<b>45.6/10.2%</b>	<b>95.7/19.4%</b>
Depreciation & Amortization	(30.6)	(28.5)
Income from resolution of investment benefits	0.7	0.7
<b>EBIT/Margin</b>	<b>15.7/3.5%</b>	<b>67.9/13.8%</b>
<b>Financial result</b>	<b>(5.3)</b>	<b>(7.1)</b>
Results from terminable non-controlling interest	1.3	0.7
<b>EBT/Margin</b>	<b>11.6/2.6%</b>	<b>61.5/12.5%</b>
Tax	(4.1)	(17.0)
Tax rate (%)	35.7	27.7
<b>Net income/Margin</b>	<b>7.5/1.7%</b>	<b>44.4/9.0%</b>
<b>Net income after minorities/Margin</b>	<b>7.7/1.7%</b>	<b>44.0/8.9%</b>
<b>EPS (in EUR)</b>	<b>0.3</b>	<b>1.7</b>

1) the prior-year figures have been restated due to change in presentation (see Financial Statement, Note 2, Annual Report 2013)





# Q2/2014: Topline breakdown

Affected by low pricing and discontinued operations

(EUR mn)	Q2/2014	Q2/2013	Change y-o-y (%)
<b>Breakdown of fibers segment sales</b>			
Textile fibers	244.3	270.6	(9.7)
Nonwoven fibers	118.3	117.9	0.3
Others <sup>1</sup>	13.8	13.8	0.0
<b>Total fibers only sales</b>	<b>376.4</b>	<b>402.3</b>	<b>(6.4)</b>
Other fibers segment sales <sup>2</sup>	46.8	43.6	7.3
<b>Total fibers segment sales</b>	<b>423.2</b>	<b>445.9</b>	<b>(5.1)</b>
Segment Engineering	21.9	30.7	(28.7)
BU Plastics and EPG (discontinued operations)	0.0	27.7	n.m.
Others <sup>3</sup> and consolidation	3.2	(11.0)	(129.1)
<b>Total sales</b>	<b>448.3</b>	<b>493.3</b>	<b>(9.1)</b>

1) includes sales of sodium sulfate and black liquor

2) includes external sales of pulp, wood and energy

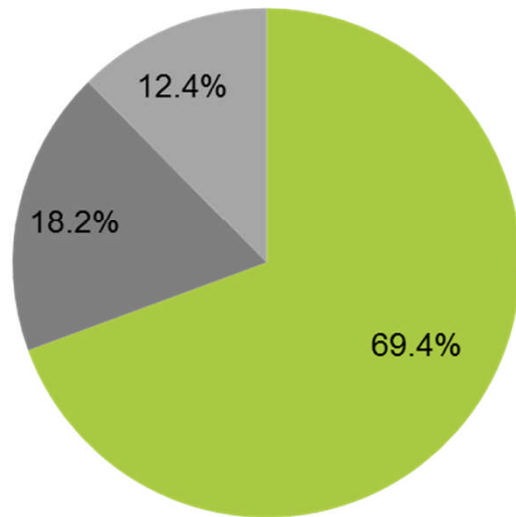
3) includes Dolan and BZL (Bildungszentrum Lenzing)



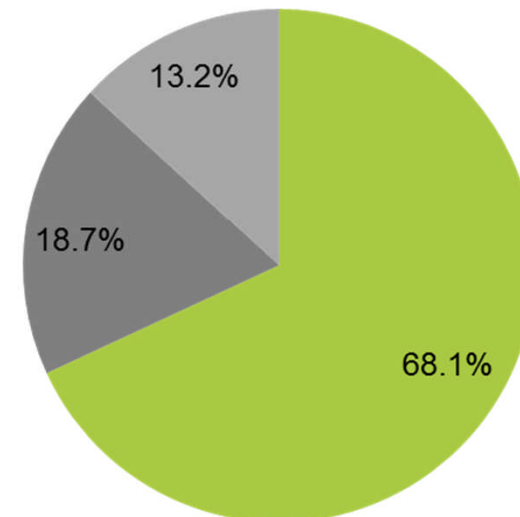
# Q2/2014: Total Opex

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Q2/2014 (Total Opex: EUR 429.8 mn)



Q2/2013 (Total Opex: EUR 436.4 mn)



- Cost of material and purchased services
- Personnel expenses
- Other operating expenses



# Q2/2014: Opex breakdown

Positive effects from excellENZ

(EUR mn)	Q2/2014	Q2/2013 <sup>1</sup>	Change y-o-y (%)
<b>Total Opex</b>	<b>(429.8)</b>	<b>(436.4)</b>	<b>(1.5)</b>
Total costs of material and purchased services	(298.5)	(297.4)	0.4
- Dissolving wood pulp <sup>2</sup>	(149.1)	(137.7)	8.3
<i>as % of total cost of material and purchased services</i>	50.0	46.3	-
- Key chemicals	(41.9)	(46.1)	(9.1)
<i>as a % of total cost of material and purchased services</i>	14.0	15.5	-
- Energy	(36.2)	(38.5)	(6.0)
<i>as a % of total cost of material and purchased services</i>	12.1	12.9	-
- Other <sup>3</sup>	(71.3)	(59.8)	19.2
<i>as a % of total cost of material and purchased services</i>	23.9	20.1	-
Total personnel expenses	(78.3)	(81.4)	(3.8)
Total other operating expenses	(53.1)	(57.6)	(7.8)

1) the prior-year figures have been restated due to change in presentation (see Financial Statement, Note 2, Annual Report 2013)

2) including cost for wood

3) other includes trading goods, other raw materials, packaging, auxiliary material

# Q2/2014: Opex as of total sales

(EUR mn)	Q2/2014	Q2/2013 <sup>1</sup>	Change y-o-y (%)
<b>Total sales</b>	<b>448.3</b>	<b>493.3</b>	<b>(9.1)</b>
<b>Total Opex<sup>2</sup></b>	<b>(429.8)</b>	<b>(436.4)</b>	<b>(1.5)</b>
<b>Total cost of material and purchased services</b>	<b>(298.5)</b>	<b>(297.4)</b>	<b>0.4</b>
as % of total sales	66.6	60.3	-
<b>Total personnel expenses</b>	<b>(78.3)</b>	<b>(81.4)</b>	<b>(3.8)</b>
as % of total sales	17.5	16.5	-
<b>Total other operating expenses</b>	<b>(53.1)</b>	<b>(57.6)</b>	<b>(7.8)</b>
as % of total sales	11.8	11.7	-

1) the prior-year figures have been restated due to change in presentation (see Financial Statement, Note 2, Annual Report 2013)

2) includes cost of material and purchased services, personnel expenses and other operating expenses

# Q2/2014: Cash flow by quarter

(EUR mn)	Q2/2014	Q2/2013 <sup>1</sup>	Change y-o-y (%)
Gross CF (before taxes and interest)	43.9	69.9	(37.2)
Taxes and interest	(4.6)	(16.1)	(71.4)
<b>Gross CF (after taxes and interest)</b>	<b>39.3</b>	<b>53.8</b>	<b>(27.0)</b>
Change in total working capital <sup>2</sup>	21.1	(5.7)	n.m.
CF from discontinued operations	0.0	0.6	(100.0)
<b>Operating Cash flow</b>	<b>60.4</b>	<b>48.7</b>	<b>24.0</b>
<b>Investment Cash flow<sup>3 4</sup></b>	<b>(27.3)</b>	<b>(4.5)</b>	<b>n.m.</b>
- of which acquisition of non current assets	(27.6)	(75.2)	(63.3)
- of which from discontinued operations	0.0	61.3	(100.0)
- of which others	0.3	9.3	(96.8)
<b>Free Cash flow</b>	<b>33.1</b>	<b>44.2</b>	<b>(25.1)</b>

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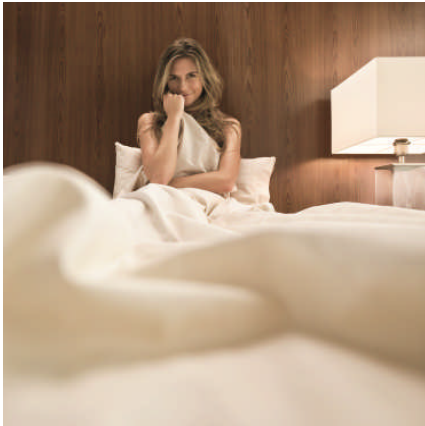
2) including trade and other working capital

3) including investment in financial assets and disposal proceeds

4) including cash from Plastics sale

# H1/2014 – Financial information

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# H1/2014: Consolidated Group P&L

(EUR mn)	H1/2014	H1/2013 <sup>1</sup>
<b>Total sales</b>	<b>900.0</b>	<b>989.9</b>
Inventory change/work in progress	5.9	(15.3)
Work performed by the group and capitalized	23.2	29.6
Cost of material and purchased services	(600.2)	(607.2)
Personnel	(152.9)	(163.9)
Other operating expenses/income	(84.2)	(71.1)
<b>EBITDA<sup>2</sup>/Margin</b>	<b>91.9/10.2%</b>	<b>162.0/16.4%</b>
Depreciation & Amortization	(60.9)	(60.5)
Income from resolution of investment benefits	1.4	1.4
<b>EBIT/Margin</b>	<b>32.4/3.6%</b>	<b>103.0/10.4%</b>
<b>Financial result</b>	<b>(11.7)</b>	<b>(13.4)</b>
Results from terminable non-controlling interest	2.1	0.8
<b>EBT/Margin</b>	<b>22.8/2.5%</b>	<b>90.4/9.1%</b>
Tax	(7.7)	(25.1)
<i>Tax rate (%)</i>	33.5	27.8
<b>Net income/Margin</b>	<b>15.2/1.7%</b>	<b>65.3/6.6%</b>
<b>Net income after minorities/Margin</b>	<b>15.2/1.7%</b>	<b>64.1/6.5%</b>
<b>EPS (in EUR)</b>	<b>0.6</b>	<b>2.4</b>

