EANS-Adhoc: Lenzing AG / Difficult Market Situation Continued in Q1/2014 - Countermeasures Have a Positive Impact

Financial Figures/Balance Sheet/quarterly report

- New record sales volume of 235,000 tons (+9%) in Q1/2014
- Declining average fiber selling prices burden consolidated sales and earnings
- Cost optimization program excelLENZ exceeds targets

The first quarter of 2014 for the Lenzing Group was characterized by the steady erosion of selling prices for man-made cellulose fibers against the backdrop of the ongoing strong volume demand. Lenzing is doing its best to counteract the difficult market conditions thanks to a new record volume of fiber sales and the speedy implementation of the cost optimization program excelLENZ. Nevertheless, these measures were not sufficient to prevent a considerable decline in sales and earnings.

Consolidated sales amounted to EUR 451.7 mn in the first quarter of 2014, comprising a drop of 9.0% from EUR 496.5 mn Q1 in 2013. Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) amounted to EUR 46.3 mn in the first quarter of 2014, down 30.2% from EUR 66.3 million in the previous year, corresponding to an EBITDA margin of 10.2% (Q1 2013: 13.4%). Earnings before interest and tax (EBIT) fell 52.3% to EUR 16.7 mn compared to the good comparative level of EUR 35.1 mn in the first quarter of 2013. This comprised an EBIT margin of 3.7% (Q1 2013: 7.1%). The profit for the period amounted to EUR 7.7 mn, a drop of 63.1% from the prior-year figure of EUR 20.9 mn.

Adjusted Group equity as of the end of March 2014 rose to EUR 1,118.2 mn, corresponding to an adjusted equity ratio of 46.6% of total assets (December 31, 2013: 45.5%). The net financial debt was reduced to EUR 500.4 mn.

Cost optimization program exceeds targets
"Market headwinds remain strong, but we are making every effort to vigorously stand up against these unfavorable conditions with a broad range of countermeasures. Our comprehensive cost optimization program excelLENZ is having a positive impact, and already became fully effective in the course of the first quarter of the year", explains Chief Executive Officer Peter Untersperger. "In spite of the latest round of wage and salary increases, personal expenses could be pruned by 9.5% in the first three months of the year. Material costs were significantly reduced on the basis of process optimization steps and efficiency improvements. In the future we will be more streamlined and in a position to act more quickly and react more effectively to market developments, and thus be positioned as a considerably more cost-optimized company thanks to a large number of organizational and operational improvements," says a confident Peter Untersperger.

Fiber production plants operating at full capacity, specialty strategy has proven its worth Lenzing succeeded in operating all its fiber production facilities at full capacity, achieving a new quarterly record sales volume of 235,000 tons in the first three months of 2014, a rise of 9% from the prior-year quarter. However,average fiber selling prices equaled EUR 1.56 per kilogram in the first quarter of the year, almost 12% lower than the comparable level of EUR 1.77 per kilogram in Q1 2013.

The counter-strategy initiated by Lenzing in the previous year featuring a greater focus on specialty fibers proved to be successful. In the first quarter of 2014, Lenzing generated very good sales volumes for its specialty fiber Lenzing Modal® in the first quarter of 2014 along with an ongoing attractive price premium compared tostandard viscose fibers which surpassed the average for 2013. A stable price premium at the same level as in 2013 was also achieved for TENCEL®.

Successful trial runs at the new jumbo TENCEL® plant in Lenzing
As scheduled, the jumbo production facility for TENCEL® at the Lenzing site entered its final construction phase at the end of the first quarter of 2014. The technical approval and inspections of the new machinery were already

successfully concluded. Trial runs in the fiber production process were carried out, and the first TENCEL® fibers were shipped as ramp-up quantities. From today's perspective, the first marketable fibers from the new TENCEL® plant should leave the production lines around the middle of 2014 as planned.

Outlook

For the time being, no fundamental change in the current situation on the man-made cellulose fiber market is expected in the upcoming months of 2014. The historically high cotton inventories in China and the unclear Chinese cotton policy have led to considerable uncertainties on the fiber market. For these reasons, a reduction and thus further weakening of global viscose fiber selling prices is anticipated. It is likely to take several quarters until the existing surplus production capacities for viscose fibers are reduced by growing volume demand.

In the light of these difficult conditions, Lenzing is pursuing a strategy of resolutely marketing its specialty fibers Lenzing Modal® and TENCEL®, ensuring cash optimization and strictly implementing the cost reduction and efficiency enhancement program excelLENZ. From today's perspective, the targeted cost savings from the excelLENZ program of EUR 160 mn in the years 2013, 2014 and 2015 seem to be realistic. Lenzing is striving to generate cost savings well above EUR 60 mn in 2014. For the most part, these cost reductions are of a structural and thus sustainable nature and should continue generating comparable annual savings beyond the year 2015.

Key Group indicators (IFRS) in EUR mn	1-3/2014	1-3/20131
Consolidated sales	451.7	496.5
EBITDA	46.3	66.3
EBITDA margin in %	10.2	13.4
EBIT	16.7	35.1
EBIT margin in %	3.7	7.1
Profit for the period	7.7	20.9
CAPEX2	36.6	56.5

	March 31, 2014	Dec. 31, 2013
Adjusted equity ratio3in %	46.6	45.5
Number of employees at period-end	6,479	6,675

1) The previous year's figures were adjusted due to reporting changes (see Note 2 to the consolidated interim financial statements).
2) From continued operations; EUR 0.7 mn were invested in discontinued operations in the period January to March 2013
3) Equity incl. government grants less prop. deferred taxes

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