Press Conference
Annual Results 2013
Vienna, March 21, 2014
2013 at a glance
Difficult market environment with very weak fiber selling prices

**Strong headwinds on the market**
- Extremely unsatisfactory price situation
- However, unchanged strong volume demand for Lenzing fibers
- Revised guidance fulfilled

**Countermeasures were initiated**
- excelLENZ 1.0 cost reduction program launched in Q1 2013
- Reorganization – more efficient Group structure
- excelLENZ 2.0 program started in Q4 2013
- Up to EUR 120 mn p.a. in sustainable improvement potential has been identified
Lenzing Group: Highlights 2013

- New record fiber shipment volumes: 890,000 tons of fibers in 2013 (+10%)
- Consolidated sales: EUR 1.91 bn (2012: EUR 2.09 bn)
- EBITDA: EUR 225.4 mn (2012: EUR 352.4 mn)
- EBIT: EUR 86.4 mn (2012: EUR 231.5 mn)
- Dividend remains unchanged at EUR 1.75 per share
- Intensified R&D: research expenditures of EUR 31.1 mn\(^1\) (R&D ratio up to 1.6%)

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1) According to Frascati
Business environment in the fiber industry

- Distorted price structures due to politically-motivated market intervention
  - Intransparent cotton subsidy policy in China
  - Historically unique high cotton inventories in China
  - Surplus production capacities in the Chinese viscose fiber industry
  - Viscose fiber selling prices below the comparable prices for cotton

- The Chinese fiber market continues to dominate the global fiber industry
Lenzing takes countermeasures: Adjustments to business strategy in 2013

**Market offensive**
- Scalability of TENCEL®
- Promote Lenzing Modal® specialty blends
- Viscose: Cost-efficient commodity strategy

**Risk minimization**
- Focus on best possible cash flow generation
- TENCEL® plant in Lenzing: only current capacity expansion project
- At present no new growth investments for viscose fibers
- No significant increase in net debt
- Adjusted equity ratio rose to 45.5% at the end of 2013
Lenzing takes countermeasures:  
More efficient Group organizational structure

Comprehensive, internal reorganization program

- More effective decision-making processes based on new, functional structures
- New sales and marketing organization with an intensified focus on customers and business development
- Additional Management Board member for sales and marketing (Chief Commercial Officer)
- Even more resolute implementation of fiber specialty strategy
- Focus on Asia and Turkey as the most important fiber markets
Lenzing takes countermeasures: excelLENZ programs

**excelLENZ 1.0 – first initiative – starting Q1 2013**
- Double-digit million euro savings achieved in 2013: about EUR 40 mn

**excelLENZ 2.0 – second program – launched in Q4 2013**
- Initial positive effects as of Q1 2014 – about EUR 60 mn in savings in 2014 as a whole
- Savings of EUR 120 mn 2015/2016
- Two-thirds from reductions in material costs, operating expenses, overhead, purchased services and greater operating efficiency
  - One-third derived from cuts in personnel expenses:
    - Reduction of up to 600 full-time equivalents in the Group
    - Generous redundancy program, extensive offering on the part of the labor foundation
    - Savings in personnel expenses thanks to alternative working time models
Segment Fibers

LEADING FIBER INNOVATION
World fiber production in 2013
Weak growth due to unsatisfactory global economic situation

Global fiber production in 2013: +1.6% to 85.4 mn tons
Man-made cellulose fibers in 2013: +9.6% to 5.8 mn tons

- **Wool**
  - +0.7% to 1.1 mn tons

- **Cotton**
  - -4.1% to 25.7 mn tons

- **Chemical fibers**
  - +4.3% to 58.5 mn tons

- **MMC fibers**
  - +9.6% to 5.8 mn tons

Source: Lenzing estimates
1) Man-made cellulose fibers (MMC) such as viscose, modal and TENCEL®, are included in the share of “chemical fibers” (58.5 mn tons)
Development of the cotton price
Cotton price remains the most important benchmark for fiber prices

- Price development lost considerable momentum following the speculative excesses of 2010/11, the extreme price fluctuations during the year and the subsequent price decline
- Intransparent cotton inventory policy in China comprises a high market risk

![Graph showing cotton prices from 2004 to 2013](image)

Source: Cotton Outlook
China’s policies dominate developments on the cotton market/1

