

# Leading Fiber Innovation



LENZING INVESTOR PRESENTATION – Q1/2014 RESULTS  
May 15, 2014

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# Q1/2014: Executive summary

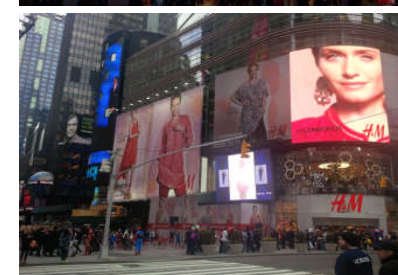
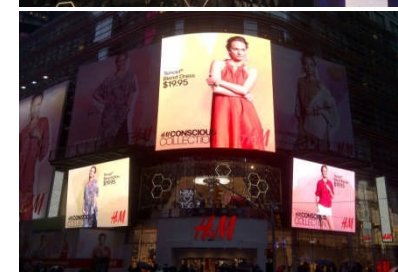
Volumes on track, continued tough pricing, specialties progressing

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- New record sales volume of +9% to 235 k tons (Q1/2013: 216.1 k tons)
- Average fiber price down nearly 12% to EUR 1.56 (Q1/2013: EUR 1.77)
  - Specialties with good premiums versus Q1/2013 and FY 2013
- Earnings affected by price decline and discontinued operations
  - EBITDA EUR 46.3 mn (Q1/2013: 66.3<sup>1</sup>), 10.2% margin
  - EBIT EUR 16.7 mn (Q1/2013: 35.1<sup>2</sup>), 3.7% margin
  - Successful excellENZ program partially compensated price decline
- AGM approved dividend of EUR 1.75 per share as at April 28, 2014
- Sustainability and specialties strategy progressing
  - Global brand cooperations: e.g. with notable companies like H&M and Inditex
  - More awareness for TENCEL<sup>®</sup>: From New York over London to Shanghai
  - Successful first production tests and sampling at TENCEL<sup>®</sup> jumbo site

1) thereof EUR 4.7 million of discontinued operations

2) thereof EUR 0.9 million of discontinued operations



# Q1/2014: Cotton market with a Janus face

## China's policy continuous to strongly distort the market

### ■ China

- Cotton consumption declined by 17% since start of reserve policy in 2011<sup>1</sup>
- Cotton production is expected to decline by 10% because of restricted support for cotton to just the Xinjiang region in 2013/2014<sup>1</sup>
- Chinese cotton reserve to increase to 11.5 mmt<sup>2</sup> (57% of world stocks) in 2013/2014<sup>1</sup>

### ■ ROW

- Average Cotton A Index increased to a peak of 98.9 USct/lbs (March 18) after having stayed relatively flat in 2013 at 90.4 USct/lbs
- Global cotton demand is further growing (especially in India, Pakistan and Turkey) but global cotton production 2013/2014 will stay above global demand for the fourth consecutive season

### ■ Stock-to-use-ratio<sup>1</sup> 2013/2014 at 85% of world mill use

- China 146%
- ROW 54%

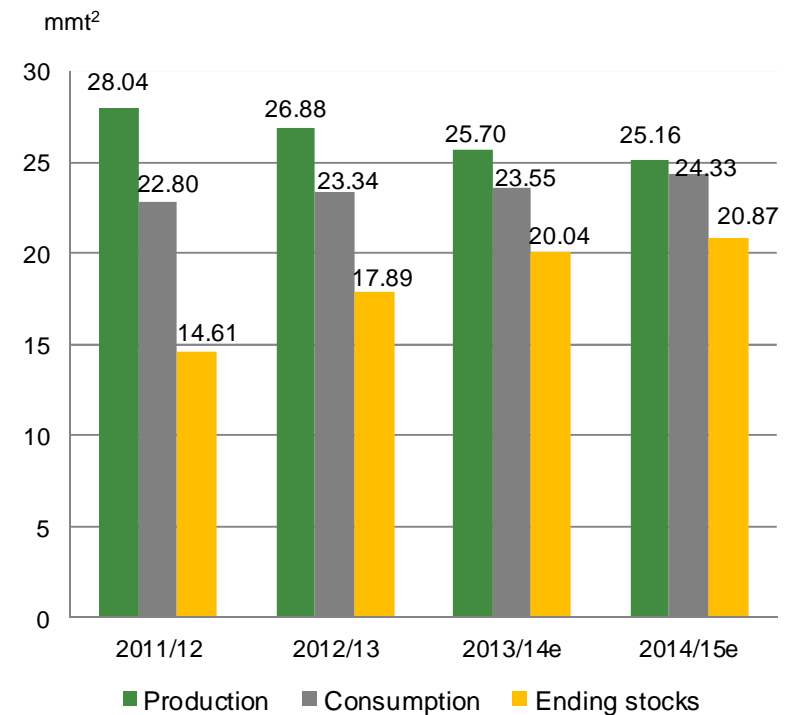
Source:

1) ICAC, May 1, 2014

2) million metric tons

4 LEADING FIBER INNOVATION

### Cotton market<sup>1</sup>



# Q1/2014: Competitive viscose environment

## Cellulose fiber market remains under pressure

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- Price gap between cotton and VSF increased
  - Cotton prices increased while VSF spot prices reached new lows (12.280 RMB/0.76<sup>1</sup> USct/lbs on December 31, 2013, 11.580 RMB/0.70<sup>1</sup> USct/lbs on March 31, 2014)
  - Since having reached the year's low in April, VSF prices have slightly increased and stabilized at ~11.900 RMB
- No fundamental change
  - Capacity increases slowing down
  - Chinese competitors are still cash driven at utilization rates of ~85%
  - Chinese cotton and viscose spinners complain about tight credit control
  - Despite overcapacities and low prices no impact of polyester fibers on viscose business
- Chinese DWP<sup>2</sup> anti-dumping regulation effective since April 6, 2014 for five years
  - Imports from the USA (up to 33.5%), Canada (up to 23.7%) and Brazil (up to 11.5%) affected
  - Currently high pulp stock in China

1) excl. 17% VAT

2) dissolving wood pulp

# Q1/2014: Lenzing's sustainability and specialties strategy - Examples

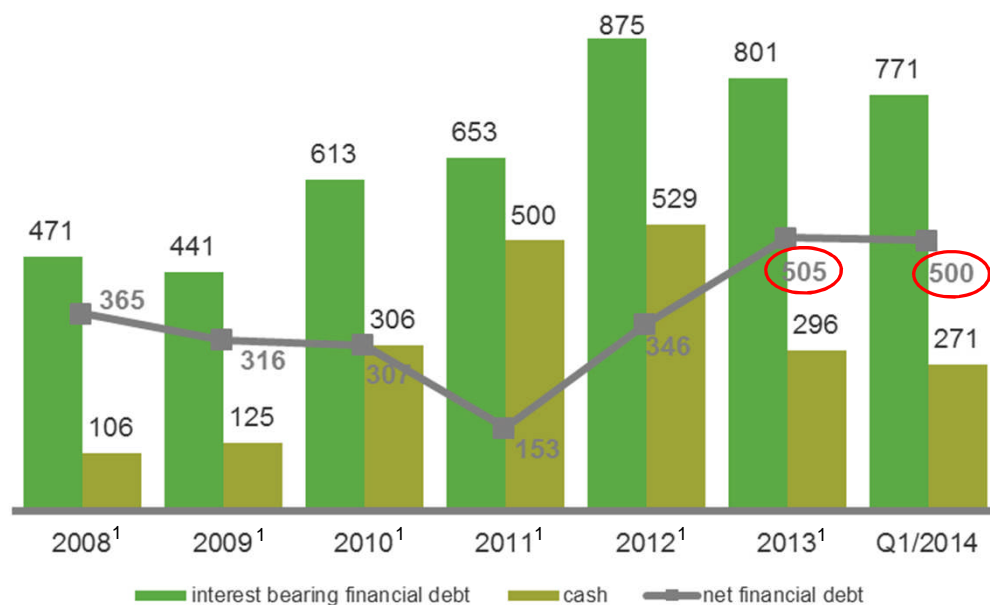
- Lenzing's branding program: approx. 400 mn (FY 2013) product labels, tags and stickers
- TENCEL® fibers get ECOCERT™ label
- H&M Conscious Collection (TENCEL®)
- ZARA Ladies' Basic Denim Collection (ProModal® and TENCEL®)
- Levi's Ladies' Denim Collection
- UNIQLO collections (TENCEL®)
- Bed, Bath & Beyond – Eucalyptus origins (TENCEL®, TENCEL C®), Pure Beech (Lenzing Modal®), USA
- A-fontane® ProModal®, Asia
- Eurocel™ – sustainable baby wipes, Europe
- Flushable TENCEL® wipes
- Award for the best marketing campaign (TENCEL® Skin) from EDANA<sup>1</sup>

1) international professional association for the nonwovens industry



# Q1/2014: Financials

Net debt frozen as announced



- **Net financial debt decrease of EUR 5 mn thereof<sup>2</sup>:**
  - Cash taxes: **EUR 6.4 mn**
  - Net interest: **EUR 2.8 mn**
  - Cash Capex: **EUR 36.6 mn** (Q1/2013: EUR 56.5 mn)
  - Change in trading working capital: **EUR -12.9 mn**
- **Total liquidity cushion of EUR 547 mn**
  - EUR 271 mn cash<sup>3</sup>
  - EUR 276 mn of unused credit lines
- **Adjusted equity of EUR 1,118 mn**
  - 46.6 % equity ratio (FY/2013: 45.5%)
  - Net gearing of 44.8% (FY/2013: 45.5%)
- **Improved cash flow situation**
  - Cash flow from operating activities EUR 42.8 mn (Q1/2013: EUR -1.9 mn)
  - Free cash flow EUR 6.3 mn (Q1/2013: EUR -55.8 mn)

1) as at December 31

2) major influencing factors

3) including cash and cash equivalents, current securities, liquid investments and liquid bills of exchange

# excelLENZ cost savings program

Savings significantly exceed EUR 60 million in 2014

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Q1/2014 vs. Q1/2013

- Personnel cost savings
  - Cost reduction of 9.5% (incl. wage increases)
  - Ahead of reduction plan
  - New organization implemented
  
- Material, processing, purchasing, etc.
  - Material cost down additional -2.6% on even 9% higher production
  - Optimized processes (shorter lead times, more efficient material usage)
  
- SG&A
  - Positive impact of reorganization on global logistics
  - Increased in-sourcing



# Outlook: Full Year 2014

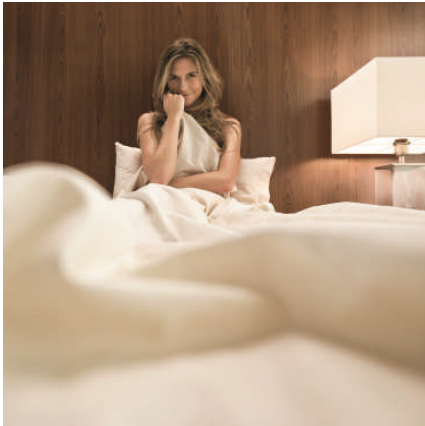
## A year of transition

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- No short-term improvement of market environment
  - Good volume demand but tough pricing to continue
  - Viscose overcapacities
  - High cotton stock
- Impact of reorganization on the market
  - Lenzing is recognized for its sustainable strategy
  - Increased focus on Asia
  - New TENCEL<sup>®</sup> volumes and application initiatives
- Financials
  - excelLENZ program will be pushed forward
  - Net debt at ~EUR 500 mn+

# Q1/2014 – Financial information

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# Q1/2014: Consolidated Group P&L

