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Chairman Peter Untersperger: Strategic vertical backwards integration

Lenzing AG, quoted at the Vienna stock exchange and world market leader in cellulose fibers, acquires a 75 % share in Czech pulp producer Biocel Paskov A.S. The seller, the Austrian Heinzl Holding will keep a 25 % share in the company and manage paper pulp distribution.

Biocel paper pulp production capacity runs to about 280,000 tons per year. Lenzing intends to invest EUR 50 mill. in the site's capacity expansion, measures to increase energy efficiency and recovery systems. Biocel Paskov in the medium and long run will provide Lenzing with the option of producing paper pulp as well as dissolving pulp for fibers.

The transaction is pending anti-trust authority approval. The price is in the range of six to seven times Biocel's EBITDA.

Peter Untersperger, chairman of the Lenzing management board reasons: "The acquisition of Biocel is an important strategic step towards the Group's long-term extension of its vertical backwards integration. The expansion and restructuring of the site into a swing capacity producer of pulp will enable us to flexibly adjust to given pulp market situations and to either produce dissolving pulp for our fiber production or paper pulp for external customers. The acquisition is part of a hedging strategy to protect Lenzing from the impact of high pulp price volatility."

In view of the dynamic expansion in business field fibers sustainable pulp supply is becoming an issue of growing importance to Lenzing.

Friedrich Weninger of the Lenzing management board and in charge of fiber business comments: "The existing pulp supply structure of the Lenzing Group which is characterized by our own pulp production, long-term supply contracts and spot purchases will not be affected by the acquisition of Biocel for the time being."

Biocel meets strict European ecological standards. The company processes spruce wood from certified forestry, ensuring ecological reliability of the raw material. Biocell, moreover, uses the same magnesium bisulfite process as the pulp factory at the Lenzing site. Lenzing is the global technology leader of this process.

The former state-owned pulp factory Biocel Paskov started production in 1985 and was modernized to ecological standards in the 90ies. The group of Austrian industrialist Alfred Heinzl acquired the factory in 2001 and continued its modernization. Since 2004 Biocel has been cooperating with the neighboring sawmill of the Austrian wood industry group Mayr Melnhof from which it obtains half of its raw materials in the form of wood chips. Biocel currently employs a staff of 380 and generates annual sales of about EUR 114 mill.

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