1) the prior-year figures have been restated due to change in presentation (see Financial Statement, Note 2, Annual Report 2013)



# H1/2014: Topline breakdown

Affected by Nonwoven business (+), low pricing (-), discontinued operations (-)

(EUR mn)	H1/2014	H1/2013	Change y-o-y (%)
<b>Breakdown of fibers segment sales</b>			
Textile fibers	491.7	541.9	(9.3)
Nonwoven fibers	238.2	229.2	3.9
Others <sup>1</sup>	26.5	26.7	(0.7)
<b>Total fibers only sales</b>	<b>756.4</b>	<b>797.8</b>	<b>(5.2)</b>
Other fibers segment sales <sup>2</sup>	96.8	95.2	1.7
<b>Total fibers segment sales</b>	<b>853.2</b>	<b>893.0</b>	<b>(4.5)</b>
Segment Engineering	45.3	66.0	(31.4)
BU Plastics <sup>4</sup> and EPG (discontinued operations)	0.0	54.0	n.m.
Others <sup>3</sup> and consolidation	1.5	(23.1)	(106.5)
<b>Total sales</b>	<b>900.0</b>	<b>989.9</b>	<b>(9.1)</b>

1) includes sales of sodium sulfate and black liquor

2) includes external sales of pulp, wood and energy

3) includes Dolan and BLZ (Bildungszentrum Lenzing)

4) end consolidation as at June 30, 2013

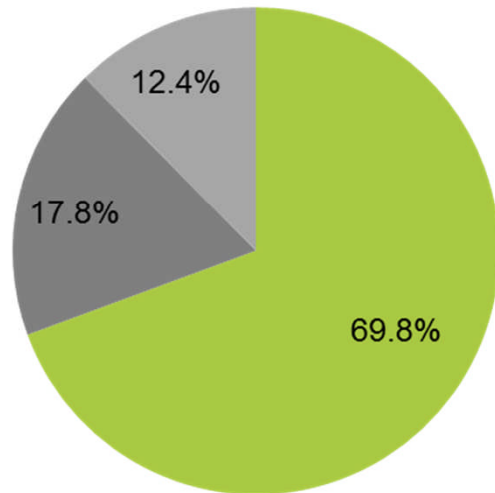




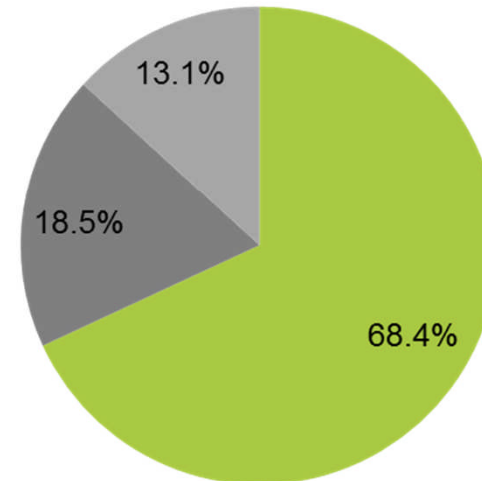
# H1/2014: Total Opex

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H1/2014 (Total Opex: EUR 860.4 mn)



H1/2013 (Total Opex: EUR 887.3 mn)



- Cost of material and purchased services
- Personnel expenses
- Other operating expenses

# H1/2014: Opex breakdown

Positive effects from excellENZ

(EUR mn)	H1/2014	H1/2013 <sup>1</sup>	Change y-o-y (%)
<b>Total Opex</b>	<b>(860.4)</b>	<b>(887.3)</b>	<b>(3.0)</b>
Total costs of material and purchased services	(600.2)	(607.2)	(1.2)
- Dissolving wood pulp <sup>2</sup>	(289.9)	(272.4)	6.4
<i>as % of total cost of material and purchased services</i>	48.3	44.9	-
- Key chemicals	(86.6)	(91.6)	(5.5)
<i>as % of total cost of material and purchased services</i>	14.4	15.1	-
- Energy	(74.0)	(77.6)	(4.6)
<i>as % of total cost of material and purchased services</i>	12.3	12.8	-
- Other <sup>3</sup>	(149.7)	(135.7)	10.3
<i>as % of total cost of material and purchased services</i>	24.9	22.3	-
Total personnel expenses	(152.9)	(163.8)	(6.7)
Total other operating expenses	(107.4)	(116.3)	(7.7)

1) the prior-year figures have been restated due to change in presentation (see Financial Statement, Note 2, Annual Report 2013)

2) including cost for wood

3) other includes trading goods, other raw materials, packaging, auxiliary material

# H1/2014: Opex as of total sales

(EUR mn)	H1/2014	H1/2013 <sup>1</sup>	Change y-o-y (%)
<b>Total sales</b>	<b>900.0</b>	<b>989.9</b>	<b>(9.1)</b>
<b>Total Opex<sup>2</sup></b>	<b>(860.4)</b>	<b>(887.3)</b>	<b>(3.0)</b>
<b>Total cost of material and purchased services</b>	<b>(600.2)</b>	<b>(607.2)</b>	<b>(1.2)</b>
as % of total sales	66.7	61.3	-
<b>Total personnel expenses</b>	<b>(152.9)</b>	<b>(163.8)</b>	<b>(6.7)</b>
as % of total sales	17.0	16.5	-
<b>Total other operating expenses</b>	<b>(107.4)</b>	<b>(116.3)</b>	<b>(7.7)</b>
as % of total sales	11.9	11.7	-

1) the prior-year figures have been restated due to change in presentation (see Financial Statement, Note 2, Annual Report 2013)

2) includes cost of material and purchased services, personnel expenses and other operating expenses

# H1/2014: Cash flow

## Improved cash flows

(EUR mn)	H1/2014	H1/2013 <sup>1</sup>	Change y-o-y (%)
Gross CF (before taxes and interest)	86.0	136.0	(36.8)
Taxes and interest	(13.8)	(56.1)	(75.4)
<b>Gross CF (after taxes and interest)</b>	<b>72.2</b>	<b>79.9</b>	<b>(9.6)</b>
Change in total working capital <sup>2</sup>	31.0	(30.7)	(n.m.)
CF from discontinued operations	0.0	(2.5)	(100.0)
<b>Operating Cash flow</b>	<b>103.2</b>	<b>46.8</b>	<b>120.6</b>
<b>Investment Cash flow<sup>3 4</sup></b>	<b>(63.8)</b>	<b>(58.4)</b>	<b>9.3</b>
- of which acquisition of non current assets	(64.2)	(131.7)	(51.3)
- of which from discontinued operations	0.0	60.5	(100.0)
- of which others	0.4	12.8	(96.9)
<b>Free Cash flow</b>	<b>39.4</b>	<b>(11.6)</b>	<b>n.m.</b>

1) the prior-year figures have been restated due to changes in presentation (see Financial Statement, Note 2, Annual Report 2013)

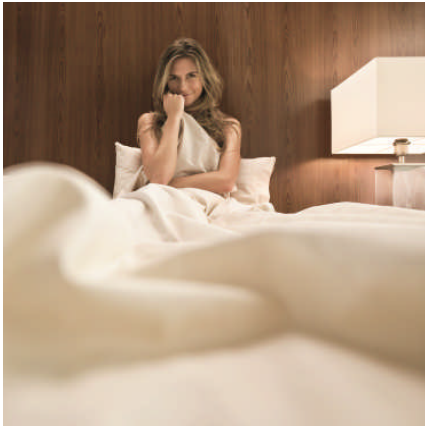
2) including trade and other working capital

3) including investment in financial assets and disposal proceeds

4) including cash from Plastics sale

# Appendix – Equity story

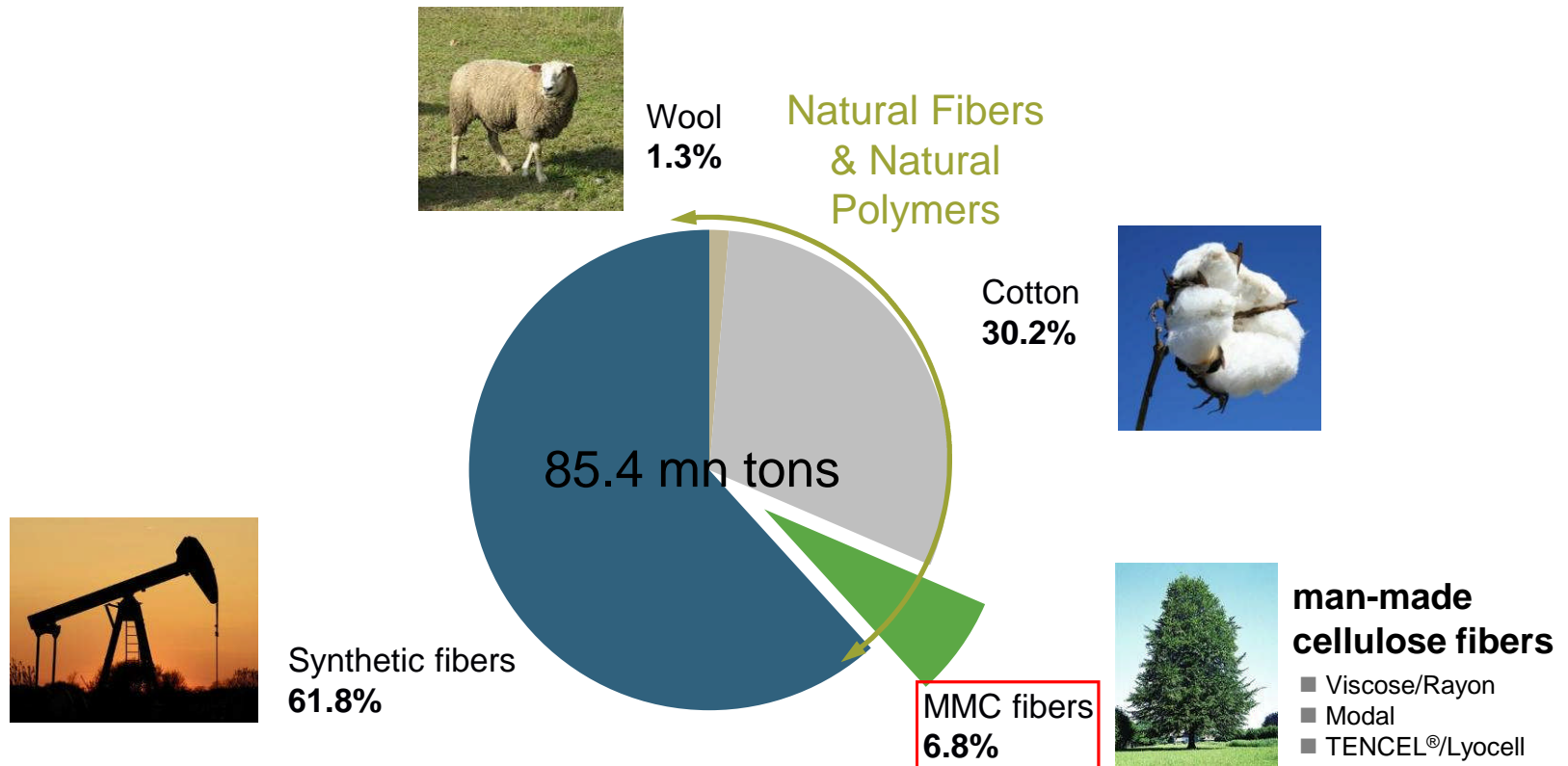
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# Global fiber market at a glance