(EUR mn)	Q1/2014	Q1/2013 <sup>1</sup>
<b>Total external sales</b>	<b>451.7</b>	<b>496.5</b>
Inventory change/work in progress	(0.1)	(6.1)
Work performed by the group and capitalized	12.6	15.5
Cost of material and purchased services	(301.7)	(309.8)
Personnel	(74.6)	(82.5)
Other operating expenses/income	(41.7)	(47.4)
<b>EBITDA/Margin</b>	<b>46.3/10.2%</b>	<b>66.3/13.4%</b>
Depreciation & Amortization	(30.3)	(32.0)
Income from resolution of investment benefits	0.7	0.7
<b>EBIT/Margin</b>	<b>16.7/3.7%</b>	<b>35.1/7.1%</b>
<b>Financial result</b>	<b>(6.3)</b>	<b>(6.3)</b>
Results from terminable non-controlling interest	0.8	0.2
<b>EBT/Margin</b>	<b>11.2/2.5%</b>	<b>28.9/5.8%</b>
Tax	(3.5)	(8.0)
Tax rate (%)	31.3	27.8
<b>Net income/Margin</b>	<b>7.7/1.7%</b>	<b>20.9/4.2%</b>
<b>Net income after minorities/Margin</b>	<b>7.5/1.7%</b>	<b>20.1/4.1%</b>
<b>EPS (in EUR)</b>	<b>0.28</b>	<b>0.76</b>

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



# Q1/2014: Topline breakdown

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

(EUR mn)	Q1/2014	Q1/2013	Change y-oy (%)
<b>Breakdown of fibers segment sales</b>			
Textile fibers	247.5	271.3	(8.8)
Nonwoven fibers	119.9	111.3	7.7
Others <sup>1</sup>	12.7	12.9	(1.6)
<b>Total fibers only sales</b>	<b>380.1</b>	<b>395.5</b>	<b>(3.9)</b>
Other fibers segment sales <sup>2</sup>	49.9	51.6	(3.3)
<b>Total fibers segment sales</b>	<b>430.0</b>	<b>447.1</b>	<b>(3.8)</b>
Segment Engineering	23.4	26.3	(11.0)
BU Plastics and EPG (discontinued operations)	0.0	35.3	(100.0)
Others <sup>3</sup> and consolidation	(1.7)	(12.2)	(86.1)
<b>Total external group sales</b>	<b>451.7</b>	<b>496.5</b>	<b>(9.0)</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)





# Q1/2014: Cost of material down another 2.6%

## Positive effects from excelLENZ

(EUR mn)	Q1/2014	Q1/2013	Change y-o-y (%)
Dissolving wood pulp <sup>1</sup>	(140.8)	(134.7)	4.5
as % of total cost of material and purchased services	46.7	43.5	-
Key chemicals	(44.7)	(45.5)	(1.8)
as % of total cost of material and purchased services	14.8	14.7	-
Energy	(37.8)	(39.0)	(3.1)
as % of total cost of material and purchased services	12.5	12.6	-
Other <sup>2</sup>	(78.4)	(90.6)	(13.5)
as % of total cost of material and purchased services	26.0	29.2	-
<b>Total cost of material and purchased services</b>	<b>(301.7)</b>	<b>(309.8)</b>	<b>(2.6)</b>
as % of external sales	66.8	62.4	-
<b>Total external sales</b>	<b>451.7</b>	<b>496.5</b>	<b>(9.0)</b>
<b>Total fibers only sales</b>	<b>380.1</b>	<b>395.5</b>	<b>(3.9)</b>
<b>Total Opex<sup>3</sup></b>	<b>(430.6)</b>	<b>(451.1)</b>	<b>(4.5)</b>
Cost of material as % of total Opex	70.1	68.7	-

1) including cost for wood

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

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



# Q1/2014: Total Remaining Opex

Representing approx. 30% of total Opex

(EUR mn)	Q1/2014	Q1/2013 <sup>1</sup>	Change y-o-y (%)
<b>Total personnel expenses</b>	<b>(74.6)</b>	<b>(82.5)</b>	<b>(9.6)</b>
as % of external sales	16.5	16.6	-
<b>Total other operating expenses</b>	<b>(54.3)</b>	<b>(58.7)</b>	<b>(7.5)</b>
as % of external sales	12.0	11.8	-
<b>Total remaining Opex</b>	<b>(128.9)</b>	<b>(141.1)</b>	<b>(8.6)</b>
as % of external sales	28.5	28.4	-
<b>Total external sales</b>	<b>451.7</b>	<b>496.5</b>	<b>(9.0)</b>
<b>Total Opex<sup>2</sup></b>	<b>(430.6)</b>	<b>(451.0)</b>	<b>(4.5)</b>
Total remaining Opex as % of total Opex	29.9	31.3	-

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

# Q1/2014: Cash flow by quarter

## Improved cash flows

(EUR mn)	Q1/2014	Q1/2013 <sup>1</sup>	Change y-o-y (%)
Gross CF (before taxes and interest)	23.8	66.1	(64.0)
Taxes and interest	(9.2)	(40.0)	(77.0)
<b>Gross CF (after taxes and interest)</b>	<b>33.0</b>	<b>26.1</b>	<b>26.4</b>
Change in total working capital <sup>2</sup>	9.8	(25.0)	(139.2)
CF from discontinued operations	0.0	(3.1)	(100.0)
<b>Operating Cash flow</b>	<b>42.8</b>	<b>(1.9)</b>	<b>n.m.</b>
Investment Cash flow <sup>3</sup>	(36.5)	(53.9)	(32.3)
- of which acquisition of non current assets	(36.6)	(56.5)	(35.2)
- of which from discontinued operations	0.0	0.0	n.m.
- of which others	0.1	2.6	(96.2)
<b>Free Cash flow</b>	<b>6.3</b>	<b>(55.8)</b>	<b>(111.3)</b>

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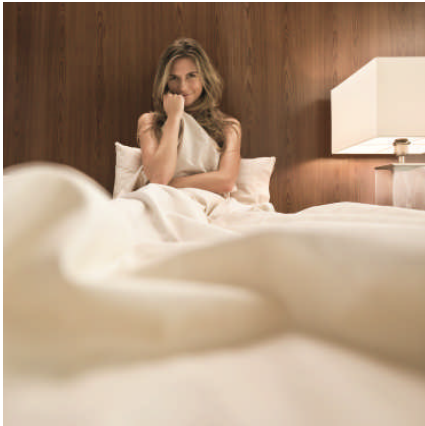
2) including trade and other working capital

3) including investment in financial assets and disposal proceeds



# FY 2013 – Financial information

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# Consolidated Group P&L

(EUR mn)	2013	2012 <sup>1</sup>
<b>Total external sales</b>	<b>1,908.9</b>	<b>2,090.4</b>
Inventory change/work in progress	11.5	8.2
Work performed by the group and capitalized	52.2	57.7
Cost of material and purchased services	(1,253.4)	(1,303.7)
Personnel	(337.0)	(309.9)
Other operating expenses/income	(156.7)	(190.4)
<b>EBITDA<sup>2</sup>/Margin</b>	<b>225.4/11.8%</b>	<b>352.4/16.9%</b>
Depreciation & Amortization	(142.1)	(124.5)
Income from resolution of investment benefits	3.1	3.6
<b>EBIT/Margin</b>	<b>86.4/4.5%</b>	<b>231.5/11.1%</b>
<b>Financial result</b>	<b>(26.7)</b>	<b>(12.8)</b>
Results from terminable non-controlling interest	8.4	17.3
<b>EBT/Margin</b>	<b>68.1/3.6%</b>	<b>236.0/11.3%</b>
Tax	(18.1)	(55.1)
<i>Tax rate (%)</i>	26.5	23.4
<b>Net income/Margin</b>	<b>50.0/2.6%</b>	<b>180.9/8.7%</b>
<b>Net income after minorities/Margin</b>	<b>50.1/2.6%</b>	<b>175.6/8.4%</b>
<b>EPS (in EUR)</b>	<b>1.89</b>	<b>6.61</b>

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



# FY 2013: Topline breakdown

Nonwoven fibers a stabilizing factor and effects from Plastics sale

(EUR mn)	2013	2012	Change y-o-y (%)
<b>Breakdown of fibers segment sales</b>			
Textile fibers	1,048.7	1,149.6	(8.8)
Nonwoven fibers	463.6	435.2	6.5
Others <sup>1</sup>	54.0	49.4	9.3
<b>Total fibers only sales</b>	<b>1,566.3</b>	<b>1,634.2</b>	<b>(4.2)</b>
Other fibers segment sales <sup>2</sup>	199.6	261.8	(23.8)
<b>Total fibers segment sales</b>	<b>1,765.9</b>	<b>1,896.0</b>	<b>(6.9)</b>
Segment Engineering	125.1	121.8	2.7
BU Plastics <sup>4</sup> and EPG (discontinued operations)	54.0	119.6	(54.9)
Others <sup>3</sup> and consolidation	(36.1)	(47.0)	(23.2)
<b>Total external group sales</b>	<b>1,908.9</b>	<b>2,090.4</b>	<b>(8.7)</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



# FY 2013: Cost of material down approx. 4%

## Cost switch Paskov (other/DWP) and effects from excelLenz

(EUR mn)	2013	2012	Change y-o-y (%)
Dissolving wood pulp <sup>1</sup>	(570.3)	(529.7)	7.7
as % of total cost of material and purchased services	45.5	40.6	-
Key chemicals	(184.5)	(181.1)	1.9
as % of total cost of material and purchased services	14.7	13.9	-
Energy	(154.5)	(146.9)	5.2
as % of total cost of material and purchased services	12.3	11.3	-
Other <sup>2</sup>	(344.1)	(446.0)	(22.8)
as % of total cost of material and purchased services	27.5	34.2	-
<b>Total cost of material and purchased services</b>	<b>(1,253.4)</b>	<b>(1,303.7)</b>	<b>(3.9)</b>
as % of external sales	65.7	62.4	-
<b>Total external sales</b>	<b>1,908.9</b>	<b>2,090.4</b>	<b>(8.7)</b>
<b>Total fibers only sales</b>	<b>1,566.3</b>	<b>1,634.2</b>	<b>(4.2)</b>
<b>Total Opex<sup>3</sup></b>	<b>(1,815.3)</b>	<b>(1,847.6)</b>	<b>(1.7)</b>
Cost of material as % of total Opex	69.0	70.6	-

