75
YEARS OF INNOVATION

PRESS CONFERENCE
Results First Half-Year 2013
Vienna, August 21, 2013
H1 2013 in Transformation

- Guidance delivered
- Respectable results in a difficult market environment
  - Sales: EUR 989.9 mn (H1 2012: EUR 1,061.8 mn)
  - EBITDA: EUR 162.0 mn (H1 2012: EUR 193.6 mn)
- Good volume demand for Lenzing fibers
  - New record fiber sales volume of 438,000 tons (+12.5% from H1 2012)
  - Continuing high price premiums for specialty fibers Modal and TENCEL® against the backdrop of declining fiber selling prices
- Countermeasures successfully initiated
  - Positive impact of excelLENZ, sets the course for H2 2013
- Sale of Business Unit Plastics successfully concluded
Economic environment
Snapshot at the middle of 2013

**GDP – Gross Domestic Product**
(H1 2013* & FY 2012, year-on-year growth in %)

- **China**: 7.8, 7.6
- **Indonesia**: 6.2, 5.9
- **USA**: 2.2, 1.4
- **Turkey**: 2.2, 3.0
- **Eurozone**: -0.6

- Weak global economy continues:
  - Boom phase is over in many emerging markets
  - The US recovery will take some time
  - Europe progressing only slowly

Source: Haver Analytics; Eurostat; National Bureau of Statistics China; Bureau of Economic Analysis/U.S. Department of Commerce

*China, eurozone, USA, Japan, Indonesia: H1 2013; Turkey: Q1/2013 – latest figures
Difficult environment here to stay
Low visibility: macro-economy, fiber market, MMC\textsuperscript{1} prices

- **Difficult environment throughout H1/2013**
  - Q1 and Q2 did not produce catalysts for macro-economic development in the future (Asia, especially China and India; Europe)
  - Distorted supply-demand dynamics

- **Worldwide fiber market continues to grow**
  - Cotton continues to set the price point for all fibers (MMC, synthetics)
  - 3\textsuperscript{rd} season of cotton production surplus (above consumption)

- **Viscose spot prices in China stable but on a low level**
  - Chinese viscose industry is still loss making but struggles to service debt from past expansions projects and is desperate for cash

1) Man-Made Cellulosics
Cotton market dynamics

**Short-term**
- Potential price pressure due to significant cotton stock levels (depending on Chinese cotton reserve policy)
- The cotton stock-to-use ratio is expected to return to normal levels (approx. 50%) only over 1.5 – 2.5 years on a worldwide basis

**Long-term**
- Trend to higher cotton prices driven by worldwide rising production costs
- Competition with other crops and reduction of arable land (urbanization, climate change) might put further upward pressure on cotton prices

Source: ICAC, Lenzing Intelligence
**excelLENZ Program**

**Measures are succeeding – double-digit million euro savings**

- **excelLENZ Program** launched at the beginning of 2013

- **Costs**: Savings of EUR 16 mn already generated
  - Focus
    - in purchasing, maintenance
    - by evaluating the timeline of new investment projects

- **Top line/sales**: efforts led to record fiber sales volumes in H1 2013

- **CAPEX**: Total of EUR 260 mn expected for entire year 2013 (2012: EUR 346 mn) although investments in H1 matched the prior-year level
World fiber market – long-term
Our long-term assumptions continue to be valid

Global megatrends remain unbroken:

- Population growth
- Increasing prosperity
- Sustainability

In 2010-2020 the world fiber market is predicted to grow 3.3% p.a.

Market for man-made cellulose fibers will expand faster than GNP:

- Average growth 9% (base case)
- Minimum of 3% to a
- Maximum of 13% p.a.
What has changed in the short- and medium-term?

- Slight changes in the cotton market have major effects on the man-made cellulose fiber market.

- Market boasts a sufficient supply of cotton until 2015.

- Surplus viscose production capacities in China prevent selling price from rising.

- Excess capacities for dissolving pulp serve as the basis for price competition for viscose.
Adaptation of Lenzing’s strategy

Lenzing adjusts pace of growth to market conditions

- Short- and medium-term strategy was adjusted to future market environment
- Even stronger focus on Lenzing specialty fibers
  - Major strategic investments such as TENCEL® in Lenzing will continue as planned
  - Focus on the scaling of TENCEL®
  - Further specialization of Lenzing Modal®
- Viscose remains the largest pillar, but further viscose expansion projects only if high profitability is ensured
- Financial effects
  - Focus on cash management and net financial debt
  - Attractive EBITDA margins in all areas based on strict cost discipline
- Sustainable target: controlled and profitable organic growth with a focus on specialty fibers
The 5 most important tenets of Lenzing‘s strategy

- Focus on customers
- Focus on Asia
- Focus on TENCEL®
- Focus on innovation and applications
- Focus on profitable growth
Record fiber shipment volumes and increasing share of specialty fibers

- Significant increase in fiber production and shipment volumes
  - Record fiber shipment volume of 438,000 tons in H1 2013
  - Inventories at a low level
- Declining selling prices negatively impact sales and earnings
- Higher share of specialty fibers
  - Lower production volume of TENCEL® due to standstill at Heiligenkreuz plant

<table>
<thead>
<tr>
<th>EUR mn</th>
<th>1-6/2013</th>
<th>1-6/2012</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment sales</td>
<td>893.0</td>
<td>955.9</td>
<td>-6.6</td>
</tr>
<tr>
<td>Segment EBITDA</td>
<td>125.4</td>
<td>182.9</td>
<td>-31.4</td>
</tr>
<tr>
<td>Segment EBIT</td>
<td>69.9</td>
<td>132.6</td>
<td>-47.3</td>
</tr>
</tbody>
</table>
Q2: Volumes and prices as expected
Downward trend for selling prices continued – despite sales record

