

## EANS-News: Lenzing AG / Lenzing solid in a significantly more challenging market environment

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### Mid Year Results/Company Information

#### Highlights -

- \* Continued positive development of specialties business with revenue share of already more than 48 percent
- \* Commitment to long-term growth plan - investment in new 100,000 tons plant in Thailand approved
- \* Significantly more challenging market environment for standard viscose with historically low prices
- \* Outlook for 2019 confirmed

Lenzing - The Lenzing Group continued its solid business development in the first half of 2019. Despite a significantly more challenging market environment with historically low prices for standard viscose, Lenzing recorded a slight increase in revenue. The disciplined implementation of the sCore TEN strategy and the focus on specialty fibers continue to have a positive impact. Thanks to ongoing high demand for sustainably produced specialty fibers and positive currency effects, the impact of low standard viscose prices was largely offset in earnings.

Revenue of the Lenzing Group increased by 1.2 percent in the first half of 2019 and amounted to EUR 1.09 bn. In addition to more favorable currency relations, this was primarily attributable to a further product mix optimization and higher prices for specialty fibers. The share of specialty fibers in revenue, at 48.4 percent, significantly exceeded the prior-year value of 44.1 percent. EBITDA (earnings before interest, tax, depreciation and amortization) dropped by 7 percent to EUR 181.2 mn. This decline primarily resulted from higher production volumes and currency effects which led to an increase in pulp costs, from an increase in personnel expenses and the market environment for standard viscose. The EBITDA margin declined from 18.1 percent in the first half of 2018 to 16.6 percent in the reporting period. EBIT (earnings before interest and tax) fell by 17.9 percent to EUR 105.6 mn, resulting in a lower EBIT margin of 9.7 percent (H1 2018: 12 percent). Net profit for the period decreased by 15.9 percent from EUR 91.3 mn to EUR 76.8 mn. Earnings per share amounted to EUR 2.97 (H1 2018: EUR 3.44).

"Fully in line with our sCore TEN strategy, our specialty fiber business is developing very positively, which has made us significantly more resilient today than a few years back. The investment in new production capacities for lyocell fibers and the focus on our TENCEL(TM) and VEOCEL(TM) product brands will make us even more resistant to market fluctuations and strengthen our position as a leading supplier of specialty fibers. The first phase of this ambitious growth plan is the construction of a state-of-the-art lyocell plant in Thailand", says Stefan Doboczky, Chief Executive Officer of the Lenzing Group. "The escalating trade conflict between the largest economies confirm our decision to temporarily mothball the Mobile, Alabama project. Lenzing will continue to monitor these developments closely and review this decision on a regular basis", says Doboczky.

Capital expenditures dropped by 18.9 percent to EUR 95.1 mn in the first half of 2019. This decline is temporary, primarily attributable to the completion of the expansion project in Heiligenkreuz (Austria) in 2018. Going forward, the

planning for major projects in Brazil and Thailand will have a significant effect on the investment volume in the coming quarters.

#### Zwtl.: Expansion of specialty fiber capacities

The Lenzing Group is substantially increasing its production of lyocell fibers to meet the strong demand for these products. Lenzing puts the focus on stable and profitable growth as well as an improvement of the ecological footprint of the textile and nonwovens industries by expanding the production of specialty fibers. The first expansion phase of this ambitious growth plan, the construction of a state-of-the-art production plant for lyocell fibers in Prachinburi (Thailand), was approved in the second quarter of 2019. The investment volume for the new plant, which has a capacity of 100,000 tons, totals approximately EUR 400 mn.

The conversion of production capacities from standard viscose to LENZING(TM) ECOVERO(TM) fibers in China was also completed during the reporting period.

#### Zwtl.: Expansion of pulp capacities

An increased backward integration into dissolving wood pulp is another important step in the implementation of the sCore TEN strategy. Lenzing and its Brazilian partner Duratex continue to advance the planned construction of a dissolving wood pulp plant in the state of Minas Gerais (Brazil). The basic engineering, site preparation and the applications for the required permits are proceeding according to plan. The final investment decision is expected for the end of 2019.

The expansion and modernization of the production capacities for dissolving wood pulp at the Lenzing site was successfully completed in the first half of 2019.

#### Zwtl.: Transparency from wood to garment

Lenzing will use blockchain technology to support its TENCEL(TM) branded fiber business, ensuring complete transparency and traceability for brands and consumers of its fibers in the finished garment. In the second quarter of 2019 Lenzing announced a cooperation with the Hong Kong based technology company TextileGenesis(TM) to accomplish this ambition. Lenzing will carry out several pilot tests involving partners along the entire value chain and expects the platform to be operational as of 2020.

#### Zwtl.: Ambitious climate targets

The Lenzing Group aims to strengthen its position as a sustainability front runner in the fiber industry, by investing over EUR 100 mn in energy-saving measures, in the continued conversion to renewable energies and in new technologies. In the planning of new pulp and lyocell facilities such as the plant in Thailand, Lenzing also puts a strong focus on low-carbon energy sources and production processes. The goal of its climate strategy is to reduce net emissions of greenhouse gases to zero by 2050. An important milestone on the way to becoming climate-neutral is set for the year 2030. By then, Lenzing commits to reduce emissions per ton of fibers and pulp by 50 percent compared with 2017.

#### Zwtl.: Outlook

The International Monetary Fund expects a slowdown of global economic growth to 3.2 percent in 2019, mainly driven by increasing protectionist tendencies and growing geopolitical tensions. The currency environment in the regions relevant to Lenzing will remain volatile.

Global fiber demand remains strong. According to preliminary calculations, cotton inventory levels should nevertheless increase in the 2019/20 season. Towards the end of the second quarter 2019, the polyester market recovered from

slower growth in the preceding months. The price levels for cotton and polyester are expected to decline slightly. Despite continued strong demand, capacity expansions for standard viscose caused higher pressure on prices, which fell to a historic low in the first half of 2019. In specialty fibers, the Lenzing Group expects the positive development of its business to continue.

Driven by the challenging situation in standard viscose, prices for dissolving wood pulp show a downward trend. Caustic soda prices in Asia have already declined significantly over the past months; this development has now become noticeable also in Europe.

In a challenging market environment for standard viscose with prices at historic lows, the Lenzing Group continues to expect its results for 2019 to reach a similar level as in 2018 based on the current exchange rates. Above developments reassure the Lenzing Group in its chosen strategy sCore TEN. Lenzing is very well positioned in this market environment and will continue to focus growth with specialty fibers.

Key group indicators (IFRS) (in EUR mn)	01-06/2019	01-06/2018
Revenue	1,088.5	1,075.4
Earnings before interest, tax, depreciation and amortization (EBITDA)	181.2	194.8
EBITDA margin in %	16.6	18.1
Earnings before interest and tax (EBIT)	105.6	128.7
EBIT margin in %	9.7	12.0
Net profit for the period	76.8	91.3
CAPEX(1)	95.1	117.2

	30.06.2019	31.12.2018
Adjusted equity ratio(2) in %	56.6	59.0
Number of employees (headcount)	6,914	6,839

1) Capital expenditures: 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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