1) including cost for wood

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

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



# FY 2013: Total Remaining Opex

Representing stable 31% of total Opex and fairly stable

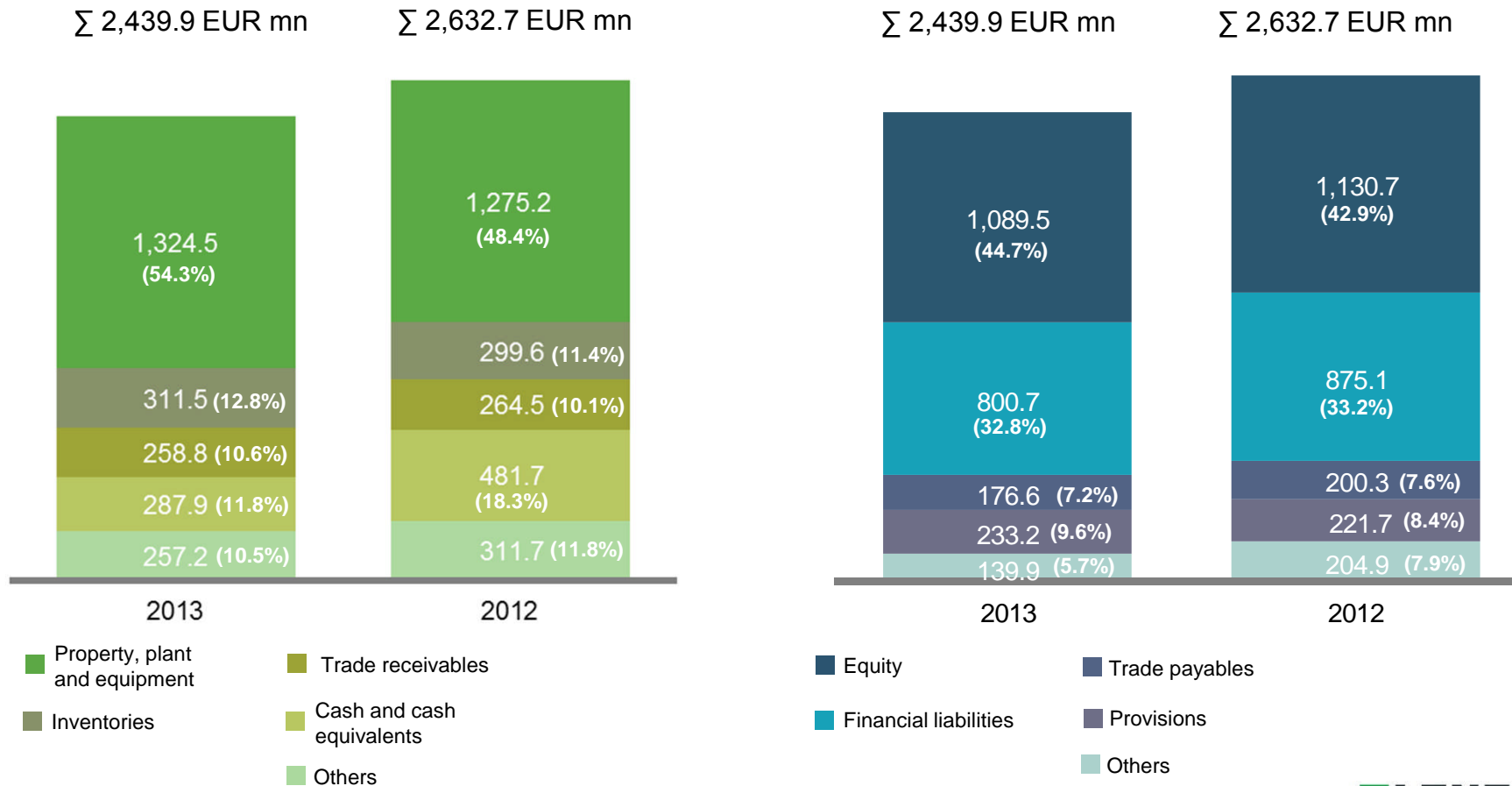
(EUR mn)	2013	2012 <sup>1</sup>	Change y-o-y (%)
<b>Total personnel expenses</b>	<b>(337.0)</b>	<b>(309.9)</b>	<b>8.7</b>
as % of external sales	17.7	14.8	-
<b>Total other operating expenses</b>	<b>(224.8)</b>	<b>(234.0)</b>	<b>(3.9)</b>
as % of external sales	11.8	11.2	-
<b>Total remaining Opex</b>	<b>(561.9)</b>	<b>(543.9)</b>	<b>3.3</b>
as % of external sales	29.4	26.0	-
<b>Total external sales</b>	<b>1,908.9</b>	<b>2,090,4</b>	<b>(8.7)</b>
<b>Total Opex<sup>2</sup></b>	<b>1,815.3</b>	<b>(1,847.6)</b>	<b>(1.7)</b>
Total remaining Opex as % of total Opex	31.0	29.4	-

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

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



# Balance sheet as at December 31, 2013



# FY 2013: Cash flow

(EUR mn)	2013	2012 <sup>1</sup>	Change y-o-y (%)
Gross CF (before taxes and interest)	172.6	343.3	(49.7)
Taxes and interest	(78.1)	(95.3)	(18.1)
<b>Gross CF (after taxes and interest)</b>	<b>94.6</b>	<b>248.0</b>	<b>(61.9)</b>
Change in total working capital <sup>2</sup>	(13.6)	(44.3)	(69.3)
CF from discontinued operations	1.3	5.7	(77.2)
<b>Operating Cash flow</b>	<b>82.3</b>	<b>209.4</b>	<b>(60.7)</b>
Investment Cash flow <sup>3 4</sup>	(152.2)	(281.8)	(46.0)
- of which acquisition of non current assets	(246.0)	(317.1)	(22.4)
- of which from discontinued operations	60.5	(2.2)	n.m.
- of which others	33.3	37.5	(11.2)
<b>Free Cash flow</b>	<b>(69.9)</b>	<b>(72.3)</b>	<b>(3.3)</b>

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

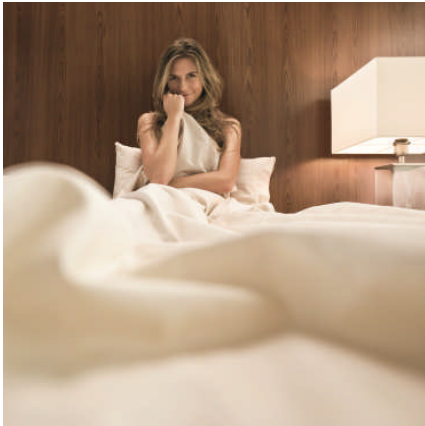
2) including trade and other working capital

3) including investment in financial assets and disposal proceeds

4) including cash from Plastics sale

# Appendix – Equity story

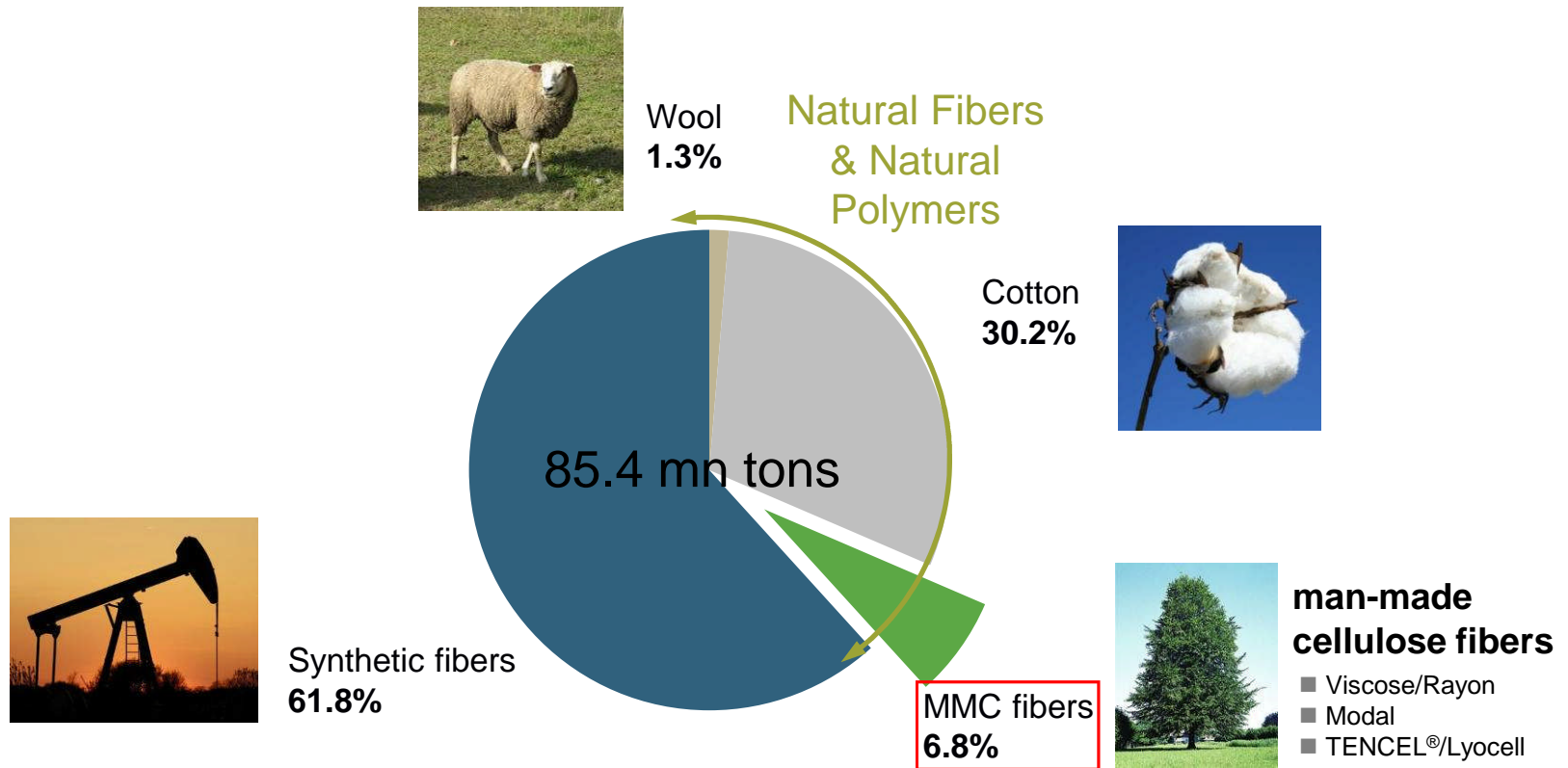
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# Global fiber market at a glance

2013 preliminary production numbers

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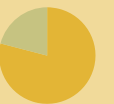




Source: CIRFS, The Fiber Year, The Fiber Organon, Lenzing estimates



# Lenzing: 75 years of innovation

Only producer of three fiber generations

	Market Position and Market Share in 2013 <sup>1</sup>	Unique Selling Proposition	Key End Markets	% of Fiber Sales Q1/2014 <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>18.9%</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>16.0%<sup>3</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>4</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>65.1%</b>

