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## EANS-Adhoc: Lenzing AG / Operating Results in 2014 Exceed Expectations, Higher Cost-Saving Targets Achieved

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annual result/Company Information

24.03.2015

- Dividend proposal: EUR 1.00 per share
- Record sales volumes against the backdrop of declining fiber selling prices
- Countermeasures have a positive impact and improve operating results

Ongoing strong demand enabled Lenzing to achieve a new record sales volume of 960,000 tons (+ 8%) in the 2014 financial year against the backdrop of a further drop in fiber selling prices and a very challenging market environment once again. Operating results could be substantially improved thanks to the implementation of the excellENZ program and its subsequent intensification. The Management Board will propose to the Annual Shareholders' Meeting that a dividend of EUR 1.00 per share (2013: EUR 1.75 per share) be distributed to shareholders for the 2014 financial year.

In the 2014 financial year, consolidated revenue fell slightly by 2.3% to EUR 1.86 bn from EUR 1.91 bn in the previous year. The main reasons for this development were the sale of the Business Unit Plastics in the course of 2013 as well as the average fiber selling prices of the Lenzing Group, which once again fell by about 8% during the year under review to EUR 1.57 per kilogram. On a like-for-like basis of continuing operations, consolidated revenue remained at a constant level (up 0.3% from EUR 1,859.0 mn in 2013 to EUR 1,864.2 in 2014).

Countermeasures have a positive impact

In spite of the low prevailing selling prices, Lenzing generated a significant improvement in its operating results. EBITDA<sup>[1]</sup> (earnings before interest, taxes, depreciation and amortization) of the Lenzing Group rose by 24.0% from the challenging 2013 financial year from EUR 193.9 mn to EUR 240.3 mn. The EBITDA margin<sup>[2]</sup> climbed to 12.9% (2013: 10.4%). This substantial rise in earnings can be attributed to massive cost savings achieved within the context of the excellENZ program, improvements in the product mix and the new TENCEL® fiber production plant in Lenzing accompanied by an overall leaner organizational structure.

"Our cost reduction program led to savings far in excess of EUR 100 mn in 2014", says Peter Untersperger, Chief Executive Officer of the Lenzing Group. "We will generate structural and sustainable savings of about EUR 160 mn p.a. by 2016, about double the amount as originally budgeted. The operating results in 2014 show that Lenzing is well on track to assume cost leadership in the man-made cellulose fiber industry again".

About one quarter of the cost reductions involved personnel expenses, with remaining cost decreases equally relating to reductions in material costs and operating efficiency improvements as well as cost reductions in general administrative expenses.

Value adjustments negatively affect EBIT and annual result

Due to the changed medium-term viscose fiber selling price expectations, write-offs in the valuation of goodwill, property, plant and equipment and other intangible assets was carried out for the subsidiaries PT. South Pacific Viscose (Indonesia) and Lenzing Nanjing Fibers (China) to the amount of EUR 94.0 mn. Accordingly, earnings before interest and taxes (EBIT) fell to EUR 21.9 mn from

the prior-year EBIT of EUR 58.6 mn. As a result of these non-recurring non-cash effects, the Lenzing Group reported a net loss of EUR 14.2 mn in 2014.

#### Market environment requires further countermeasures

"We also do not anticipate any far-reaching price recovery in 2015", says Robert van de Kerkhof, Chief Commercial Officer of the Lenzing Group. "The massive drop in oil prices put downward pressure on polyester prices, which in turn additionally burdened viscose fiber prices. This was accompanied by cotton inventories bursting at the seams and ongoing surplus production capacities of China's viscose fiber industry. In addition to cost optimization measures, we will focus more intensively on promoting our high quality specialty fibers, in particular TENCEL® and Lenzing Modal®," he adds.

By leveraging the price premiums of TENCEL® and Lenzing Modal® compared to standard viscose fibers and due to currency effects, Lenzing fiber selling prices rose once again in the fourth quarter of 2014 for the first time compared to previous quarterly periods. The successful ramp-up of the TENCEL® jumbo fiber production plant at the Lenzing site in Upper Austria in the second half of 2014 made a major contribution to this development. The new TENCEL® fiber plant with an annual capacity of 67,000 tons is the world's largest and most technologically advanced of its kind, and secures 140 top quality jobs at the Lenzing site.

#### Reduction in net financial debt

"On the basis of active cash management, we succeeded in reducing the net financial debt in 2014 to EUR 449.5 mn from EUR 504.7 mn at the end of 2013. Lenzing can point to a very healthy balance sheet, featuring a net gearing of 42.2% and an adjusted equity ratio of 44.9%", says Chief Financial Officer Thomas Riegler, commenting on the consolidated financial statements for 2014.

Investments in intangible assets, property, plant and equipment (cash CAPEX) were significantly cut back in the 2014 financial year to EUR 104.3 mn (2013: EUR 248.7 mn incl. Business Unit Plastics). The focal point of the investment activity was completion of the TENCEL® fiber production plant at the Lenzing site as well as efficiency and modernization investments in the fields of energy and fiber production.

#### Outlook for 2015

The difficult economic environment affecting the fiber industry hardly changed in the first weeks of 2015 compared to the third and fourth quarters of the year under review. The difficult market environment on the market for standard viscose fibers is expected to continue in 2015.

From an operational perspective, a further improvement of the product mix in the textile segment, especially increasing specialty sales such as Lenzing Modal® and TENCEL® fibers will be at the heart of Lenzing's efforts. The company started the new financial year registering dynamic demand for TENCEL®.

The Lenzing Group is striving to further consolidate its global competitive positioning by strengthening the commercial organization, resolutely continuing its excellENZ program in 2015 and by restructuring the technical areas (engineering and maintenance operations, workshops and Lenzing Technik).

#### Key Group indicators (IFRS)

(in EUR mn)	1-12/2014	1-12/2013(1)
Group revenue	1,864.22	1,858.97
EBITDA	240.3	193.9
EBITDA margin in %	12.9	10.4
EBIT	21.9	58.6
EBIT margin in %	1.2	3.2
Profit/loss for the period	-14.2	30.6
CAPEX	104,3	248,4

	Dec. 31, 2014	Dec. 31, 2013
Adjusted equity ratio <sup>2</sup> in %	44.9	45.5
Number of employees at period-end	6,356	6,675

- (1) On a "like for like" basis  
(2) Equity incl. investment grants less prop. deferred taxes

Download link pictures:  
<https://mediadb.lenzing.com/pindownload/login.do?pin=GIDSY>

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[1] All of the following comparative figures refer to continuing operations ("like-for-like")  
[2] % relation of earnings before interest, taxes, depreciation and amortization to revenue

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