

Press release

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Lenzing Generates Substantial Revenue and Earnings Growth in 2016

- Revenue increased by 8 percent to EUR 2.13 bn
- EBITDA up 47.6 percent to EUR 428.3 mn
- Rise in share of specialty fibers to 42 percent
- Dividend proposal of EUR 3.00/share plus a special dividend of EUR 1.20/share
- Further earnings improvement expected in 2017

Lenzing – The Lenzing Group showed an excellent development in the 2016 financial year, with substantial improvement of all economic and balance sheet indicators. The decisive factors underlying the company's success were the higher selling prices Lenzing obtained for all its fiber products, a better product mix as well as the slight rise in revenue.

Consolidated revenue grew by 8 percent in the 2016 financial year to EUR 2.13 bn (2015: EUR 1.98 bn). EBITDA (earnings before interest, tax, depreciation and amortization) improved by 47.6 percent to EUR 428.3 mn (2015: EUR 290.1 mn). The corresponding EBITDA margin rose to 20.1 percent, up from 14.7 percent in the 2015 financial year. EBIT (earnings before interest and tax) of the Lenzing Group almost doubled - with an increase from EUR 151.1 mn to EUR 296.3 mn. The EBIT margin improved to 13.9 percent (2015: 7.6 percent). The group net profit for the year totaled EUR 229.1 mn, a rise of 78.9 percent from the prior-year figure of EUR 128.1 mn. Earnings per share in the 2016 financial year amounted to EUR 8.48 (2015: EUR 4.78).

The Management Board and the Supervisory Board will propose at the upcoming Annual General Meeting an increase in the dividend from EUR 2.00 per share to EUR 3.00 per share, plus a special dividend of EUR 1.20 per share. In total, the dividend will amount to EUR 4.20 per share, corresponding to a dividend payment to shareholders of EUR 111.51 mn.

“The Lenzing Group looks back at a very successful financial year 2016. Our new corporate strategy sCore TEN has clearly proven its value. In a very positive market environment for wood-based cellulose fibers we successfully expanded our market position in specialty fibers. Furthermore, we optimized our production processes, which also contributed to the better earnings and enhanced our financial strength”, says Stefan Doboczky, Chief Executive Officer of the Lenzing Group. “We will

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continue our disciplined implementation of sCore TEN and put particular focus on the expansion of our specialty fiber capacities and on sustainability-driven innovation. We look positively at the year 2017 and expect a considerable earnings improvement once again provided there is no significant change in the business environment”, he adds.

Further improvement in return on capital, net financial debt close to zero

The value generated by the Lenzing Group improved in 2016 thanks to the positive earnings development. Accordingly, the return on capital employed (ROCE) increased to 15.1 percent compared to 8.1 percent in 2015. At the same time, the return on investment (ROI) rose from 6.3 percent to 11.8 percent.

Lenzing took advantage of its very good business development to further optimize its balance sheet structure. Adjusted equity increased by 14.1 percent to EUR 1.39 bn from the prior-year level of EUR 1.22 bn. Accordingly, the adjusted equity ratio improved to 53 percent (December 31, 2015: 50.6 percent). Net financial debt was reduced to almost zero, totaling only EUR 7.2 mn at the end of 2016 (December 31, 2015: EUR 327.9 mn).

Further cash flow increase

The cash flow from operating activities more than doubled in 2016 from EUR 215.6 mn to EUR 473.4 mn. This development was attributable to the stronger business performance, to higher market prices and slight rise in fiber sales volumes as well as the company’s active working capital management. At the same time, capital expenditures (CAPEX) of the Lenzing Group climbed to EUR 107.2 mn. Liquid assets at the end of 2016 amounted to EUR 570.4 mn (2015: EUR 355.3 mn).

Total expenditures for research and development amounted to EUR 46.4 mn in the 2016 financial year (2015: EUR 29.8 mn), putting Lenzing in the top ranks of the industry both in absolute terms as well as in relation to revenue. Lenzing intends to further intensify these efforts in order to sustainably safeguard and expand upon its innovation leadership in the production of wood-based cellulose fibers.