Source: Lenzing

1) by production capacity

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

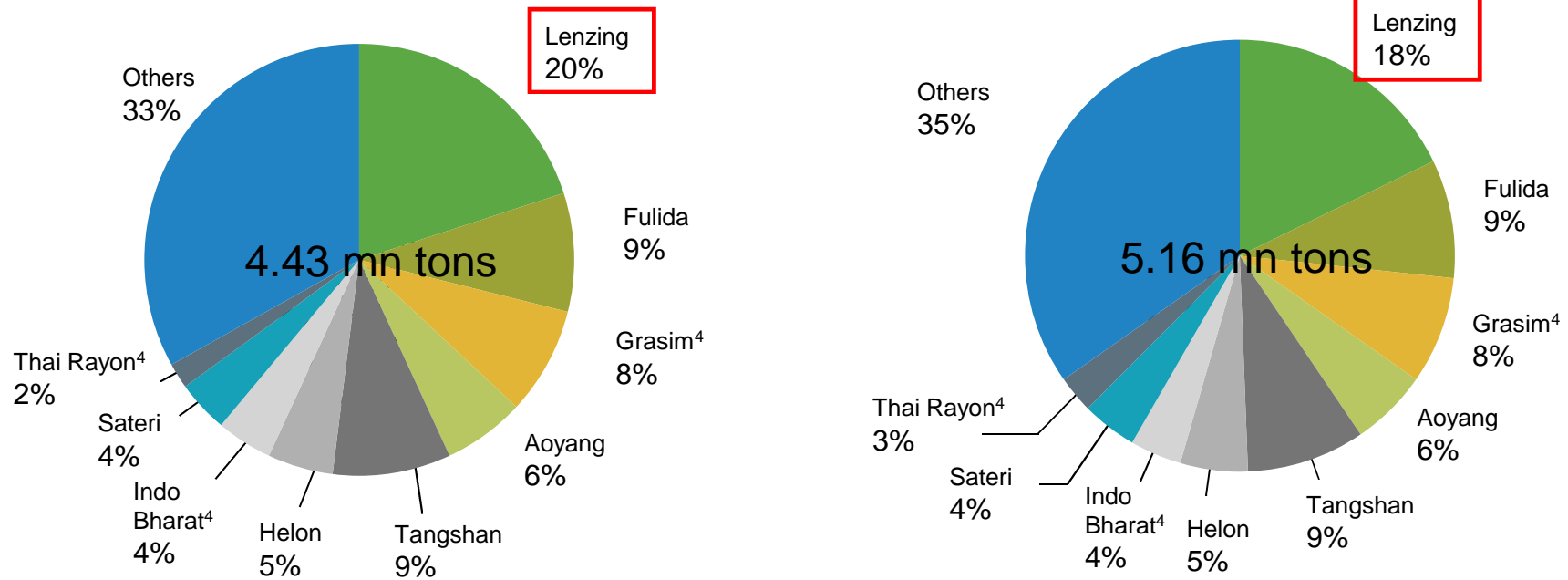
3) including Lenzing FR®

4) 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

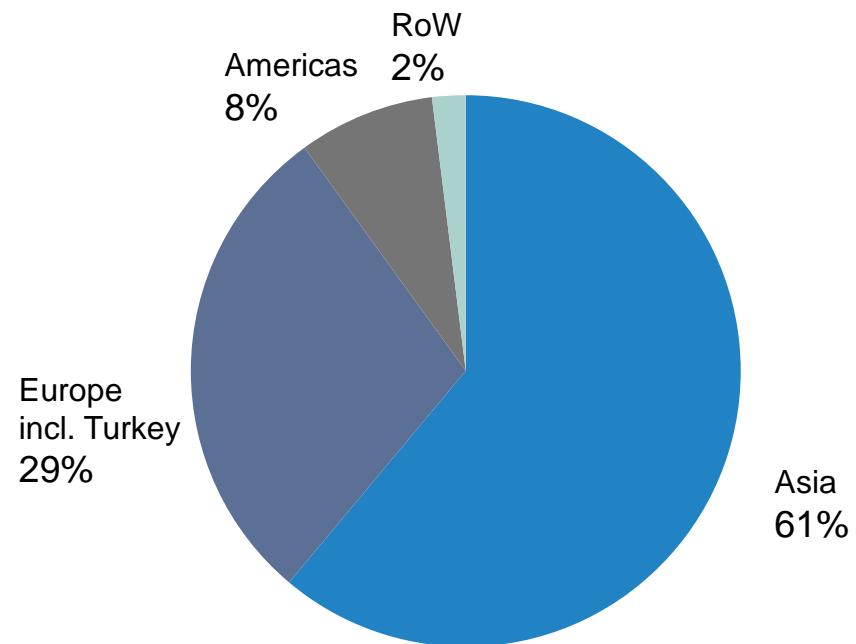
3) based on latest available company information from company websites and annual/interim reports

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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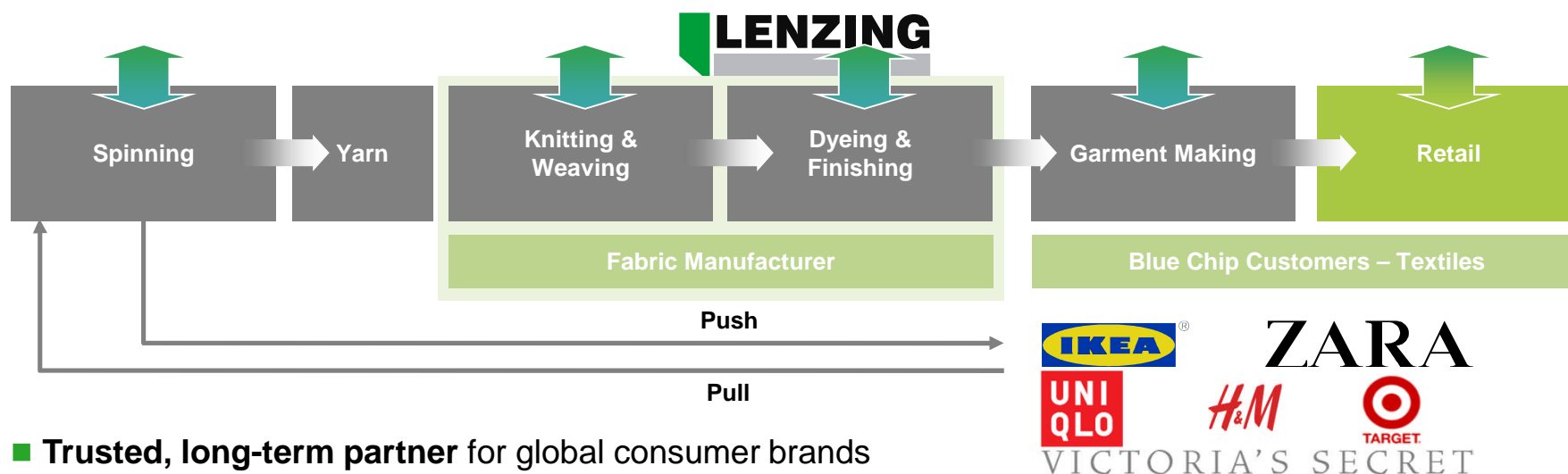


Source: Company information

1) fiber sales by volume in metric tons, Q1/2014

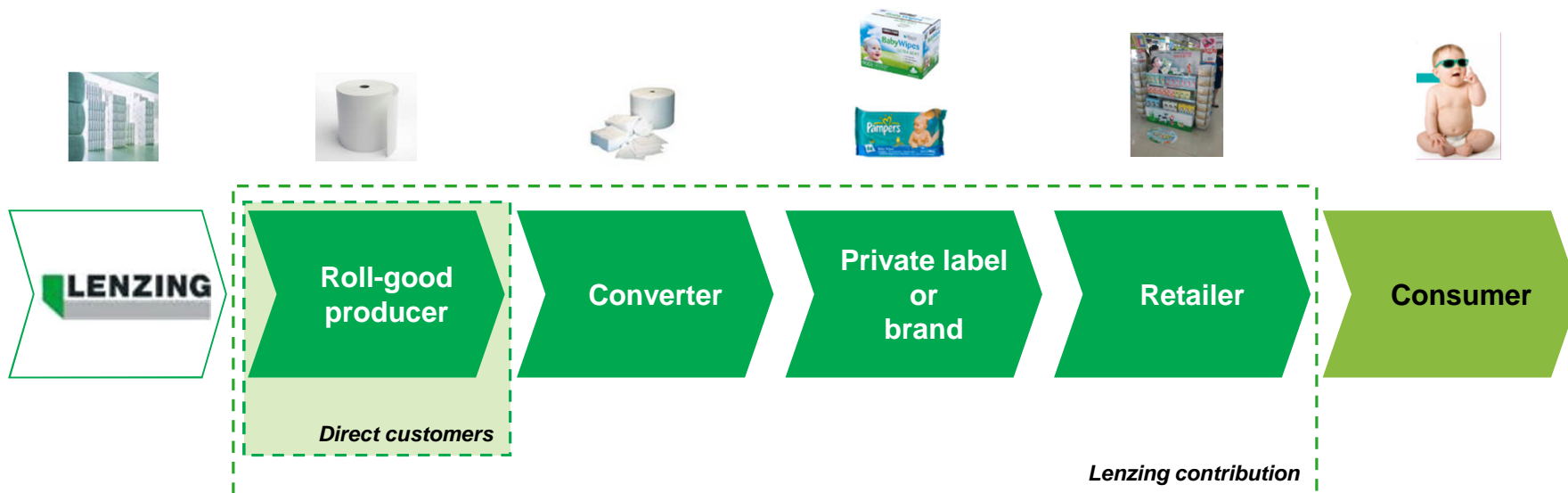
# Textile: Building barriers to entry

Global branded supplier to blue chip customer base

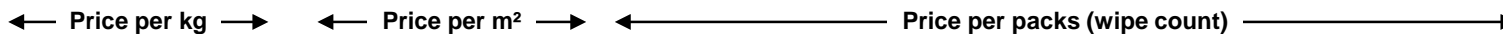


- **Trusted, long-term partner** for global consumer brands
- **Global integrated marketing and sales network**
- **Branded supplier** with involvement in value chain decision process of customers
  - ➔ **Push:** Close collaboration with manufacturers of spinning machinery
  - ➔ **Pull:** Marketing through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

# Nonwoven value chain



Price reference:



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

Blue Chip Customers – Nonwoven

Johnson & Johnson    P&G  
 KIRKLAND Signature    COSTCO WHOLESALE  
 TARGET    BJs WHOLESALE CLUB    Ontex Hygiene Disposables  
**LENZING**

# Fiber strategy recalibrated

Focus on TENCEL®

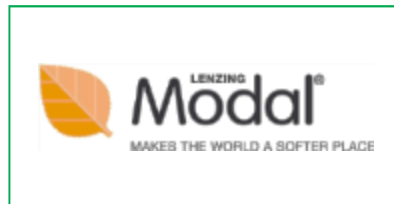
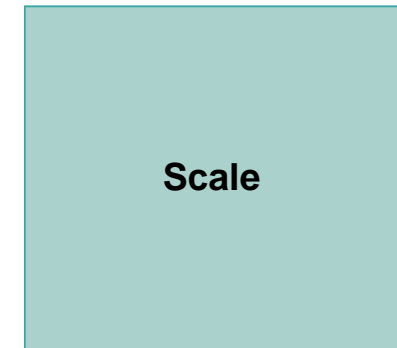
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## Strategic measures

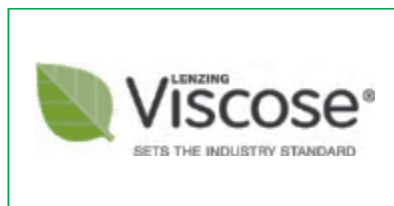
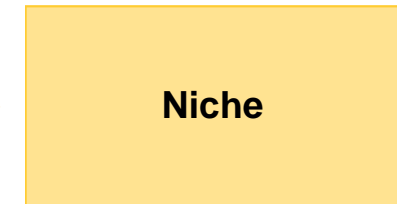
## Strategic direction



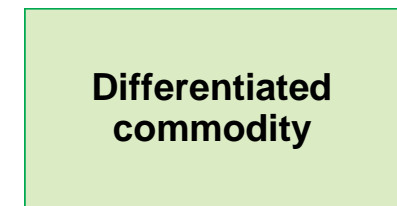
- Priority focus area of Lenzing's growth strategy
- Gain market share in applications/regions by scaling up Textile and Nonwoven applications
- Exploit first mover advantage



