

EANS-Adhoc: Lenzing AG / Lenzing Group: Record Results in Q1 2011

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quarterly report

11.05.2011

Most successful quarter in the company's history - Strong global fiber demand

In the first three months of 2011, the Lenzing Group generated the best quarterly results in the company's history. These record results were made possible by the increased shipment volumes related to the dynamic expansion of fiber production capacities, the continuing strong demand for Lenzing fibers as well as significantly higher fiber sales prices.

Consolidated sales of the Lenzing Group increased by 45.8% from the EUR 365.0 million in the already very good first quarter of 2010 to EUR 532.1 million in the first quarter of 2011. Group EBITDA improved by 65.8%, from EUR 69.3 million to EUR 114.9 million. Operating profit (EBIT) rose by 83.6% in the first quarter of 2011 from a good level of EUR 49.4 mill. in the first quarter of 2010 to EUR 90.7 million in the first quarter of 2011. The dynamic upward trend was also reflected in the performance compared to the fourth quarter of 2010: Consolidated sales increased by 10.7% and quarterly EBITDA by 18.4%, while quarterly EBIT was up 43.7% (19.8% as adjusted for non-recurring effects) and net income for the period rose by 41.8%.

"These new record results underline the importance of our expansion drive in recent years. All available production sites were operating at full capacity in the first quarter of 2011. Nevertheless, we could have sold an even greater volume of fibers. The strong global fiber demand combined with the supply gap for cotton lead us to expect an upward trend for the man-made cellulose fibers we manufacture," says Lenzing Chief Executive Officer Peter Untersperger, commenting on the company's business development. The further expansion of the Lenzing Group's fiber production capacities in Asia and Europe is proceeding as planned, according to Untersperger. At the end of 2011, Lenzing should have a total annual fiber production capacity of approx. 770,000 tons p.a., up from 710,000 tons p.a. at the end of 2010.

Investments in intangible assets and property, plant and equipment in the first quarter of 2011 amounted to EUR 41.9 million compared to EUR 30.5 million in the first quarter of 2010. Almost all of these investments related to the ongoing capacity expansion program. As reported in the past, Lenzing plans to invest approx. EUR 1.5 billion through 2014 including maintenance investments. Fiber production capacity shall be increased to more than one million tons, mainly through expansion and modernization investments. In addition, Lenzing plans to increase the level of own supply of its most important raw material pulp.

As of the end of March 2011, equity of the Lenzing Group amounted to EUR 744.1 million (after deducting the dividend of EUR 39.9 million for 2010), compared to EUR 732.0 million at the end of 2010. Despite investment expenditures, non-current liabilities declined to EUR 705.1 million, down from EUR 730.1 million at the end of 2010. The adjusted equity ratio(1) as of March 31, 2011 was almost stable at 38.1% of the balance sheet total as compared to 38.6% at the end of the previous year.

Positive development of all segments

The Fibers segment, the biggest segment of the Lenzing Group, showed outstanding business development in the first quarter of 2011, benefiting from strong fiber demand. At the beginning of 2011, announced price increases of about 10% were implemented in the Textile Fibers and Nonwoven Fibers business units, and were well accepted by the market.

The Segments Plastics Products and Engineering also developed positively.

Outlook The core fibers business of the Lenzing Group continues to benefit from a continuing upward trend. Assuming a stable global economy that is not negatively influenced by geopolitical events, the 2011 business year of the Lenzing Group is expected to develop more favorably than originally forecast at the beginning of the year.

The main reason is the better than expected acceptance of price increases, especially for specialty fibers (Lenzing Modal® and TENCEL®), which in turn is related to the current global fiber price structure with still high cotton prices.

The Management Board plans consolidated sales to increase to between EUR 2.1 billion and EUR 2.2 billion. Furthermore, for the business year 2011, the Management Board is targeting to achieve an EBITDA margin of 21% - 23% and an EBIT margin of 16% - 18%. The Management Board also plans investments and the payout ratio for 2011 to remain unchanged at approximately 15% of sales, and at approximately 25% of the consolidated net income for the year, respectively.

(1) Incl. investment grants, less prop. deferred taxes

Important IFRS performance indicators

on a Group-wide basis (in EUR million) 1-3/2011 1-3/2010

Consolidated sales	532.1	365.0
EBITDA	114.9	69.3
Operating profit (EBIT)	90.7	49.4
Income before tax and minority interests (EBT)	84.8	46.5
Net income for the period	66.9	35.5
EBITDA margin in %	21.6	19.0
EBIT margin in %	17.0	13.5
Gross cash flow	89.7	59.1
Investments (Intangible assets, property plant and equipment)	41.9	30.5

31.03.2011 31.12.2010

Adjusted equity ratio(*) in %	38.1	38.6
Staff	6,244	6,530(**)

(*) Equity incl. Investment subsidies less pro-rata share of deferred taxes (**) Incl. staff of discontinued operations

Segment reporting

(in EUR million) 1-3/2011 1-3/2010

Segment Fibers

Sales	481.4	328.1
EBITDA	109.7	66.4
Operating profit (EBIT)	86.9	47.2

Segment Plastics Products

Sales	44.9	32.8
EBITDA	3.3	2.2
Operating profit (EBIT)	1.6	1.2

Segment Engineering

Sales	30.8	17.8
EBITDA	2.6	1.4
Operating profit (EBIT)	2.2	1.1

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