2013 preliminary production numbers




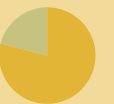


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Source: CIRFS, The Fiber Year, The Fiber Organon, Lenzing estimates

# Lenzing: 75 years of innovation

Only producer of three fiber generations – increased share of TENCEL® sales

	Market Position and Market Share in 2013 <sup>1</sup>	Unique Selling Proposition	Key End Markets	% of Fiber Sales Q2/2014 <sup>2</sup>
 Innovation drives specialties	# 1  <b>95%</b>	<b>...the new age fiber – outstanding sustainability</b> <ul style="list-style-type: none"> <li>Environmentally friendly process</li> <li>Breathable, next to skin characteristics</li> <li>Can be blended with cotton</li> <li>Strength (wash ability, denim process)</li> </ul>	<ul style="list-style-type: none"> <li>Jeans, bed linen, underwear</li> <li>Special technical applications</li> </ul>	<b>20.2%<sup>3</sup></b>
 Innovation drives specialties	# 1  <b>79%</b>	<b>...makes the world a softer place</b> <ul style="list-style-type: none"> <li>Natural softener for fabrics</li> <li>Next to skin characteristics</li> <li>Can be blended with cotton</li> </ul>	<ul style="list-style-type: none"> <li>Textile applications only</li> <li>High performance apparel (high-end underwear)</li> </ul>	<b>14.9%<sup>4</sup></b>
 Sets Industry standard	# 2  <b>16%</b>	<b>...sets the industry standard</b> <ul style="list-style-type: none"> <li>Superior quality allows for use of high-end textile machinery<sup>5</sup></li> <li>Consistent in dyeing and finishing</li> <li>Global service package</li> </ul>	<ul style="list-style-type: none"> <li>Consumer applications</li> <li>Technical applications</li> </ul>	<b>64.9%</b>

Source: Lenzing

1) by production capacity

2) excluding sales of fiber by-products, external sales of pulp, wood, energy

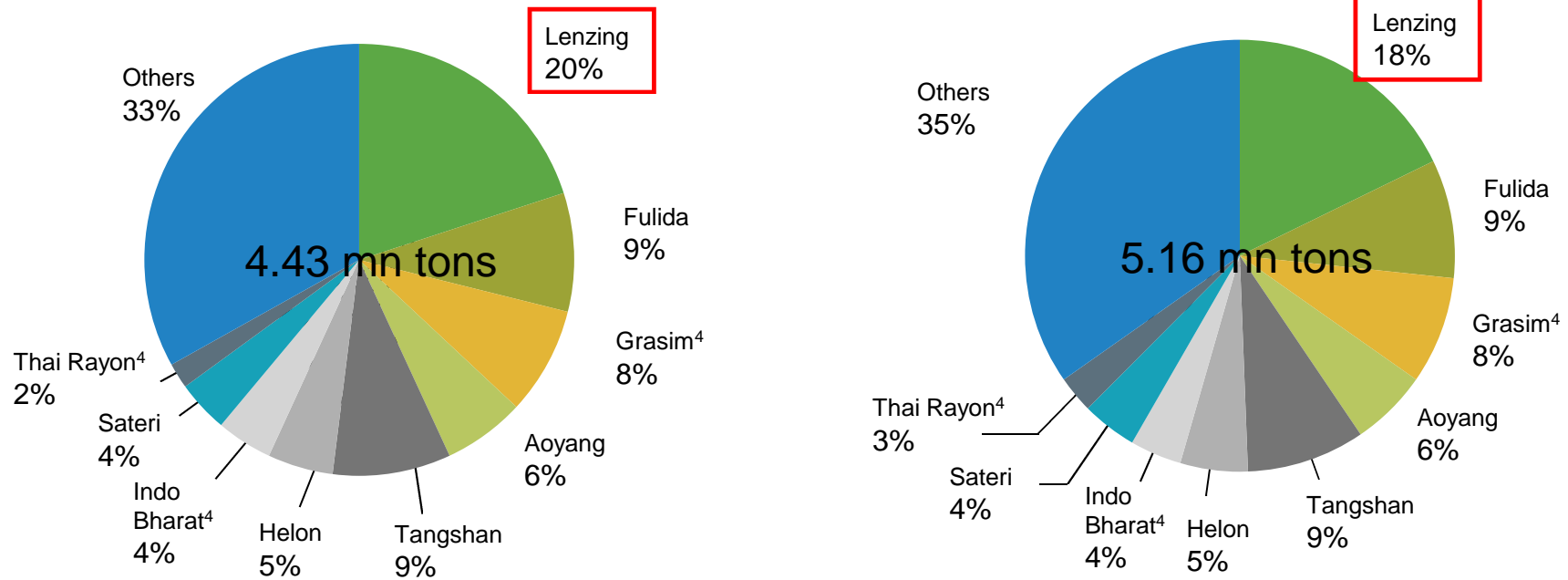
3) Q1/2014: 18.9%

4) including Lenzing FR®

5) e.g. airjet spinning machine allowing for 420 m/min compared to 25 m/min on regular (ring spinning) textile machines

# Lenzing: Global market leader in VSF<sup>1</sup> (2013e)

Lenzing with 20% share of production<sup>2</sup> Lenzing with 18% share of capacities<sup>3</sup>



Source: CIRFS, FEB, Trade statistics, Company estimates

1) Viscose Stable Fibers (including Modal and Tencel), excluding Viscose filaments, acetate tow, cigarette filters

2) Production China: based on 84% utilization

3) based on latest available company information from company websites and annual/interim reports

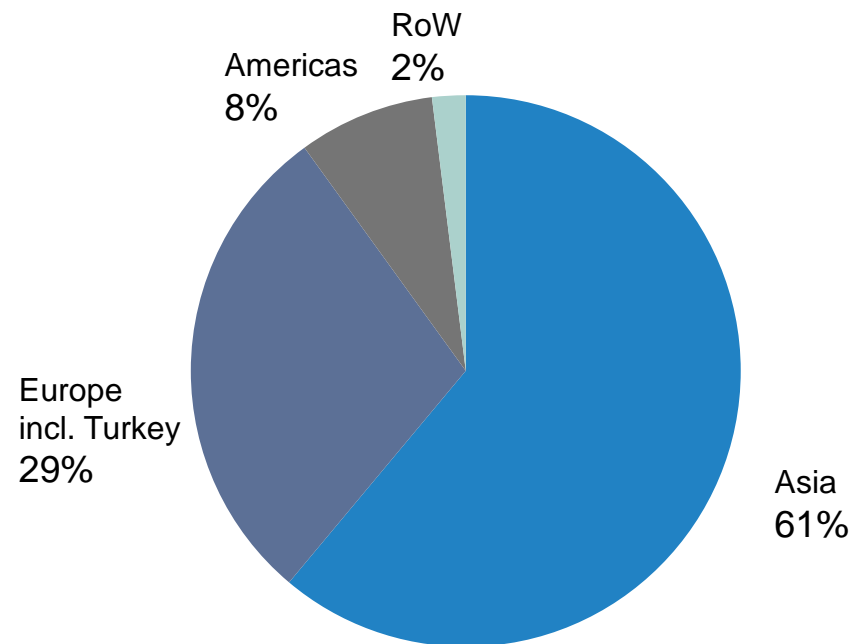
4) direct or indirect non-controlling shareholdings by private Indian conglomerate Aditya Birla; marketing of viscose stables fibers under the "Birla" umbrella brand



# Lenzing: Only global player

Sales volume by region<sup>1</sup> – strong footprint in Asia

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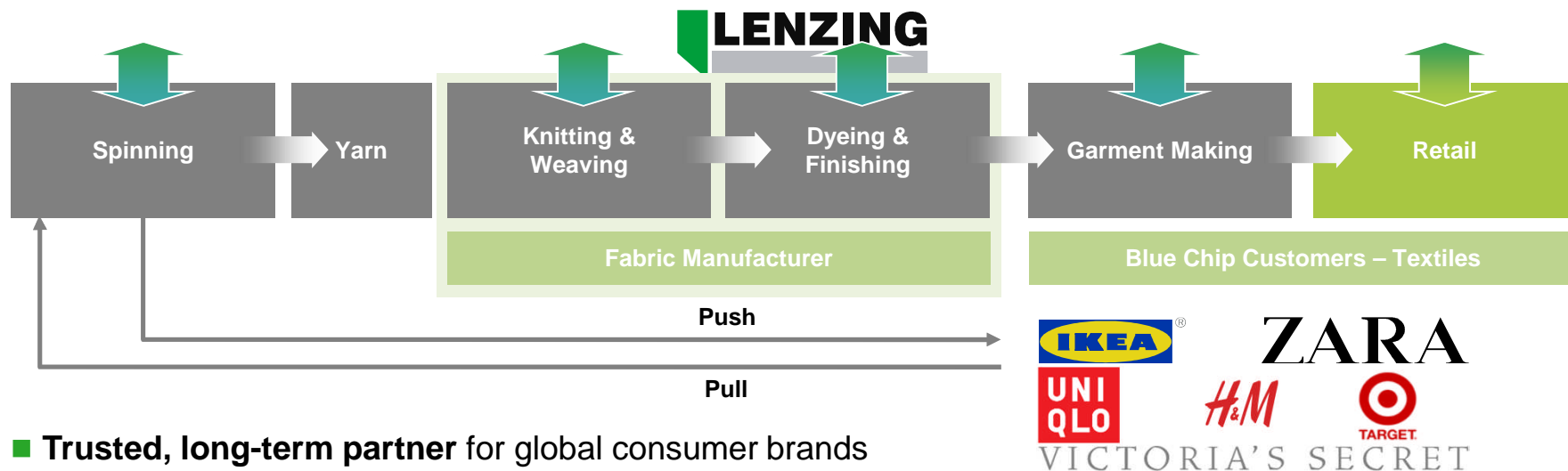


