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euro adhoc: Lenzing AG / Quarterly or Semiannual Financial Statements / The Lenzing Group: Off to a Good Start in 2005

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. but Substantially More Difficult Overall Conditions

The 2005 business year has been off to a satisfactory start, in spite of substantially more difficult overall conditions. The consolidated sales of the Group according to IFRS rose by 22.9% during the first quarter 2005 and amounted to EUR 233.8 million (EUR 190.3 million the year before). This reflects the full consolidation of the Tencel group of companies, as well as a new fiber-production record. Income from operations (EBIT) improved by 13.6% to EUR 27.4 mill. (compared to EUR 24.1 mill.) As a result of higher raw-material prices and lower average earnings for fibers, the increase in the operating result fell short of the increase in sales. With a slightly improved financial result, income before taxes (EBT) was up by 17.1%, amounting to EUR 27.3 mill., as compared to the first quarter 2004 (EUR 23.3 mill.). Net income amounted to EUR 20.5 mill. (after EUR 16.6 mill. for the comparable quarter of the previous year). The EBIT margin amounted to 11.7% for the first quarter 2005 (compared to 12.7%), while the EBITDA margin was 18.8% (after 19.4%).

Positive Demand for Fiber Volumes in Asia - Difficult Business Activities in Europe

While the fiber volumes sold in Asia at declining prices continued to be satisfactory, business activities came to be increasingly difficult in Europe (including Turkey), both for the Business Unit Textile Fibers and the Business Unit Nonwoven Fibers. It was possible to successfully counter the trend by producing record quantities of fibers and improving the product mix. Sales of modal fibers reached an all-time high. With regard to nonwovens, demand in Asia and the USA was very gratifying. Europe lagged behind, both in terms of prices and volumes. The large stocks amassed by competitors are a strain on the market.

Outlook

Although the first weeks of the 2005 business year took a positive course, Lenzing expects considerably more difficult overall conditions throughout the world for the year as a whole, especially strong pressure on raw-material and viscose prices. The consistently unfavorable euro/dollar rate and the liberalization of the textile import quotas are a major strain on our business in Europe. Lenzing will counter these unfavorable overall conditions by stepping up its production and concentrating further on special fibers. However, margins will inevitably go down in the further course of the 2005 business year. The non-fiber-specific business sectors, i.e. Lenzing Technik and Lenzing Plastics, can be expected to continue their positive development. No substantial reversal of the trend can be expected for the paper sector, given the difficult overall conditions.

Altogether, the Lenzing Group looks forward to a comparatively good development in the coming months. However, it will not be possible to match the results of the previous year.

Important Key Data 1-3/2005
according to IFRS, on a Group basis

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in EUR mill.	1-3/2005	1-3/2004
Sales	233.8	190.3
EBITDA	43.9	37.0
EBIT	27.4	24.1
Income before taxes (EBT)	27.3	23.3
Net income	20.5	16.6

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Further inquiry note:

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Baden-Württembergische Wertpapierbörse / free trade

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