- The importance of the Chinese fiber market for the global fiber price situation increased further in 2013
- A large share of the world’s cotton inventories is in China

Source: ICAC
China’s policies dominate developments on the cotton market

- At the end of the cotton harvest season 2012/2013, the stock-to-use ratio totaled about 116%
- This ratio is likely to climb to about 147% in 2013/14

Stock-to-use ratio for cotton

![Graph showing the stock-to-use ratio for cotton from 2000 to 2013. The graph compares China, global, and the world excluding China.](source: ICAC)
Fiber selling prices under pressure

Staple fiber prices – Development in China

In USD/kg

- Viscose
- Cotton
- Polyester

Begin of China’s price subsidies

Source: CCFG, Cotton Outlook
Viscose fiber prices in 2013

- **Excess production capacities in China**
  - Factories operated at the highest possible capacity in 2013 to generate cash, even if the earnings situation was unsatisfactory
  - Forward sales of fibers at cash cost
  - Market share gains of Chinese viscose producers due to aggressive price policies

- **Low Chinese viscose fiber prices stimulate Chinese fiber exports**
  - As a result, viscose price decreases also in Indonesia, Pakistan and Turkey

- **Chinese cotton prices above world market prices resulted in massive imports of cotton yarn – capacity utilization problems in the Chinese cotton industry**

- **Nonwovens qualities not impacted as much**

- **Specialty fibers Lenzing Modal® and TENCEL® still feature ongoing high price premiums compared to viscose**
Lenzing 2013: Record fiber sales

- Record fiber sales volumes of about 890,000 tons in 2013 (+10%)
- Asia is the most important market for Lenzing with 2/3 of total sales
- Sales growth due to first-time whole-year availability of Line 5 at SPV and higher production volumes at the TENCEL® plant in Mobile, USA
Sales development with textile and nonwoven fibers

- New record shipment volumes for Modal fibers
- New markets and areas of application opened up for TENCEL®
- Clear growth focus for nonwovens

![Bar chart showing sales volume (kt) from 2011 to 2013](chart.png)

- Nonwovens: +13%
- Textile: +9%
Construction of TENCEL® production plant in Lenzing fully on schedule

- Almost all technical equipment was already installed at the end of 2013
- Tests for individual plant components were already started
- Fiber production test runs to start in the middle of 2014
- 140 new high-quality jobs created
- Investment costs of about EUR 150 mn
Increased pulp production
Successful conversion of Paskov facility

- In spite of higher fiber production volumes, **Lenzing still produces about 50% of its own pulp needs.**
- Total output increased to 533,000 tons of dissolving pulp (2012: 407,000 tons)
- **Expansion and refitting program at Paskov (Czech Republic) largely completed in 2013**
  - Total costs of about EUR 100 mn
  - Production converted to 100% dissolving pulp
  - 100% total chlorine free (TCF)
Innovations in 2013

- **EUROCEL™:** Lenzing Fibers “Made in Europe“
  - New fiber blend consisting of 50% Lenzing Viscose® and 50% TENCEL®, both produced in Europe
  - High-end nonwovens quality for customers aiming to differentiate themselves from competitors based on regional origin and sustainability
  - Used mainly for hygienic applications as well as in the household and industrial sectors
Group results 2013
Low fiber prices burden sales

- Average fiber selling prices down to EUR 1.70/kilogram in 2013 (-13% from 2012)
- EUR 61.8 mn in sales decrease due to loss of external pulp sales from Paskov resulting from higher internal Group consumption
- Savings thanks to the excelLENZ cost reduction program

<table>
<thead>
<tr>
<th>IFRS</th>
<th>2013</th>
<th>20122)</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated sales (EUR mn)</td>
<td>1,908.9</td>
<td>2,090.4</td>
<td>-8.7</td>
</tr>
<tr>
<td>EBITDA (EUR mn)</td>
<td>225.4</td>
<td>352.4</td>
<td>-36.0</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>11.8</td>
<td>16.9</td>
<td>-</td>
</tr>
<tr>
<td>EBIT (EUR mn)</td>
<td>86.4</td>
<td>231.5</td>
<td>-62.7</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>4.5</td>
<td>11.1</td>
<td>-</td>
</tr>
<tr>
<td>Net profit for the period (EUR mn)</td>
<td>50.0</td>
<td>180.9</td>
<td>-72.3</td>
</tr>
<tr>
<td>Profit attributable to Lenzing shareholders (EUR mn)</td>
<td>50.1</td>
<td>175.6</td>
<td>-71.5</td>
</tr>
</tbody>
</table>

