

EANS-Adhoc: Lenzing AG / Lenzing Group: Second-Best Result in the Company's History

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Financial Figures/Balance Sheet/Company Information

§ New record fiber sales volumes
§ Dividend proposal of EUR 2.00 per share
§ Outlook 2013: transitional year due to low visibility

In spite of difficult market conditions in its core fiber business, the Lenzing Group succeeded in achieving the second best business result in its history in the 2012 financial year. This can be attributed to new record fiber sales volumes and the good performance of Lenzing's specialty fiber TENCEL®.

Consolidated sales of the Lenzing Group were down slightly from the previous year, declining by 2.3% to EUR 2.09 bn compared to EUR 2.14 bn in 2011. The decline is due to the fact that more dissolving wood pulp from the Paskov pulp plant was used internally than in 2011. Adjusted for this consolidation effect, consolidated sales remained constant. The significant lower average fiber selling prices compared to the boom year 2011 could be compensated by the strong rise in fiber sales volumes, which climbed by close to 14% year-on-year, from 712,000 tons to 810,000 tons.

Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) amounted to EUR 358.7 mn[1], a decline of 25.3% from the record EBITDA of EUR 480.3 mn achieved in 2011, but above the comparable level of EUR 330.6 mn generated in the year 2010. The EBITDA margin amounted to 17.2% (2011: 22.4%). Earnings before interest and tax (EBIT) of the Lenzing Group amounted to EUR 255.0 mn in the 2012 financial year, comprising a decline of 29.9% from the prior-year level of EUR 364.0 mn. The EBIT margin was 12.2% (17.0% in the record year 2011).

"We performed quite well in 2012 despite a very difficult market environment", says Lenzing's Chief Executive Officer Peter Untersperger. "Naturally, our operating margins were below those in the boom year 2011 but still at a good level. We fully utilized our new production capacities, and were sold out throughout the entire year. This success proves the long-term correctness of our growth strategy in our core business of manufacturing man-made cellulose fibers", CEO Untersperger adds.

The one-off decommissioning costs for European Precursor (EPG), the joint venture with SGL Carbon and Kelheim Fibres, amounted to EUR 23.5 mn (2011: EUR 0). Accordingly, consolidated EBITDA after restructuring amounted to EUR 352.4 mn, corresponding to an EBITDA margin after restructuring costs of 16.9% of sales.

Record investment program

CAPEX (investments in property, plant and equipment, intangible assets and non-controlling interest) rose to the record level of EUR 346.2 mn in the 2012 financial year (2011: EUR 196.3 mn). Lenzing's investment activity focused on the completion of the fifth production line at the Indonesian subsidiary PT. South Pacific Viscose (SPV), the debottlenecking program at the plant in Nanjing (China), the capacity expansion drive at the TENCEL®factory in Mobile/Alabama (USA), expansion investments at the Lenzing site as well as the commencement of construction of the new large-scale TENCEL®plant in Lenzing. These investments were complemented by the further remodeling and upgrading of the Paskov plant (Czech Republic) and the acquisition of the remaining shares.

"The record year 2011 must not obscure the view on the second-best result in the company's history. As planned, 2012 represented the peak year of investments when it comes to the implementation of our growth strategy", says Lenzing's Chief Financial Officer Thomas G. Winkler. "Due to Lenzing's stable financial position and low debt we can afford this investment into the future without touching on our strategic liquidity reserve of more than half a billion euro."

Adjusted equity of the Lenzing Group rose to EUR 1,15 bn at the end of 2012, an increase of 10.0% from the prior-year level of EUR 1,05 bn. This corresponded to an adjusted equity ratio of 43.8% of total assets (2011: 44.8%) which increased

as a consequence of the record investments which were made.

Segment Fibers

Initial estimates^[2] conclude that the rise in world fiber production only amounted to 1.2% during the reporting year, with total volume up only slightly from 81.0 mn tons to 82.0 mn tons. This was in contrast to the 6.4% increase generated in 2011 and owing to the continued slow economic development. Worldwide production of man-made cellulose staple fibers, the core business of the Lenzing Group, climbed 9.2% in 2012 to 3.66 mn tons, thus expanding at a considerably faster rate than the global fiber market as a whole.

The fiber market in 2012 was dominated by a significant decrease in selling prices for all fibers. The average price of cotton, the benchmark for the entire fiber industry, fell more than 40% below the prior-year level. Cotton inventories further increased, and the global stock-to-use ratio reached a record level of more than 70%. Spot prices for viscose fibers were down by about 15% in China, the world's largest fiber market.

Lenzing achieved a new sales record in 2012 against the backdrop of a very difficult market environment. The average fiber selling prices of the Lenzing Group fell by 12%, decreasing from EUR 2.22 per kilogram to EUR 1.96 per kilogram.