Source: Company information

1) fiber sales by volume in metric tons, H1/2014

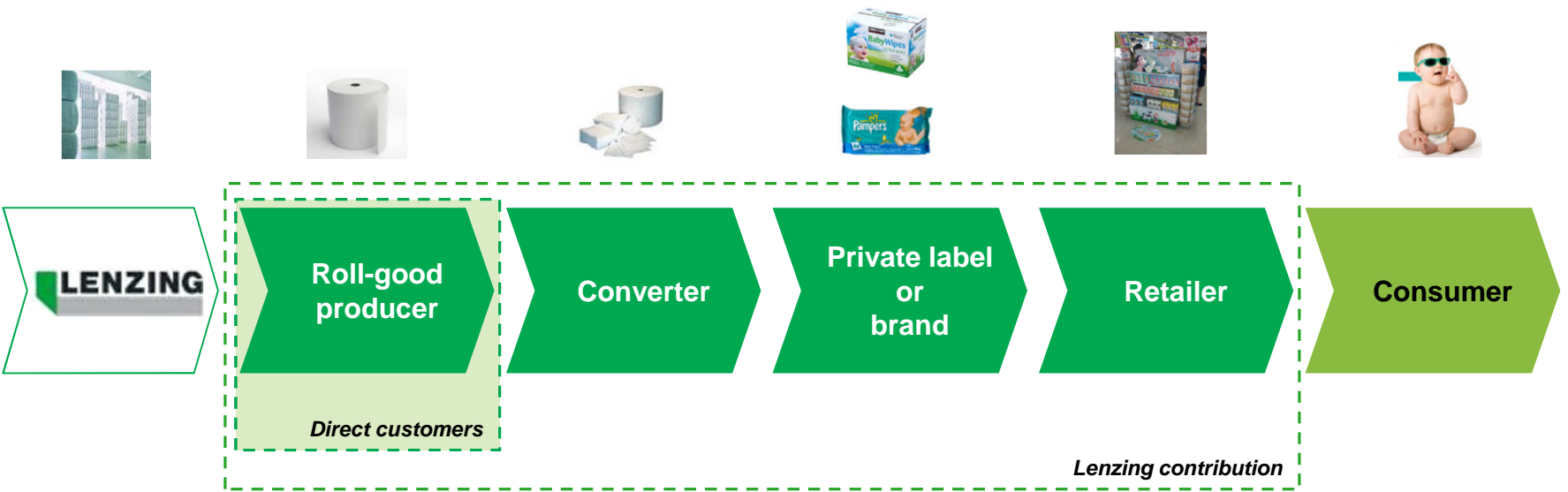
# Textile: Building barriers to entry

Global branded supplier to blue chip customer base



- **Trusted, long-term partner** for global consumer brands
- **Global integrated marketing and sales network**
- **Branded supplier** with involvement in value chain decision process of customers
  - ➔ **Push:** Close collaboration with manufacturers of spinning machinery
  - ➔ **Pull:** Marketing through tailored and innovative branded products unique to Lenzing
- **Customer stickiness**

# Nonwoven value chain



Price reference:      ← Price per kg      ← Price per m<sup>2</sup>      ← Price per packs (wipe count)      →

➔ Lenzing is very close to the customer due to short value chain and significant certification requirements

Blue Chip Customers – Nonwoven

# Fiber strategy with focus on TENCEL®

Essential strategic review of site production, market positioning and innovation (till Q1/2015)

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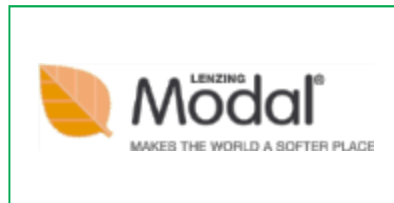
## Strategic measures

## Strategic direction



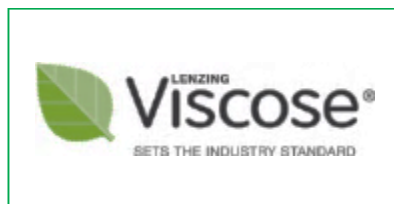
- Priority focus area of Lenzing's growth strategy
- Gain market share in applications/regions by scaling up Textile and Nonwoven applications
- Exploit first mover advantage

**Scale**



- Expansion of selected high end target markets / applications
- Hold premium by further specializing (MicroModal®, ProModal®, etc.)

**Niche**



- Focus on differentiation
- Investments in selected markets with above industry returns

**Differentiated commodity**

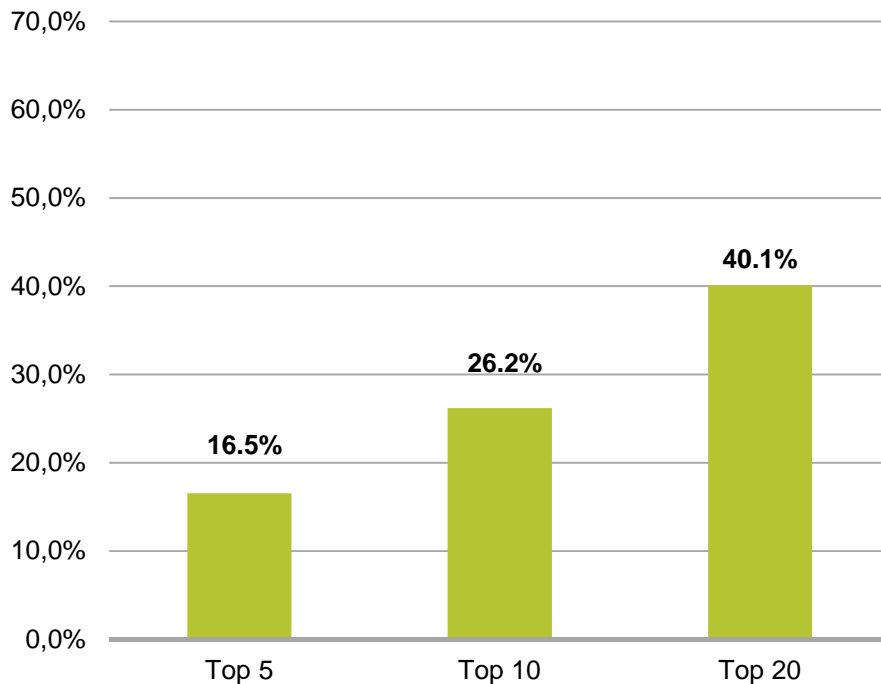


# Sales and marketing

## Customer concentration

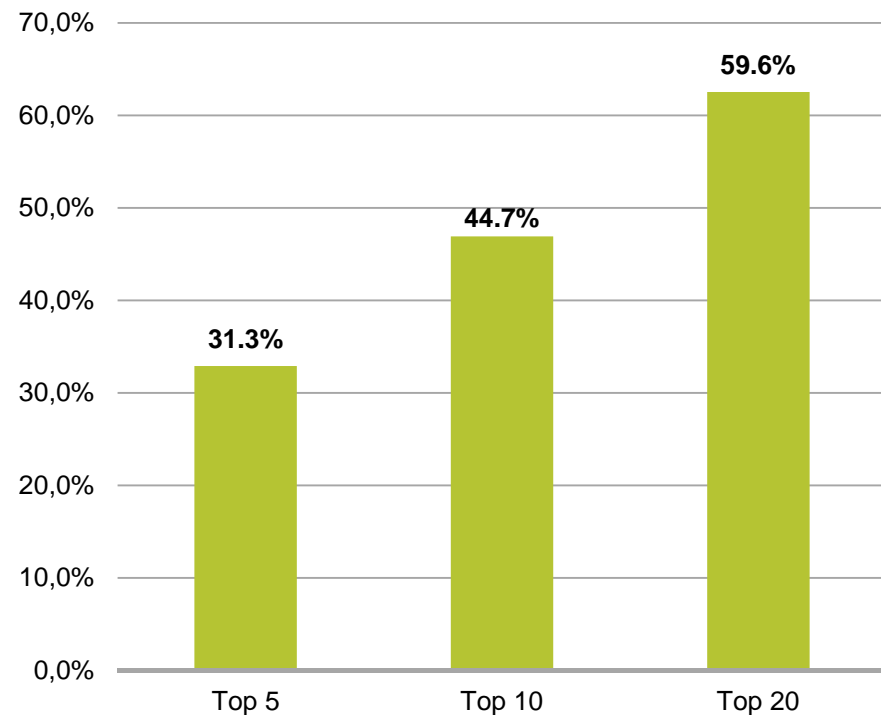
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Textiles – % of sales by customers  
(H1/2014)



