EANS-Adhoc: Lenzing AG / Lenzing Revises Guidance for the 2013 Financial Year

Earnings Forecast/quarterly report

-EBITDA of EUR 220 - 230 mn expected for 2013
-Material costs and personnel expenditures to be reduced by EUR 120 mn p.a. until 2015
-All fiber production facilities will continue to operate at full capacity

The Lenzing Group, the world's leading producer of man-made cellulose fibers, achieved business results in line with expectations in the first three quarters of 2013 in spite of unfavorable market conditions. This can be attributed to the countermeasures which are already underway. Consolidated sales amounted to EUR 1,447.0 mn, a decline of 7.7% from the comparable level of EUR 1,567.5 mn in the previous year. Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) continued to be at a good level, amounting to EUR 223.8 mn in the first nine months of 2013, a drop of 20.5% from the prior-year figure of EUR 281.5 mn. This comprised an EBITDA margin of 15.5% (Q1-3/2012: 18.0%). Earnings before interest and tax (EBIT) in the first nine months of the year fell by 33.0% to EUR 136.4 mn, down from EUR 203.4 mn. On the basis of the anticipated weaker fourth quarter of 2013, Lenzing revised its guidance for the entire year 2013 downwards. Lenzing now expects EBITDA of between EUR 220 - 230 mn in 2013 (last guidance: EUR 280 mn).

In the light of the ongoing difficult market situation, Lenzing has decided to proactively implement a massive, far-reaching cost optimization program. The initiative will enable cost savings of EUR 120 mn p.a. until 2015 as a means of safeguarding Lenzing's cost leadership on the global market for man-made cellulose fibers. In this way Lenzing is responding to the current difficult market environment, which has led to increasingly fierce price competition.

"The difficult market situation will continue in 2014 and possibly well into 2015. We will resolutely counteract this unfavorable situation and adjust our cost structures to the new circumstances as quickly as possible", says Peter Untersperger, Chief Executive Officer of Lenzing AG. "Our aim must not only be to expand our quality leadership and innovative strength on a sustainable basis, but also to regain the cost leadership in our industry. We continue to see attractive growth potential for our products, but we are already preparing ourselves today as optimally as possible for the increasingly tough competition. Cost discipline and cash generation will be our targets over the coming years."

In particular, the sales and marketing organization will be strengthened as part of the current reorganization project. The entire organization will sharpen its focus to more strongly orient its activities to the important fiber markets of Asia and Turkey. Sales efforts in China especially will be expanded on the basis of additional technical experts and market development capabilities.

Lenzing will continue to invest, particularly in developing TENCEL®for high quality textile applications and sustainable nonwoven applications. Demand for Lenzing Modal®remains strong.

The expanded cost optimization program "excelLENZ 2.0" is a further, comprehensive step to sustainably safeguard earnings and future investment projects. It complements the initial "excelLENZ" cost-saving program which has been underway since the beginning of the year as well as the organizational restructuring of the Group. Improvement potential for all cost modules encompassing all operating units has been defined over the past weeks. The measures to be implemented on this basis will not only result in savings in material costs but also massive reductions in operating expenses and overhead, extensive increases in operating efficiency as well as a reduction in the total number of employees. All global sites will be affected. The staff at the Group's largest production site in Lenzing, Upper Austria will likely be downsized by up to 15% from the current level of about 2,600 employees (including retiring employees and unfilled vacancies). On balance, a total of up to 600 jobs will be cut or vacant positions not filled.

The individual measures will be quickly carried out in the coming months, and thus already partially impact earnings in 2014. Lenzing expects one-off expenses related to the implementation of the "excelLENZ 2.0" drive in the mid double-digit euro range.

Sales and earnings in the first three quarters in line with expectations
In spite of the increasingly difficult market environment, business of the Lenzing Group in the first three quarters of 2013 developed in line with expectations. The downward pressure on selling prices could at least be partially offset by significantly higher fiber shipment volumes, cost savings and a marketing drive for specialty fibers Lenzing Modal®and TENCEL®.

Fiber production facilities were operating at full capacity during the first three quarters of the year. Fiber shipment volumes increased to approximately 660,000 tons due to capacity expansion measures, up 12% from the prior-year level of 590,000 tons. However, average fiber selling prices of the Lenzing Group were at EUR 1.73 per kilogram, about 14% lower than in the previous year. The underlying reason was the price and margin pressure in China as a consequence of surplus production capacities. This development intensified further in the third quarter and influenced all other key sales markets.

