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EANS-Adhoc: Lenzing AG / Persistently Difficult Market Environment, Cost Savings Measures Positively Impact Results

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Financial Figures/Balance Sheet/quarterly report
13.11.2014

- Q1-3 EBITDA of EUR 159.8 mn (down 16% from the previous year)

The Lenzing Group is working to counteract the ongoing difficult market environment prevailing in the fiber industry. Sales and earnings declined in the first nine months of 2014 compared to the prior-year performance, but cost savings are having a positive impact. This led to a slight earnings improvement in the third quarter of 2014, the first time in about two years. Further cost reductions are planned in light of the fact that no significant impetus is expected from the market.

Ongoing weak fiber prices burden Q1-3 sales and earnings

The decline in the average fiber selling prices and the high volatility on the fiber market continue to negatively impact the company's business operations. Consolidated sales decreased by 6.2% to EUR 1,357.7 mn in the first three quarters of 2014, down from EUR 1,447.0 mn in the previous year. More than half of the sales drop is due to the non-recurring effects relating to the disposal of the Business Unit Plastics in 2013. Consolidated sales were down by 2.8% in a like-for-like comparison. Average fiber selling prices of the Lenzing Group fell to 1.55 EUR/kg compared to 1.73 EUR/kg in the first three quarters of 2013. The price decline could not be fully offset by increasing fiber production and sales volumes, in part as a result of the successful start-up of the new TENCEL® fiber manufacturing facility at the Lenzing site. Fiber sales volumes rose by 7% year-on-year to 706,900 tons in the first nine months of 2014.

In a like-for-like comparison of continuing operations, consolidated EBITDA^[1] in the first nine months of the year amounted to EUR 159.8 mn, a 16.0% decrease compared to EUR 190.2 mn for Q1-3 2013. This corresponded to an EBITDA margin of 11.8% (Q1-3 2013: 13.6%). Consolidated nine-month earnings before interest and taxes (EBIT) amounted to EUR 69.5 mn, a drop of 34.8% from EUR 106.6 mn in the previous year. This comprised an EBIT margin of 5.1% (Q1-3 2013: 7.6%). As a consequence of the excellENZ program, the number of employees working for the Lenzing Group fell to 6,352 people as at September 30, 2014 (December 31, 2013: 6,675) despite the full operation of the new TENCEL® fiber production plant in Lenzing.

Third-quarter earnings reflect cost reductions

The third-quarter 2014 performance of the Lenzing Group was marked by a slight year-on-year earnings improvement as well as in comparison to the second quarter of 2014. "The measures are succeeding. The earnings improvement is mainly attributable to the excellENZ cost-cutting drive but also from the first fiber sales volumes produced by the new TENCEL® fiber plant in Lenzing", says Lenzing CEO Peter Untersperger.

In spite of higher sales volumes, consolidated sales in the third quarter of 2014 stagnated at EUR 457.7 mn compared to the prior-year level of EUR 457.1 mn, which is due to the lower average fiber selling prices. Nevertheless, third-quarter EBITDA rose to EUR 68.0 mn (Q3 2013: EUR 61.8 mn), and EBIT in the third quarter of 2014 totaled EUR 37.1 mn (Q3 2013: EUR 33.4 mn), whereas EBT improved to EUR 33.3 mn from the figure of EUR 28.2 mn in the prior-year quarter.

Implementation of further cost savings

"We expect cost savings exceeding EUR 90 mn for the entire year 2014, of which about one quarter involves personnel expenses. The remaining cost decreases equally relate to reduction in material costs and savings derived from efficiency projects to cut general and administrative expenses", adds CEO Untersperger. "Planning work has begun to enable a further improvement of the Lenzing Group's cost structure to be achieved in 2015. Starting in 2016 we will achieve sustainable cost reductions of over EUR 160 mn p.a. These measures are designed to safeguard the long-term competitive strength of the company and its self-financing capacity for future investments."

Outlook Lenzing Group

The global market for man-made cellulose fibers will continue to be impacted in the upcoming months by low pulp prices and surplus fiber production capacities against the backdrop of good volume demand.

The successful ramp-up of the TENCEL® fiber plant in Lenzing, the initiated improvements in the product mix, and the strong expansion of marketing and sales activities along the entire value chain will improve the company's market position and its relative competitive strength. In addition to an intensification of the excellENZ cost reduction program, the realignment initiative in the fields of Lenzing Technik, site maintenance and repair services will make an important contribution towards achieving operational improvements at Lenzing.

Key Group indicators

(IFRS) in EUR mn	1-9/2014	1-9/2013(1)
Consolidated sales	1,357.7	1,447.0
EBITDA(2)	159.8	190.2
EBITDA margin(2) in %	11.8	13.6
EBIT(2)	69.5	106.6
EBIT margin(2) in %	5.1	7.6
Profit for the period(2)	44.3	65.7
CAPEX(3)	84.8	180.6

	Sep. 30, 2014	Dec. 31, 2013
Adjusted equity ratio(4) in %	46.9	45.5
Number of employees at period-end	6,352	6,675

1) The prior year figures were restated due to changes in presentation (see Note

2 to the interim consolidated financial statements).

2) From continued operations

3) Comprising investments in intangible assets, property, plant and equipment.

01-09/2013 incl BU Plastics

4) Equity incl. government grants less prop. deferred taxes.

[1] Earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets and before income from the release of investment grants.

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