Source: LAG

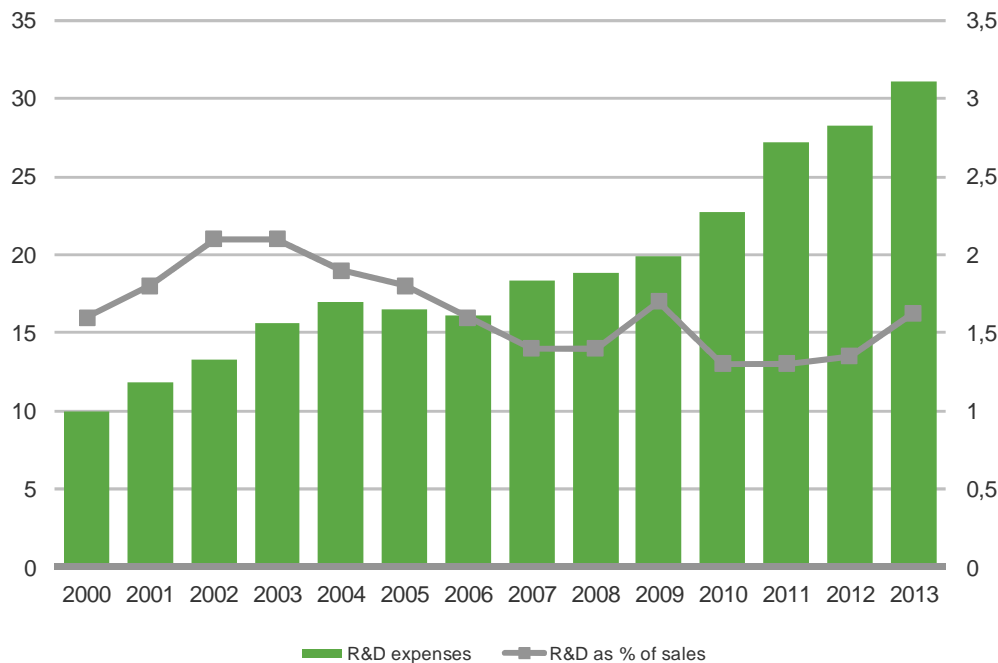
Nonwoven – % of sales by customers  
(H1/2014)



# Lenzing is the innovation leader

Industry leading R&D spend (EUR 31.1<sup>1</sup> mn in 2013)

## R&D expenses (2000-2013)



Source: LAG, as at December 31, 2013

1) pursuant Frascati

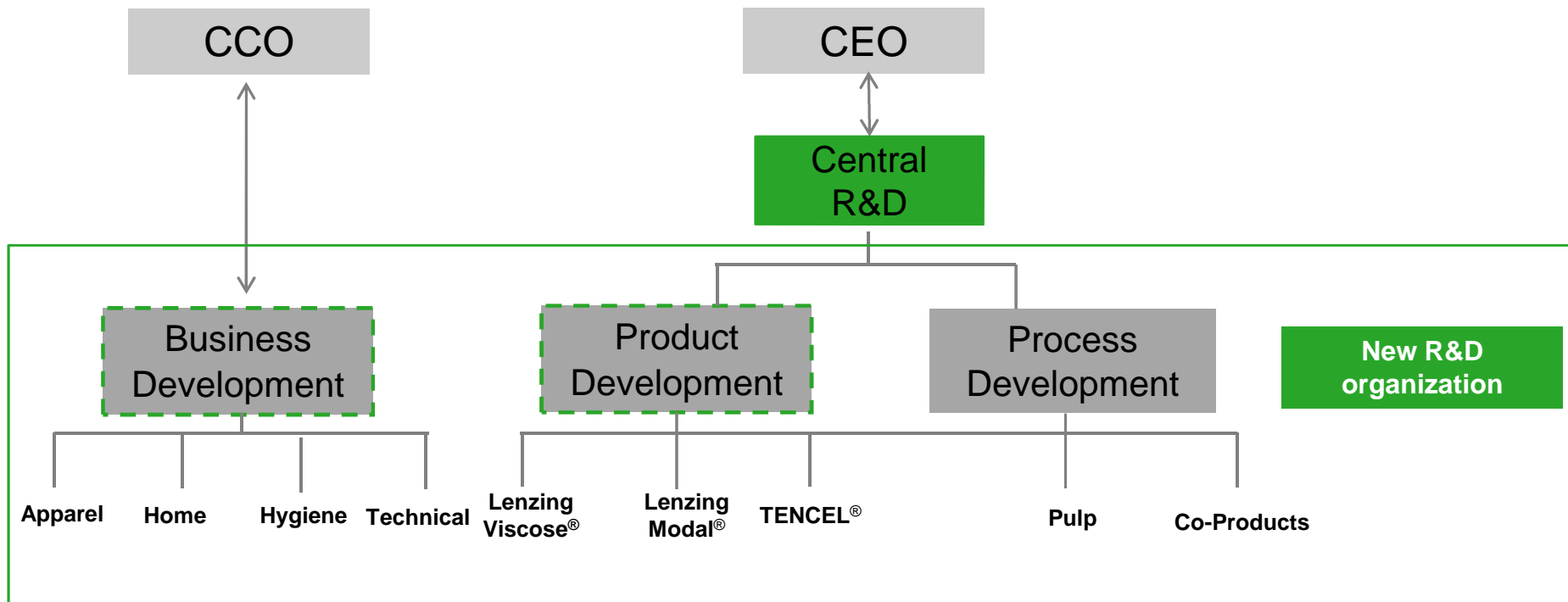
## Intellectual property

- As of December 2013, Lenzing owned approx. 1,400 patent applications and patents in 63 countries belonging to 248 patent families
- All significant patents are filed and maintained in Asia, the European Union and the Americas
- The majority of the patent portfolio focuses on lyocell technology (TENCEL®)
- As of December 2013, Lenzing owned approx. 1,600 trademark applications and trademarks in 93 countries belonging to 116 trademark families

# Innovation process adapted to new functional organization



New innovation process „PRO<sup>2</sup>“



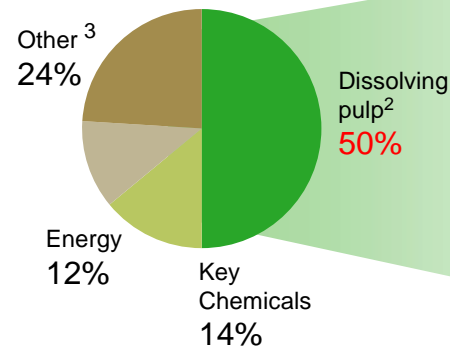
New R&D organization

# Lenzing has cost advantages

## Through pulp integration and long-term pulp supply contract

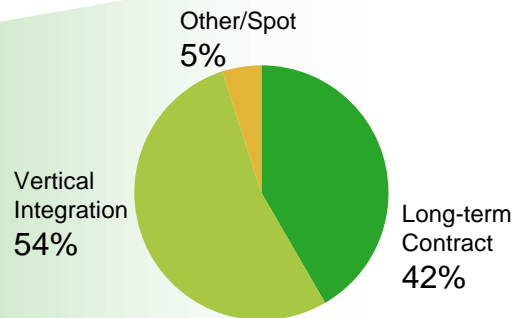
- Pulp is the main input factor with **50% share of total costs of material and purchased services**
- 90+% of long-term pulp supply secured through own production (vertical integration) and long-term supply contracts
- Long-term contract **linked to paper pulp index** (not to spot price of dissolving pulp)

Cost structure Lenzing Group (Q2/2014)<sup>1</sup>



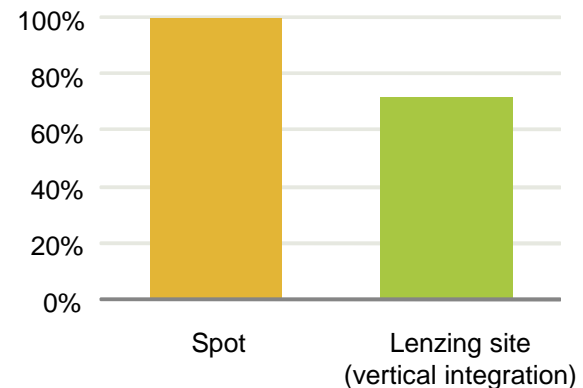
Source: Lenzing

Lenzing Group pulp sourcing (Q2/2014)<sup>4</sup>



Source: Lenzing

Indicative spot pulp procurement cost vs. vertical integration<sup>5</sup>



1) cost structure based on cost of materials and purchased services amounting to EUR 298.5 mn in Q2/2014

2) including wood

3) other includes trading goods, other raw materials, packaging, auxiliary material

4) data refers to sourcing of pulp used in a quarter, including inventory build-up. Paskov volumes included under vertical integration

5) assuming spot price of \$ 840 per metric ton



# Our production sites

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**Lenzing AG –  
Austria (Fiber and pulp)**



**PT. South Pacific Viscose –  
Indonesia (Viscose)**



**Biocel Paskov a.s. –  
Czech Republic (Pulp)**



**Grimsby –  
Great Britain (TENCEL®)**



**Heiligenkreuz –  
Austria (TENCEL®)**



**Mobile –  
USA (TENCEL®)**



**Lenzing (Nanjing) Fibers  
Co. Ltd. – China (Viscose)**

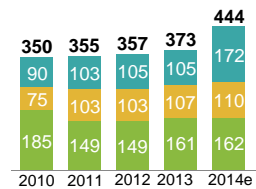


# Capacity expansion to 2014<sup>1</sup> ~ 1 mn tons

## Successful start-up of TENCEL<sup>®</sup> plant (07/2014)

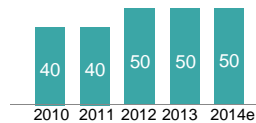
### Europe<sup>2</sup>

CAGR 6.1%



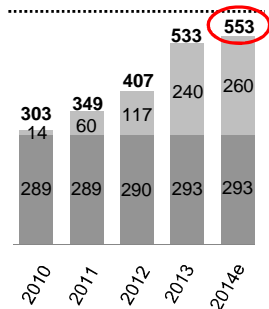
### USA

CAGR 5.7%



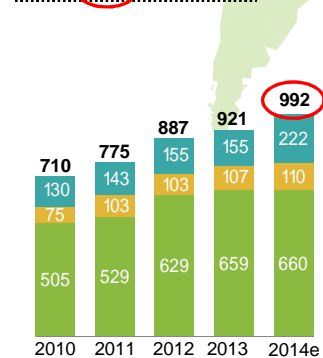
### Total pulp capacity

CAGR 16.2%



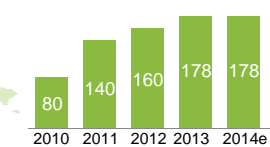
### Total capacity at year end

CAGR 8.7%



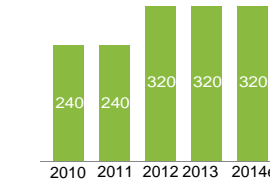
### China

CAGR 22.1%



### Indonesia

CAGR 7.5%



### Annual capacity in '000 metric tons



1) figures are shown in mn tons

2) includes Lenzing (A), Heiligenkreuz (A) and Grimsby (UK), does not include Kelheim capacity



