

Lenzing AG

EANS-Adhoc: Lenzing AG
Lenzing Group: Satisfactory result despite global economic crisis

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? Cautious optimism for 2010

? Expansion continues The Lenzing Group managed to achieve a comparatively satisfactory result in business year 2009 despite the difficult global economic situation. This was made possible by timely countermeasures taken and also by reviving demand in core business fibers from the second quarter on. According to preliminary figures consolidated sales declined to EUR 1.25 bill. (2008: EUR 1.33 bill.) above all due to weaker fiber prices. EBITDA of EUR 182.0 mill (2008: EUR 200.8 mill.) shrank by 9.3 %. EBIT fell by 22,7 % to EUR 100.7 mill. (2008:130.3 mill.). Lenzing therefore managed to achieve a result similar to those of 2005 and 2006.

Peter Untersperger, chairman of the management board, summing up 2009: "Our policy of supplying our customers with fibers even at temporarily unsatisfactory profit margins, of counting on an early recovery and of making optimum use of this recovery right from the start fully paid off in 2009. We gained share of supply, launched innovative product applications and set the course for further expansion. Simultaneously we successfully implemented a cost reduction program and still managed to expand the budget for research and development to almost EUR 20 mill." And commenting on 2010: "We therefore take a confident view of 2010 and intend to enhance our position as the world market leader in cellulose fibers by introducing a number of innovative fiber products and with our program of dynamic expansion".

Despite the crisis the Group's balance sheet structure and financial position actually improved as compared to 2008. Peter Untersperger comments. Peter Untersperger comments: "The well-being of the Lenzing Group and sustainably protected expansion are at the focus of our attention." At the reporting date equity came to EUR 606.1 mill. (2008: 579.7 mill.). With an adjusted equity ratio of 43.5 % (2008: 42.7 %) Lenzing continues to show a solid balance sheet structure. Net debt was reduced to EUR 315.7 mill. (2008: EUR 365.4 mill.) which enabled continued expansion and made it possible to make the most of market opportunities. Net gearing, too, improved from 60.4 % to 50.2 %.

Upward trend in segment Fibers from second quarter of 2009 on As in previous years segment Fibers dominated sales: in 2009 with a share of 85.9 % or EUR 1,090.2 mill. (2008: EUR 1,107.9 mill.). Segment EBIT declined to EUR 109.8 mill. (2008: EUR 118.1 mill.). Total fiber production amounted to 568,600 tons (2008: 540,300 tons).

Management board member Friedrich Weninger on the current fiber business situation: "After the price collapse at the end of 2008 we were able to implement price increases again from the second quarter 2009 on. In addition, our special product segment had not been affected that severely by the decline in prices and quantity demand. And we were successful with innovative products and partnerships with leading textile suppliers, as well as in the nonwovens sector." Friedrich Weninger names major textile retailers and the US infant care retailer Costco and emphasizes the successful placement of Lenzing fibers as eco-friendly products made from renewable resources. The ecological advantages of Lenzing fibers have become important sales arguments throughout the whole value creation chain.

After successful test runs Lenzing's Indonesian subsidiary PT. South Pacific Viscose will take up regular production of 60,000 tons of viscose fibers annually in the first half of 2010. Subsequently further debottlenecking will increase capacity by another 18,000 tons. Further current investment programs in segment Fibers focus on the expansion of pulp production at the Lenzing site, the TENCEL® fiber production site at Heiligenkreuz (Burgenland) and the modification of the TENCEL® plant in Grimsby (Great Britain). Preparations for a new viscose fiber plant in India and the further expansion in China are being promoted.

Plastics Products hit by the crisis The very poor economic situation in the construction and automotive industries and in industrial and infrastructural investment caused perceptible decline in order bookings and results for segment Plastics Products (11.7 % of sales). However, the development of the market for special products in other world regions, especially in the Near East, was positive. The focus of attention in 2009 was accordingly placed on securing operative business and on adapting production capacity to current demand.

Segment sales declined to EUR 147.8 mill (2008: EUR 182.2 mill.) due to lower sales volumes at lower prices. Segment EBIT came to EUR minus 9.8 mill (2008: EUR 7.3 mill). The negative result reflects the very difficult business development on one hand and the non-cash write-off of goodwill relating to business unit Filaments on the other. EBITDA of EUR 2.0 mill. were positive.

Engineering weaker due to general economic situation In segment Engineering (2.3 % of sales) Lenzing Technik did not escape the negative economic situation of 2009. Intra-group and external order bookings declined significantly. Sales came to EUR 81.5 mill. (2008: EUR 110.9 mill.) of which EUR 29.5 mill. (2008: EUR 51.3 mill.) were generated by sales to customers outside the Lenzing Group. EBIT according to segment reporting came to EUR 2.2 mill. (2008: EUR 10.0 mill.).

Confident outlook In 2010 segment Fibers is expected to enjoy production at full capacity and positive results due to continuing good demand especially from the emerging markets. Innovative fiber applications and fiber blends, as well as rising demand for fibers made from renewable resources are expected to power sales. The market environment of segment Plastics Products is expected to remain difficult. However, numerous optimization measures are intended to improve results over those of 2009. Improving order bookings point to a positive development for segment Engineering in 2010. All in all, a positive result can be expected for the Lenzing Group in 2010 due to the good prospects of core business fibers.

Consolidated key figures (IFRS)
in EUR mill.

	2009 (prelim.)	2008
Sales	1,254.7	1,329.1
EBITDA	182.0	200.8
EBIT	100.7	130.3
EBT	89.0	114.7
Profit for the year attributable to shareholders of Lenzing AG	64.4	77.7
EBITDA margin in %	14.5	15.1
EBIT margin in %	8.0	9.8
Operating cash flow	140.9	157.8
Capital expenditure (intangible assets, property, plant and equipment)	151.7	158.6
	31/12/2009	31/12/2008
Adjusted equity ratio* in %	43.5	42.7
Staff	6,021	5,945
grants less prop. deferred taxes.		*Equity incl. government

end of announcement

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