1) Core fiber segment sales, excluding sales of co-products and external sales of pulp, wood and energy
2) Based on rounded figures
New applications for TENCEL® in the construction industry

- **Wall plasters**
  - Pasty plasters require fibers for structure and stability
  - TENCEL® is ideally suited due to fineness of the fiber, which can be produced in the desired length

- **Concrete**
  - TENCEL® as a stabilizer instead of chemical additives
  - Reference project: Vienna subway system
MicroModal® AIR for Palmers

- MicroModal® AIR is the lightest Modal fiber on the market
  - Extreme lightness and fineness
  - Fiber diameter of only 0.8 dtex
  - Ideal for figure-hugging textiles

- New Palmers collection
  - “La Dolce Vita“ – Retro-charm in the style of the 1950s and 60s
TENCEL® plant in Lenzing – construction proceeding as planned

- Foundation and structural work completed
- Media supply lines completed
- The core element – the spinning facility – is currently being installed
- Main activities at present: piping and electrical system
Segment Engineering

- Incoming orders in H1 2013 slightly lower than in 2012, order volume at a high level
- Fiber and pulp technology profited from extensive investment activity on the part of Lenzing and Paskov

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<th>1-6/2013</th>
<th>1-6/2012</th>
<th>Change in %</th>
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<tbody>
<tr>
<td>Sales</td>
<td>66.0</td>
<td>58.3</td>
<td>13.2</td>
</tr>
<tr>
<td>Segment EBITDA</td>
<td>4.3</td>
<td>4.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Segment EBIT</td>
<td>3.4</td>
<td>3.3</td>
<td>3.0</td>
</tr>
</tbody>
</table>
Solid H1 2013
despite a difficult market

<table>
<thead>
<tr>
<th>IFRS</th>
<th>1-6/2013 (EUR mn)</th>
<th>1-6/2012 (EUR mn)</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>989.9</td>
<td>1,061.8</td>
<td>-6.8</td>
</tr>
<tr>
<td>EBITDA</td>
<td>162.0</td>
<td>193.6</td>
<td>-16.3</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>16.4</td>
<td>18.2</td>
<td>-</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>65.3</td>
<td>100.1</td>
<td>-34.7</td>
</tr>
<tr>
<td>Earnings per share (EUR)</td>
<td>2.41</td>
<td>3.66</td>
<td>-34.2</td>
</tr>
</tbody>
</table>

**Sales**
- Higher fiber shipment volumes could not fully compensate for significantly lower average fiber selling prices
- Paskov: more dissolving pulp used internally by the Lenzing Group – loss of external sales of about EUR 42.5 mn

**Earnings**
- Good margin due to effect of Plastics sale and excelLENZ program
Robust financial indicators
Net financial debt largely stable compared to Q1 2013

- Net debt increase of EUR 11 mn thereof:
  - Net effect Plastics sale: EUR +62 mn
  - Dividend payment: EUR -53 mn
  - Cash taxes: EUR -11 mn
  - Net interest: EUR -5 mn
  - Change in working capital: EUR -5 mn

- Total liquidity cushion of EUR 610 mn
  - EUR 408 mn cash
  - EUR 201 mn of unused credit lines

- Adjusted equity of EUR 1,155 mn
  - 45.2% equity ratio (Q1/2013: 45.1%)
  - Net financial debt to equity: 36.8%

1) December 31
2) March 31, 2013
3) June 30, 2013
4) Major influencing factors
Market outlook
Assumptions for H2 2013

- **World fiber market**
  - No impetus provided by global economy in H2 2013
  - Largely unchanged volume demand
  - Ongoing high cotton inventories prevent price increases for all fibers

- **Man-made cellulose fiber industry**
  - Chinese manufacturers operate at high utilization rates to generate short-term cash
  - Lower prices for dissolving pulp support this situation
  - Further price adjustments for viscose fibers cannot be excluded in H2 2013
Outlook: Entire Year 2013
Incl. effects from the sale of 85% of Business Unit Plastics

- **Sales**: down EUR 150 mn from original forecast, of which EUR 60 mn due to the deconsolidation of Business Unit Plastics sales in H2 2013, lower fiber selling prices and sales volumes compared with the old outlook

- **EBITDA**: EUR 20 mn effect from sale of Plastics (+ EUR 26 mn from Plastics sale, - EUR 6 mn from deconsolidation effect in H2 2013)

- **Average fiber selling price** comprised of EUR 1.76/kg in H1 2013 and expected EUR 1.70/kg in H2 2013

- **Sales volumes**: Increase of more than 12% despite technically-related production downtime in Q1 and Q2

- **CAPEX**: Significant decline compared to 2012 level of EUR 346 mn due to countermeasures implemented at an early stage

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>(Previously)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>approx. EUR <strong>2.0</strong> bn</td>
<td>(2.15 – 2.25)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>approx. EUR <strong>280</strong> mn</td>
<td>(260 – 290)</td>
</tr>
<tr>
<td>EBIT</td>
<td>approx. EUR <strong>160</strong> mn</td>
<td>(140 – 170)</td>
</tr>
<tr>
<td>Ø Selling price</td>
<td>approx. EUR <strong>1.72</strong> per kg</td>
<td>(1.80 – 1.90)</td>
</tr>
<tr>
<td>Sales volume</td>
<td>approx. 910,000 tons</td>
<td>(920,000)</td>
</tr>
<tr>
<td>CAPEX</td>
<td>approx. EUR <strong>260</strong> mn</td>
<td>(260)</td>
</tr>
</tbody>
</table>
Thank you for your attention!
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