# Capacities by site and year

Result of significant investments over the past years

Plant location	Capacity – YE 2011 (metric tons)	Capacity – YE 2012 (metric tons)	Capacity – YE 2013 <sup>1</sup> (metric tons)	Planned capacity – YE 2014 (metric tons)
<b>Lenzing / Austria</b>	<b>252,000</b>	<b>252,000</b>	<b>268,000</b>	<b>339,000</b>
Lenzing Viscose®	149,000	149,000	161,000	162,000
Lenzing Modal®	103,000	103,000	107,000	110,000
TENCEL®	-	-	-	67,000
<b>Heiligenkreuz / Austria, TENCEL®</b>	63,000	65,000	65,000	65,000
<b>Purwakarta / Indonesia, Lenzing Viscose®</b>	240,000	320,000	320,000	320,000
<b>Nanjing / China, Lenzing Viscose®</b>	140,000	160,000	178,000	178,000
<b>Grimsby / UK, TENCEL®</b>	40,000	40,000	40,000	40,000
<b>Mobile / USA, TENCEL®</b>	40,000	50,000	50,000	50,000
<b>Total fibers</b>	<b>775,000</b>	<b>887,000</b>	<b>921,000</b>	<b>992,000</b>
<b>Lenzing / Austria (pulp)</b>	289,000	290,000	293,000	293,000
<b>Paskov / Czech Republic (pulp)</b>	60,000 <sup>1</sup>	117,000	240,000	260,000

1) adjusted



# Capacity by site 2014

(metric tons)	Capacity per March 31, 2014	Capacity per June 30, 2014	Capacity per September 30, 2014	Capacity per December 31, 2014
Lenzing	268,000	335,000	337,000	339,000
Indonesia	320,000	320,000	320,000	320,000
Nanjing	178,000	178,000	178,000	178,000
Heiligenkreuz	65,000	65,000	65,000	65,000
Grimsby	40,000	40,000	40,000	40,000
Mobile	50,000	50,000	50,000	50,000
<b>Total</b>	<b>921,000</b>	<b>988,000</b>	<b>990,000</b>	<b>992,000</b>

# Where our fibers end up

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# Where our fibers end up

Ladies' wear – close to skin

---

- 100% TENCEL®



H&M

- 100% TENCEL®



H&M

- Jacket: 35% TENCEL® / 18% Ramie / 47% Organic cotton, Jumpsuit: 100% TENCEL®



H&M

LENZING

# Where our fibers end up

## Ladies' wear – close to skin

---

- Asymmetric Hem Dress
- EUR 29.95
- 100% TENCEL®



ZARA

- 100% TENCEL®



ESPRIT

- 65% TENCEL® / 35% Cotton



DIESEL  
FOR SUCCESSFUL LIVING

LENZING

# Where our fibers end up

Ladies' wear – close to skin

---

- 100% TENCEL®



**BOSS**  
HUGO BOSS

- T-shirt
- EUR 10.71
- 43% Lenzing Modal® / 57% Cotton



UNI  
QLO with *Vera Bradley*

- Dri-Fit Sprint Crew
- USD 90.00
- 53% TENCEL® / 39% Polyester / 8% Spandex



**LENZING**



# Where our fibers end up

## Nonwoven applications

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- **Wipes**

Sustainable convenience

- **Medical**

Naturally pure

- **Hygiene**

Safety in sensitive areas

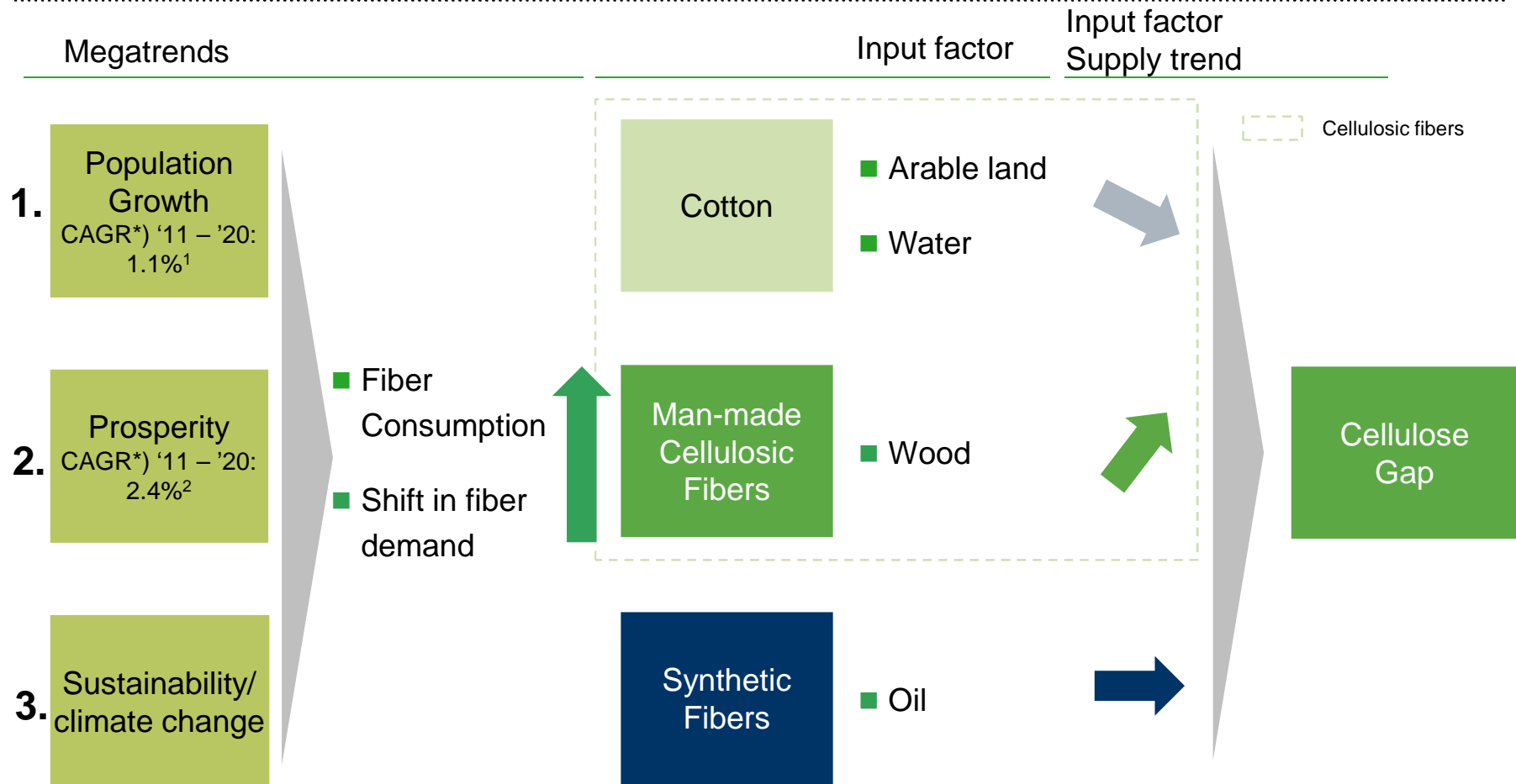
- **Technical**

Leading fiber innovation



# Our growth opportunity: Cellulose Gap

MMC: Strong fiber demand through three megatrends



\*) compound annual growth rate

1) forecasted growth from UN Population Division

2) forecasted growth of global real GDP per capita by Global Insight

# Cellulose Gap

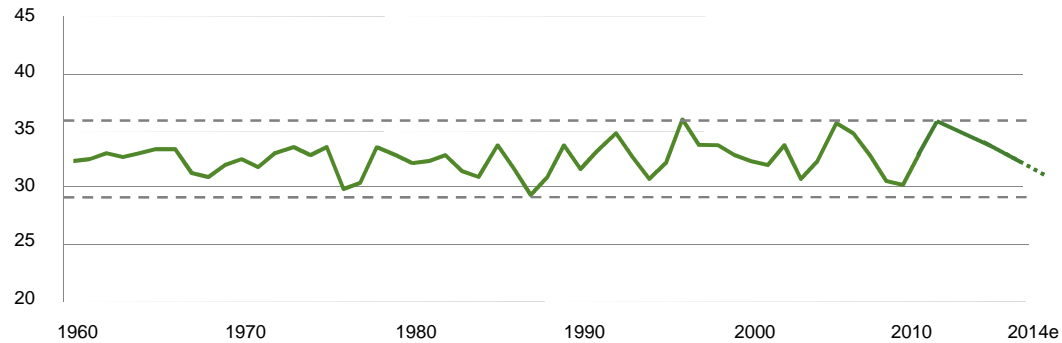
Limited potential to increase cotton supply increases demand for MMC fibers

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Cotton planted area expected to remain within historical narrow band (1960-2014e)

