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euro adhoc: Lenzing AG / Mergers - Acquisitions - Takeovers / Lenzing Builds Viscose Fiber Production in China

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Capacity: 60,000 tons/year - Partnership with Nanjing Chemical Fibre Company

The Lenzing Group, a worldwide leading manufacturer of cellulose-based fibers will build its own viscose fiber production plant in China. The new production site, to be situated in an industrial park near the town of Nanjing in the south-east Jiangsu province, will have an annual capacity of about 60,000 tons of viscose staple fibers for textile and nonwoven applications. Lenzing will contribute key technology to the new site to assure high product quality standards as well as European environmental standards. Startup can be expected in the fourth quarter of 2006 after a construction time of about 18 months.

"The availability of a Chinese production capacity is another important milestone on the road towards our presence in Chinese and Asian markets," says Thomas Fahnemann, Chairman of the Management Board of Lenzing AG. Up to now the vigorously growing Chinese market has been supplied from the production sites in Austria and Indonesia. Last year, Lenzing already launched a sales company in Shanghai.

An intensive evaluation phase preceded the present decision in favor of a local production site. "By manufacturing in China we not only save on import duties but - in the first place - we come closer to our customers on this important market," says Fahnemann.

A Local Viscose Fiber Manufacturer as Partner

Lenzing AG joined hands with Nanjing Chemical Fibre Co., Ltd. (NCFC), as the local partner for the new viscose fiber production site. Lenzing and NCFC will operate the new plant on a joint-venture basis, with Lenzing holding a majority of the shares. NCFC is Chinas seventh-biggest viscose fiber manufacturer and a stock listed company. Having NCFC as a partner will contribute essentially to a good market introduction and a smooth start up of the enterprise. NCFC will also provide the necessary infrastructure for the joint venture.

With a consumption of more than 800,000 tons of viscose staple fibers, China today is the worlds most important market for Viscose and Modal fibers. Already during the past five years, the boom of the Chinese textile industry resulted in double-digit growth rates, which are expected to continue. After this fast growing period in the textile industry, we also expect strong growth rates for nonwoven applications in China.

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Further inquiry note:

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