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



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



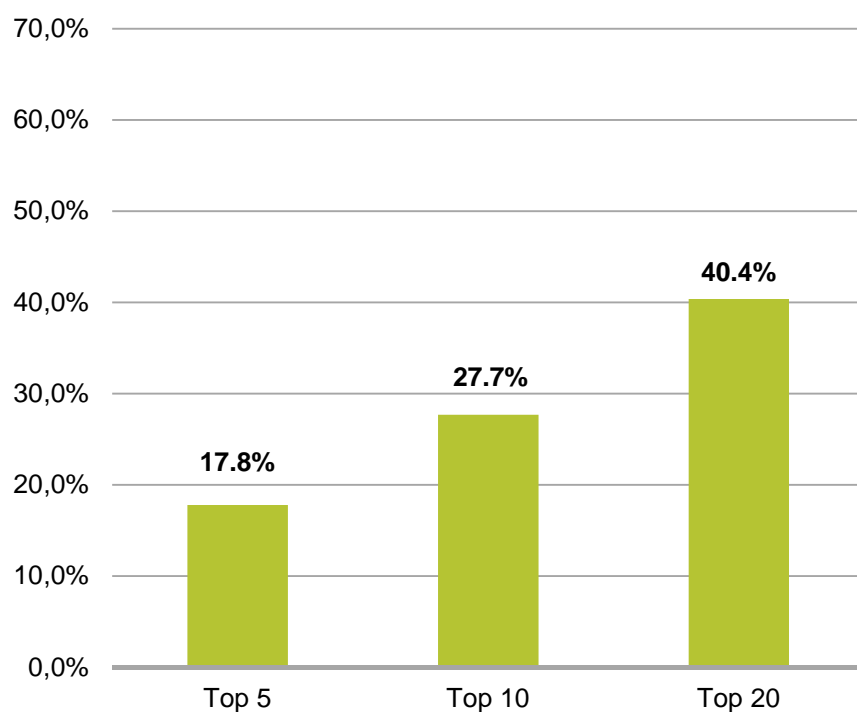


# Sales and marketing

## Customer concentration

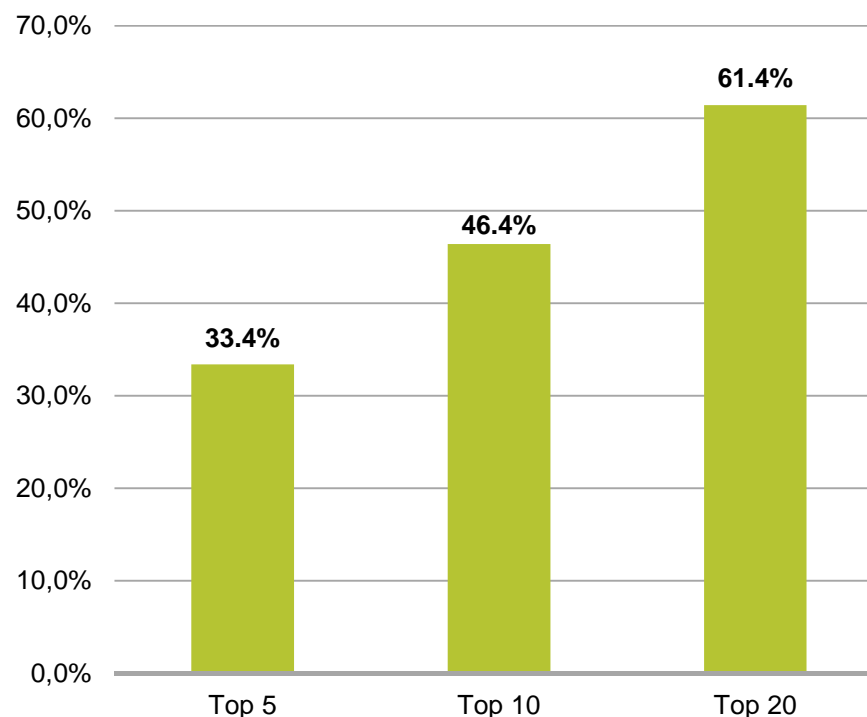
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Textiles – % of sales by customers  
(Q1/2014)



Source: LAG

Nonwoven – % of sales by customers  
(Q1/2014)



# Sales and marketing

Blue chip companies drive demand in specialties – TENCEL<sup>®</sup>, Lenzing Modal<sup>®</sup>

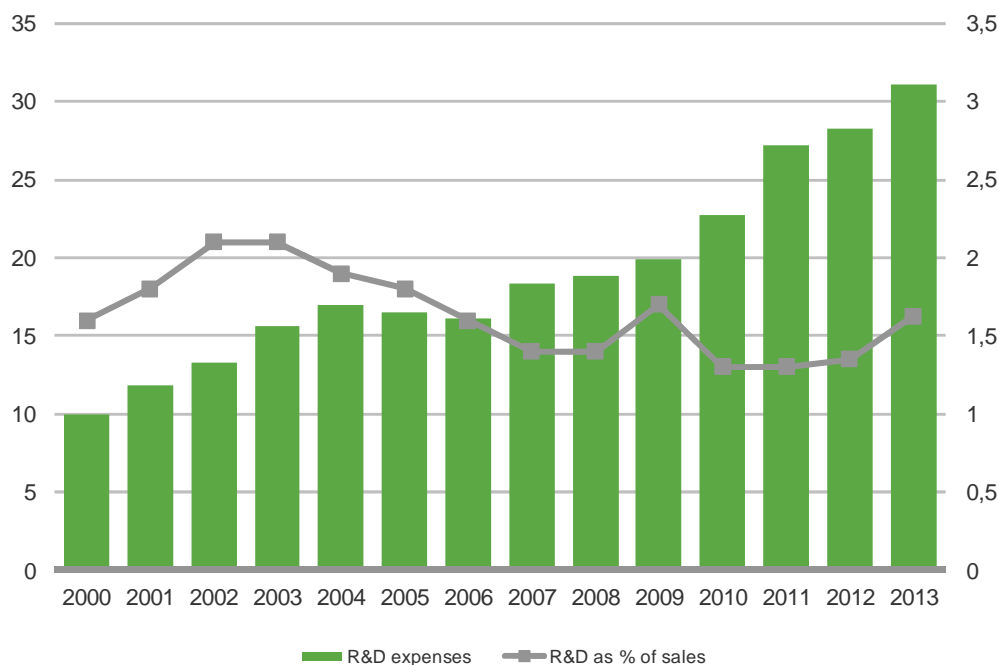
- Lenzing is a trusted, long-term partner for global consumer brands
  - Approx. 45% of textile and approx. 60% of nonwoven sales for specialty fibers (TENCEL<sup>®</sup>, Lenzing Modal<sup>®</sup>) can be attributed to key account customers
- Company acts as a **branded supplier** with involvement in the value chain decision process of customers
- Supply chain management is a strong differentiator for Lenzing



# 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

# Lenzing: Unique innovation model

## Strong R&D organization

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### Organization structure

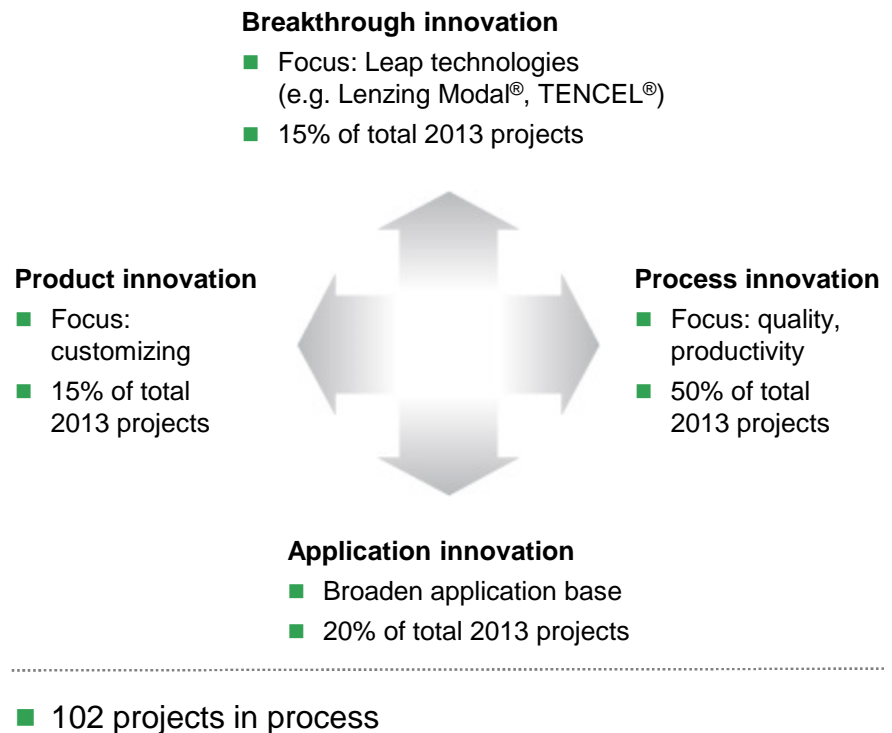
- Close collaboration with sales & marketing to develop applications for customers

### Dedicated resources and investments in R&D

- Lyocell process innovation
  - Fiber development (Viscose, Lenzing Modal®, TENCEL®)
  - Application development
- 
- Application development
- 
- Pulp process innovation
  - Viscose process innovation

Source: LAG, as at December 31, 2013

### Unique innovation model

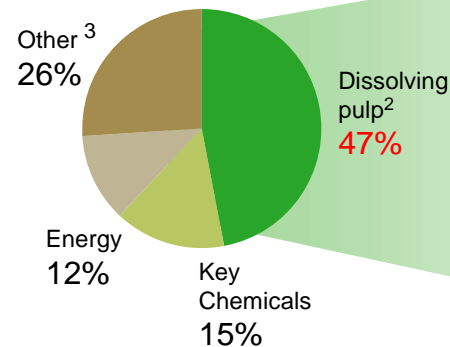


# Lenzing has cost advantages

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

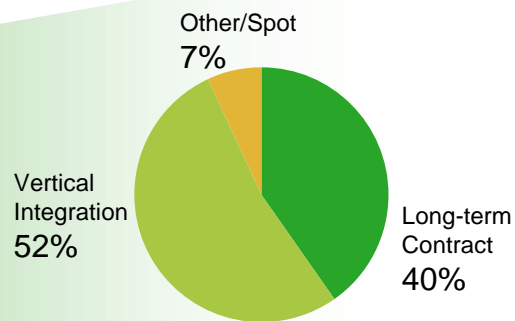
- Pulp is the main input factor with **47% share of total costs of material and purchased services**
- 90+% of long-term pulp supply secured through own production (vertical integration) and long-term supply contracts
- Long-term contract **linked to paper pulp index** (not to spot price of dissolving pulp)

Cost structure Lenzing Group (Q1/2014)<sup>1</sup>



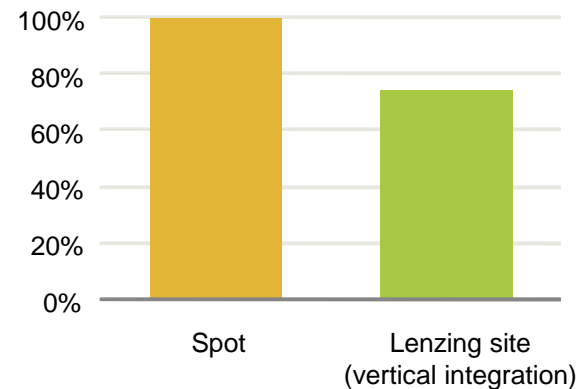
Source: Lenzing

Lenzing Group pulp sourcing (Q1/2014)<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 301.7 mn in Q1/2014

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 \$ 845 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)**



