

Press release

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Lenzing Achieves a Significant Leap in Earnings

- Revenue rose by 6% to EUR 1.98 bn
- EBITDA increase of 20.7% to EUR 290.1 mn
- Dividend proposal: doubling to EUR 2.00 per share
- Share of specialty fibers up to 40.5%
- Further earnings improvement expected in 2016

Thanks to a strong operational performance, the Lenzing Group significantly improved just about all relevant economic and balance sheet indicators in the 2015 financial year compared to its business results in 2014.

Consolidated revenue climbed by 6.0% to EUR 1.98 bn. This increase is particularly due to higher fiber selling prices, the growing share of specialty fibers in its product mix and positive exchange rate effects. EBITDA (earnings before interest, tax, depreciation and amortization) improved by 20.7% to EUR 290.1 mn, up from the prior-year figure of EUR 240.3 mn. Lenzing's performance in 2015 corresponded to an EBITDA margin of 14.7% (2014: 12.9%). EBIT (earnings before interest and tax) of the Lenzing Group increased to EUR 151.1 mn from EUR 21.9 mn, corresponding to an EBIT margin of 7.6% (2014: 1.2%). Earnings before tax (EBT) amounted to 149.1 mn, substantially higher than EUR 7.3 mn in 2014. The group net profit for the year totaled EUR 124 mn, compared to a loss of EUR 14.2 mn in the previous year. Earnings per share in the 2015 financial year rose to EUR 4.63, up from minus EUR 0.51 per share in 2014. On the basis of this good financial performance, the Management Board and Supervisory Board will propose that the upcoming Annual General Meeting approve the distribution of a dividend of EUR 2.00 per share for the 2015 financial year, double the dividend for 2014.

“We made substantial progress in 2015, and delivered the promised improvements to our business operations,” says Stefan Doboczky, Chief Executive Officer of Lenzing AG. “We strategically realigned the company, improved the earnings and cost structure and enhanced our financial

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strength. We also expect a considerable rise in earnings once again in 2016 provided that the underlying business framework does not significantly change.”

Solid balance sheet structure, clear improvement of ROCE to 8%

Lenzing boasts a solid balance sheet structure which was further optimized in the course of the 2015 financial year. Adjusted equity increased by 15% to EUR 1.23 bn (2014: EUR 1.07 bn). The adjusted equity ratio amounted to 50.6%, the highest level since the year 2006 (2014: 44.9%). Net financial debt was sharply reduced by 27.0% to EUR 327.9 mn (December 31, 2014: EUR 449.5 mn). Accordingly, the ratio of net financial debt to EBITDA declined from 1.9 at the end of 2014 to 1.1 at the end of 2015. The return on capital generated by the Lenzing Group improved thanks to the positive earnings development. As a result, the return on capital employed (ROCE) increased to 8.0%, compared to minus 0.1% in the previous year. At the same time, the return on equity (ROE) rose to 13.0% (2014: 0.7%).

Investments in intangible assets, property, plant and equipment (CAPEX) of the Lenzing Group totaled EUR 70.9 mn in the 2015 financial year, compared to the prior-year level of EUR 104.3 mn. Following completion of the TENCEL® fiber production plant at the Lenzing site in 2014, the focus of Lenzing’s capital expenditures in 2015 was on maintenance work as well as the implementation of quality and optimization measures. The excellENZ cost optimization initiative was concluded in 2015. The new strategy sCore TEN was developed by the Lenzing team and is already in implementation.

Share of specialty fibers up to 40.5% of group revenue

Demand for high-quality Lenzing fibers was strong in 2015, encompassing all regions and product groups. For this reason, the pulp and fiber production capacities of the Lenzing Group were well utilized against the backdrop of high production output. In particular, sales of the specialty fiber TENCEL® increased significantly. The share of specialty fibers as a percentage of total group revenue was 40.5% in the 2015 financial year, compared to the 35.0% in the previous year. Expenditures for research and development were increased by 47% to EUR 29.8 mn, in line with the company’s strategy of focusing on the development, production and marketing of innovative specialty fibers.

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Outlook for 2016

The volatile development prevailing on the global fiber market is expected to continue. High cotton inventories and low polyester selling prices intensify price competition on the market i.e. inter-fiber competition. However, the market segment of wood-based cellulose fibers, which is of relevance to Lenzing, is showing signs of developing more positively than the overall fiber market. Demand for cellulose fibers remains strong, and the ratio of supply to demand is favorable. Assuming unchanged conditions on the fiber market and currency exchange rates, Lenzing expects further improvements in earnings in the current 2016 financial year compared to 2015.

Key group indicators (IFRS)

in EUR mn

	1-12/2015	1-12/2014
Revenue	1,976.8	1,864.2
Earnings before interest, tax, depreciation and amortization (EBITDA)	290.1	240.3
EBITDA margin in %	14.7	12.9
Earnings before interest and tax (EBIT)	151.1	21.9
EBIT margin in %	7.6	1.2
Net profit/loss for the year	124.0	-14.2
CAPEX ¹	70.9	104.3
	Dec. 31, 2015	Dec. 31, 2014
Adjusted equity ratio ² in %	50.6	44.9
Number of employees at period-end	6,127	6,356

1) Capital expenditures: Investments in intangible assets, property, plant and equipment

2) Ratio of adjusted equity to total assets as a percentage

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The Lenzing Group

The Lenzing group is a world market leader headquartered in Austria, with production sites in all major markets as well as a worldwide network of sales and marketing offices. Lenzing supplies the global textile and nonwovens industry with high-quality, botanic cellulose fibers. Its portfolio ranges from dissolving pulp to standard and specialty cellulose fibers.

Lenzing quality and innovative strength set global standards for cellulose fibers. With 77 years of experience in fiber production, the Lenzing Group is the only company worldwide combining the manufacturing of all three cellulose fiber generations on a large industrial scale under one roof – from the classic viscose to modal and the Lyocell fiber TENCEL®.

The success of the Lenzing Group is based on its consistent customer orientation together with its leadership in innovation, technology and quality. Lenzing is committed to the principles of sustainable management and very high environmental standards. In addition to its core business of fibers, the Lenzing Group also operates in the field of engineering and plant construction.

Key Facts & Figures Lenzing Group 2015

Revenue: EUR 1.98 bn
Fiber sales volumes: 965,000 tons
Employees: 6,127

TENCEL®, Lenzing Modal® and Lenzing Viscose® are registered trademarks of the Lenzing Aktiengesellschaft.

Disclaimer: The above key financial indicators are largely derived from the Lenzing Group's consolidated financial statements according to IFRS. Further details on their calculation can be found in section "Notes on financial performance indicators of the Lenzing Group", in the glossary of the Annual Report and the consolidated financial statements of the Lenzing Group.