"The fiber market rewarded Lenzing for its high product and service quality as well as its close cooperation with and integration in the textile chain", states Friedrich Weninger, Member of the Management Board and Chief Operating Officer. "In particular, our specialty fibers Lenzing Modal® and TENCEL® enabled us to successfully differentiate ourselves from standard products manufactured by Asian producers. In addition, we successfully attracted new customers and opened up new markets while launching new innovative fiber applications on the marketplace", COO Weninger says.

Lenzing Modal® and TENCEL® achieved price premiums of 40% - 60% in 2012 compared to standard viscose fibers. Specialty fibers accounted for approximately 35% of fiber sales in 2012. However, in the course of the year, selling prices for Lenzing's specialty fibers had to be continually adjusted downwards in line with general price levels as a result of the significant drop in cotton and viscose fiber prices.

Segments Plastics Products and Engineering

The Segment Plastics Products showed a satisfactory development during the year under review. Lenzing reported very good volume demand, especially in the thermoplastics business area.

The Segment Engineering profited from the positive mood in the capital goods market in 2012. Lenzing Technik equally took advantage of the extensive investment activity within the Lenzing Group as well as growing demand on the part of external customers.

Outlook Lenzing Group

The current market situation featuring many uncertainty factors only allows for low visibility with respect to further developments in the year 2013. From Lenzing's perspective the most likely scenario is a sideways trend, with 2013 considered to be a transitional period.

The additional production capacities which will be available to the Lenzing Group for an entire year for the first time will serve as the basis for an increase in sales volumes by about 13.5% to 920,000 tons. As a result, sales are expected to climb to a range between EUR 2.15 bn and EUR 2.25 bn. This includes the decline in the external sales of the Business Unit Pulp totalling a further EUR 50 mn, which in turn is the consequence of the full-scale conversion of the Paskov pulp plant to manufacturing dissolving wood pulp for the Group's internal requirements.

The anticipated decrease in average fiber selling prices in a year-on-year comparison to EUR 1.80 to EUR 1.90 per kilogram (2012: EUR 1.96/kg) will impact earnings directly. The earnings contribution achieved by the additional sales volumes is expected to be largely offset by cost increases for personnel, chemicals and other input factors.

For this reason, in the light of the assumed development of fiber prices, EBITDA of the Lenzing Group should range between EUR 260 mn and EUR 290 mn in 2013, and EBIT is expected to be in the range of EUR 140 - EUR 170 mn from today's perspective. This corresponds to an expected EBITDA margin of about 12% - 13%

and an expected EBIT margin of approximately 6% - 8% in the 2013 financial year.

Investments (CAPEX) are likely to total approx. EUR 260 mn, significantly below the comparable level of EUR 346 mn in 2012. Sales negotiations focusing on the divestment of the Business Unit Plastics, which is not part of Lenzing's core business, are already at an advanced stage. Binding offers were submitted.

Lenzing will respond to the low market visibility in 2013 by optimizations of market activities, cost structures as well as replacement and maintenance investments. The targeted volume growth of the Lenzing Group reaching the threshold of about one million tons of annual fiber capacity by the year 2014 remains unchanged. However, new investment projects will be subject to scrutiny with respect to the planned timeline. In the medium- and long-term, all three megatrends on the fiber market (population growth, increasing wealth and sustainability) driving growth of the man-made cellulose fiber industry will continue uninterrupted. "However, we intend to flexibly adapt our pace of growth to current market conditions and place additional emphasis on cash management", says Lenzing CEO Peter Untersperger.

Key Group indicators

(IFRS)		
(EUR mn)	1-12/2012	1-12/2011
Consolidated sales	2,090.4	2,140.0
EBITDA ¹	358.7	480.3
EBITDA margin ¹ in %	17.2	22.4
EBIT ¹	255.0	364.0
EBIT margin ¹ in %	12.2	17.0
Profit for the year ¹	191.9	267.4
CAPEX (investments in property, plant and equipment, intangible assets and non-controlling interest)	346.2	196.3
	31.12.2012	31.12.2011
Adjusted equity ratio ² in %	43.8	44.8
Number of employees at period-end	7,033	6,444

1) Before restructuring

2) Equity incl. government grants less prop. deferred taxes

Segment reporting		
(EUR mn)	1-12/2012	1-12/2011
Segment Fibers		
Sales	1,896.0	1,939.5
EBITDA	338.7	458.6
Segment Plastics Products		
Sales	159.9	172.6
EBITDA	15.9	16.5
Segment Engineering		
Sales	121.8	107.0
EBITDA	10.2	9.0

 [1] All earnings indicators before restructuring, unless explicitly stated otherwise

[2] Source: Lenzing Market Intelligence

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