

EANS-News: Lenzing AG / Lenzing Group achieves best full-year results in its history

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Financial Figures/Balance Sheet/Annual Result/Company Information

Highlights -

- * Revenue increased by 5.9 percent to EUR 2.26 bn
- * EBITDA up 17.3 percent to EUR 502.5 mn
- * Dividend proposal of EUR 3.00/share plus a special dividend of EUR 2.00/share
- * New brand strategy to generate a strong message to consumers
- * Limited visibility for coming quarters

Lenzing - In 2017, the Lenzing Group reports its best financial performance ever with record revenue and earnings due to a better product mix and higher selling prices in combination with a generally favorable market environment.

Group revenue grew by 5.9 percent in the 2017 financial year to EUR 2.26 bn (2016: EUR 2.13 bn). Group earnings before interest, tax, depreciation and amortization (EBITDA) improved by 17.3 percent to EUR 502.5 mn (2016: EUR 428.3 mn). The corresponding EBITDA margin rose to 22.2 percent (2016: 20.1 percent). Earnings before interest and tax (EBIT) increased by 25.2 percent to EUR 371 mn, resulting in a higher EBIT margin of 16.4 percent (2016: 13.9 percent). The net profit for the year totaled EUR 281.7 mn, a rise of 23 percent from the prior-year figure of EUR 229.1 mn. Earnings per share in the 2017 financial year amounted to EUR 10.47 (2016: EUR 8.48).

The Management Board and the Supervisory Board will propose at the upcoming Annual General Meeting a stable dividend of EUR 3.00 per share plus an increased special dividend of EUR 2.00 per share (2016: EUR 1.20 per share). In total, the dividend will amount to EUR 5.00 per share, corresponding to a dividend payment to shareholders of EUR 132.75 mn.

"The Lenzing Group looks back at a very successful year 2017. We continued to implement our corporate strategy sCore TEN with great discipline and focus on our investment projects and successfully captured value in a positive market environment. Our commitment to innovation and customer centricity was underpinned by the opening of an application innovation center in Hong Kong and the creation of the new sales and marketing office in Turkey. In line with sCore TEN we decided to revamp our brand architecture and image to sharpen Lenzing's corporate and product profiles for customers and consumers. We want to put a stronger emphasis on our ambition to make the textile and nonwoven market more sustainable", says Stefan Doboczky, Chief Executive Officer of the Lenzing Group. "We are very positive about our chosen strategy as it will help us to be more resilient as we expect more headwinds in the upcoming quarters", he adds.

Zwttl.: Very strong balance sheet and improved return on capital

The return on capital employed (ROCE) increased to 18.6 percent compared to 15.1 percent in 2016 and adjusted equity increased by 9.9 percent to EUR 1.53 bn from the prior-year level of EUR 1.39 bn. Accordingly, the adjusted equity ratio improved to 61.2 percent (December 31, 2016: 53 percent). Despite higher capital expenditures net financial debt continued to remain at a very low level, totaling EUR 66.8 mn at the end of 2017 (December 31, 2016: EUR 7.2 mn).

Zwttl.: CAPEX investments more than doubled

The capital expenditures (CAPEX) of the Lenzing Group more than doubled in 2017 to EUR 238.8 mn from EUR 107.2 mn in light of the capacity expansions. The

increase in working capital, primarily due to the discontinuation of the factoring program, resulted in an operating cash flow in 2017 of EUR 271.1 mn down from EUR 473.4 mn in 2016.

Total expenditures for research and development, calculated according to the Frascati method, amounted to EUR 55.4 mn in the 2017 financial year (2016: EUR 46.4 mn), putting Lenzing in the top ranks of the industry both in absolute terms as well as in relation to revenue.

Zwtl.: Sustainability driven innovation power

In 2017, the Lenzing Group presented a number of game changing sustainability innovations, that underline the ongoing transformation of Lenzing into a genuine specialist player focused on high-quality botanic materials made from the sustainable raw material wood. The introduction of TENCEL(TM) branded lyocell fibers with REFIBRA(TM) technology at the Première Vision trade fair in Paris in February and the launch of LENZING(TM) ECOVERO(TM) branded viscose fibers in May were followed by the presentation of TENCEL(TM) Luxe branded lyocell filaments. TENCEL(TM) Luxe will open new markets for the company and for its customers and partners and will allow the company to further participate in the premium segment of the fabrics market. With the help of TENCEL(TM) Luxe filaments Lenzing supports customers of the premium luxury fashion industry to improve their ecological footprint.

Zwtl.: Investment program in progress

The Lenzing Group aims to increase the share of specialty fibers as a percentage of revenue to 50 percent by 2020. Next to the capacity expansion in Heiligenkreuz (Austria), to be completed in the second quarter of 2018, and the new plant in Mobile, Alabama (USA), with a start-up in 2019, Lenzing announced its intention to construct the next world-scale plant to produce LENZING(TM) branded lyocell fibers in Thailand.

Zwtl.: Focus on customer intimacy

In September 2017, the Lenzing Group opened a new textile application innovation center (AIC) in Hong Kong, thus setting a further milestone in strengthening its innovation offering to all partners along the value chain. New applications for LENZING(TM) fibers will be developed and tested at the AIC. Furthermore, new sales and marketing offices were opened in Turkey and South Korea in the first half of 2017. The direct contact to customers and well-equipped showrooms featuring products made of LENZING(TM) fibers serve as the basis for providing even better customer support.

Zwtl.: New brand architecture

Lenzing will sharpen its corporate and product portfolio profile for customers and partners as well as consumers as a sustainable innovation leader. Consequently Lenzing decided in 2017 on a new brand strategy. The backbone of the new brand strategy is a brand architecture focused on fewer brands and a strong message to consumers.

Zwtl.: Outlook

The International Monetary Fund expects a further acceleration in global economic growth to 3.7 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 also be positive in 2018, but with continuing volatility. Cotton prices are expected to remain at the current level and inventory levels should be constant despite the increase in production. Polyester fiber prices increased in recent quarters following years of historic lows.

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 can be expected to enter the market in 2018. The Lenzing Group is very well positioned in this market environment with its sCore TEN corporate strategy and will continue the 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 standard viscose fiber business during the coming quarters; coupled with anticipated negative 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)	01-12/2017	01-12/2016
Revenue	2,259.4	2,134.1
Earnings before interest, tax, depreciation and amortization (EBITDA)	502.5	428.3
EBITDA margin in %	22.2	20.1
Earnings before interest and tax (EBIT)	371.0	296.3
EBIT margin in %	16.4	13.9
Net profit for the year	281.7	229.1
CAPEX1	238.8	107.2

	Dec. 31, 2017	Dec. 31, 2016
Adjusted equity ratio2 in %	61.2	53.0
Number of employees at year-end	6,488	6,218

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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