

12.03.2007 – 08:22 Uhr

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Lenzing AG

All time record result for 2006

- . Group sales up 16.8% to EUR 1.1 bill.
- . Dynamic expansion of fiber business
- . Positive outlook for 2007

In the past business year 2006 the Lenzing Group achieved a new all time record result due to the dynamic expansion of its core business cellulose fibers.

According to preliminary figures Lenzing Group sales increased by 16.8% to EUR 1,100.5 mill. (2005: EUR 942.6 mill.), exceeding the one billion euro mark for the first time. EBIT at EUR 107.1 mill. was 31% higher than the year before (EUR 81.8 mill.). The result before taxes was at EUR 98.6 mill. (2005: EUR 79.3 mill.), an increase of 24%. Net income after minority interests was at EUR 83.9 mill. (2005: EUR 56.9 mill.), an increase of 48%. Due to this excellent result the management board will propose an increased dividend of EUR 10 per share (2005: EUR 8).

The record result is due to the exceptionally good development of business sector fibers. EBIT in this sector improved by 35% to EUR 89.6 mill., and sales by 16% to EUR 902.8 mill. Above all, Business Unit Textile Fibers greatly benefited from the development of new fiber applications and the corresponding increase in market share. Moreover, extensive investments in capacity expansion were made to safeguard this success. Good market conditions, in particular global demand for fiber specialties, enabled several price increases for both textile and nonwoven fibers. These and the cost savings realized in the production process offset the increases in energy costs by 15% as well as the higher pulp prices.

"In 2006 we further strengthened our leading global market position and moreover enhanced our leadership in the specialty fiber segment - despite considerable capacity expansion by our Asian competitors" is the comment of Thomas Fahnemann, chairman of the Lenzing management board, on the new record result of the Lenzing Group. Total production of the Group was raised to the new record level of 478,068 tons (2005: 453,806 tons) from its production sites in Austria, the UK, the USA and Indonesia. At Lenzing itself, the world's largest integrated production site for viscose fibers, production was increased to 230,000 tons; with specialty fibers such as nonwovens, Lenzing Modal®, MicroModal® and flame retardant or spun-dyed fibers making up the major share. The opening of a new sales office in India was a further extension of Lenzing's global sales.

Lenzing's marketing strategy of continuously developing new applications for Lenzing fibers was followed consistently in 2006. As well as increasing its market share in sports wear, Lenzing also enhanced its position in home textiles. In addition, new technical applications were developed for TENCEL® fibers.

In total, core business fibers and pulp generated 81% of Group sales.

Successful expansion of Engineering and Plastics

Business Unit Engineering experienced another successful business year. The favorable investment climate in viscose and fiber technology and the continuous development of new products and services led to sales increasing to EUR 103.6 mill. (2005: EUR 88.6 mill.). EBIT of the segment improved to EUR 10.1 mill. (2005: EUR 9.4 mill.).

Business Unit Plastics, the successful producer of plastics niche products, increased sales to EUR 93.5 mill. (2005: EUR 81.6 mill.). EBIT of this segment at EUR 8.9 mill. was at the level of the previous year. The recent takeover of the Hahl Group in Germany is expected to generate an additional annual sales boost of about EUR 35 mill.

Business Unit Paper implemented further extensive cost savings and improved its result to minus EUR 0.6 mill. (2005: minus EUR 1.2 mill) even though the market situation continued to be unfavorable.

Outlook: Continued expansion Demand for Lenzing fibers developed favorably during the first weeks of the new business year 2007. Lenzing will continue to expand production capacity in 2007. At the Lenzing site capacity will be increased in terms of quantity and quality by further modernization resulting in the expansion of specialty fiber production. Furthermore, the new viscose fiber plant at Nanjing/China will start production in a couple of weeks.

The US dollar to euro exchange rate will need to be monitored closely, in particular because of its influence on the competitiveness of the European textile industry. The development of raw material prices, above all for wood, pulp and energy, will also need to be kept under review.

The strong strategic position of Business Units Textile and Nonwoven Fibers, however, is encouraging and provides a basis for confidence.

The expansion rate of Business Unit Plastics will increase. Positive perspectives will result from the recently concluded joint venture in the field of carbon fiber precursor with SGL Carbon AG, Germany.

Business Unit Engineering, too, will provide impulse for growth from the end of the year on with the launch of its new business field of high tech sheet metal processing. All in all, therefore, another gratifying business development can be expected for 2007.

Key group figures (IFRS) in EUR mill.	2006 prel.	2005
Sales	1,100.5	942.6
EBITDA	170.1	141.6
EBIT	107.1	81.8
Net income	88.4	60.7
EBITDA margin in %	15.5	15.0
EBIT margin %	9.7	8.7
Equity ratio* %	51.1	48.0
Headcount	5,044	4,860
Capital expenditure	105.3	82.4
Operating cash flow	146.1	124.3

* equity including grants less prop. deferred taxes

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Branche: Chemicals
ISIN: AT0000644505
WKN: 852927
Index: WBI

Börsen: Börse Berlin-Bremen / free trade
Wiener Börse AG / official dealing

Original content of: Lenzing AG, transmitted by news aktuell

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