---

Million hectares

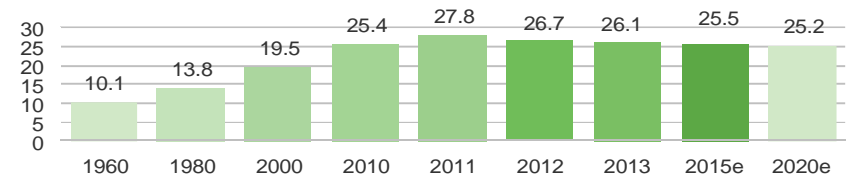


Source: U.S. Department of Agriculture  
ICAC, August 1, 2014

Structural limitations in cotton production: effects from yield expansion leveling out

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Million metric tonnes



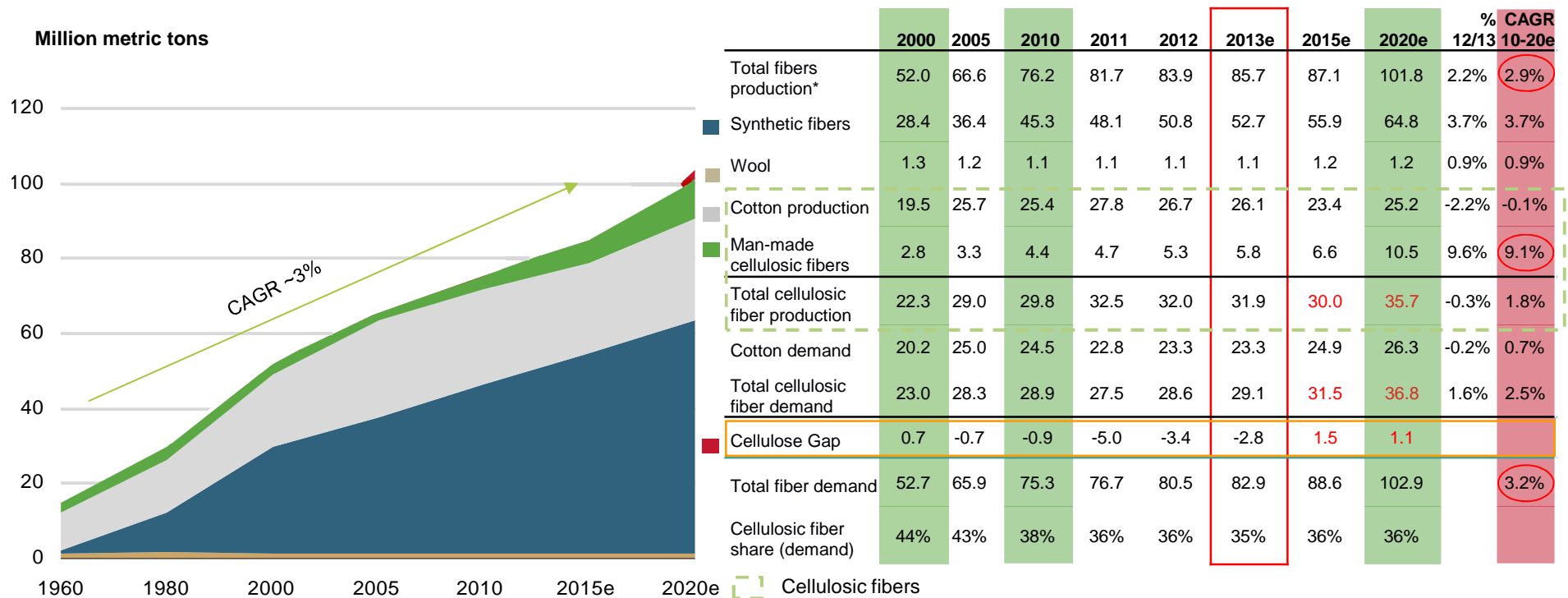
Source: International Cotton Advisory Committee, August , 2014

# Cellulose Gap

9% p.a. forecast for MMC over current decade

➔ The demand gap of cellulosic fibers opening due to limited cotton supply can best be filled by MMC fibers as substitute

## Fiber market growth by type of fiber (1960-2020e)



\* w/o bast and other fibers, which are no blending partner for MMC and of minor importance

Sources: ICAC, CIRFS, Fiber Economics Bureau, National Statistics, The Fiber Year, Lenzing estimates – all based on latest available data per August 2014. Percentage increases based on exact figures



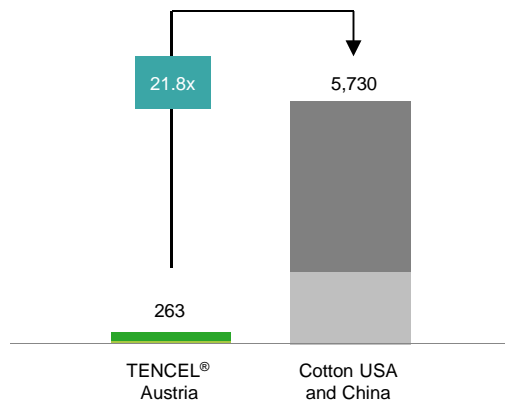
# Mega-trend: Sustainability

Green footprint of MMC: Significantly more environmentally friendly than cotton

- More than 50% of Lenzing’s fuel consumption sourced from renewable resources
- Lenzing Group environmental impact of production relative to cotton only approx. 5.7%

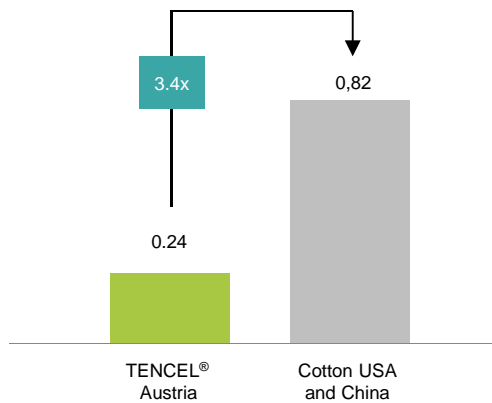
## Water consumption

m<sup>3</sup> per metric ton of fiber



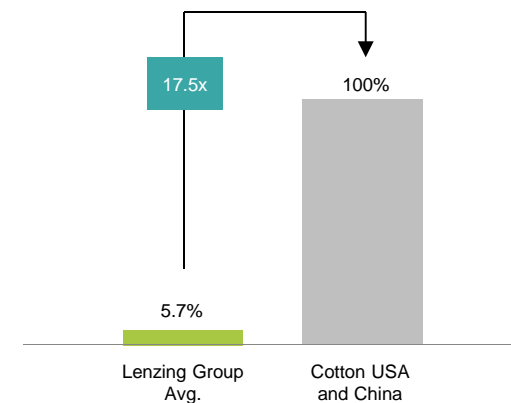
## Required acreage for production of one metric ton of fiber

Hectares per metric ton and year



## Environmental impact of production<sup>1</sup>

Relative to cotton

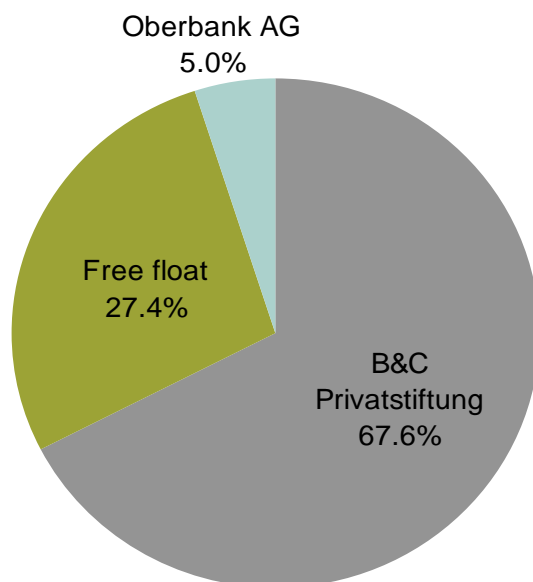


■ Process water ■ Cooling water ■ Groundwater irrigation ■ Surface water irrigation

Source: “Life Cycle Assessment of man-made Cellulose fibers”; Li Shen, Martin Patel; 2007

1) including freshwater ecotoxicity, terrestrial ecotoxicity and others

# 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 June 30, 2014	EUR 47,11
Market capitalization June 30, 2014	1,250.8 mn

## Coverage as of August 21, 2014:

Baader Bank	Hold
Bank of America Merrill Lynch	Underperform
Berenberg Bank	Hold
Citi Group	Sell
Deutsche Bank	Hold
Erste Group	Hold
Kepler Cheuvreux	Buy
Morgan Stanley Research Europe	Overweight
Raiffeisen Centrobank AG	Hold

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

# Back-up

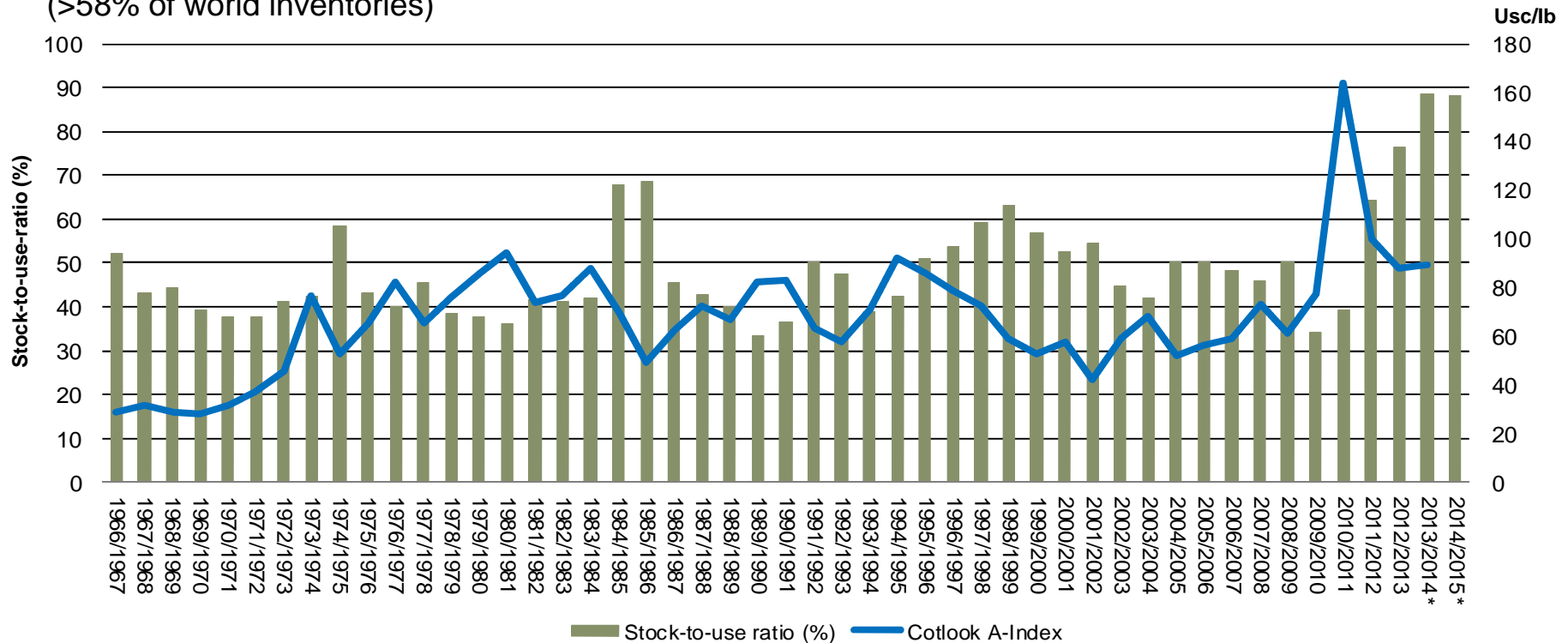
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# Fiber market environment