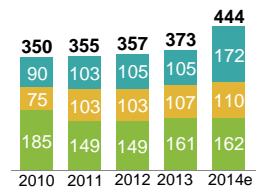


# Capacity expansion to 2014<sup>1</sup> ~ 1 mn tons

What is there (or under construction) today

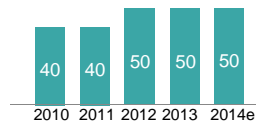
## Europe<sup>2</sup>

CAGR 6.1%



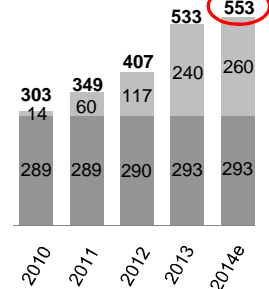
## USA

CAGR 5.7%



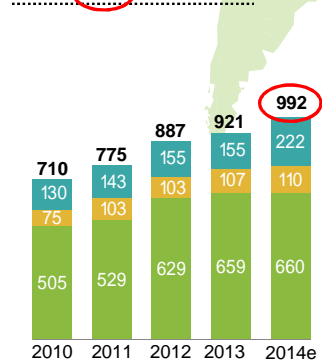
## Total pulp capacity

CAGR 16.2%



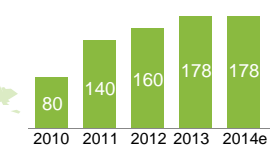
## Total capacity at year end

CAGR 8.7%



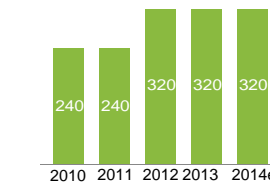
## China

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>Purwakarta / Indonesia, Lenzing Viscose®</b>	<b>240,000</b>	<b>320,000</b>	<b>320,000</b>	<b>320,000</b>
Nanjing / China, Lenzing Viscose®	140,000	160,000	178,000	178,000
Heiligenkreuz / Austria, TENCEL®	63,000	65,000	65,000	65,000
Grimsby / UK, TENCEL®	40,000	40,000	40,000	40,000
Mobile / USA, TENCEL®	40,000	50,000	50,000	50,000
India, Lenzing Viscose®	-	-	-	-
<b>Total fibers</b>	<b>775,000</b>	<b>887,000</b>	<b>921,000</b>	<b>992,000</b>
Lenzing / Austria	289,000	290,000	293,000	293,000
Paskov / Czech Republic	60,000 <sup>1</sup>	117,000	240,000	260,000
New pulp plant	-	-	-	-

1) adjusted



# Capacity by site 2011 - 2013

(metric tons)	Capacity YE 2011	Capacity YE 2012	Capacity per March 31, 2013	Capacity per June 30, 2013	Capacity per September 30, 2013	Capacity per December 31, 2013
Lenzing	252,000	252,000	264,000	264,000	264,000	268,000
Indonesia	240,000	320,000	320,000	320,000	320,000	320,000
Nanjing	140,000	160,000	160,000	178,000	178,000	178,000
India	-	-	-	-	-	-
Heiligenkreuz	63,000	65,000	65,000	65,000	65,000	65,000
Grimsby	40,000	40,000	40,000	40,000	40,000	40,000
Mobile	40,000	50,000	50,000	50,000	50,000	50,000
<b>Total</b>	<b>775,000</b>	<b>887,000</b>	<b>899,000</b>	<b>917,000</b>	<b>917,000</b>	<b>921,000</b>

# 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
India	-	-	-	-
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

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- 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



# 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**



# Nonwoven applications

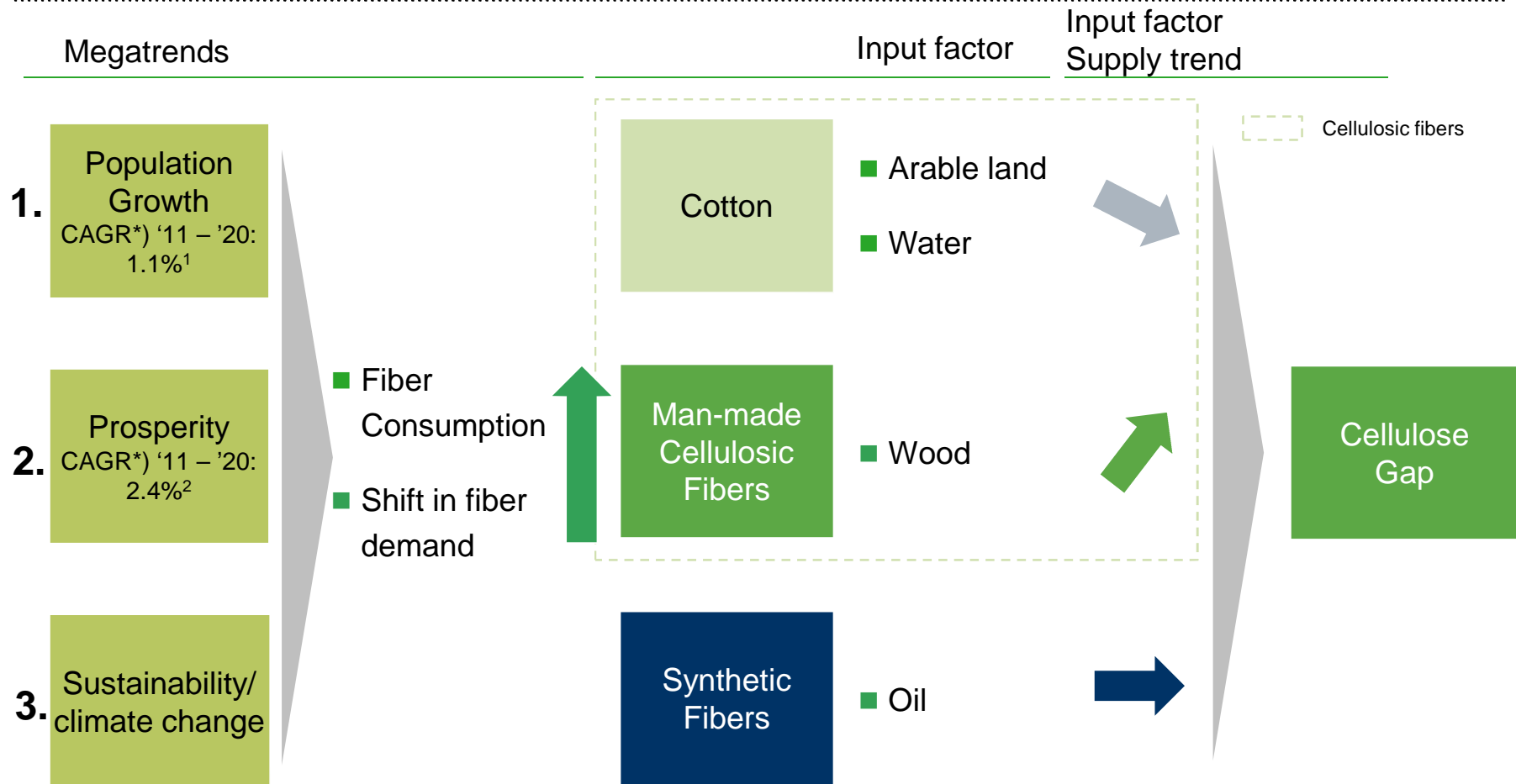
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- **Wipes**  
Sustainable convenience
- **Medical**  
Naturally pure
- **Hygiene**  
Safety in sensitive areas
- **Technical**  
Leading fiber innovation



# 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

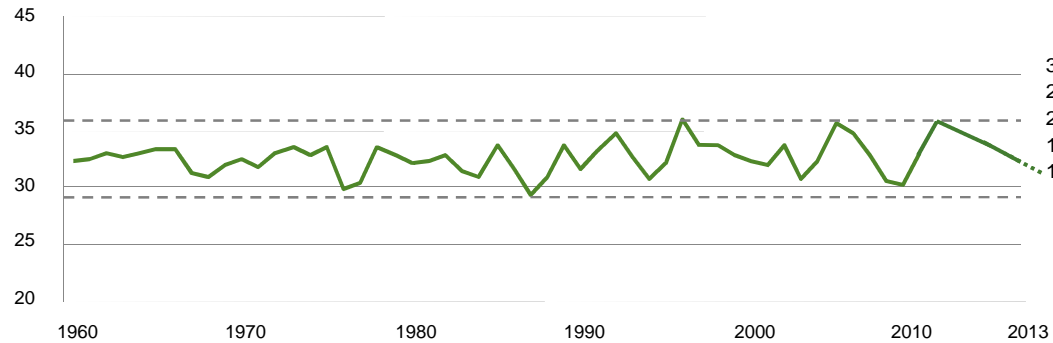
Limited potential to increase cotton supply increases demand for MMC fibers

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Cotton planted area expected to remain within historical narrow band (1960-2013)

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Million hectares

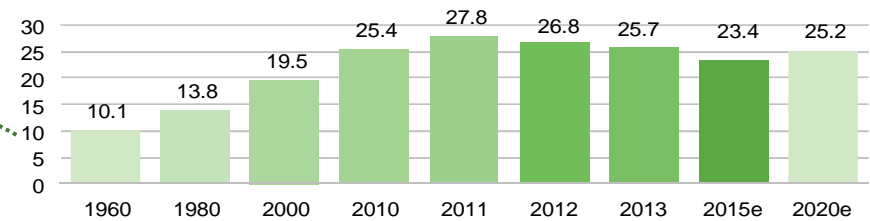


Source: U.S. Department of Agriculture  
ICAC, March 4, 2014

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

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Million metric tonnes



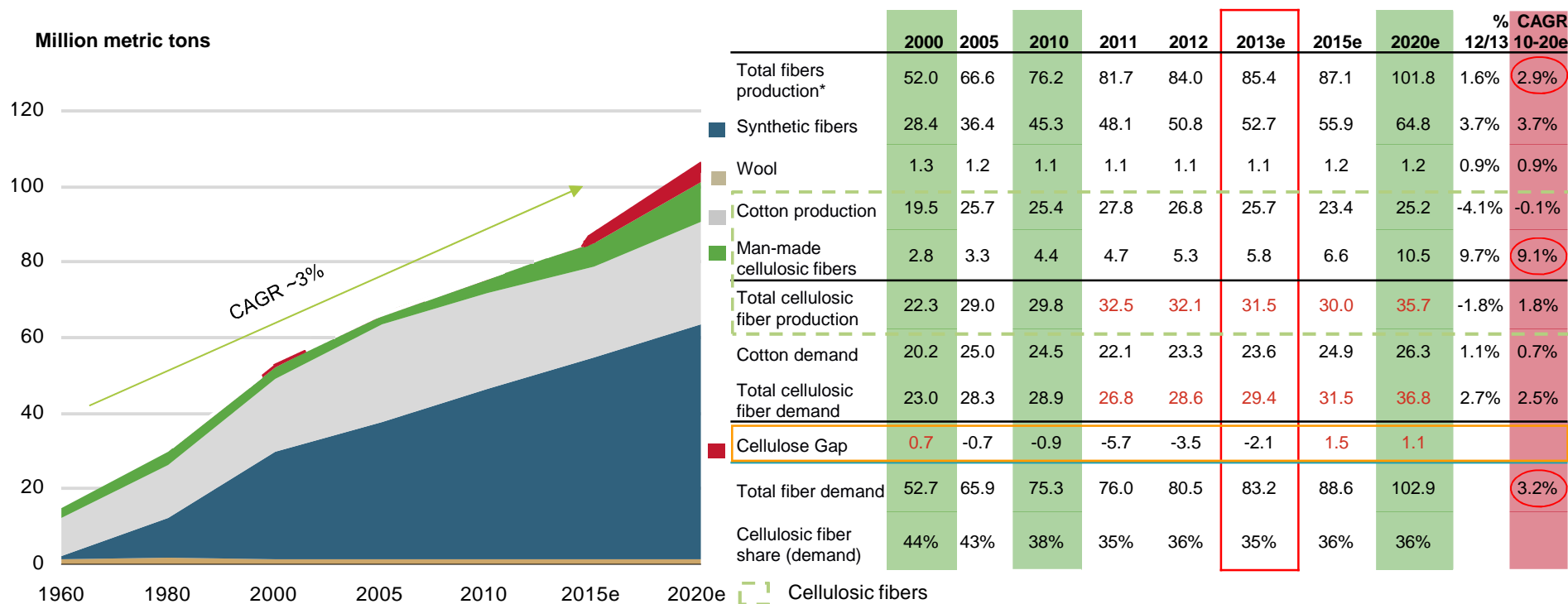
Source: International Cotton Advisory Committee, March, 2014

