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Lenzing Group generates solid results in a more demanding market environment

- Revenue down 6.1 percent to EUR 550.3 mn primarily due to currency effects
- EBITDA decline of 24.8 percent to EUR 101.6 mn mainly due to softening prices for commodity viscose and increasing costs for key raw materials
- Company is intensively pushing ahead with expansion of production capacities for specialty fibers
- Strong message to consumers – new master brand and new product brands presented

Lenzing – The Lenzing Group started the 2018 financial year with solid business results. Revenue and earnings decreased compared to the first quarter of the previous year against the backdrop of a challenging market environment for standard viscose combined with changes in currency exchange rates. The corporate strategy sCore TEN is being implemented with great discipline in order to expand the company's offering of specialty fibers and even more extensively support customers and business partners.

Group revenue in the first three months of 2018 decreased by 6.1 percent from the prior-year quarter to EUR 550.3 mn. This drop is mainly attributable to less favorable currency exchange rates. Group earnings before interest, tax, depreciation and amortization (EBITDA) fell 24.8 percent to EUR 101.6 mn mainly due to softening prices for commodity viscose and increasing costs for key raw materials. The EBITDA margin decreased to 18.5 percent in the first quarter of 2018 compared to 23 percent in the first quarter of 2017. Earnings before interest and tax (EBIT) declined by 32.7 percent to EUR 68.9 mn, which resulted in a lower EBIT margin of 12.5 percent (Q1 2017: 17.5 percent). The net profit for the period dropped by 33.3 percent from EUR 75 mn in the first quarter of the previous year to EUR 50 mn. Earnings per share equaled EUR 1.89 (Q1 2017: EUR 2.75).

“Following the record year of 2017, Lenzing began the expected challenging 2018 financial year with a decline in revenue and earnings. Market headwinds were clearly noticeable in the first quarter but still we are pleased with the solid results given the more demanding market environment. At the same time, we are forging ahead with implementation of our corporate strategy sCore TEN. Expansion of production capacities for our specialty fibers is also progressing”, says Stefan Doboczky, Chief Executive Officer of the Lenzing Group. “We are

convinced of the merits of our chosen strategy, which will help us to be more resilient in the upcoming quarters”, he adds.

Expansion of capacities

Capital expenditures (CAPEX) more than doubled in the first quarter of 2018 to EUR 58.9 mn, up from EUR 26.9 mn in the prior-year period. This is mainly due to the expansion of production capacities for specialty fibers in Heiligenkreuz, Burgenland and Mobile, Alabama in the USA as well as the expansion and modernization of the dissolving pulp plants in Lenzing, Austria and Paskov, Czech Republic. In line with the corporate strategy sCore TEN, the company is pressing ahead with these projects as well as with planning work on construction of the next state-of-the-art lyocell production facility in Prachinburi, Thailand.

New brand identity

In February 2018, Lenzing launched a new phase in its positioning on the market by repositioning the TENCEL™ brand as the umbrella brand for the textile applications of all specialty fibers within the context of Première Vision in Paris, one of the most prominent textile trade fairs in the world. Lenzing decided to carry out a new brand strategy in order to sharpen its company and product profile as a sustainable innovation leader for customers and partners along the value chain as well as for consumers. The most important pillar of this new brand strategy is a brand architecture with a focus on fewer brands and a strong message to consumers. The new image of the Lenzing master brand presented in March enables the company to showcase its strengths in a targeted manner.

Outlook

The International Monetary Fund expects a further acceleration in global economic growth to 3.9 percent in 2018. However, growing protectionist tendencies in the political arena represent a source of uncertainty. Export-oriented companies in the Eurozone will also be faced with an additional challenge from the currency environment.

Developments on the fiber markets should remain positive, but with continuing volatility. The rising demand for cotton should support prices and will help inventory levels to remain at the current levels despite the increase in production. Polyester fiber prices have stabilized after the increase in previous years.

The wood-based cellulose fiber segment, which is relevant for Lenzing, should see further strong demand. After years of moderate capacity expansion in the viscose sector, significant additional volumes are expected to enter the market in 2018. This was reflected in rising pressure on commodity viscose prices beginning in the

first quarter and a further increase during the second quarter. The Lenzing Group is very well positioned in this market environment with its corporate strategy sCore TEN and will continue its consistent focus on growth with specialty fibers.

The Lenzing Group sees a number of, in part contradictory, factors which limit the visibility over fiber prices in 2018. The prices for several key raw materials, e.g. caustic soda, remain at a very high level and their further development is difficult to estimate. These general conditions are expected to form the basis for a challenging market environment in the commodity viscose fiber business during the coming quarters. Coupled with anticipated exchange rate fluctuations, the Lenzing Group expects its results for 2018 to be lower than the outstanding results in the last two years.

Key group indicators (IFRS) (in EUR mn)	01-03/2018	01-03/2017
Revenue	550.3	586.2
Earnings before interest, tax, depreciation and amortization (EBITDA)	101.6	135.1
EBITDA margin in %	18.5	23.0
Earnings before interest and tax (EBIT)	68.9	102.3
EBIT margin in %	12.5	17.5
Net profit for the period	50.0	75.0
CAPEX ¹	58.9	26.9
	31.03.2018	31.12.2017
Adjusted equity ratio ² in %	60.5	61.2
Number of employees	6,569	6,488

1) Capital expenditures: i.e. acquisition of intangible assets, property, plant and equipment as per statement of cash flows

2) Ratio of adjusted equity to total assets in percent

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The Lenzing Group

The Lenzing Group is an international company that produces high-quality fibers from the renewable raw material wood with environmentally friendly and innovative technologies. These fibers form the basis for a wide range of textile and nonwoven applications, and are also used in work and protective wear and in industrial applications.

Lenzing's quality and innovative strength set global standards for wood-based cellulose fibers. With 80 years of experience, the Lenzing Group is the only company in the world which produces significant volumes of all three wood-based cellulose fiber generations. Its products are marketed under the following brands: TENCEL™ for textile applications, VEOCEL™ for nonwovens and LENZING™ for special fiber applications in other areas and other products. Innovations like REFIBRA™ recycling technology, the identifiable LENZING™ ECOVERO™ branded fibers and TENCEL™ Luxe branded lyocell filament yarn make Lenzing a global innovation leader.

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 in the fields of engineering and plant construction – mostly for its own locations, but also for external customers.

Key Facts & Figures 2017

Revenue: EUR 2.26 bn

Nameplate capacities as at December 31: 1,009,000 t fibers p.a.

Employees: 6,488

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Disclaimer: The above key financial indicators are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group. Additional details are provided in "Notes on the financial performance indicators of the Lenzing Group", available at the following link <https://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2018-Q1>, and in the condensed consolidated interim financial statements, resp. the consolidated financial statements of the previous year of the Lenzing Group.