Highest stock-to-use-ratio ever at approx. 88.4% (2013/2014)

- World cotton production of 26.13 mn tons, consumption of 23.29 mn tons and ending stocks of 20.60 mn tons
- Massive increase of Chinese national cotton reserve of estimated 11.97 mmt<sup>1</sup> tons (>58% of world inventories)



Source: ICAC, August 1, 2014

Cotlook A Index 2013/2014: Average for the first five months of 2013/2014 (August to December 2013)

\* estimated

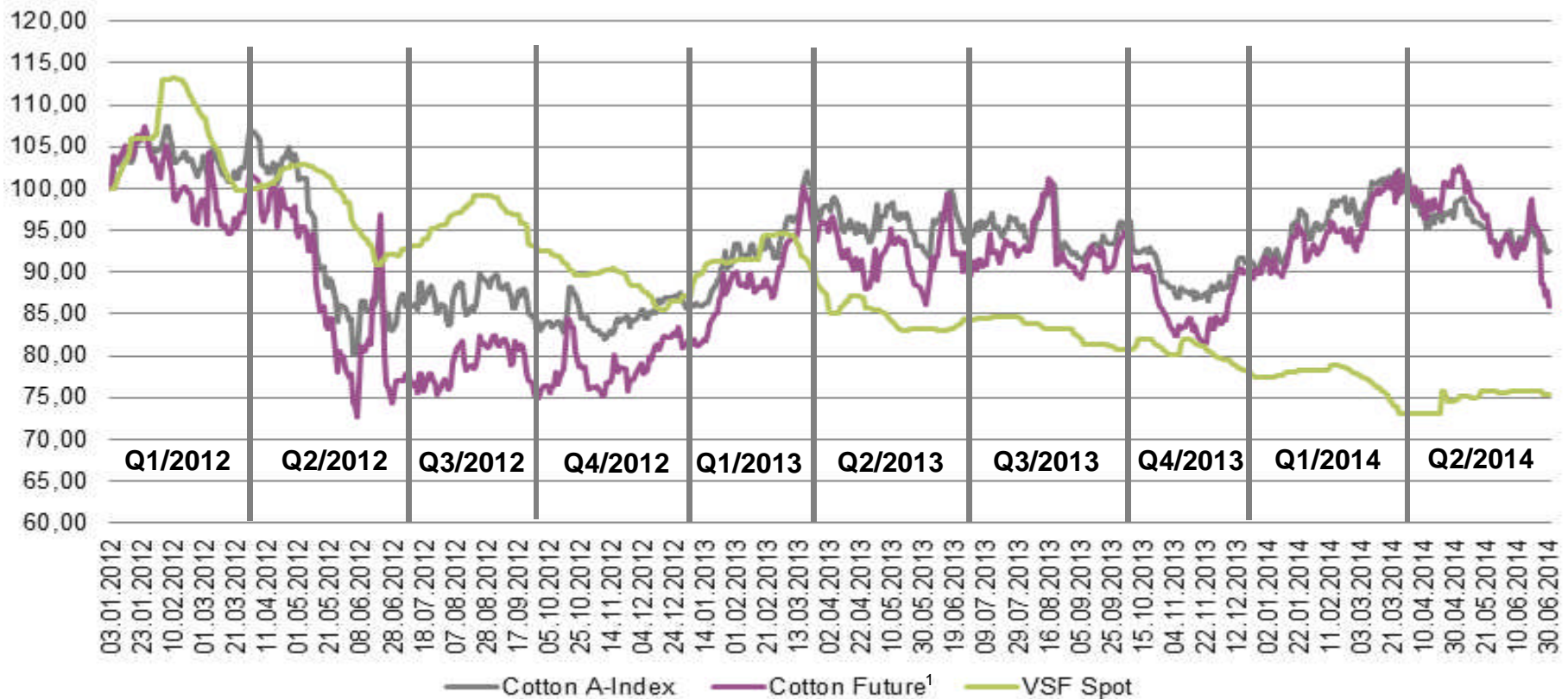
1) million metric tons





# Viscose spot prices China with a discount to cotton prices since March 2013

**VSF spot China and cotton price development** (in USct/lbs)

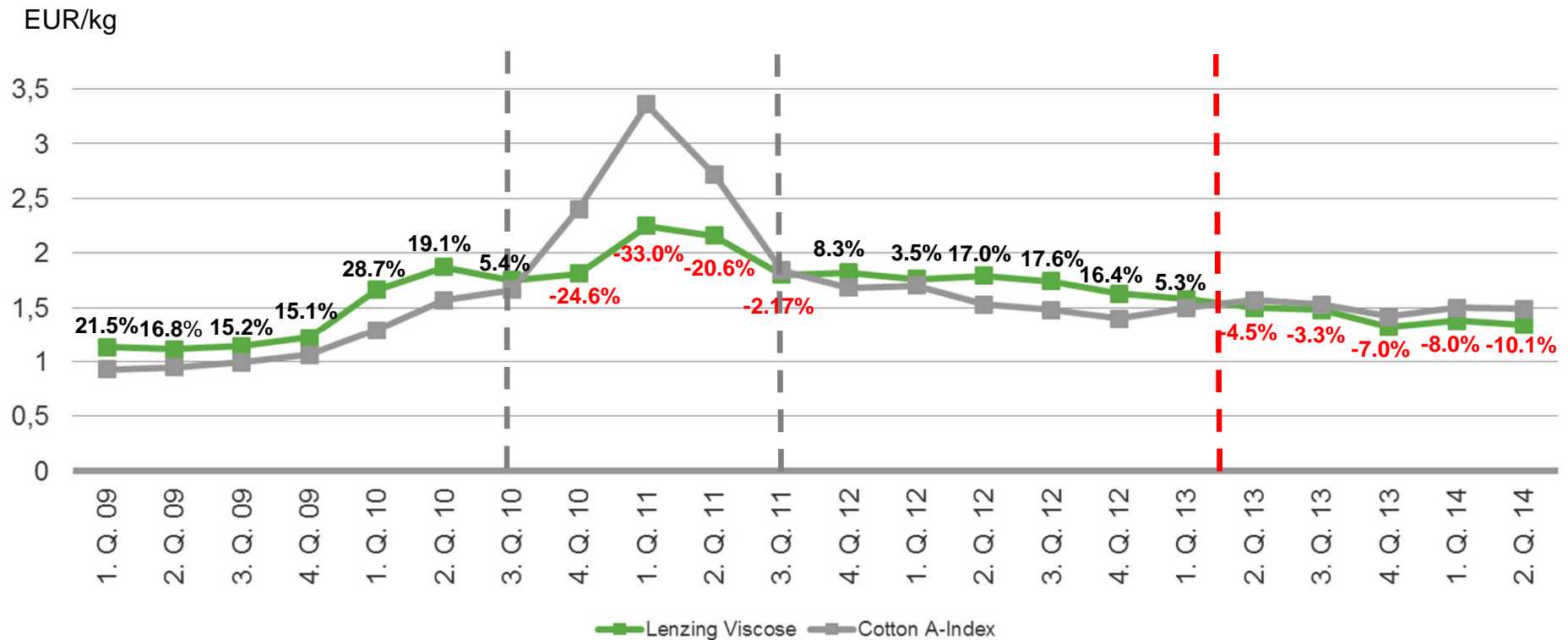


1) Cotton Future calculated on the basis of the most liquid next future compared with the actual Cotton A Index data



# Lenzing Viscose<sup>®</sup> textile prices compared to cotton price development

VSF-price lower than cotton price after end of reporting period<sup>1</sup>



<sup>1</sup>) historically, standard viscose fibers traded with a 15-20% premium over cotton.  
(based on Cotton A-Index spot in EUR/kg ; Bloomberg: Cotlook A; Reuters COT-INDX-FE)



# Contacts and financial calendar

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## ■ Investor Relations contact

- Stephanie Kniep  
Head of Investor Relations  
Phone: +43 7672 701 4032  
Fax: +43 7672 918 4032  
E-Mail: [s.kniep@lenzing.com](mailto:s.kniep@lenzing.com)

## ■ Financial calendar

Financial calendar 2014

Full year results	March 21, 2014
70th Annual General Meeting	April 28, 2014
Results 1st quarter	May 15, 2014
Half year results	August 21, 2014
Results 3rd quarter	November 13, 2014

### ➔ Visit our IR website:

<http://www.lenzing.com/en/concern/investor-center.html>

### ➔ Visit our sustainability site:

<http://www.lenzing.com/en/concern/lenzing-group/sustainability.html>