# 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 March 2014. Percentage increases based on exact figures



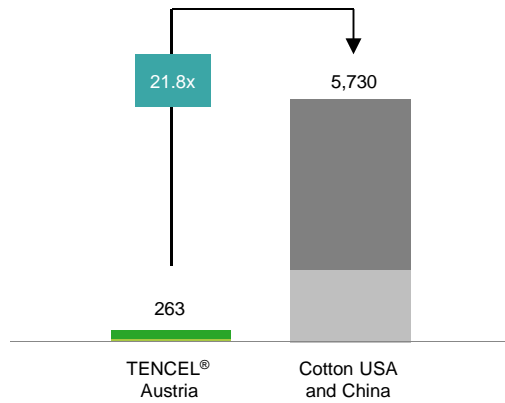
# Mega-trend: Sustainability

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%

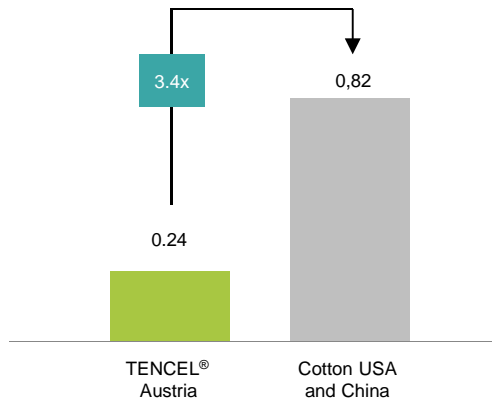
## Water consumption

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



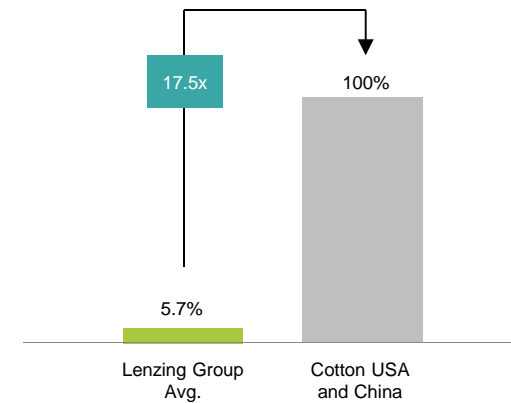
## Required acreage for production of one metric ton of fiber

Hectares per metric ton and year



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

Relative to cotton

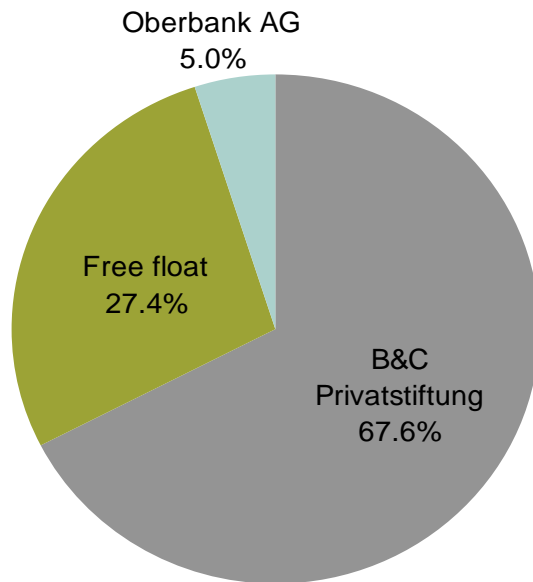


■ Process water ■ Cooling water ■ Groundwater irrigation ■ Surface water irrigation

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



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 March 31, 2014	EUR 40,00
Market capitalization March 31, 2014	1,062.0 mn

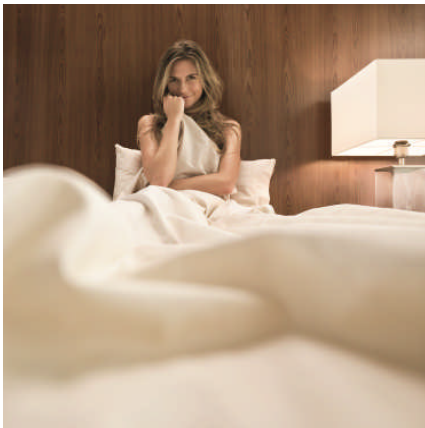
## Overview of B & C Privatstiftung<sup>1</sup>

- 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.

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

# Back-up

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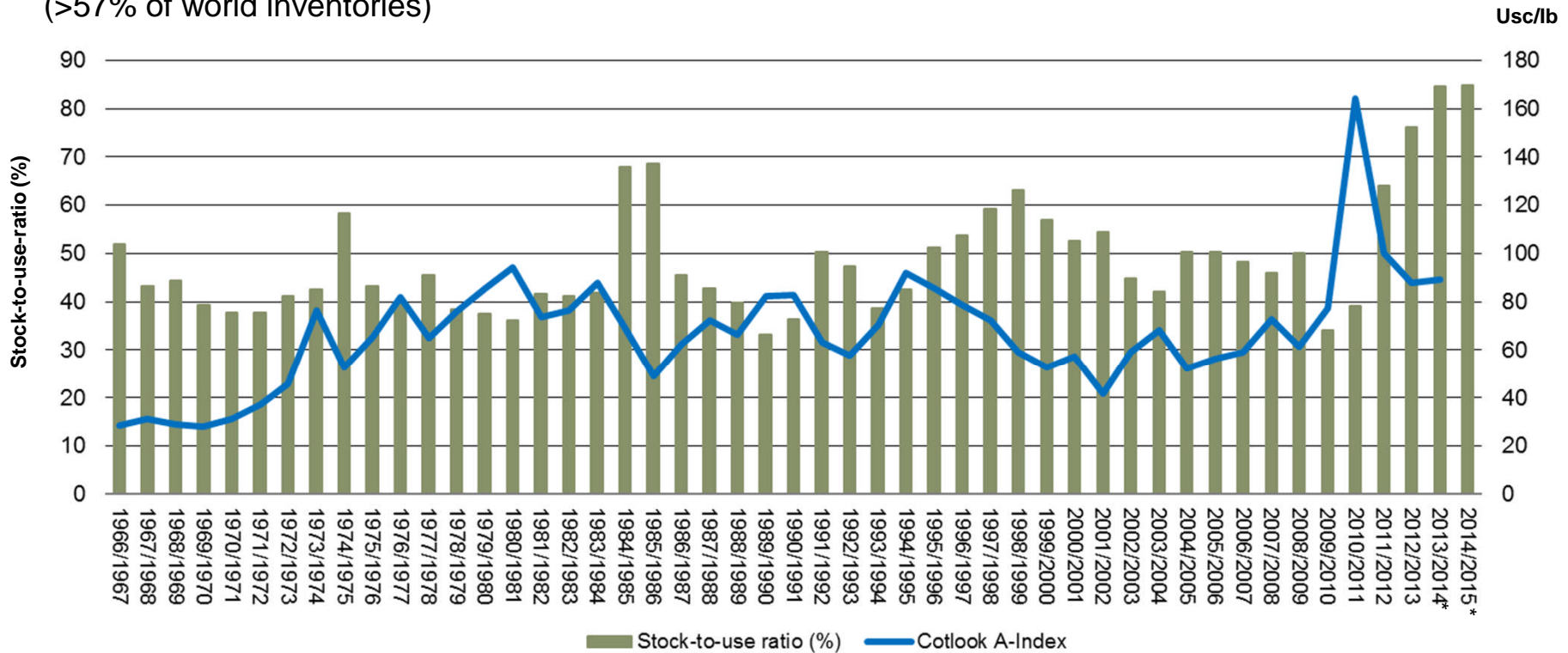




# Fiber market environment

Highest-stock-to-use-ratio ever at approx. 85% (2013/2014)

- World cotton production of 25.7 mn tons, consumption of 23.6 mn tons and ending stocks of 20.0 mn tons
- Massive increase of Chinese national cotton reserve of estimated 11.5 mmt<sup>1</sup> tons (>57% of world inventories)