1) All figures include discontinued operations unless explicitly stated otherwise
2) The previous year’s figures were adjusted to changes in reporting (refer to Note 2 in the consolidated financial statements as at December 31, 2013)
Balance sheet with ongoing high equity ratio

- Decline in the balance sheet total
- Provisions for excelLENZ 2.0 adjusted in the 2013 financial statements
- Solid balance sheet structure

<table>
<thead>
<tr>
<th>IFRS</th>
<th>Dec. 31, 2013 (EUR mn)</th>
<th>Dec. 31, 2012 (EUR mn)</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet total</td>
<td>2,439.9</td>
<td>2,632.7</td>
<td>-7.3</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,324.5</td>
<td>1,275.2</td>
<td>+3.9</td>
</tr>
<tr>
<td>Adjusted equity¹)</td>
<td>1,109.6</td>
<td>1,153.1</td>
<td>-3.8</td>
</tr>
<tr>
<td>Adjusted equity ratio</td>
<td>45.5</td>
<td>43.8</td>
<td>-</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>504.7</td>
<td>346.3</td>
<td>+45.7</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>224</td>
<td>98²)</td>
<td>-</td>
</tr>
</tbody>
</table>

¹) Incl. investment grants less prop. deferred taxes
²) The previous year’s figures were adjusted to changes in reporting (refer to Note 2 in the consolidated financial statements as at December 31, 2013)
Outlook for the fiber market in 2014

Continuation of very difficult price situation

- **Ongoing volatile situation on the cotton market**
  - Experts expect further surplus production of cotton
  - As a consequence, further increase in cotton inventories
  - Subsidy policy for Chinese cotton continues to distort the market
  - Accordingly, no reliable price forecasts for cotton are possible

- **Volume demand for man-made cellulose fibers will remain strong**

- **No drastic increase in selling prices on the horizon**
  - World market prices for standard viscose fibers at a very low level at the turn of the year 2013/14
  - Excess production capacities in China for man-made cellulose fibers will persist
Outlook 2014: Year of Transition
Lenzing strives to raise volume to close to 1 mn tons

- **Speedy implementation of the excelLENZ 2.0 program**
  - One-off expenses already included in the 2013 financial statements
  - 2014: Cost savings of about EUR 60 mn
  - 2015: EUR 120 mn in cost reductions (annualized basis)
  - 2016: Sustainable cost savings of EUR 120 mn p.a.

- **Start-up phase for TENCEL® production in Lenzing**

- **Lenzing market offensive continues**
  - Even under current conditions, Lenzing aims to increase fiber sales volumes to close to 1 mn tons in 2014
  - However, added sales volumes will hardly be reflected in sales or earnings due to the expected weak development of fiber selling prices
Megatrends remain valid for Lenzing
Sales record demonstrates intact demand for Lenzing fibers

Global fiber market

Population growth/Emerging markets
Rising standard of living
Age structure in the developing countries
Volatility/Availability of all agro-based raw materials
“Cellulose gap”
Sustainability & climate change
Thank you for your attention!
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Market strategy: Intensify sales of specialty fibers

- Lenzing stands out from the mass market due to ongoing innovations and new types of fibers
  - Spun-dyed Lenzing Modal® COLOR fibers
  - TENCEL® microfibers
  - Flame-resistant TENCEL® fibers
- Specialty fibers such as Lenzing Modal® and TENCEL® continue to achieve attractive price premiums of more than 50% compared to standard viscose fibers
- New regions and applications being opened up for TENCEL®
- Preparations fully underway for the start of TENCEL® production in Lenzing
Innovations of 2013/Textile fibers

- **Flame-resistant fibers for public transportation:** Lenzing FR® Divan fibers
  - Particularly strict safety guidelines must be fulfilled
  - Lenzing FR® impresses due to the fact that the fiber does not melt, drip or afterglow in case of fire

- **TENCEL® in upholstery fabrics**
  - Used in sofas for the first time
  - Intensive colors, velvety sheen
  - Lower electrostatic charging
  - Can be laundered at home

- **TENCEL® in construction**
  - Further development e.g. TENCEL® additives as stabilizing factor for applications with concrete