The EBITDA of EUR 223.8 mn and the EBIT of EUR 136.4 mn include the one-off proceeds totaling EUR 24.8 mn mainly from the sale of the Business Unit Plastics. The financial result amounted to minus EUR 19.1 mn in the first three quarters of 2013 (Q1-3/2012: minus EUR 7.4 mn). This led to a profit for the period of EUR 86.6 mn, a decrease of 44.2% year-on-year from EUR 155.1 mn in the first three quarters of 2012. Earnings per share, calculated on the basis of Lenzing shares outstanding, were EUR 3.21 in the first nine months, down from EUR 5.67 in the previous year.

Investments in intangible assets and property, plant and equipment (CAPEX) totaled EUR 180.6 mn in the first nine months of 2013, below the prior-year level of EUR 213.7 mn. The focal point of the investment activity on the part of the Lenzing Group was construction of the new large-scale TENCEL®production plant at the Lenzing site, completion of the conversion and refitting work at the Paskov/CZ pulp plant as well as infrastructure investments. Adjusted Group equity as of the end of September 2013 rose slightly to EUR 1,163.4 mn, up 0.9% from the comparable figure of EUR 1,153.1 mn at the end of 2012. This corresponded to an adjusted equity ratio of 46.2% of total assets (December 31, 2012: 43.8%). Due to the investment activity of the Lenzing Group, net financial debt increased to EUR 461.2 mn in the first nine months of 2013: (December 31, 2012: EUR 346.3 mn). Accordingly, net gearing was 39.6% (December 31, 2012: 30.0%).

The number of employees in the Lenzing Group as at September 30, 2013 totaled 6,772 people, down from 7,033 at the end of 2012 and 6,958 at the end of the third quarter of 2012.

Revised guidance for 2013
No imminent change in the difficult business environment can be expected on the global fiber market. The continuing high level of cotton inventories has unfavorable effects on the entire fiber industry. The International Cotton Advisory Committee (ICAC) expects inventories to rise by an additional two million tons to 20.8 mn tons by the end of the current season (end of July 2014)*.

Lenzing expects price pressure to remain strong in the fourth quarter of 2013. For this reason, Lenzing has revised its guidance for the entire year 2013. Accordingly, consolidated sales are expected to total about EUR 1,9 bn for 2013 as a whole (last guidance: EUR 2.0 bn). EBITDA will likely amount between EUR 220 - 230 mn due to restructuring costs for operational restructuring measures (last guidance: EUR 280 mn), whereas EBIT will total approximately EUR 75 - 85 mn (last guidance: EUR 160 mn), which can be attributed to one-off costs for write-downs.

Further details are contained in the Quarterly Report 1-9/2013, which can be downloaded from the Website of Lenzing AG at www.lenzing.com.

Key Group indicators

(IFRS) in EUR mn	1-9/2013	1-9/2012
Consolidated sales	1,447.0	1,567.5
EBITDA1	223.8	281.5

EBITDA-margin1 in %	15.5	18.0
EBIT1	136.4	203.4
EBIT margin1 in %	9.4	13.0
Profit for the period1	86.6	155.1
CAPEX(incl. Business Unit Plastics)	180.6	213.7

	Sept. 30, 2013	Dec. 31, 2012
Adjusted equity ratio2in %	46.2	43.8
Number of employees at period-end	6,772	7,033

1) After restructuring
2) Equity incl. government grants less prop. deferred taxes (after restructuring)

* Source:ICAC, press release, 1 November 2013

Segment reporting (EUR mn)	1-9/2013	1-9/2012
Segment Fibers		
Sales	1,326.5	1,414.3
EBITDA	184.1	262.1
Segment Engineering		
Sales	97.8	89.3
EBITDA	6.0	6.1
Segment Other		
Sales	41.9	39.0
EBITDA	5.5	2.4

Further inquiry note:
Lenzing AG

Mag. Angelika Guldt

Tel.: +43 (0) 7672-701-2713

Fax: +43 (0) 7672-918-2713

mailto:a.guldt@lenzing.com

issuer: Lenzing AG

A-A-4860 Lenzing
phone: +43 7672-701-0
FAX: +43 7672-96301
mail: a.guldt@lenzing.com
WWW: http://www.lenzing.com
sector: Chemicals
ISIN: AT0000644505
indexes: WBI, ATX, Prime Market
stockmarkets: free trade: Berlin, official market: Wien
language: English