Source: ICAC, March 4, 2014

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

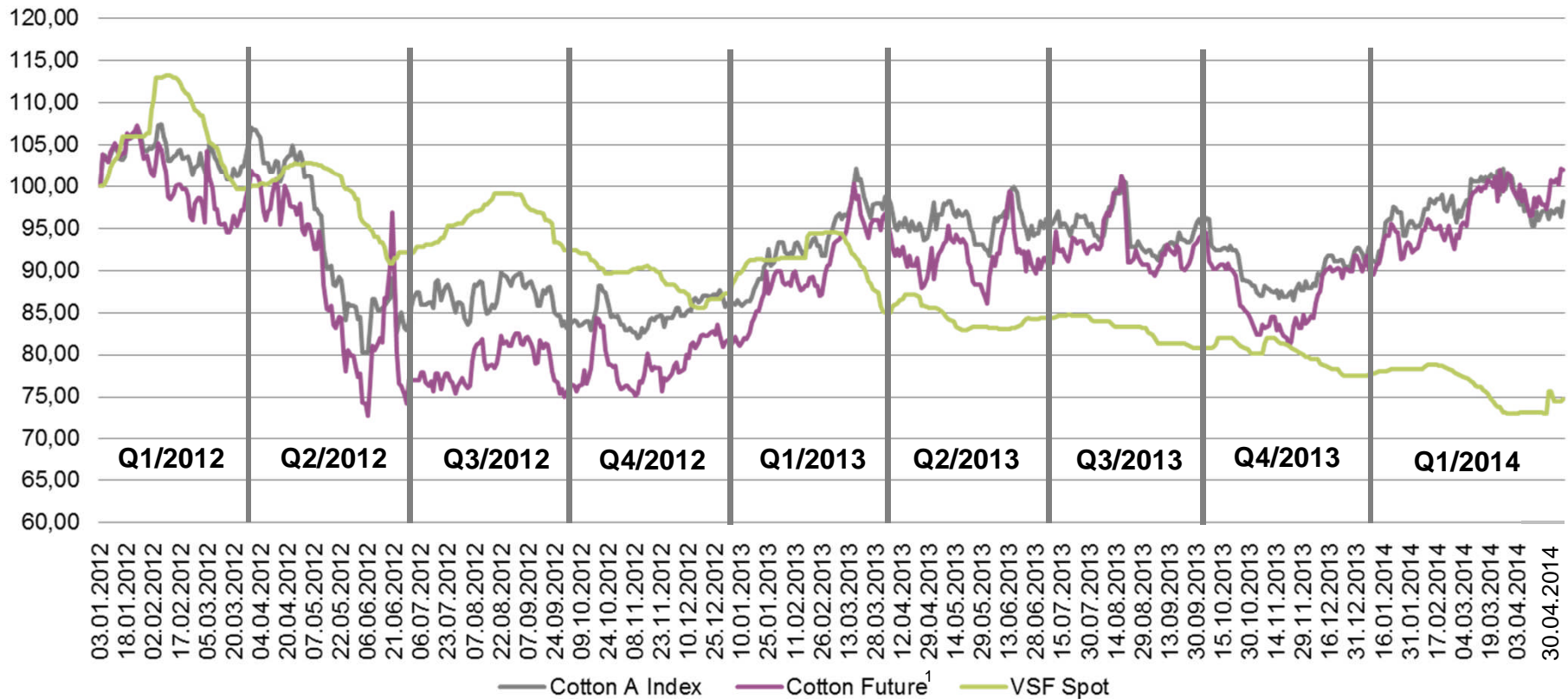
\* estimated

1) million metric tons



# Viscose spot prices China below cotton prices since March 2013

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

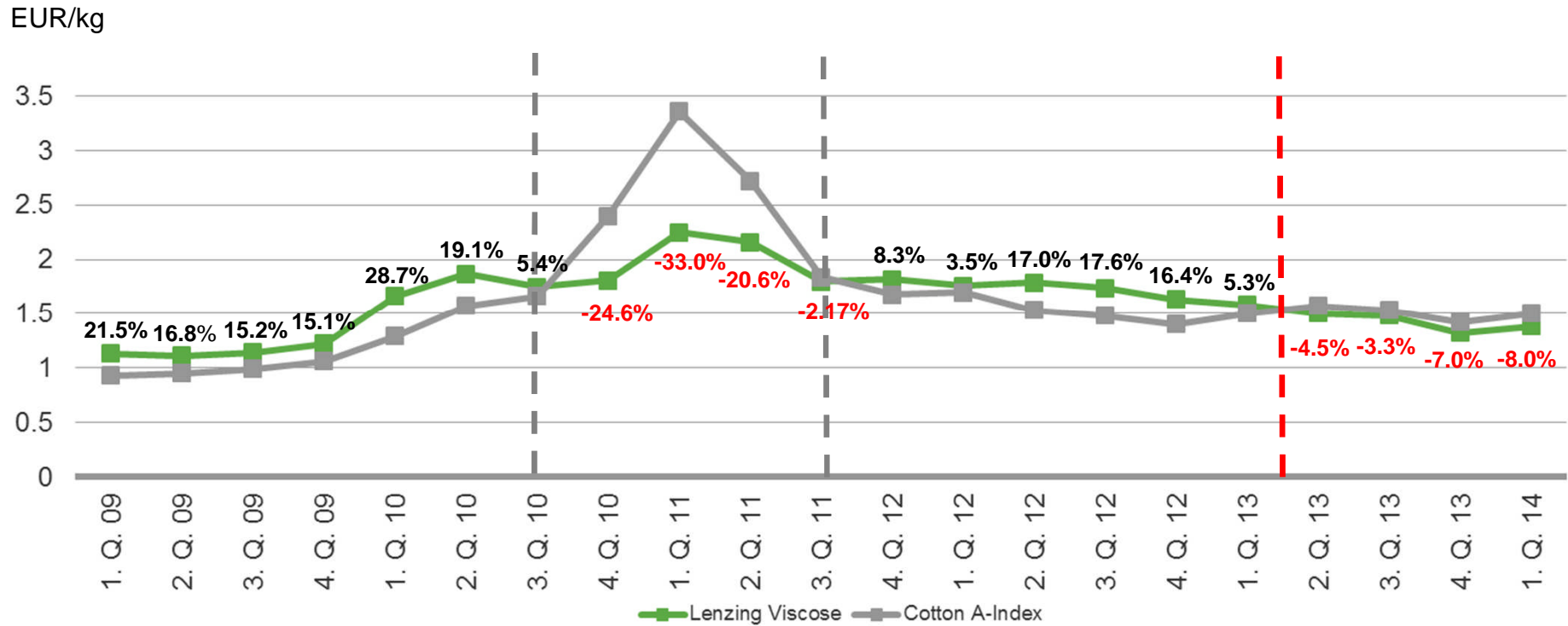


1) Cotton Future calculated on the basis of the most liquid next future compared with the actual Cotton A Index data



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

VSF-price lower than cotton price after end of reporting period



1) 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)

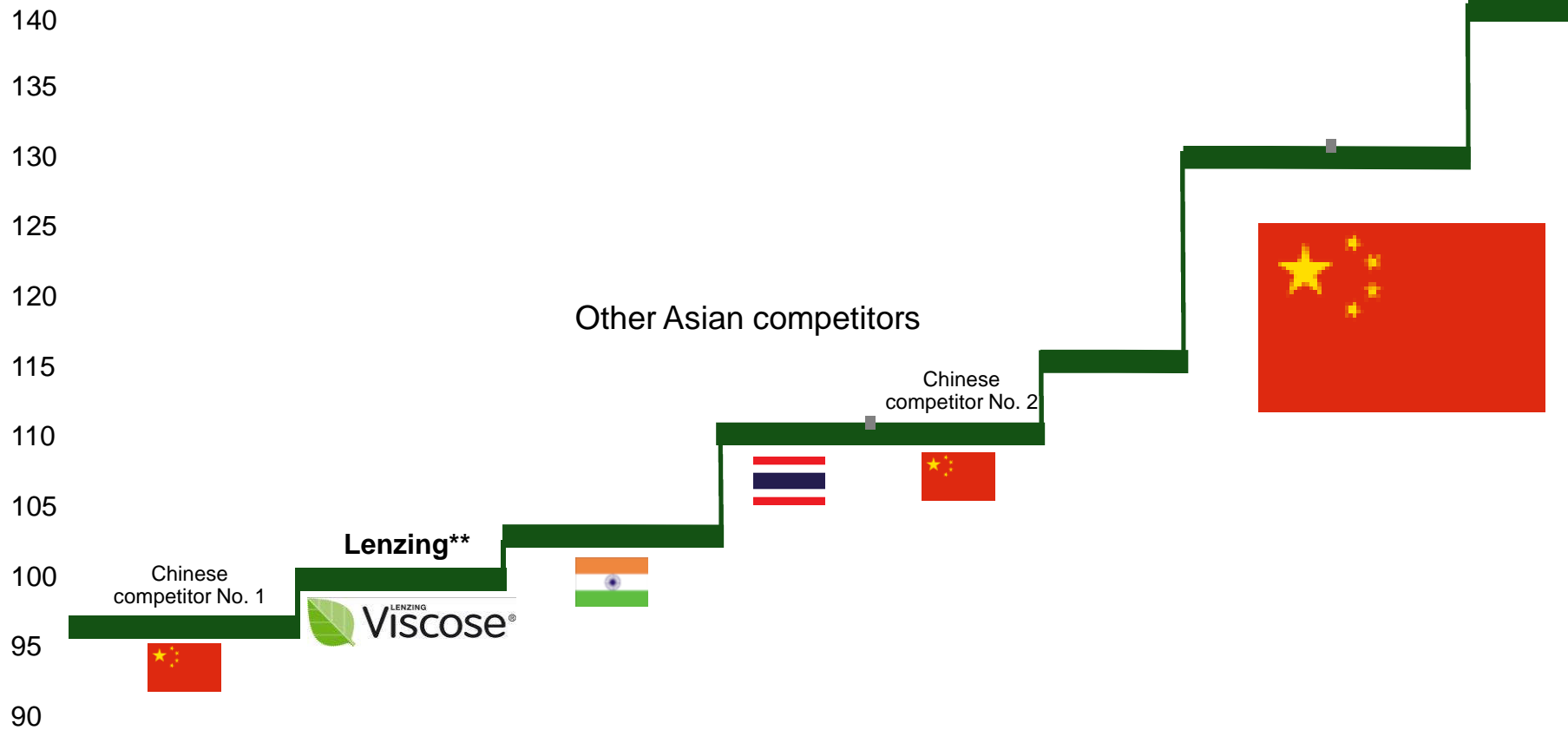


# Viscose fiber industry cost curve

Lenzing placed in an excellent position\*

Index 100 = Lenzing\*\*

Other Chinese competitors



\* Based on publicly available information (Sales minus EBIT divided by volume) or obtained information and estimates

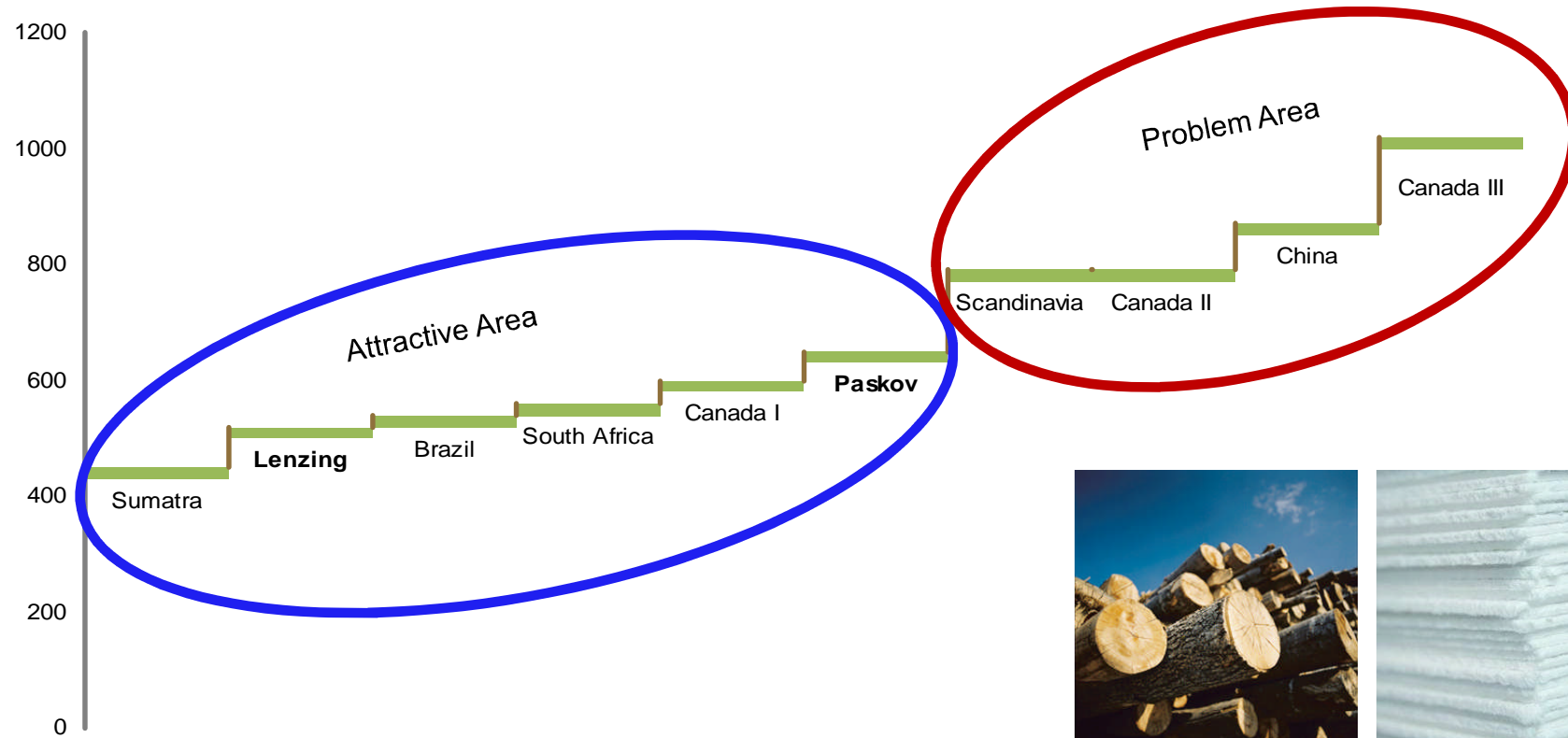
\*\* Average of Lenzing Viscose sites (incl. Indonesia, Austria and China)

# DWP industry – cash cost curve\*

Lenzing with advantages through pulp integration

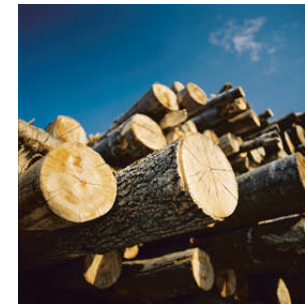
## Cost Competitiveness<sup>1</sup>

USD/ton



\* Cash cost (excl. freight, interest, taxes)

1) Incl. projects until 2015



# 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)

### ➔ 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>

## ■ 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