Share of specialty fibers up to 42 percent of group revenue

Total fiber sales volumes in 2016 rose 1.4 percent to about 978,000 tons (2015: 965,000 tons). The share of specialty fibers as a percentage of total group revenue increased to 42 percent compared to

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the prior-year figure of 40.5 percent. The share of standard fibers in relation to revenue was unchanged at 47 percent, with other business areas accounting for the remaining revenue. 71 percent of fiber revenue was generated in the textile fiber business and 29 percent was derived from nonwoven applications.

2016 was also a year of substantial capital commitments. In total Lenzing committed EUR 475 mn to further expand its specialty fiber capacities in Europe and the United States as well as to debottleneck the dissolving wood pulp operations in Paskov (Czech Republic) and Lenzing (Austria).

Lenzing increased its revenue from specialty fibers for garments as a result of the increased integration of TENCEL® fibers in high quality applications. One future-oriented example is the Refibra™ fiber presented in 2016. In addition to wood, this new generation of lyocell fibers uses recycled scraps from the textile industry as the basic raw material. The first garments made with Refibra™ fibers were brought to market by Zara, a subsidiary of Inditex, the world's largest fashion retailer. The nonwovens business showed a stable development in 2016.

Outlook

In 2017 the Lenzing Group will continue to focus on the disciplined implementation of its sCore TEN strategy and, specifically, on specialization and sustainability-driven innovation. The steady expansion of the specialty fiber capacities and the intensification of its brand management will be essential to increasing customers' awareness for the unique selling proposition of Lenzing's fiber products.

The Lenzing Group registered strong demand for its fibers during the first weeks of 2017, which, in turn, led to continued high capacity utilization in all product groups. The market price index for viscose fibers was substantially higher than in the comparable prior year period. Under the assumption of unchanged conditions in the fiber market and stable exchange rates, Lenzing expects a considerable improvement in results in the fiscal year 2017 compared to 2016.

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Key group indicators (IFRS)

(in EUR mn)

	01–12/2016	01–12/2015 ³
Revenue	2,134.1	1,976.8
Earnings before interest, tax, depreciation and amortization (EBITDA)	428.3	290.1
EBITDA margin in %	20.1	14.7
Earnings before interest and tax (EBIT)	296.3	151.1
EBIT margin in %	13.9	7.6
Net profit for the year	229.1	128.1
CAPEX ¹	107.2	70.9
	Dec. 31, 2016	Dec. 31, 2015³
Adjusted equity ratio ² in %	53.0	50.6
Number of employees at year-end	6,218	6,127

1) Capital expenditures: acquisition of intangible assets, property, plant and equipment

2) Ratio of adjusted equity to total assets in percent

3) The figures were partially adjusted (for further details please refer to note 2 to the Consolidated Financial Statements of the Lenzing Group).

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The Lenzing Group

The Lenzing Group is a world market leader headquartered in Austria, which operates 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 wood pulp to standard and specialty cellulose fibers.

Lenzing's quality and innovative strength set global standards for cellulose fibers. With 79 years of experience in fiber production, the Lenzing Group is the only company in the world which is able to produce significant volumes of all three cellulose fiber generations – from

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the classic Lenzing Viscose® branded fibers to the Lenzing Modal® branded fibers and the TENCEL® lyocell fibers. In 2016 Lenzing introduced the Refibra™ branded recycling fiber, a product innovation based on recycled cotton scraps.

The Lenzing Group's success is based on consistent customer orientation combined with innovation, technology and quality leadership. Lenzing is committed to the principles of sustainable management with very high environmental standards and can underscore this commitment with numerous international sustainability certifications for its business processes as the most sustainable company in the sector. In addition to fibers, which form the core business, the Lenzing Group is also active to a lesser extent in the fields of engineering and plant construction.

Key Facts & Figures Lenzing Group 2016

Revenue: EUR 2.13 bn
Fiber sales volumes: 978,000 tons
Employees: 6,218

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

Disclaimer: The above financial indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group. Additional details are provided in the section "Notes on the financial performance indicators of the Lenzing Group", in the glossary to the Annual Report and in the consolidated financial statements of the Lenzing Group.
