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EANS-Adhoc: Lenzing AG / Lenzing Group: Second Best Nine-Month Results Despite Headwinds

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quarterly report

15.11.2012

- New record fiber shipment volumes
- Lower average fiber selling prices as expected
- Guidance confirmed for the entire year 2012

In spite of economic headwinds, the Lenzing Group succeeded in achieving the second best business results in its history. However, as expected, the company could not match the record performance of the previous year. Fiber shipment volumes rose by 12% year-on-year, whereas average selling prices for Lenzing fibers fell by about 11%, as anticipated.

Consolidated sales of the Lenzing Group in the first nine months of 2012 amounted to EUR 1,567.5 mn, a drop of 1.5% from the prior-year level of EUR 1,592.2 mn. Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) in the first three quarters was the second highest in the company's history, totaling EUR 281.5 mn, down 22.4% from EUR 362.9 mn in Q1-3 2011. The EBITDA margin remained at an attractive double-digit level of 18.0% (Q1-3 2011: 22.8%). Earnings before interest and tax (EBIT) were also at a gratifying level of EUR 203.4 mn (Q1-3 2011: EUR 289.7 mn). This corresponded to an EBIT margin of 13.0% for the Lenzing Group in the first nine months of 2012, compared to 18.2% in the prior-year period.

"In spite of the difficult market conditions, we were able to achieve record sales of 590,000 tons of fibers in the first three quarters of 2012 against the backdrop of the full utilization of our production capacities. This underlines the world market leadership of the Lenzing Group based on quality, innovation, a global presence and optimal service", says Lenzing's Chief Executive Officer Peter Untersperger.

Adjusted Group equity totaled EUR 1,152.0 mn as at the end of September 2012, a rise of 9.9% from the comparable figure of EUR 1,048.1 mn at the end of 2011. The adjusted equity ratio was 48.5% as at September 30, 2012 (December 31, 2011: 44.8%). As a result of the lively investment activity within the Group, net financial debt increased to EUR 295.3 mn at the end of the third quarter (December 31, 2011: EUR 159.1 mn). Accordingly, net gearing continued to be a very low level of 25.6% (December 31, 2011: 15.2%).

Outlook

Lenzing confirms its guidance for the entire year 2012, which was published as part of the half-year results. As a consequence, Lenzing is well on track to achieve the second best business results in the company's history in 2012 as a whole. However, due to the current market developments, a decline of average fiber selling prices to about EUR 1.85 per kilogram is expected. Accordingly, Lenzing now expects that it will likely reach the lower end of the targeted range with respect to its performance indicators for the entire year 2012. This means consolidated sales are anticipated to be within a range of EUR 2.1-2.15 bn, whereas EBITDA will amount to EUR 350-400 mn and EBIT will total somewhere between EUR 240-290 mn. Capital expenditure for 2012 is budgeted to be about EUR 325 mn.

Long-term megatrends such as population growth, increasing per capita fiber

consumption in the emerging markets and growing demand for resource-saving, environmentally compatible fibers remain intact, and are good arguments in favor of man-made cellulose fibers. However, this long-term growth trend does not exclude the possibility of repeated phases of delayed or accelerated economic growth. Lenzing remains committed to its long-term growth strategy.

Key Group indicators (IFRS) in EUR mn

	1-9/2012	1-9/2011
Consolidated sales	1,567.5	1,592.2
EBITDA	281.5	362.9
Earnings before interest and tax (EBIT)	203.4	289.7
Earnings before tax and minority interest (EBT)	199.8	277.0
Profit for the period	155.1	217.9
EBITDA margin in %	18.0	22.8
EBIT margin in %	13.0	18.2
Gross cash flow	198.5	317.4
Investments in intangible assets and property, plant and equipment	213.7	130.5

	30/09/2012	31/12/2011
Adjusted equity ratio* in %	48.5	44.8
Employees at the end of the period	6,958	6,593

*Equity incl. government grants less prop. deferred taxes

Segment reporting in EUR mn	1-9/2012	1-9/2011
Segment Fibers		
Sales	1,414.3	1,436.1
EBITDA	262.1	345.0
Earnings before interest and tax (EBIT)	187.3	275.9
Segment Plastics Products		
Sales	126.0	135.5
EBITDA	11.2	13.3
Earnings before interest and tax (EBIT)	6.8	8.3
Segment Engineering		
Sales	89.3	79.8
EBITDA	6.1	7.0
Earnings before interest and tax (EBIT)	4.8	5.9

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