

EANS-Adhoc: Lenzing AG / Restructuring and Staff Reductions in the Corporate Business Areas Engineering, Maintenance and Lenzing Technik as well as Repositioning of Lenzing Technik

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Strategic management decisions/Company Information

The Lenzing Group is resolutely and systematically counteracting the ongoing difficult market conditions in the global fiber industry on the basis of its cost optimization program as it reported on the occasion of publishing its business results for the first three quarters of 2014. The organizational optimization measures launched one year ago at all sites and in all business areas are having a positive impact. The results achieved up until now are encouraging but by far insufficient to offset the decline in viscose fiber selling prices on the international marketplace.

Lenzing continues to anticipate good volume demand for all man-made cellulose fibers. However, fiber selling prices on the global market are not expected to recover in upcoming quarters. This development is also attributable to the substantial decline in polyester fiber prices as a result of the massive oil price decrease, and the expected longer-lasting period of low or at least volatile cotton prices as a consequence of the surplus supply of Chinese cotton.

For these reasons, the Lenzing Group will not implement any major new projects at the Lenzing site or abroad in the foreseeable future which are designed to expand its viscose fiber production capacities. The investment volume of the company will be adjusted to reflect the current market situation and will be significantly reduced in the subsequent years. This should contribute to improving the supply situation on the international viscose fiber market, which the company would like to sustainably profit from in its role as one of the world's largest producers.

Due to the successful completion of the new TENCEL® fiber plant in Lenzing and the reduced investment volume, technical planning and production capacities cannot be maintained at current levels, especially at the Lenzing site. This necessitates a reorganization of Lenzing's internal engineering and maintenance business areas and its subsidiary Lenzing Technik GmbH. Organizational structures in these areas have to be adjusted to future requirements.

All in all, the restructuring measures will impact up to 250 jobs (including one-third temporary staff), mainly at the Lenzing site. The distribution of the job cuts among the various sites will be determined by the beginning of 2015 within the context of a project which is already under way. In this connection, Lenzing will try to avoid layoffs and strive to reach a mutually acceptable solution with the affected employees as it succeeded in doing within the context of the first cost optimization program. During initial talks on this issue held with the Lenzing Works Council, Lenzing agreed to extend the current redundancy program (social plan) and to offer the possibility for employees newly affected by the downsizing to transfer to the Lenzing Labor Foundation.

At the same time, Lenzing is working on a strategic reorientation of its subsidiary Lenzing Technik GmbH to enable it to focus more strongly on the external market in the future.

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